



An even better place to live

PLANNING
NELSON'S FUTURE

Annual Report 2016/17

For the year end 30 June 2017

YOUR NELSON
Your Say

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FOREWORD: MAYOR & CHIEF EXECUTIVE

Welcome to Nelson City Council's Annual Report 2016/17, where we highlight Council's performance during the 2016/17 year.

Some of the highlights of the past 12 months include the Trafalgar Centre reopening, Suter redevelopment, and the start of construction of the Greenmeadows Centre.

The Trafalgar Centre was a major strengthening and upgrade project for Council. It is the largest indoor multi-purpose events centre in our region, capable of seating 2500 people and it is wonderful to have it fully open once more. We have a stronger, safer venue that has been brought up to date and is significantly more functional and appealing for events of all sizes. Nelson now has a venue that will serve us well for generations to come.

We also continued our programme of core infrastructure improvements, completing the final stage of the Maitai Pipeline duplication from the Water Treatment Plant to the city; commissioning the Corder Park Pump station for our wastewater; and upgrading stormwater systems at York Stream, Little Go Stream and Saxton Creek, just to list a few of the many infrastructure projects that were carried out during the year.

We all know Nelson is an amazing place to live, with an enviable climate, a diverse range of people and a visually stunning natural environment.

Whilst this annual report only provides a snapshot of the last year, Council's commitment in the natural environment space has been significantly increased over the last four years. The Council has invested in it's regional council functions across biodiversity, biosecurity, freshwater, the coast and air quality. The delivery through Nelson Nature and Project Maitai/Mahitahi in particular is making significant progress towards achieving Council's commitment to

making our environment even more special. Being awarded the New Zealand River award for long term macroinvertebrate improvements for the Maitai/Mahitahi River demonstrates that with hard work reward will follow. Whilst we have made gains we know we still have ongoing work to do to meet all our environmental targets and Council commitment is for the long term given improvement only shows over time.

We have seen some impressive economic performances in our region, with Nelson continuing to be one of the fastest growing regions in the country.

We have supported economic development by planning ahead, partnering with others, and promoting the value of our region to attract talent, visitors and investment.

Council has actively worked to encourage inner city development, through actions like development contribution waivers for inner city residential accommodation and encouraging Special Housing Areas. As a result, we have a number of developers investing in the heart of our city, everything from office space through to residential apartments.

“

We all know Nelson is an amazing place to live, with an enviable climate, a diverse range of people and a visually stunning natural environment.

.....”





As part of this, we have extended our Housing Accord with the government, and approved 13 Special Housing Areas. These Special Housing Areas will help provide much needed housing supply to our city and continue Nelson's momentum.

We continue to work in partnership with our community on projects, for example through our Community Investment Fund; and with our neighbours - Tasman District Council - with the new regional landfill business unit operational from 1 July 2017 and with work on the new National Policy Statement on Urban Development Capacity.

Our work has ensured Council's financial position is healthy and I'd like to thank you all for your consolidated efforts that help our city to thrive. Your efforts go a long way to making Nelson an even better place.

Rachel Reese
MAYOR OF NELSON

David Hammond
ACTING CHIEF EXECUTIVE

STATEMENT OF COMPLIANCE AND RESPONSIBILITY

Council and management of Nelson City Council confirm that they have complied with all statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002 and its amendments.

Rachel Reese
MAYOR OF NELSON

David Hammond
ACTING CHIEF EXECUTIVE



AUDIT REPORT

Independent Auditor's Report

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

The Auditor-General is the auditor of Nelson City Council (the Council). The Auditor-General has appointed me, Bede Kearney, using the staff and resources of Audit New Zealand, to report on the information in the Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

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

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

We completed our work on 31 October 2017. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on page 88 to 96, 98 and pages 104 to 155:
 - present fairly, in all material respects:
 - the Council's financial position as at 30 June 2017;
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards;

- the funding impact statement on page 97, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's annual plan;
- the Council activities on pages 15 to 85:
 - presents fairly, in all material respects, the Council's levels of service for each group of activities for the year ended 30 June 2017, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities on pages 24 to 85 presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Council's annual plan; and
- the funding impact statement for each group of activities on pages 24 to 85, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's Long-term plan.

Report on the disclosure requirements

We report that the Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 99 to 103, which represent a complete list of required disclosures and accurately reflects the information drawn from the Council's audited information and, where applicable, the Council's long-term plan and annual plans.

Basis for opinion on the audited information

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

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



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

Responsibilities of the Council for the audited information

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

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

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

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

Responsibilities of the auditor for the audited information

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

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

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

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

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

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.



- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of objectives and service performance, as a reasonable basis for assessing the levels of service achieved and reported by the Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

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

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 3 to 4, pages 10 to 13 and pages 156 to 179, but does not include the audited information and the disclosure requirements.

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

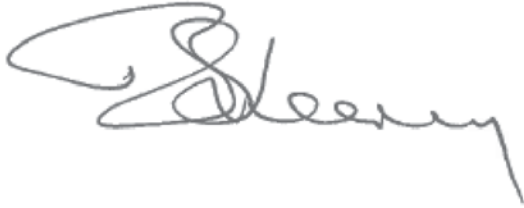
Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on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

Independence

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



In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of independent assurance review of the Council's Debenture Trust Deed, which are compatible with those independence requirements. Other than these engagements we have no relationship with or interests in the Council.

A handwritten signature in black ink, appearing to read 'Bede Kearney', with a large, stylized initial 'B'.

Bede Kearney
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

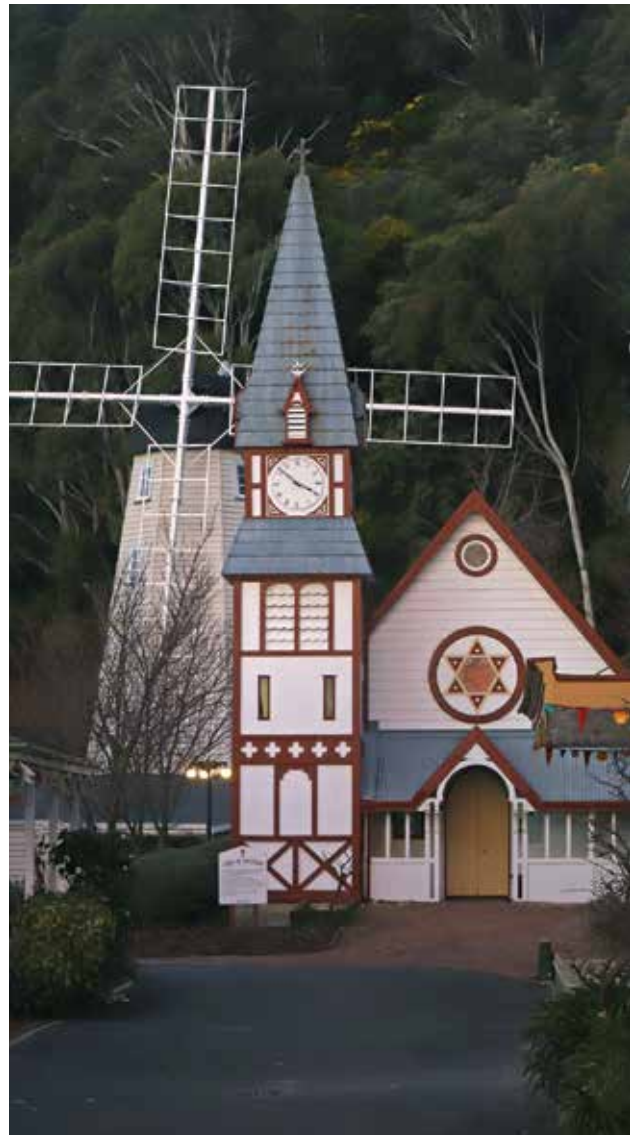
COMMUNITY OUTCOMES

It is a requirement of the Local Government Act 2002 that Council develops a set of outcomes that will guide the delivery of services in a way that is efficient, effective and appropriate to present and anticipated future circumstances. This Annual Report reflects these outcomes and priorities, and reports on how well Council is doing in meeting these.

The eight outcomes have been used to guide Council in aligning the work that it has done over the past year. The individual activity sections of this report provide detail on how each activity contributes to the relevant community outcomes.

Community outcomes:

- Our unique natural environment is healthy and protected
- Our urban and rural environments are people-friendly, well planned and sustainably managed
- Our infrastructure is efficient, cost effective and meets current and future needs
- Our communities are healthy, safe, inclusive and resilient
- Our communities have opportunities to celebrate and explore their heritage, identity and creativity
- Our communities have access to a range of social, educational and recreational facilities and activities
- Our Council provides leadership and fosters partnerships, a regional perspective and community engagement.
- Our region is supported by an innovative and sustainable economy



PLANNING AND REPORTING

Council's planning and reporting processes centre on three key documents.

- The Long Term Plan, updated every three years, is a long-term strategic planning document that forecasts Council's budgets and project priorities over the coming ten years. The current Long Term Plan is the 2015-25 Long Term Plan. The 2018-28 Long Term Plan is in development.
- The Annual Plan is developed each year to update the Long Term Plan budget and work programme forecasts with any exceptions from what was included in the Long Term Plan. In 2016/17, Council prepared, consulted on and adopted the 2017/18 Annual Plan.
- The Annual Report is produced each year to evaluate how Council performed against its budget and work programme set out in the Long Term Plan and Annual Plan and report any variations.



FINANCIAL OVERVIEW: YEAR ENDED 30 JUNE 2017

Council is required under the provisions of the Local Government Act 2002 (section 101) to manage its revenues, expenses, assets, liabilities, investments and general dealings prudently and in a manner that promotes the current and future interests of its community.

Council must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses (break-even).

The Annual Report shows that Council recorded a net surplus before revaluations for the year ended 30 June 2017 of \$13.2 million, which was \$8.9 million more than budget. An explanation of this variance can be found in note 39 in the Notes to Accounts section. The surplus was \$12.7 million for the 2015/16 financial year.

It should be noted that the word 'surplus' is an accounting term, and is different from the rating surplus. The accounting surplus includes capital items such as road subsidies and grants relating to capital projects, revaluations and vested assets which are required to be treated as income for accounting purposes.

Council's borrowings as at 30 June 2017 were \$92.4 million.

The full Annual Report was prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and complied with International Public Sector Accounting Standards (IPSAS), and other applicable financial reporting standards, as appropriate for public benefit entities.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land, certain infrastructural assets, investment property and biological assets.

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

The financial statements of Nelson City Council are for the year ended 30 June 2017. The financial statements were authorised for issue by Council 31 October 2017.





WORKING WITH MĀORI AND IWI

Council works with iwi and Māori to ensure there are structures for partnership and opportunities to contribute to decision-making processes.

More information about how Council does this is included in the Māori contribution to decision-making processes section, in the Long Term Plan 2015- 25.

During 2016/17, the following actions were undertaken to establish and maintain processes to provide opportunities for Māori to contribute to the decision-making processes of Council:

- The Council Kaumatua assisted the Mayor and Council on official occasions providing cultural support for citizenship ceremonies, welcoming dignitaries and as cultural support for the organisation.
- Council's Kaihautū officer position was filled for a period during 2016/17 however is currently vacant.
- The process to establish a strategic framework for Chairs of Te Waka a Māui to work with Mayors across Te Tau Ihu commenced.
- A Māori world view on the Planning and Regulatory Committee was provided by the appointment of a representative with insight into Te Ao Māori.
- A review of the Nelson Plan is underway and as part of this an iwi working group continued to meet to contribute to the development of the Nelson Plan. The group met a number of times during 2016/17 to provide input into Nelson Plan issues.
- Mayor Reese sits on the Whakatu Marae Committee board.
- Mayor attended Te Waka a Māui Iwi Chairs Forum in Blenheim (hosted by Ngāti Rārua) and attended a Civic reception in Blenheim for Iwi Chairs hosted by Mayor Leggett, Marlborough District Council.
- Joint work is ongoing with Tasman District Council which is looking to establish a forum with all Te Tau Ihu Iwi and both councils to discuss engagement and capacity and capability.



COUNCIL ACTIVITIES



Transport

Water supply

Wastewater

Stormwater

Flood protection

Environment

Social

Parks and active recreation

Economic

Corporate

COUNCIL ACTIVITIES: YEAR ENDED 30 JUNE 2017

The following sections are organised into financial activities for funding and accountability and cover everything that Council does.

For a fuller description of Council activities, including ten year estimates of spending, scope, assets, underlying assumptions, relevant policy documents, mitigation of any negative effects and service levels, refer Nelson's Long Term Plan 2015-25. This is available at Nelson Public Libraries, through Council's website at www.nelson.govt.nz or by contacting our customer service centre on 546 0200.

The activity groups are:

- Transport
- Water supply
- Wastewater
- Stormwater
- Flood protection
- Environment
- Social
- Parks and active recreation
- Economic
- Corporate





TRANSPORT

ABOUT COUNCIL TRANSPORT ACTIVITIES

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.

Council's transport activities include:

- A road network including roading, footpaths, cycle ways, road safety, street cleaning, and lighting.
- Public transport including the NBus service and the Total Mobility Scheme to provide access for people with disabilities.
- Inner city parking and central city enhancement.
- Management of properties on road reserve.

HIGHLIGHTS FOR 2016/17

In 2016/17, the capital expenditure in the transport activity was approximately \$5.1m (including both subsidised and unsubsidised roading projects).

Key renewal and maintenance activities that occurred on the existing transport network during 2016/17 included:

- 0.7 lane km of pavement rehabilitations,
- Structures maintenance and renewal including Gibbs and Poleford Bridges (Maitai Valley), Covent Pedestrian Walkway bridge repairs, Palisade Wall on The Cliffs and Oldham Bridge replacement (which was completed in August),
- 13.8 lane km of road resurfacing (at Nayland Road, Central city and Todd Bush),
- 3.9km of footpath resurfacing across the city, often in conjunction with the ultra-fast broadband roll out to achieve savings,
- 102 streetlight poles were replaced,
- 0.6 km of kerb and channel renewed (at Maitland Avenue and Bridge Street).

Another roading project included the completion of the second stage of the St Vincent Shared path, linking Gloucester Street to Haven Road. In addition, the road maintenance contract was jointly tendered with Tasman District Council, and awarded. This contract runs from 2017 to 2021.

Elms Street intersection safety improvements were completed. This new layout addresses the safety concerns at the intersection with Main Road Stoke.

Throughout the year, there was a focus on roading improvements in Stoke, including implementing a Putaitai Street right turn movement for all vehicles onto Main Road Stoke, removal of raised concrete barriers around trees at Strawbridge Square and detailed design of Stage 1 of Main Road Stoke traffic calming (the pedestrian central refuge to link the Greenmeadows facility with the commercial centre).

The Stoke foothills traffic study continued with a programme business case to identify a preferred programme of investment to address problems in the area being presented to Council. This work will be used in the preparation of the Long Term Plan 2018-28 and Transport Asset Management Plan 2018-28.

Specific walking and cycling projects in 2016/17 included:

- The commencement of the Tahunanui Cycleway project. Initial public consultation for the project was undertaken and analysis of findings completed. Three routes, including a preferred route, were identified for further investigation during this first project phase. Feedback was received from over 90 people. The next phase includes determining a final route that will be presented to Council for approval.
- Investigations into options for a facility to improve safety for cyclists and walkers along the Haven Road Portion of State Highway 6 was undertaken as part of the Rocks Road to Maitai Walking and Cycling Improvements project. Consultation with landowners and stakeholders was held and a decision on the final option to proceed to detailed



design was made in May 2017. This project has been handed over to New Zealand Transport Agency for implementation.

Bus patronage increased to 426,237 in 2016/17. Council resolved to withdraw the Stoke Loop service due to low patronage pending a bus service review being carried out in 2017/18.

Respondents to the 2016/17 Residents' Survey were asked how satisfied they were with Council, in the area of transport, which includes roads, cycle lanes, footpaths and public transport. 48% of residents were satisfied or very satisfied with transport activities.

Reasons for dissatisfaction with transport activities include public transport being limited, the roads being poor and needing improvement and the cycleways needing improvement.

Council investigated options for improvements at Church Street, with the capital works now scheduled to take place in 2017/18. Funding for this work comes from the Central Business District Enhancement Fund, that Council set aside in the Long Term Plan 2015-25 for capital projects to enhance the central city. Council is working in partnership with the local businesses in this area

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

Council's transport activities contributed to achieving the following community outcomes over the year.

Community outcomes	Contribution
Our urban and rural environments are people-friendly, well planned and sustainably managed	The transport network is sensitive to good urban design and contributes to a walkable city and transportation options suitable for all ages and abilities.
Our infrastructure is efficient, cost effective and meets current and future needs	Transport assets are recognised as critical assets vital to the functioning of our city. Good transportation planning contributes to a resilient community. The community has access to affordable and effective public transport. Growth in the activity is planned for and well managed, taking into account and minimising pollution and other negative side-effects of the transport activity.
Our communities have access to a range of social, educational and recreational facilities and activities	A growing network of cycle and walkways provide for active transport options and promote healthy lifestyles.
Our region is supported by an innovative and sustainable economy	The activity delivers a safe and efficient transport network that allows participation in the regional economy and supports economic activity This year Council spent its budget on road, bridge and retaining wall maintenance and renewals, improving the ageing road network. Other road safety improvements were constructed targeting identified safety locations.



SERVICE LEVELS AND PERFORMANCE

Measures from Year 2 of the Nelson Long Term Plan 2015-25

What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
Walking and cycling are easy and attractive transport choices.	Percentage of the community that travel to work by walking or cycling based on Annual Residents Survey and/or national census.	22% combined.	In the 2016/17 Residents' Survey, of residents who are in the workforce, more than half (58%) travel to work in a private vehicle. 10% of residents indicated they travel to work by bicycle and 9% walk or run to work. Excluding those who work from home, 11% travel by bicycle and 10% walk or run. This is a combined total of 19% of all residents or 21% of residents who do not work from home. This compares to 21% of residents travelling to work by cycling or walking in the 2015/16 Residents' Survey.	Not achieved
An efficient transport system that enables people and freight to move efficiently.	Average AM and PM peak hour travel times on Waimea Road and the State Highway between Annesbrook and Haven Road roundabout.	Average peak hour travel time delays are no greater than five minutes above uncongested travel times.	<p>The median peak hour travel time exceeded the upper limit as follows: 33 weeks in the Waimea Road northbound AM peak; 2 weeks in the Waimea Road southbound peak PM; 4 weeks in the Rocks Road northbound AM peak; and 19 weeks in the Rocks Road southbound PM peak. The 2015/16 exceedances were 24 weeks, 9 weeks, 11 weeks and 27 weeks respectively. The median is used rather than the average to avoid skewed results from long travel time matches that are a result of a vehicle stopping between detectors for a period of time and then continuing their journey.</p> <p>The issues associated with the arterial traffic flows is currently the subject of an investigation by NZTA on the Nelson Southern Link Investigation and its programmed business case had not been released by 30 June 2017.</p> <p>The detailed business case will follow the programmed one and will include:</p> <ul style="list-style-type: none"> • dialogue with the Council to understand its views on network optimization • review of the wider economic benefits and growth rates to confirm timing of a new route • confirmation of the new route's form and alignment 	Not achieved



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
			<ul style="list-style-type: none"> preparation for route protection and identification of the options for walking and cycling on Rocks Road. <p>There will be further public engagement, targeted community engagement and formal consultation undertaken during the detailed business case. Formal support will be sought from Nelson City Council on the outcomes of the investigation at the conclusion of the detailed business case, before applications are made for the consents required to build the road. Further consideration of the consenting process will be undertaken as part of the detailed business case.</p>	
Road safety.	The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	The number of fatalities and serious injuries on local roads reduces by 4% per year from the 2007 base when there were 14 in total.	There were 16 crashes in the 2016 calendar year that resulted in death or serious injury. This is higher than the target of 11. There were 11 crashes in the 2015 calendar year that resulted in death or serious injury. The calendar year is used due to the format of the data available from Police reports.	Not achieved in the 2016 calendar year
	Number of injury crashes per kilometre of road.	The collective risk for each year reduces by at least 4% per year from the 2007 base.	<p>The number of injury crashes per kilometre of road for the 2016 calendar year was 0.21 which is equal to the target maximum of 0.21 for 2016. In 2015, the number of injury crashes per kilometre of road was also 0.21.</p> <p>The target is a reducing scale and the trend line is not reducing at the same rate so the target is unlikely to be achieved in 2017, unless a cause and intervention can be identified. Traffic volumes have increased which affects the probability of crash events.</p> <p>The Road Safety Action Plan details the collaborative and safety actions proposed including alcohol, speeding, education initiatives together with the Minor Improvements programme.</p>	Achieved in the 2016 calendar year.

Table continued >



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
	Annual social cost of crashes (injury and non-injury) at intersections.	The social cost for each year reduces by at least 4% per year from the 2007 base.	The Consumer Price Index (CPI) adjusted social cost was \$13 million in the 2016 calendar year, an increase of \$2.5 million over the 2007 base due to the increase in the number of crashes recorded, and inclusion of 1 fatality at \$3.7M. The CPI adjusted social cost was \$5.7 million in the 2015 calendar year.	Not achieved in 2016 calendar year
	Number of crashes involving cyclists.	Nelson city cycle crash numbers do not increase from those in the base year of 2007.	The number of cycle crashes in 2016 calendar year was 19, which was less than the number of cycle crashes in 2007 (23). The number of cycle crashes in 2015 was 16 and in 2014 was 13. The maximum target is a static measure of 23 but the trend is increasing so is likely to match the target in 2017 and exceed it in 2018 unless a cause and intervention are identified. Traffic volumes have increased which affects the probability of crash events.	Achieved in the 2016 calendar year
	Number of crashes involving pedestrians.	Number of crashes involving pedestrians each year reduces by at least 4% per year from the 2007 base.	The number of crashes involving pedestrians in the 2016 calendar year was eight, which was more than the target maximum of five. The number of crashes involving pedestrians was 12 in 2013, 2014 and 2015. The target is a reducing trend which has not been met since one year after the target was set in 2007. An investigation into pedestrian crashes, factors and trends is to be commissioned by NCC in 2017 to determine intervention measures to address this poor performance.	Not achieved in 2016 calendar year
Minimised social and economic costs of crashes on the transport network.	Total five year average social cost of urban crashes (injury and non- injury) at the worst 10 intersections.	The annual total social cost is below the previous five year average.	The annual total social cost for 2016 for the worst 10 intersections was \$10.8 million compared with an average of \$4.3 million for the previous five years. This is based on New Zealand Transport Agency (NZTA) social cost and the Crash Accident System (CAS) database which is populated by the New Zealand Police and managed by NZTA. The result is given for a calendar year to allow complete years to be assessed given the lag in data being entered into the database by NZTA.	Not achieved in 2016 calendar year



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
			<p>The result for 2016 is high due to the high social cost of a pedestrian fatality at Neal/Lichfield intersection and multiple crashes at the Waimea/Hampden Street intersection.</p> <p>The Waimea / Hampden Street intersection is included in a project for changes to address the crash risk.</p> <p>The social cost for 2014 and 2015 for the worst ten intersections was \$3.8 million.</p>	
The Network, and its services, in good condition and "fit for purpose".	The average quality of ride on a sealed local road network, measured by smooth travel exposure.	87% based on NZ Transport Agency standard roughness limits in One Network Road Classification (ONRC).	<p>The smooth travel exposure was 90% in 2016/17 compared to 92% in 2015/16 due to the slight increase in travel on rougher roads.</p> <p>The trend is generally increasing percentage smooth travel exposure for all roads, except 2016/17 when smooth travel exposure has dropped, but is still higher than 2014/15 or previous years.</p>	Achieved.
	Average road roughness standard (National Association of Australian State Roading Authorities) by road classification.	The following maximum average road roughness are not exceeded: Arterial/ Principal, 100; Collector/ Sub Collector, 110.	<p>The average road roughness in 2016/17 are as follows: Arterial/ Principal: 54/79 and Collector/Sub-collector: 88/103.</p> <p>These values do not exceed the maximum average road roughness.</p> <p>This compares to 52/88 and 91/105 in 2015/16 respectively.</p> <p>A road roughness reading of 50 represents the kind of smoothness expected from a brand new road surfaced in asphalt, a reading of 150 represents a road reaching the end of its practical life.</p> <p>Roughness is slowly and generally trending down. A recent NZTA audit showed that sampling is not as frequent as expected and revised data collection is being planned. This could make a step change in results due to increased frequency of sampling from 2017/18.</p>	Achieved

Table continued >



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
	Average road roughness standard (National Association of Australian State Roading Authorities) by road classification.	The following maximum average road roughness are not exceeded: Local, 120; Rural sealed, 120.	The average road roughness in 2016/17 are: Local 105 and Rural sealed 95. These values do not exceed the maximum average road roughness. This compares to 102 and 96 in 2015/16 respectively. Roughness is slowly and generally trending down. A recent NZTA audit showed that sampling is not as frequent as expected and revised data collection is being planned. This could make a step change in results due to increased frequency of sampling from 2017/18.	Achieved
	The percentage of the sealed local road network that is resurfaced (annually).	6.4% - 7.4%.	5.6% of the sealed road network was resurfaced in 2016/17. This compares to 7.4% in 2015/16 and 4.8% in 2014/15. The total length of sealed road maintenance in 2016/17 was 248.5km. The length of road resurfaced in 2016/17 was 13.8km. The relationship between length and cost of resurfacing is affected by the type of surfacing. Asphalt surfacing is a higher cost than chipseal. Resurfacing in 2016/17 included three asphalt roads in the central city so the length achieved is reduced to maintain the overall budget.	Not achieved
	The percentage of footpaths that fall within the level of service or service standard for the condition of footpaths that is set out in the Transport Asset Management Plan.	95% of the footpath network by length has a condition rating of ≤ 3 .	93% of the footpath network has a condition rating of less than or equal to three. This compares to 95% in 2014. There are only two survey results to date so no trend can be confirmed yet.	Not achieved
Public transport services that meet the transport needs of the community with an equitable sharing of costs.	The fare recovery ratio.	50%	The fare recovery ratio was 52% in 2016/17 which is higher than the target of 50%. This compares to 56% in 2015/16 and 64% in 2014/15.	Achieved



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
Supply and pricing of short stay parking managed to encourage commercial activity in the city centre.	Percentage of short stay parking spaces occupied in midweek peak in December.	Not exceeding 85%	Measurements in the first week of December 2016 showed the maximum short stay occupancy was 94% indicating the parking is approaching being fully occupied. The comparable figure for 2012 was 85% and for 2015 was 81%. Note that the way this measure is calculated has been changed this year to exclude taxi and loading bays.	Not achieved
	Occupancy of long- stay parking spaces between peak travel times measured at five locations within the CBD fringe.	A reducing trend.	The occupancy of long stay parking spaces between peak travel times measured at five locations within the CBD fringe was 73% in 2016/17. This compares to 81% in 2015/16.	Achieved
Public satisfaction.	Percentage of public satisfied and dissatisfied with the transport activity (based on Annual Residents Survey).	More than 50% of respondents are either very satisfied or satisfied, and less than 10% are either dissatisfied or very dissatisfied.	In the 2016/17 Residents' Survey, 48% of residents were satisfied or very satisfied with transport activities including roads, cycleways, footpaths and public transport. The survey was carried out by an independent research company. Twenty-seven per cent are dissatisfied, or very dissatisfied. Residents cite their main reason for dissatisfaction with transport activities is public transport being limited (51%). Other mentions include the roads being poor and needing improving (35%) and the cycleways needing improving (21%). This year, the Southern Link and parking appear to be new areas of concern with residents. This compares to 2015/16, where 44% were either satisfied or very satisfied and 13% were either dissatisfied or very dissatisfied.	Not achieved
Customer responsiveness.	The percentage of customer service requests relating to roads and footpaths to which the Council responds within the time frame specified in the Transport Asset Management Plan.	80% of service requests responded to within five working days.	78% of service requests relating to roads and footpaths were responded to within five working days during 2016/17. 81% of service requests were dealt with in timeframes agreed with individual ratepayers in response to complex questions in 2016/17. This compares with 82%, and 92% respectively in 2015/16.	Not achieved

Table continued >



FINANCIAL PERFORMANCE - TRANSPORT

Funding Impact Statement

	Long Term Plan 2016 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	10,484	10,298	10,453	11,126
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	2,203	2,302	2,307	2,183
Fees and charges	585	596	596	611
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	1,920	1,902	1,904	2,122
Total operating funding	15,192	15,098	15,260	16,042
Applications of operating funding				
Payments to staff and suppliers	9,790	9,533	10,053	9,986
Finance costs	169	166	154	49
Internal charges and overheads applied *	1,581	1,411	1,328	982
Other operating funding applications	0	0	0	0
Total applications of operating funding	11,540	11,110	11,535	11,017
Surplus/(Deficit) of operating funding	3,652	3,988	3,725	5,025
Sources of capital funding				
Subsidies and grants for capital	2,385	1,857	1,856	1,755
Development and financial contributions	188	191	192	346
Increase (decrease) in debt	1,275	24	710	(2,831)
Gross proceeds from sale of assets	21	22	22	348
Lump sum contributions	0	0	0	0
Total sources of capital funding	3,869	2,094	2,780	(382)
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	950	226	228	492
- to improve level of service	3,224	2,679	3,150	1,349
- to replace existing assets	3,347	3,177	3,127	3,182
Increase (decrease) in reserves	0	0	0	(380)
Increase (decrease) in investments	0	0	0	0
Total applications of capital funding	7,521	6,082	6,505	4,643
Surplus/(Deficit) of capital funding	(3,652)	(3,988)	(3,725)	(5,025)
Funding balance	0	0	0	0

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



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 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	3,652	3,988	3,725	5,025
Subsidies and grants for capital expenditure	2,385	1,857	1,856	1,755
Development and financial contributions	188	191	192	346
Vested assets	0	0	1,843	3,628
Gains/(losses) on disposal	0	0	0	(181)
Depreciation	(5,388)	(5,577)	(5,708)	(6,618)
Targeted capital rates	0	0	0	0
Non cash write ups and gains on revaluation	0	0	0	0
Non cash write downs and losses on revaluation	0	0	0	(495)
Net Surplus/(Deficit) before taxation in Cost of Service Statement	837	459	1,908	3,460

Funding Impact Statement Variances against Budget

Rates funding is \$673,000 more than budgeted, mainly due to the funding of impaired assets. This was mainly capitalised work in progress that has been reassessed in hindsight as more in the nature of operating expenditure, and has resulted in a reduction in debt commensurate with the increased funding from rates.

Other operating income is \$218,000 more than budget. Recoveries for corridor access requests and ultra-fast broadband were greater than expected.

Finance costs and internal charges were lower than anticipated as interest rates were favourable to those budgeted, and internal borrowings were lower.

Capital grants from NZTA are \$101,000 under budget due to scheduling changes of capital projects.

Development and financial contributions are higher than budgeted, reflecting a difference in the timing of development activity.

Borrowings required are \$3.5 million less than budget due to available surpluses higher than anticipated, and less capital expenditure than expected.

Proceeds from asset sales are \$326,000 more than budget relating to the sale of land not required for Council purposes.

Capital expenditure is \$1.5 million under budget. \$910,000 of budget has been carried forward to 2017/18 to completedelayed projects or match NZTA timing expectations. Delays have occurred for a number of reasons including longer lead in time due to a more thorough business case approach, and contractor or stakeholder delays. More detail on variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

Depreciation is \$910,000 more than budgeted due to the impact of the full asset revaluation exercise completed as at June 2016.

Vested assets are \$1.8 million higher than anticipated, reflecting development activity in the city.

Losses on disposal relate to abandoned assets.

Write downs and losses on revaluation relate to the impairment of capitalised work in progress brought forward.





WATER SUPPLY

ABOUT COUNCIL WATER SUPPLY ACTIVITIES

Council supplies high quality water to most Nelson households and businesses through a piped network. Providing safe water for the city is a major part of Council's core business. A good quality, reliable water supply is essential for community and environmental wellbeing.

The Nelson area is served by the following mix of water supply systems:

- The Nelson system covering most of Nelson city, from Saxton Road to The Glen is water from the Maitai Dam and the Maitai Southern Branch, and Roding Rivers and which is treated at the Tantragee Saddle ultra-filtration treatment plant.
- Tasman District Council serves a small number of Nelson city properties between Saxton Road and Champion Road.
- Several private supplies in Nelson North take water from a variety of sources. Treatment ranges from no treatment to filtration and UV treatment.
- An increasing number of subdivisions take Council-supplied water, but operate private pumping and storage systems for properties above a height that Council's supply can service.

HIGHLIGHTS FOR 2016/17

In 2016/17, the capital expenditure in the water supply activity was approximately \$7.5m.

The resource consent applications for the city water supply from the Maitai River and Roding River were lodged in the middle of 2016. These consents will provide the city with certainty about its water supply for future years. The consent renewal for the Roding was granted during the year. The Maitai consent is pending.

The final stage of the Maitai Pipeline duplication, from the Water Treatment Plant to the city was completed. This project had a total budget of \$4.97m and provides improved water pipeline security for the city's water supply.

The Water Treatment Plant membrane renewals commenced in 2016/17 with the purchase of membranes for two trains (the installation of these membranes will occur in 2017/18). In addition, train five was brought on line in 2016/17.

Water main pipelines along Maitland Ave, Ngaio Street and Koromiko Ave were renewed. This will reduce the likelihood of a failure occurring in the future and the amount of maintenance needed on the lines. Work was carried out on site from October 2016 and was fully completed in June 2017.

The tracking of water losses project was ongoing in 2016/17 with an exercise to check Council supply of leaks nearly completed. Leak detection was carried out in several areas during the year and has identified a number of leaks. Repair of these will lead to improved integrity of the Council supply and reduce losses from this part of the network.

Investigations continued into complaints of discoloured water. The best understanding of this is that the source of discolouration can be traced back to iron oxides which largely result from lengths of cast iron and steel pipes in the network.

There has been ongoing engagement with key stakeholders on Tasman District Council's Waimea Dam project. A Council workshop and two Council briefings with further information were held during the year. It is expected that any decisions on a possible Council contribution of the project will be confirmed in 2017/18.



PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

Council's water supply activities contributed to achieving the following community outcomes over the year.

Community outcomes	Contribution
Our unique natural environment is healthy and protected	Environmental impacts are understood and managed, including through compliance with resource consents.
Our infrastructure is efficient, cost effective and meets current and future needs	A good quality, sustainable and affordable water network meets the needs of our current and future community.
Our communities are healthy, safe, inclusive and resilient	Safe and well managed water resources deliver critical health outcomes for the community.
Our region is supported by an innovative and sustainable economy	The city water supply has an important role in supporting a range of businesses that rely on potable water supplies being consistently available.

SERVICE LEVELS AND PERFORMANCE

Measures from Year 2 of the Nelson Long Term Plan 2015-25

What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
Good quality water.	The extent to which drinking water supply complies with: <ul style="list-style-type: none"> a) part 4 of the drinking-water standards¹ (bacterial compliance criteria), and b) part 5 of the drinking-water standards² (protozoal compliance criteria). 	Maintain Ab grading ³ and ensure potable water supplied to customers.	The water grading of Ab was re-confirmed by the Ministry of Health in September 2016. This grading was also achieved in 2013/14 and 2014/15. The 2016-17 review of the city water supply by the Drinking Water Assessment Unit of the Ministry of Health confirmed that compliance with part 4 of the drinking water standards (bacterial compliance) was achieved for both the source and distribution network and compliance with part 5 of the drinking water standards (protozoal compliance) was confirmed for the source. Protozoal compliance is not measured for the distribution network as the city operates an ultra-filtration treatment plant that will remove any protozoa at source.	Achieved
	The total number of complaints received about any of the following: <ul style="list-style-type: none"> a) drinking water clarity b) drinking water odour c) drinking water pressure or flow d) continuity of supply, and 	No more than 100 justifiable complaints per 1000 connections	During 2016/17, there were 21 complaints per 1000 connections. The total number of complaints was 434. There were 19,151 residential and 1,808 commercial connections at June 2017. This is an improvement in the number of complaints from 2015/16, where there were 35 complaints per 1000 connections and a total of 714 complaints. (There were 18,791 residential and 1,808 commercial connections at June 2016.)	Achieved

Table continued >

¹ Ministry of Health (2008), *Drinking water Standards for New Zealand (Revised 2008)*, Wellington, Ministry of Health

² Ministry of Health (2008), *Drinking water Standards for New Zealand (Revised 2008)*, Wellington, Ministry of Health

³ Ministry of Health grading system – the upper case 'A' refers to the source and treatment of the water and the 'b' refers to the distribution of the water.



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
	e) the response to any of these issues expressed per 1000 connections to the networked reticulation system.			
Reliable supply of water.	The average consumption of drinking water per day per resident.	Normal demand is less than 500L per person per day.	In 2016/17, demand was 288 litres per person per day. 5.3 million m ³ (Total Metered Supply)/50,600 (Estimated population, Statistics New Zealand) /365 (days of the year). In 2015/16 demand was 268 litres per person per day.	Achieved
	The percentage of real water loss from the networked reticulation system (including a description of the methodology used to calculate this).	Real water loss is less than 25%.	In 2016/17 real water loss was 23%. Council uses a water balance methodology developed by Water New Zealand to track and report on un-accounted for water. In 2015/16 real water loss was 29.8%. During 2015/16-2016/17 most of the city public reticulation was tested for leaks. Repairs were carried out as leaks were found. Additionally, in 2016/17 significantly more non-residential water use was recorded when compared to 2015/16 while volume of water supplied reduced slightly. The increase in non-residential water recorded may be the result of the ongoing programme to renew the commercial meters through the city, improving the volume recorded.	Achieved
	Water usage.	Compliance with resource consent abstraction rates.	Council monitors abstraction rates on a daily basis. No exceedances have been reported for the 2016/17 year.	Achieved
Acceptable water pressure.	Percentage of customers with acceptable pressure. That is, a minimum 30m head and maximum 90m head with a maximum fluctuation <35% from the average pressure received by each customer.	Computer model identifies 80% of properties with acceptable pressure.	Computer modelling identified 83% of properties had acceptable water pressure for the 2016/17 financial year. This is comparable to last years' results that identified 83.7% of properties with acceptable water pressure.	Achieved



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
Adequate flows of water.	Meet NZ Fire Service fire flows (and therefore domestic and commercial/ industrial flows) to all parts of the city.	Computer model identifies at least 95% of properties served by the network with acceptable flows.	In 2016, computer modelling showed that 99.2% of properties had acceptable fire flows. In 2017 Council has completed design works for four projects to improve fire flows to an additional 92 properties. Construction of one or more of these projects will be undertaken in 2017/18 as funds allow.	Achieved
A prompt response to reported network issues.	Where attending a call-out in response to a fault or unplanned interruption to the networked reticulation system, the following median response times measured:		Results to a-d are outlined below:	
	a) attendance for urgent call-outs: from the time that notification is received to the time that service personnel reach the site, and	a) Contractor to attend urgent call-outs in a median time of 60 minutes or less.	Contractor attended urgent call-outs in a median time of 21 minutes compared with last year's median time of 28 minutes.	Achieved
	b) resolution of urgent call-outs: from the time that notification is received to the time that service personnel confirm resolution of the fault or interruption.	b) Contractor to resolve urgent call-outs in a median time of 480 minutes or less.	Contractor resolved urgent call-outs in a median time of 107 minutes compared with last year's median time of 105 minutes.	Achieved
	c) attendance for non-urgent call-outs: from the time that notification is received to the time that service personnel reach the site, and	c) Contractor to attend non-urgent call-outs in a median time of 660 minutes or less.	Contractor attended non-urgent call-outs in a median time of 54 minutes compared with last year's median time of 56 minutes.	Achieved

Table continued >



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
	d) resolution of non-urgent call-outs: from the time that notification is received to the time that service personnel confirm resolution of the fault or interruption.	d) Contractor to resolve non-urgent call outs in a median time of 1440 minutes or less.	Contractor resolved non-urgent call-outs in a median time of 330 minutes compared with last year's median time of 346 minutes.	Achieved
A network that protects the natural environment.	Comply with resource consents RM025151 and RM975374 conditions for allowable water abstraction rates, re-vegetation of stream banks and eel and fish passage requirements.	100% compliance.	Compliance reporting was received from the contractor for the 2016/17 financial year. The Maitai River results showed flow and temperature conditions were met. The Roding River showed no breaches of the minimum flows. Eel transfer from the Maitai River to the Reservoir was carried out as required, with a total of 98 eels being transferred, and fish passage improvements continue to be investigated. This is consistent with 2015/16 reporting with the exception that 94 eels were transferred at the Maitai Dam. This is the same as 2015/16.	Achieved



FINANCIAL PERFORMANCE - WATER SUPPLY

Funding Impact Statement

	Long Term Plan 2016 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	0	0	0	0
Targeted rates	11,709	12,019	11,728	11,223
Subsidies and grants for operating purposes	0	0	0	0
Fees and charges	31	31	31	46
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	7	8	8	40
Total operating funding	11,747	12,058	11,767	11,309
Applications of operating funding				
Payments to staff and suppliers	6,032	6,129	6,018	6,073
Finance costs	0	0	0	0
Internal charges and overheads applied *	1,748	1,815	1,634	1,643
Other operating funding applications	0	0	0	0
Total applications of operating funding	7,780	7,944	7,652	7,715
Surplus/(Deficit) of operating funding	3,967	4,114	4,115	3,594
Sources of capital funding				
Subsidies and grants for capital	0	0	0	176
Development and financial contributions	281	287	281	403
Increase (decrease) in debt	2,412	1,044	1,393	3,347
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	2,693	1,331	1,674	3,926
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	1,150	0	0	22
- to improve level of service	3,182	3,253	3,667	3,468
- to replace existing assets	2,328	2,192	2,122	4,030
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
Total applications of capital funding	6,660	5,445	5,789	7,520
Surplus/(Deficit) of capital funding	(3,967)	(4,114)	(4,115)	(3,594)
Funding balance	0	0	0	0

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



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 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	3,967	4,114	4,115	3,594
Subsidies and grants for capital expenditure	0	0	0	176
Development and financial contributions	281	287	281	403
Vested assets	0	0	312	649
Gains/(losses) on disposal	0	0	0	(79)
Depreciation	(3,967)	(4,115)	(4,115)	(4,005)
Targeted capital rates	0	0	0	0
Non cash write ups and gains on revaluation	0	0	0	0
Non cash write downs and losses on revaluation	0	0	0	(17)
Net Surplus/(Deficit) before taxation in Cost of Service Statement	281	286	593	721

Funding Impact Statement Variances against Budget

Targeted rates (water by meter) is under budget by \$505,000. An analysis of water volumes indicates a correlation between the particularly high rainfall during the year and reduced water usage.

Unbudgeted subsidies for capital expenditure are recoveries from utilities providers.

Capital expenditure is over budget by \$1.7 million. This relates to the decision to bring forward the replacement of membranes at the water treatment plant, and leads to a corresponding increase in the level of debt against budget.

Development contributions are more than budgeted by \$122,000 due to market activity.

Vested assets are \$337,000 higher than anticipated, reflecting development activity in the city.

Losses on disposal relate to abandoned assets.





WASTEWATER

ABOUT COUNCIL WASTEWATER ACTIVITIES

Council provides a wastewater system for the collection, treatment and disposal of wastewater discharged into Nelson's sewers.

Activities include operations and maintenance of the facilities and the network of pipes, manholes and pump stations in the city. The treatment at Nelson North treats waste from Bishopdale northwards, while the Bell Island Treatment Plant (jointly owned with Tasman District Council) serves the Stoke and Tahunanui areas as well as several large industrial premises and parts of the nearby Tasman area.

HIGHLIGHTS FOR 2016/17

In 2016/17, the capital expenditure in the wastewater activity was approximately \$2.4m.

The Corder Park Sewer Pump Station Upgrade was completed and commissioned in April 2017. The project was constructed over two years at a total cost of \$5.3m. Now completed, the pump station handles current and future demand safely and efficiently and will provide improved emergency storage capacity in this location.

The tender for the construction work at the Neale Park Pump Station was advertised in April, following the completion of detailed design and resource consent processing. It is expected this project will be completed before the end of 2018.

Design work on the Awatea Place pump station is underway and scheduled to extend into 2017/18. This project is to replace the two pump stations on Parkers Road with a single pump station at the end of Awatea Place.

Other wastewater renewals carried out in 2016/17 include design for the following projects: flow meters renewal, Stansell and Princes Drive sewer renewal, Jenner Road sewer renewal and St Vincent Street sewer renewal.

Investigation of options for the re-direction of wastewater from the Wakatu area was undertaken. This Gracefield beheading project is expected to resolve overflows from the main in Gracefield Street.

Investigation continued to look at levels of inflow and infiltration of stormwater into the wastewater network. This included work using CCTV to inspect the condition of gravity sewer pipes in the Central Business District. The results will help with planning the network renewal programme for the next three years.





WASTEWATER

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

Council's wastewater activities contributed to achieving the following community outcomes over the year.

Community outcomes	Contribution
Our unique natural environment is healthy and protected	The wastewater network is managed to minimise impacts on the natural environment and provide a healthy living environment for residents and visitors.
Our infrastructure is efficient, cost effective and meets current and future needs	A good quality, sustainable and affordable wastewater network that meets the needs of our current and future community.
Our region is supported by an innovative and sustainable economy	A well-managed wastewater network is essential to the functioning of our regional economy.

SERVICE LEVELS AND PERFORMANCE

Measures from Year 2 of the Nelson Long Term Plan 2015-25

What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
A fully operational wastewater treatment plant.	Level of compliance of treatment plant with resource consent conditions.	100% compliance.	100% Compliance 2016-17. Last year there were 15 odour complaints. 13 of these occurred between 29 March and 17 May 2016 brought about by changed treatment conditions caused by a need to carry out maintenance at the treatment plant.	Achieved
A fully operational wastewater treatment plant.	The number of dry weather sewerage overflows from the sewerage system, expressed per 1000 sewerage connections.	The number of dry weather sewerage overflows from the territorial authority's sewerage system is less than 10 per 1000 connections.	There were 8 dry weather overflows per 1000 connections. The total number of dry weather overflows was 235. Down from last year's 12 dry weather overflows per 1000 connections and total number of dry weather overflows of 252.	Achieved



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
Appropriate response to reported network issues.	The following median response times are measured for sewerage overflows resulting from a blockage or other fault in the sewerage system:		Results to a to b are outlined below:	
	a) attendance time: from the time notification is received to the time that service personnel reach the site, and	a) Contractor to attend in a median time of 120 minutes or less.	Median response time of 21 minutes compared with last year's median response time of 20 minutes.	Achieved
	b) resolution time: from the time that notification is received to the time that service personnel confirm resolution of the blockage or other fault.	b) Contractor to resolve issue in a median time of 480 minutes or less.	Median resolution time of 202 minutes compared with last year's median response time of 200 minutes.	Achieved
Environmental protection.	Compliance with the territorial authority's resource consents for discharge from the sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders, and d) convictions in relation to those resource consents.	100% compliance.	During 2016/17, there were no contraventions identified by regulatory section.	Achieved
	The total number of complaints received about any of the following: a) sewage odour b) sewerage system faults c) sewerage system blockages, and d) Council's response to issues with the sewerage system, expressed per 1000 connections to the sewerage system.	No more than 50 justifiable complaints a year per 1000 connections.	There were 16 complaints per 1000 connections during 2016/17. The total number of complaints was 358. This is slightly down from last year's 19 complaints per 1000 connections during 2015/16 and total number of complaints of 417.	Achieved

Table continued >



FINANCIAL PERFORMANCE - WASTEWATER

Funding Impact Statement

	Long Term Plan 2016 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	0	0	0	0
Targeted rates	7,093	7,468	6,864	6,903
Subsidies and grants for operating purposes	0	0	0	0
Fees and charges	1,250	1,299	1,274	1,490
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	2,433	2,598	2,455	1,625
Total operating funding	10,776	11,365	10,593	10,018
Applications of operating funding				
Payments to staff and suppliers	5,848	6,314	5,658	5,575
Finance costs	441	444	0	0
Internal charges and overheads applied *	275	299	575	157
Other operating funding applications	0	0	0	0
Total applications of operating funding	6,564	7,057	6,233	5,733
Surplus/(Deficit) of operating funding	4,212	4,308	4,360	4,285
Sources of capital funding				
Subsidies and grants for capital	0	0	0	1
Development and financial contributions	469	487	469	413
Increase (decrease) in debt	2,057	1,084	637	13
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	2,526	1,571	1,106	427
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	1,009	823	292	293
- to improve level of service	4,347	3,501	3,570	840
- to replace existing assets	1,382	1,555	1,604	1,230
Increase (decrease) in reserves	0	0	0	2,349
Increase (decrease) in investments	0	0	0	0
Total applications of capital funding	6,738	5,879	5,466	4,712
Surplus/(Deficit) of capital funding	(4,212)	(4,308)	(4,360)	(4,285)
Funding balance	0	0	0	0

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



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 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	4,212	4,308	4,360	4,285
Subsidies and grants for capital expenditure	0	0	0	1
Development and financial contributions	469	487	469	413
Vested assets	0	0	406	832
Gains/(losses) on disposal	0	0	0	(174)
Depreciation	(4,189)	(4,557)	(4,323)	(4,318)
Targeted capital rates	0	0	0	0
Non cash write ups and gains on revaluation	0	0	0	0
Non cash write downs and losses on revaluation	0	0	0	(3)
Net Surplus/(Deficit) before taxation in Cost of Service Statement	492	238	912	1,036

Funding Impact Statement Variances against Budget

The variance in fees and charges income is due to trade waste revenue being higher than expected.

Other income is less than budgeted by \$830,000 reflecting a difference in the consolidation of the NRSBU joint venture.

Internal charges for interest were lower than anticipated as interest rates were favourable to those budgeted, and internal borrowings were lower.

Capital expenditure is \$3.1 million less than budgeted, \$2.9 million relates to the Neale Park pump station and has been carried forward to 2017/18. More detail on variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

As a result of capital expenditure being so much lower than expected, the borrowings requirement is less than budgeted and a reserve has been created.

Vested assets are \$426,000 higher than anticipated, reflecting development activity in the city.

Losses on disposal relate to abandoned assets.





STORMWATER

ABOUT COUNCIL STORMWATER ACTIVITIES

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.

In large parts of the city a fully-piped system is not provided. Stormwater soaks into the ground or flows into road channels, which is often the primary drainage system. The focus of stormwater activity is expanding the piped network to areas of the city where this is lacking.

HIGHLIGHTS FOR 2016/17

In 2016/17, the capital expenditure in the stormwater activity was approximately \$1.2m.

The Railway reserve/Saxton Road West to Dryden Street Stormwater Upgrade, to improve on the existing discharge to soakage in the area and alleviate localised flooding was completed during 2016/17.

Design for Wastney Terrace piping from the south end of Wastney Terrace to Corder Park to upgrade the public stormwater system to serve the future development potential was completed. The resource consent for future works and access agreements are expected to be completed in 2017/18.

Other stormwater work included investigation of the Vanguard Street Stormwater, commencing work on the Tahunanui Hills Stormwater Moana Avenue to Rocks Road concept design work and investigation work to confirm final options for detailed design at Airlie Street stormwater.

The private public drains programme continued, with projects including Waimea road stormwater, Tahuna to Chamberlain safety improvements and Otterson to Pascoe Street Stormwater options investigation.

The Fifeshire Crescent Stormwater upgrade was completed. The stormwater portion of the Days Track Recovery project also commenced and has since been completed.

A stormwater project, to finalise options for upgrades for the stormwater network, including secondary flowpaths in the Arapiki Road/Marsden Road/Main Road Stoke area was carried out over the year. This is the first year of the project which will be continued through the Long Term Plan 2018-28.



PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

Council's stormwater activities contributed to achieving the following community outcomes over the year.

Community outcomes	Contribution
Our unique natural environment is healthy and protected	Nelson's environment is protected by an efficiently managed stormwater network that minimises damage to open spaces from rainfall events. Works to support the stormwater assets are managed as far as possible to respect the natural, recreational and heritage values that might be present.
Our urban and rural environments are people-friendly, well planned and sustainably managed	Homes, facilities and people are protected from the adverse effects of rainfall events by a well-managed stormwater network.
Our infrastructure is efficient, cost effective and meets current and future needs	A good quality, sustainable and affordable stormwater network meets the needs of our current and future community.
Our region is supported by an innovative and sustainable economy	Impact on businesses and economic activity are minimised by understanding and managing the stormwater network to protect people and property.



SERVICE LEVELS AND PERFORMANCE

Measures from Year 2 of the Nelson Long Term Plan 2015-25

What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
<p>Environmental Protection</p> <p>For the built and natural environment from stormwater discharges.</p>	<p>Compliance with resource consents for discharge from the stormwater system, measured by the number of:</p> <ul style="list-style-type: none"> a) abatement notices b) infringement notices c) enforcement orders, and d) successful prosecutions received in relation to those resource consents. 	100% compliance	No contraventions were identified by regulatory section during 2016/17. This is the same as in 2015/16	Achieved
<p>Reliability</p> <p>An operational stormwater network.</p>	Stormwater network extended throughout the city.	Complete 80% of capital expenditure programme.	<p>Capital expenditure completed during 2016/17 in the stormwater activity was 63% (\$1.136m out of a total budget of \$1.8m). Not achieving this target was partially the result of savings on the Railway Reserve - Saxton Road West - Dryden Street and Fifeshire Stormwater projects as a total of \$425,000 was saved between these two projects that were completed during 2016/17. In 2015/16 significant under expenditure related to a range of issues: savings realised on a number of projects that were constructed under budget, one large renewal project where testing determined the service life of the structure could be extended (St Vincent Hastings St culvert \$88k), agreements with property owners not able to be completed (Stansell Ave Public/Pvte Drain \$132,000, Wastney Terrace \$40,000), detailed design work being completed in-house rather than by a consultant (Fifeshire Cres \$100,000, Nayland Rd/Galway \$43,000) or property sale removing the need for the project (Suburban Club \$34,000). Of the 24 projects identified with budget in 2015/16, only 3 were not completed to the extent anticipated (Stansell Ave, Wastney Tce, Bisley Ave).</p>	Not Achieved



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
	Number of blockages per 100 km of pipes on an annual basis.	Less than 25 blockages per 100km of pipes on an annual basis.	There were 52 blockages per 100km of pipes during 2016/17. The total number of blockages was 168. This is down slightly from 53 blockages per 100km of pipes during 2015/16. The high volume of blockages is a result of including road utilities with a high level of sump blockages with leaves and debris.	Not Achieved
	a) The number of flooding events that occur. b) For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to stormwater system).	No damage from flood events up to Q2 level to more than 10 per 1000 properties per year.	There were no flooding events with reported habitable floor damage. Q2 is a measure used to reflect events which are expected to occur regularly. All flooding events regardless of size that result in habitable floor damage, that are reported to Council, are measured through the Service Request process. In 2015/16 there was one flooding event that occurred at North Nelson but no reported habitable floor damage.	Achieved
Response to complaints Minimise justifiable complaints.	The median response time to attend a flooding event, measured from the time that notification is received to the time that service personnel reach the site.	Median response time is less than 180 minutes.	Median response time of 25 minutes, for a total of five call outs. Compared with 2015/16 where the median response time was 48 mins for a total of four call outs.	Achieved
	The number of complaints received about the performance of the stormwater system, expressed per 1000 properties connected to the stormwater system.	No more than 25 complaints per 1000 connections per year.	There were 10 complaints received per 1000 connections during 2016/17. The total number of complaints was 216. This was down from last year's 17 complaints received per 1000 connections and total number of complaints of 351.	Achieved



FINANCIAL PERFORMANCE - STORMWATER

Funding Impact Statement

	Long Term Plan 2016 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	0	0	0	0
Targeted rates	4,283	4,147	3,959	3,972
Subsidies and grants for operating purposes	0	0	0	0
Fees and charges	0	0	0	5
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0
Total operating funding	4,283	4,147	3,959	3,977
Applications of operating funding				
Payments to staff and suppliers	1,270	1,068	956	838
Finance costs	0	0	0	0
Internal charges and overheads applied *	1,008	998	852	802
Other operating funding applications	0	0	0	0
Total applications of operating funding	2,278	2,066	1,808	1,640
Surplus/(Deficit) of operating funding	2,005	2,081	2,151	2,337
Sources of capital funding				
Subsidies and grants for capital	0	0	0	4
Development and financial contributions	263	267	267	272
Increase (decrease) in debt	329	436	855	(1,553)
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	592	703	1,122	(1,277)
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	0	0	0	54
- to improve level of service	2,474	2,703	3,238	1,169
- to replace existing assets	123	81	35	12
Increase (decrease) in reserves	0	0	0	(176)
Increase (decrease) in investments	0	0	0	0
Total applications of capital funding	2,597	2,784	3,273	1,059
Surplus/(Deficit) of capital funding	(2,005)	(2,081)	(2,151)	(2,336)
Funding balance	0	0	0	0

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



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 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	2,005	2,081	2,151	2,337
Subsidies and grants for capital expenditure	0	0	0	4
Development and financial contributions	263	267	267	272
Vested assets	0	0	562	742
Gains/(losses) on disposal	0	0	0	(105)
Depreciation	(2,005)	(2,081)	(2,150)	(2,105)
Targeted capital rates	0	0	0	0
Non cash write ups and gains on revaluation	0	0	0	0
Non cash write downs and losses on revaluation	0	0	0	(230)
Net Surplus/(Deficit) before taxation in Cost of Service Statement	263	267	830	915

Funding Impact Statement Variances against Budget

Savings in payments to staff and suppliers are mainly in reactive maintenance.

Capital expenditure is \$2 million less than budget. \$265,000 is identified savings with the remainder carried forward to 2017/18 to fund completion of projects in progress. More detail on variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

Borrowings required are \$1.6 million less than budget as a result of the timing of capital expenditure and the unanticipated availability of reserves.

Losses on disposal relate to abandoned assets.

Vested assets are \$180,000 higher than anticipated, reflecting development activity in the city.

Write downs and losses on revaluation relate to the impairment of capitalised work in progress brought forward.





FLOOD PROTECTION

ABOUT COUNCIL FLOOD PROTECTION ACTIVITIES

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. Responses will depend on the risk profile for each river or stream and this evaluation is being carried out during 2016/17. While Council has carried out a programme of upgrading works over the past 20 years, ongoing maintenance is required to keep the streams clear. Future upgrading works are expected to be required as a result of climate change.

HIGHLIGHTS FOR 2016/17

In 2016/17, the capital expenditure in the flood protection activity was approximately \$5.4m.

A major project carried out during the year was the upgrade of Hampden Street Little Go Stream (along with water supply and wastewater renewals).

The stormwater portion within Waimea Road for the Little Go Stream upgrade Stage 1 was completed, with the road open in time for Christmas. Future stages will link this work to the Rutherford Street network and improve intake protection in the Grampians.

The York Stream Channel upgrade was completed in 2016/17. This project is a multi-year project to install a large stormwater pipe in Bishopdale. During 2016/17 the new pipeline down Kawai Street was tendered and physical works will be carried out during 2017/18.

Work on Saxton Creek upgrade Stage 2 commenced in December 2016. The concrete weir, pedestrian bridge and box culvert were completed. It is expected that this stage of the upgrade work will be completed in August 2017.

Initial design on the Saxton Creek Culvert to Sea project, to address under sized stormwater culverts that cause excessive surface flooding was carried out. Further design and consents are expected in 2017/18 with construction timing to be considered through the Long Term Plan 2018-28.

Work on flood models continued in 2016/17, with detailed flood models to confirm flood capacity and support future work received for eleven streams and rivers.

Other work included Orphanage Stream upgrade, to address flood risk to the Wakatu Industrial estate, the Brook Stream fish passage improvements, Maire Stream repairs, and the Nile Street East project's resource consent.

Work was also carried out on a Code of Practice for working in streams, and global consent for maintenance and repair works within rivers, including culvert and bridge maintenance works, vegetation removal and gravel extraction.



PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

Council's flood protection activities contributed to achieving the following community outcomes over the year.

Community outcomes	Contribution
Our unique natural environment is healthy and protected	Nelson's environment is protected by an efficiently managed flood protection network that minimises damage to open spaces from flooding events. Works to support the flood protection assets are managed as far as possible to respect the natural, recreational and heritage values that might be present.
Our urban and rural environments are people-friendly, well planned and sustainably managed	Homes, facilities and people are protected from the adverse effects of rainfall events by a well-managed flood protection network.
Our infrastructure is efficient, cost effective and meets current and future needs	A good quality, sustainable and affordable flood protection network meets the needs of our current and future community.
Our region is supported by an innovative and sustainable economy	Impacts on businesses and economic activity are minimised by understanding and managing the flood protection network to protect people and property.

SERVICE LEVELS AND PERFORMANCE

Measures from Year 2 of the Nelson Long Term Plan 2015-25

What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
Protection for the urban built and natural environment from floods through upgrading, maintaining, repairing and renewing assets to standards in the Flood Protection Asset Management Plan.	The major flood protection and control works that are maintained, repaired and renewed to the key standards defined in the Stormwater and Flood Protection Asset Management Plan.	Network maintained to its current service potential.	No loss of current service potential evident in any urban streams. In 2016/17 Council completed computer flood models for the urban streams with the exception of Saxton Creek. These models identified widespread flood risk, especially in the lower sections of each catchment. Further development of options for flood management will continue in 2017/18. Council's maintenance budget for 2016/17 was used to maintain streams current service potential. Gravel traps have been constructed in Orphanage, Poorman Valley Stream and Saxton Creek. There will be an ongoing requirement for monitoring and maintenance.	Achieved
		Damage from any flood event identified, prioritised and a repair programme agreed with the community.	There were no flood events in 2016/17 requiring repairs. Repairs to Orphanage Stream from the 2013 event were designed in 2016/17 for construction in 2017/18.	Achieved

Table continued >



FLOOD PROTECTION



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
		High priority works undertaken as soon as practicable.	In 2016/17, Council was granted a global consent for the repair and maintenance of streams. This will ensure future works can be undertaken as soon as practicable.	Achieved
		Network components are renewed to continue to provide their original design service potential.	In 2016/17 flood repair designs for Maire Stream and Orphanage Stream were completed. These maintain the adequacy of the existing waterway.	Achieved
	Damage to urban property from Maitai River flooding is minimised.	Urban section of Maitai River is inspected and maintained annually.	Annual stream walks were carried out early in 2017. There was no reported damage to urban property as a result of flooding 2016/17. Intensive willow control program carried out and will continue to be ongoing.	Achieved
Integration of ecological and flood protection requirements in urban sections of streams and rivers.	Fish passage in streams is maximised and ecological impact of structures is minimised.	Undertake design of preferred option to improve fish passage to the Brook Street channel.	Fish Passage improvements were designed in 2016/17 and a trial of a range of these will be undertaken in 2017/18 to 2019/20.	Achieved
	Channel maintenance works carried out in accordance with resource consents.	100% compliance with resource consent conditions.	100% compliance with resource consent conditions during 2016/17. No known breaches or infringements for maintenance carried out in waterways for 2016/17.	Achieved

FINANCIAL PERFORMANCE - FLOOD PROTECTION

Funding Impact Statement

	Long Term Plan 2016 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	0	0	0	0
Targeted rates	735	1,238	938	942
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
Total operating funding	735	1,238	938	942
Applications of operating funding				
Payments to staff and suppliers	309	319	257	128
Finance costs	0	0	0	0
Internal charges and overheads applied *	286	744	551	430
Other operating funding applications	0	0	0	0
Total applications of operating funding	595	1,063	808	558
Surplus/(Deficit) of operating funding	140	175	130	384
Sources of capital funding				
Subsidies and grants for capital	0	0	0	0
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	10,138	4,261	7,566	4,982
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	10,138	4,261	7,566	4,982
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	0	0	0	0
- to improve level of service	10,278	4,436	7,696	5,366
- to replace existing assets	0	0	0	0
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
Total applications of capital funding	10,278	4,436	7,696	5,366
Surplus/(Deficit) of capital funding	(140)	(175)	(130)	(384)
Funding balance	0	0	0	0

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



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 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	140	175	130	384
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	0	0	0	0
Vested assets	0	0	0	197
Gains/(losses) on disposal	0	0	0	0
Depreciation	(140)	(175)	(130)	(422)
Targeted capital rates	0	0	0	0
Non cash write ups and gains on revaluation	0	0	0	0
Non cash write downs and losses on revaluation	0	0	0	(224)
Net Surplus/(Deficit) before taxation in Cost of Service Statement	0	0	0	(64)

Funding Impact Statement Variances against Budget

Savings of \$129,000 in payments to staff and suppliers reflect reactive maintenance budgets that were not required.

Internal charges for interest were lower than anticipated as interest rates were favourable to those budgeted, and internal borrowings were lower.

Capital expenditure is \$2.3 million less than budgeted, reflecting scheduling changes mainly in respect of the Saxton Creek and York Stream projects. These are multi-year projects and have been re-phased to align with expected contractor spending. More detail on variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

The \$2.6 million difference in borrowings required is as a result of the decreased capital expenditure and a greater than expected operating surplus.

Vested assets are \$197,000 higher than anticipated, reflecting development activity in the city.

Depreciation is \$292,000 more than budgeted due to the impact of the full asset revaluation exercise completed as at June 2016.

Write downs and losses on revaluation relate to the impairment of capitalised work in progress brought forward.





ENVIRONMENT

ABOUT COUNCIL'S ENVIRONMENT ACTIVITIES

As a unitary authority, Council has a wider span of environmental management responsibilities than most other councils as 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 emergency management and compliance functions such as dog control and alcohol licensing.

HIGHLIGHTS FOR 2016/17

Environmental management

Stage Three of the Warmer Healthier Homes programme, July 2016 to June 2017, insulated 128 homes.

In 2016/17 there was an exceedance of the National Environmental Standards for air quality (NES) of no more than 50µg/m³ in Airshed A (51µg/m³ recorded at St Vincent St site on 2 July 2016) and in Airshed B1 (116µg/m³ recorded at Blackwood Street site on 20 March 2017). The NES requirement of no more than one breach per year in any airshed has been met.

A programme to improve woodburner operation started in the 2015/16 winter and continued throughout the 2016/17 year, including checking excessively smoky flues and providing advice on getting the best heat/least smoke from burners over winter; promoting early purchase/collection of Good Wood; running a Best Little Woodshed competition for wood storage; and providing advice on burner maintenance/flue cleaning before winter.

All required water quality monitoring was completed and reported according to national protocols. In 2016/17 state of the environment scorecards were not produced as they were instead replaced by national regional council reporting via the LAWA (Land Air Water Aotearoa) website, www.lawa.org.nz.

The 2016/17 recreation monitoring programme was completed at the end of March, with 6 of the 10 recreation sites maintaining good water quality standards (<5% Red alert bacteria exceedances). The exceptions were Wakapuaka at Hira Reserve, Wakapuaka at Paremata Flats Reserve, Collingwood St Bridge, and Nelson Haven at Atawhai. All recreation sites except Cable Bay had at least one Red Alert bacteria exceedance, mainly attributed to water samples taken during rainfall events, when samples were contaminated by stormwater land runoff. The bacteria grades and percentage of Red Alert exceedances calculated for LAWA are based on the last three year's summer monitoring (n=61 samples).

New dashboard reporting for toxic algae on the Nelson City Council website was developed in time for the summer season. There were no known toxic algae incidents this year and toxic and toxic algae levels remained below the alert level.

A new ten year state of the environment estuarine health monitoring programme was scoped and developed for delivery beginning in the 2017/18 year.

One hundred and fifty heritage building owners received a total of \$68,273 in Rates Remissions for Heritage Maintenance. During 2016/17, nine heritage building owners received funding through Council's Heritage Project Fund, with the total allocated being \$100,000.

The Nelson Nature Programme delivered on some high priority projects, most notably an increased focus on the removal of wilding conifers in the Dun Mountain





Ultramafic Zone. Due to the incremental increase in costs for removal of wildings for every year that they are left to grow, transferring funding from less urgent projects to the Dun Mountain Project will be more cost effective in the long term, helping to ensure the preservation of this nationally significant landscape.

Support to landowners has continued where agreements are in place for Significant Natural Areas. Weed control has also been undertaken in the wider Maitai-Roding area.

The volunteer community is an integral part of the Nelson Nature programme. To support volunteers working on environmental projects, Nelson Nature has facilitated workshops on Health and Safety for Volunteers, and a practical workshop on dealing with the regions worst weeds. Volunteers were celebrated through Nature's Hero awards, and through an event on Poorman Valley Stream which thanked a range of volunteer groups working along this important urban stream, and also connected groups together which has resulted in more joint efforts taking place this second half of the year.

Year three of Project Maitai/Mahitahi was successfully delivered. Key highlights included the removal of the Almond Tree Flat Ford to support ecosystem health in the Maitai River; the New Zealand River Award for long term macroinvertebrate improvements; the stormwater drain painting at the Countdown supermarkets; the planting of 15 sites alongside the river and its tributaries; the design and resource consent for the Groom Creek Wetland; and the involvement of nine Nelson schools in one or more projects.

The Maitai catchment is showing meaningful trend improvement on the LAWA website in Macroinvertebrate Index (Maitai at Groom); E.coli (Maitai at Riverside, Brook at Manuka St, Sharland at Matai confluence); Black Disc – Clarity (Maitai at Riverside, Maitai at Groom, Brook at Manuka St,

“

Volunteers were celebrated through Nature's Hero awards, and through an event on Poorman Valley Stream which thanked a range of volunteer groups working along this important urban stream, and also connected groups together which has resulted in more joint efforts taking place this second half of the year.

”

Sharland at Maitai); and Turbidity (Maitai at Riverside, Maitai at Groom, Maitai South Branch at Intake, Brook at Manuka St, Brook at Motor Camp, Sharland at Maitai, Groom at Maitai)

Fish passages have been installed in Orphanage, Poorman Valley, Arapiki, Jenkins, York and the Lower Brook streams and Nile Street Culvert.

The focus of the Top of the South Marine Biosecurity Partnership has seen the development of a three year Small-Scale Management Programme to control the unwanted organism and marine pest Mediterranean fanworm (*Sabella spallanzii*) which will take effect from 1 July 2017.

Feedback on the draft Regional Policy Statement and significant technical work was used to inform the drafting of the new Nelson Plan. The Planning Team continued to engage with Iwi, Freshwater groups, requiring authorities, the Port, developers



and professional groups in drafting the Plan. Draft Plan content was workshoped with elected members during February – September, prior to it being included in a full draft of the Plan for public release in 2018.

Additionally, targeted engagement with land owners potentially affected by flood, liquefaction and fault hazards was undertaken, including over 7,700 letters sent out, four well-attended public meetings held, and the handling of numerous queries. Feedback from landowners will inform the risk based approach in the Nelson Plan. Landowners with recognised heritage, landscape and biodiversity values and notable trees on their properties were also engaged with during the course of the year.

A plan change to the operative Nelson Air Quality Plan that allows 1600 Ultra Low Emission Burners in Airsheds B2 and C was made operative, without attracting any references to the Environment Court.

The Housing Accord under the Housing Accord and Special Housing Areas Act 2013 (HASHAA) was amended and extended by the Mayor and Minister of Building and Construction until 16 September 2021.

Thirteen Special Housing Areas (SHAs) were approved by Council and gazetted by Cabinet. Consent applications were received for eleven of these. The eleven SHAs being processed under HASHAA have significant capacity for residential growth and are expected to yield approximately 469 residential units. All Nelson SHAs have been in place for less than 12 months, and new housing supply from these will come on-stream in the next one to two years. A further twelve SHAs are currently in process to be gazetted prior to the national elections.

Work on the draft aligned Land Development Manual continues, with further work on stormwater discharges and minimum ground and floor levels aligned with the risk based approach to hazards in the Nelson Plan.

Council allocated all Development Contribution remissions by December 2016. Development Contribution remissions can be sought for residential development in the city centre, and are available for the first 30 Housing Units of Demand applied for, on a first come first served basis. A new Development Contribution remission allocation came into effect from 1 July 2017.

Regulatory Compliance

The Nelson City Council Building Consent Authority (BCA) was assessed against the Building (Accreditation of Building Consent Authorities) Regulations 2006 by International Accreditation New Zealand (IANZ) in June 2017. IANZ found that all requirements were being met and issued no corrective actions and reported favourably.

There were a total of 1000 building consents and amendment applications received in 2016/17, 211 more than the 2015/16 total of 789. This equates to a 21.1% increase in the number of applications received. The Building Consent Authority has not seen this level of consenting activity since the 2012/13 Stoke rain event when the total for that year was 1015 applications. Statutory time limits continue to be met for building consents.

The alignment of the Building Consent Authority to industry standards continues through the GoShift initiative and collaboration with Tasman District Council.

Resource consent processing for the year is higher than 2015/16. The number of notified and limited notified consents has increased from 9 in 2015/16 to 11 in 2016/17 and non-notified consents have increased from 450 to 458. 98% of non-notified consents were processed on time with consents being processed in an average of 16 days. For notified and limited notified consents, 82% were processed on time with the average number of days to process being 101.



Objections or appeals on decisions or costs for the year remains low at 1.5% of decisions issued.

Navigation safety activities received a \$30,000 grant from Maritime New Zealand to support existing campaigns and enhance programmes in the Top of the South. Around 760 equipment safety checks were carried out on recreational motorised and non-motorised water craft, enhanced communication and co-ordination with clubs commenced and upskilling of skippers has been supported by the harbourmaster's office through boating education courses.

Improvements to our streams will likely follow hazardous substance storage and stormwater management checks conducted at industrial sites in the city and Tahunanui areas.

All food premises required to transition to a Food Control Plan in year one of the three year transition under the Food Act 2014 have done so.

The use of body cameras by parking and dog control officers has led to a de-escalation of situations that would otherwise potentially result in threatening or abusive behaviour towards officers. Difficult customer training with various groups within the organisation was undertaken.

Registering dogs is now able to be completed online and a campaign was run in conjunction with the SPCA to neuter high risk dogs.

Council prepared and consulted on a City Amenity Bylaw to address gaps in Council bylaws. The purpose of the proposed Bylaw is to protect, promote and maintain public health and safety and amenity in the City centres.

Solid waste management

The amount of waste per resident disposed of at landfill during 2016/17 was 690kg per resident. This represents an increase of 85kg per person over what was reported the previous year. This value is affected by the fact that material received from properties

classified as HAIL sites that was previously disposed of at predominantly clean fills until 30 June 2016, was redirected to the York Valley landfill during 2016/17. A further 1,243 tonnes of separated greenwaste was redirected to the landfill following the discontinuation of services by Council's composting contractor. A new greenwaste contract is now in place following a joint tender process with Tasman District Council. After discounting the additional material that was disposed of at York Valley the per resident average residual waste increased to 621kg per person compared to 605kg per person the previous year and is considered to be associated with increased economic activity in the building sector resulting in an increase in demolition waste.

Waste minimisation and avoidance programmes consider both diversion of waste from landfill, and behaviour change programmes to help people avoid or reduce creating waste. Initiatives undertaken in 2016/17 included SecondHand Sunday, providing compost subsidies, supporting the Love Food Hate Waste Programme and developing activities to reduce waste at events. School support is an important area, with the previous waste education in schools programme transitioning to Enviroschools during this period.

During 2016/17, Council changed the way that recycling was collected. Council delivered around 19,500 new recycling wheelie bins to residential properties all over Nelson during August and September 2016 with new collection starting in October 2016.

Council agreed to establish a regional landfill business unit with Tasman District Council. This business unit and a joint committee for governance was set up. The Terms of Reference and Deed of Agreement were agreed to and the Commerce Commission approved the arrangement. The joint landfill arrangement has now been operating since 1 July 2017.

The Atawhai Closed landfill was tested and letters were sent to residents, property owners and leaseholders. Two public meetings were held. Testing will be used to inform a management plan for the closed landfill.

Managing Emergencies

Council has responsibilities under the Civil Defence Emergency Management (CDEM) Act 2002 requiring it to provide for CDEM in its area. Council is also required to be able to function to the fullest possible extent, even though this may be at a reduced level, during and after an emergency.

The most significant CDEM event in the past year was the Kaikoura earthquake and subsequent tsunami alert. The Nelson Tasman CDEM Group provided personnel in response to this emergency and has been closely involved in monitoring the consequences for the region's roading network with SH1 now being closed. The CDEM Group also provided personnel to assist in Marlborough after the earthquake and also in Edgecombe following floods there.

Under new legislation Council will no longer be a Rural Fire Authority, and the focus in 2016/17 has been transitioning responsibilities and assets to the new Fire and Emergency New Zealand organisation.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

Council's environment activities contributed to achieving the following community outcomes over the year.

Community outcomes	Contribution
Our unique natural environment is healthy and protected	This activity helps to sustainably manage and restore the Nelson environment through sound planning, monitoring, compliance, science, non-regulatory, biodiversity initiatives and waste management.
Our urban and rural environments are people-friendly, well planned and sustainably managed	Good planning and urban design provide an attractive, well-built, safe and walkable city for people of all ages and abilities. Unique built and natural sites and systems are protected and people are supported to make environmentally sustainable choices. Housing choice is broadened and land used more efficiently.
Our communities are healthy, safe, inclusive and resilient	High standards of statutory compliance for built and natural environments contribute to the health and safety of the community. The community understands natural hazard risk and is supported to deal with natural hazard risks and incidents resiliently.
Our region is supported by an innovative and sustainable economy	Council has a business friendly approach in its regulatory and planning structures.

SERVICE LEVELS AND PERFORMANCE

Measures from Year 2 of the Nelson Long Term Plan 2015-25

What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
Clean Air.	Compliance with national air quality standards (National Environmental Standards for Air Quality (NES)).	Airshed A – no more than three breaches by September 2016.	There was one breach in Airshed A on 2 July 2016. The long-term trend of improvement since 2001 has levelled off since Council phase-out of old burners ended in 2012. There has been an increase from no breaches in 2015/16 but it is encouraging that there has been no more than one breach since 2014/15.	Achieved

Table continued >



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
		Airsheds B and C – no more than one breach by September 2016.	There was one breach in Airshed B1 on 20 March 2017 and no breaches in Airsheds B2 or C. The trend is encouraging since there has been no more than one breach in Airshed B1 since 2012/13, mainly in summer due to high levels of dust; and none in Airsheds B2 or C since monitoring was re-established in 2015 and 2014 respectively.	Achieved
Clean and Accessible Water.	Water quality values.	Deliver Project Maitai/Mahitahi.	Project Maitai/Mahitahi is a four year project to improve the health of the Maitai River and its tributaries through physical, operational and behavioural changes. The programme is comprised of 20 projects, some multi-year. This year 7 projects were delivered - Maitai Fords, Cyanobacteria Action Plan, Riparian Management, York Stream Focus, Urban Water Quality, Groom Creek Wetland, and Communications. The Maitai Fords project was completed this year and the other six will continue in 2017/18. The programme of work was completed within budget allocation and delivery scope.	Achieved
		Improve water quality via Nelson Nature.	The streams in Nelson continue to show improvements in water quality, however the factors which result in measurable improvements take many years to have an impact. The number of actions taken through Nelson Nature to improve water quality is expected in time to achieve this including the following actions: increased engagement with residents about stormwater (public event involving almost all Nelson Schools; World Water Day event; engagement with industry in Tahunanui); community guardians of streams (Poorman Valley Stream, Orphanage Stream); Planting of over 300 trees alongside streams to stabilise banks and reduce water temperature; supporting landowners with fencing and planting of waterways on private land.	Achieved



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
		Incorporate community water values in Nelson Plan.	Through the publication of our Freshwater Progressive Implementation Programme (February 2017), Council confirmed that implementation of the National Policy Statement for Freshwater Management (NPS-FM) will be undertaken via development of the Nelson Plan. Over the last two years, staff have worked with an Iwi Working Group and three Freshwater Working Groups to follow the NPS-FM planning process, including the identification of draft freshwater values, objectives and limits for inclusion in the Nelson Plan. Feedback from the wider community on the freshwater values will be sought on release of the draft Nelson Plan in 2018.	Achieved
Health of Nelson's freshwater environments measured by water body classification and can't degrade below its current level as per National Policy Statement Fresh Water Management (NPS FWM).	Maintain class A and B water bodies in current state.	Monitoring data for the 2016 calendar year indicate that there has been a slight decrease in sites at grade A or B (from 53% in 2015 to 50% in 2016, n=26) In response, NCC has begun flow monitoring at all SOE sites, in order to quantify effects and prioritise management response. Also monthly monitoring begun in 2015 (previous monitoring was quarterly), is enabling more targeted compliance activity.	Not achieved	
	Decrease number of bodies classified as D or E.	There has been no increase in the number of water bodies classified as D or E. There were seven sites in 2016, the same as in 2015.	Not achieved	
	All rivers exceed 'National bottom line' for all attributes (National Policy Statement Freshwater Management NPS- FM).	The Human Health for Recreation attribute has a range of proposed metrics that are open for consultation as part of the government's Clean Water package. Targets were met for the NPS-FM Human Health for Recreation exceedances at all freshwater recreation sites monitored based on annual exceedances occurring less than 30% of the time. All rivers were above the Ecosystem Health for Periphyton (Trophic state mg chlorophyll-a/m ²), Nitrate (Toxicity mg NO ₃ -N/L), Ammonia (Toxicity mg NH ₄ -N/L) and Dissolved Oxygen below point sources (mg/L).	Achieved	

Table continued >



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
	Level of compliance with swimming water quality standards.	100% of monitored swimming areas meet the swimming quality standards.	<p>The recreation bathing monitoring programme meets the national quality guidelines for fresh and marine water quality monitoring. All monitoring sites were sampled on at least 20 occasions over the summer of 2016/17, including days influenced by rain events. The reporting of exceedances and re-samples complied with the NMDHB Health protection management procedure.</p> <p>All four marine recreation monitoring sites at Monaco, Tahunanui, Nelson Haven and Cable Bay met swimming water quality standards on 100% of occasions sampled during 2016/17 (i.e. there were no Red Alert exceedances). The Maitai at the Campground, Sunday Hole and Girlies Hole met water quality standards on at least 95% of occasions sampled during 2016/17.</p> <p>Exceedances of up to 20% of samples occurred at the Maitai at Collingwood Street Bridge and Wakapuaka at Hira Reserve and Paremata Reserve due to two rain events (10%) and bacteria from various sources during 2016/17.</p>	Achieved - based on less than 30% exceedance
Reduced waste to landfill.	Amount (tonnes) of waste per resident sent to landfill.	Continue each year to decrease the per capita amount of waste from Nelson City Council area disposed of at landfill.	<p>The amount of waste per resident disposed of at landfill during 2016/17 was 690kg per resident (0.690 tonne per resident). This represents an increase of 85kg per person over what was reported for the previous year. This value is affected by the fact that material received from properties classified as HAIL sites, that was previously disposed of at predominantly clean fills until 30 June 2016, was redirected to the York Valley landfill. A further 1,243 tonnes of separated greenwaste was redirected to the landfill following the discontinuation of services by the Council composting contractor. After discounting the additional material that was disposed of at York Valley the per resident average residual waste increased to 621 kg per person compared to the previous year of 605kg, and is considered to be associated with increased economic activity in the building sector resulting in an increase in demolition waste.</p>	Not achieved



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
A well planned city that meets the community's current and future needs and responds to national policy direction.	<p>Resource management plans updated to implement national policy changes and Council's strategic direction.</p> <p>Resource management plans updated to implement national policy changes and Council's strategic direction.</p> <p>Resource management plans updated to implement national policy changes and Council's strategic direction.</p>	<p>Development of Nelson Plan:</p> <p>Notification 2016/17 (year 2 target)</p>	<p>Plan Change A3 to the Nelson Air Quality Plan became operative on 19 September 2016 following no appeals.</p> <p>The review of the Nelson Plan is underway. Key stakeholder engagement of the Nelson Plan has been underway throughout 2016/17 including with Iwi partners, Freshwater groups, Requiring Authorities, developers and professionals, and landowners with heritage, landscape, and biodiversity values and those potentially impacted by flooding, liquefaction, and earthquake faults. A number of national policy changes have impacted the Nelson Plan work programme. The National Policy Statement Urban Development capacity came into effect on 1 December 2016 which requires Council to plan for 30 years of business and residential capacity. A preliminary capacity study has been developed with Tasman District Council. The Housing Accords and Special Housing Areas Act 2013 implementation has added additional monitoring and Special Housing area requirements. 13 Special Housing Areas have been gazetted by NCC. The Resource Legislation Amendment Act came into force on 18 April 2017. One key change affecting the Nelson Plan is a new national plan standard. The draft standard will be released in April 2018 with the intention of this being gazetted in April 2019. There have been delays in the release of NES Air quality and NES Plantation forestry.</p> <p>See above for details. During the year, Council resolved to release the draft Nelson Plan in January 2018. Notification did not occur during 2016/17.</p>	Achieved (Note, Council resolved to release Draft in January 2018 at the meeting on 10 November 2016 (the effect of this is to move the target date for notification))
		Hearings and decisions 2016/17 – 2018/19. (Year 2 to year 4 target)	During the year, Council resolved to release the draft Nelson Plan in January 2018. Hearings did not occur during 2016/17, however Plan Change A3 to the Nelson Air Quality Plan became operative on 19 September 2016 following no appeals.	Achieved (Note, Council resolved to release Draft in January 2018 at the meeting on 10 November

Table continued >



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
				2016 (the effect of this is to move the target date for hearings and decisions))
Regulatory programme (resource consents and compliance).	Compliance with statutory timeframes.	100% of non-notified resource consents processed within 20 working days. 100% of publicly notified consents processed within 130 working days, 100% of limited notified consents processed within 100 working days (or less as required by RMA).	In 2016/17 Council processed 98% of non-notified resource consents within the statutory timeframes*, with consents being processed in an average of 16 days. For notified and limited notified, 82% were processed in their respective statutory timeframes of 100 or 130 days*, with the average number of days to process being 101. This compares to 100% of all consents (notified and non notified) processed within timeframes in 2015/16. *note the Resource Management Act 1991 allows Council to extend the processing timeframe from 20 days to 40 days or more, with the applicants agreement.	Not achieved
An effective and timely Civil Defence Emergency Management (CDEM) response to support our community following emergency events.	Ability to operate an effective Emergency Operations Centre (EOC) for Nelson Tasman.	100% of EOC management and CDEM Group roles staffed. EOC meets Ministry of CDEM 'monitoring and evaluation' requirements.	An estimated 98% of EOC management and CDEM Group roles are staffed by trained and competent personnel. In 2015-16 97% of EOC management and CDEM Group roles were staffed by trained and competent personnel. The EOC was not reviewed by MCDEM in 2016/17 but has previously met requirements at the last review.	Not achieved
Efficient systems to consent and inspect buildings, meet statutory requirements and provide effective customer service.	Time taken to grant and issue building consents.	At least 98% of building consents and code of compliance certificates issued within 20 working days.	99% of building consents were granted within 20 days during 2016/17. 99% of Code of Compliance Certificates were issued within 20 days during 2016/17. This result was also achieved during 2015/16.	Achieved
	Property inspection time targets met.	At least 80% of inspections undertaken within 72 hours of request.	99% of inspections were undertaken with 72 hours of request. This result was also achieved during 2015/16.	Achieved



FINANCIAL PERFORMANCE - ENVIRONMENT

Funding Impact Statement

	Long Term Plan 2016 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	7,850	7,734	7,579	6,915
Targeted rates	33	28	23	32
Subsidies and grants for operating purposes	173	176	194	241
Fees and charges	3,697	7,082	3,359	4,169
Internal charges and overheads recovered	2,399	4,675	2,489	2,498
Local authorities fuel tax, fines, infringement fees, and other receipts	3,295	3,353	3,414	4,396
Total operating funding	17,447	23,048	17,058	18,251
Applications of operating funding				
Payments to staff and suppliers	13,900	16,422	13,894	15,759
Finance costs	0	245	0	(40)
Internal charges and overheads applied *	2,769	5,030	2,894	2,919
Other operating funding applications	0	0	0	0
Total applications of operating funding	16,669	21,697	16,788	18,638
Surplus/(Deficit) of operating funding	778	1,351	270	(387)
Sources of capital funding				
Subsidies and grants for capital	20	0	0	0
Development and financial contributions	5	5	5	5
Increase (decrease) in debt	(315)	(1,504)	810	545
Gross proceeds from sale of assets	0	0	0	57
Lump sum contributions	0	0	0	0
Total sources of capital funding	(290)	(1,499)	815	607
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	50	12	14	41
- to improve level of service	754	239	1,465	78
- to replace existing assets	105	50	55	284
Increase (decrease) in reserves	0	0	0	428
Increase (decrease) in investments	(421)	(449)	(449)	(611)
Total applications of capital funding	488	(148)	1,085	220
Surplus/(Deficit) of capital funding	(778)	(1,351)	(270)	387
Funding balance	0	0	0	0

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



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 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	778	1,351	270	(387)
Subsidies and grants for capital expenditure	20	0	0	0
Development and financial contributions	5	5	5	5
Vested assets	0	0	0	0
Gains/(losses) on disposal	0	0	0	(2)
Depreciation	(450)	(462)	(637)	(506)
Targeted capital rates	0	0	0	0
Non cash write ups and gains on revaluation	0	0	0	67
Non cash write downs and losses on revaluation	0	0	0	0
Net Surplus/(Deficit) before taxation in Cost of Service Statement	353	894	(362)	(823)

Funding Impact Statement Variances against Budget

Fees and charges income is \$810,000 above Annual Plan budget. This mainly relates to income from the Landfill activity which saw increased waste levels attributed to the level of activity in the building sector. This is also reflected in increased other income (Building and Resource Consents) \$940,000.

Payments to staff and suppliers were \$1,865,000 over Annual Plan budget. This is mainly due to the increased resource requirement to cover the additional workload for Resource Consents (\$519,000), higher than anticipated costs for landfill ETS Levies (\$246,000) and accounting treatment of the recycle bin expenditure (\$1,110,000, offset by underspend in capital), offset by lower costs in relation to greenwaste disposal (\$183,000) .

The variance in capital expenditure is almost entirely due to the difference in accounting treatment of the recycling bins. Lower capital expenditure and higher than anticipated repayments received from Clean Heat Warm Homes borrowers, offset by the increase in operating deficit have resulted in borrowings being less than anticipated. More detail on variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.





ABOUT COUNCIL'S SOCIAL ACTIVITIES

Council provides services that contribute to the quality of life and wellbeing of 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. Community facilities include public libraries, cemeteries and the crematorium, public toilets and community facilities. Heritage and arts include support for the Nelson Provincial Museum and Suter Art Gallery, historic buildings and facilities (such as Broadgreen, Isel and Melrose historic houses), Founders Heritage Park, historic cemeteries as well as festivals, events and street decorations.

HIGHLIGHTS FOR 2016/17

Community facilities

Council approved additional budget at Greenmeadows following the tender process so that the physical works could commence. Council commenced the project on site in December 2016. The diversion of and upgrade of stormwater commenced in early 2017 and is now complete. Construction on the facility is now underway and the project is due to be completed in early 2018.

Social development

The community investment funding panel allocated Community Investment Funding and Youth Development project funding in 2016/17. Seven Youth Development Agreements were allocated funding, as were 21 Community Investment Fund Grants and 19 Community Investment Agreements, totalling \$189,250. These were allocated in addition to previously allocated multi-year funding.

Neighbourhood grants provided funding for three projects to enhance neighbourhood connectedness. Council provided funding towards a two day workshop 'Activating Communities' in partnership with Inspiring Communities, DIA, Victory, Tahunanui and Rata

Foundation. Council also held workshops to encourage local leadership in Stoke with 'Gap Filler' from Christchurch.

Council attended regular community meetings, supported the Trustpower Community Volunteer awards and the Community Youth Volunteer awards (also known as civic awards to schools).

Support was provided for Nelson Youth Council, Youth Nelson, the Youth Development Fund and youth recreation activity. Ministry of Youth Development funding was received for youth events and engagement as a partnership with Volunteer Nelson and TDC.

In 2016, Council started developing a Youth Strategy to provide renewed direction on Council investment to support youth. This strategy seeks to identify young people's needs, set a clear direction for Council, find partners to work with and guide future support for youth development and activities. Council engaged with the community on the draft strategy in June, and 27 responses were received from individuals, community and government organisations. Once approved, the Youth Strategy will replace the youth section of Council's Social Wellbeing Policy.

Council supported older adults through its contribution to the Positive Ageing Expo and partnering with Age Concern and Tasman District Council to run a series of workshop on breaking isolation and loneliness.

The water tanker provided healthy beverage options at 12 community events, in partnership with Nelson Marlborough District Health Board and Nelmac.

Council held a welcome home event for Paralympic champion Liam Malone following the Paralympics in October.

More support for community housing tenants was provided by way of the award of a new management contract with additional emphasis on tenant support.



SOCIAL

Attendance at Council events has increased this year across all events, notably, summer festival events (55% in 2016/17 compared to 43% in 2015/16) and arts festival events (27% in 2016/17 compared to 22% in 2015/16). While not statistically significant, attendance of the masked parade (39%) has also increased by 5% during 2016/17.

The Returned Services Association installed a statue commemorating Gallipoli on Council land at the Marsden Cemetery.

The Founders Bookfair in 2016/17 was the largest Bookfair to date. Other events held at Founders included the Kai Fest and the Cider fest as well as a number of other events. Founders spaces were leased to capacity. The Isel Café commenced operating in 2016/17.

The Arts Festival Transition Group was formed to investigate future governance for the Festival, in light of the commitment made in the Long Term Plan 2015-25 to move the Nelson Arts Festival to an independent governance structure. The Arts Festival Transition Group has recommended the establishment of a Council Controlled Organisation (CCO) to run it and public feedback was sought on this option in June.

The Festival, which includes the Masked Parade and Carnival and the Page and Blackmore Readers and Writers programme, had its 23rd year in 2016/17. The event was delivered in-house and met with record sales above \$220,000. The mix of high standard international performances with regional performances and a combination of free and ticketed shows has confirmed its reputation of being accessible, diverse and unique and increased audience participation. New initiatives such as Theatre in development (the Maungatapu Murderers) and The Billboard Project were met with great interest and support from the public, customers and community. This has led to new sponsors to support some of these (Maungatapu Murderers) to further grow and develop community projects to international standards.

The summer events programme, including the lantern festival and New Year's Eve event, was delivered. Other events delivered during 2016/17 included a Rose Day at Broadgreen, Dia de los muertos, Heritage week, the Mayor's Christmas dinner, community plantings, Tahuna Summer Sounds, Summer Movies Al Fresco, Teddy Bears' Picnic, and seven youth events. Of the youth events, Young and Inspired, Fright Night and Laugh Nelson proved to be the right fit with our student community.

Libraries

In the libraries, the recreation area re-set was completed, the youth area was re-done, the wifi coverage was expanded and improved, the best sellers collection was launched, the recently returned displays were improved and the plans were completed for the refurbishment of Nightingale Library Memorial, which will take place in 2017/18.

Heritage and arts

The Suter Art Gallery Te Aratoi o Whakatū was re-opened in October following a \$12million extensive re-development and upgrade. The project is a partnership between Nelson City Council and the Bishop Suter Trust and has been underway since early 2015. The Suter now has the ability to attract significant travelling exhibitions and borrow art works to supplement its own unique collection.

Nelson Anniversary Day, held on 30 January, marked 175 years since the first European settlers landed in Nelson with arrival of the first New Zealand Company Boat, The Fifeshire, in 1842. Council supported a family friendly event, linking with Nelson's history, and celebrating the history of Stoke to celebrate this event.

Council is a major contributor of the Nelson School of Music re-development project and the tender for the re-development was awarded and work has commenced on site. The earthquake strengthening and upgrade is continuing to make good progress.





PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

Council's social activities contributed to achieving the following community outcomes over the year.

Community outcomes	Contribution
Our communities are healthy, safe, inclusive and resilient	Council provides leadership and fosters partnerships, as well as community engagement. Council supports and mentors youth to become the leaders of the future.
Our urban and rural environments are people-friendly, well planned and sustainably managed	Attractive and functional community facilities and spaces are available for community use and to bring people together.
Our communities have opportunities to celebrate and explore their heritage, identity and creativity	Residents and visitors are encouraged to explore our diverse heritage and historic places. Venues, activities and events that support and celebrate our creativity are accessible to all ages and incomes. Council supports initiatives that promote understanding of Māori culture and tikanga.
Our communities have access to a range of social, educational and recreational facilities and activities	Facilities, events and services support community cohesion and an inclusive, welcoming city. Healthy lifestyles are supported with opportunities to be active and participate in the community.
Our region is supported by an innovative and sustainable economy	Arts and heritage activities and events support the local economy and attract visitors to our region.

SERVICE LEVELS AND PERFORMANCE

Measures from Year 2 of the Nelson Long Term Plan 2015-25

What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
Arts and community events that showcase excellence and encourage participation.	Attendance levels.	Attendance levels meet or exceed benchmark: 53% attend Summer Festival 44% attend Masked Parade	In the 2016/17 Residents' Survey: 55% attended a summer festival event (compared to 43% in 2015/16). 39% attended the Masked Parade (compared to 34% in 2015/16).	Not achieved for Masked parade and Arts Festival. Achieved for Summer festival.

Table continued >

What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
		31% attend Arts Festival 30% attend Opera in the Park	27% attended an Arts Festival Event (compared to 22% in 2015/16). and 33% did not attend any of the surveyed events (compared to 38% in 2015/16). Opera in the Park was not held in 2016/17.	Not applicable for Opera in the Park.
Suter Art Gallery provides a diverse and stimulating programme of visual arts exhibitions.	Satisfaction levels (Residents survey).	80% of users satisfied or very satisfied with the Suter Art Gallery ⁴ .	Comparisons to previous years' results regarding the Suter Art Gallery are indicative only, as there was a question wording change last year to include its temporary location. This may have contributed to a decrease in satisfaction with the gallery in 2016. Fifty-nine per cent of residents have visited the Suter Art Gallery in the past two years - either in its temporary location, or the redeveloped gallery. This year's result is a significant increase in usage from last year (59% compared to 48%). Amongst users of the Suter Art Gallery, 85% are satisfied or very satisfied with it, resulting in a significant increase in very satisfied ratings (46% compared to 27% in 2015/16).	Achieved
	Number of gallery visits per year.	20,000 visits to the Suter Art Gallery (excludes the café)	The Suter was open to the public 335 days of the financial year. It closed at the temporary location, 28 Halifax Street from 5 September 2016 for re-location and the new Suter on Bridge Street opened to the public on 2 October 2016. There were at least 102,167 on-site visits [includes both Halifax and Bridge St premises] of which approximately 97,989 visits were to the new Suter. Statistics for the new Suter are best estimates only and do not for example, include visitors accessing the Suter Café/ galleries via the Sculpture Walk, or all Theatre patrons.	Achieved
	Number of Suter complex visits per year.	70,000 visits to the Suter complex		Achieved
Theatre Royal widely used for performance art.	Number of performance days.	At least 278 performance days (75% occupancy).	The Theatre Royal was in use for 329 days in 2016/17. This was up from 276 in 2015/16 and 283 in 2014/15.	Achieved
Art works enhance public spaces.	Satisfaction levels (Residents Survey).	75% are satisfied or very satisfied with public art.	Close to half of residents (49%) are satisfied or very satisfied with public art in the city. This is a decrease from 55% in 2015/16.	Not achieved

⁴ In temporary accommodation



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
			There was a significant increase in dissatisfied and very dissatisfied ratings, when compared to the 2015/16 results. Reasons for dissatisfaction include residents feeling money could be better spent on other things (56%), they don't like the art or sculptures (21%) and they would like to see different art (17%).	
Libraries that are well used, welcoming and safe environments.	Customer satisfaction, Library membership, door count, online usage.	Residents Survey (as available)	<p>The majority of residents (88%) are satisfied (42%) or very satisfied (46%) with the public library service. Ten per cent are neither satisfied nor dissatisfied, while 3% are dissatisfied (2%) or very dissatisfied (1%).</p> <p>With regards to library users, 94% are satisfied (42%) or very satisfied (52%) with the public library service. Four per cent are neither satisfied nor dissatisfied, while 2% are dissatisfied (1%) or very dissatisfied (1%).</p> <p>This compares to 87% of residents that were satisfied or very satisfied with public libraries in 2015/16 and 98% of library users that were satisfied or very satisfied.</p>	Achieved
		At least 75% of the population are library members.	38,974 people are library members. This equates to 77% of the Nelson population (estimated to be 50,600 at June 2016 by Statistics New Zealand). Note that library members may live outside the Nelson region. Approximately 89% of the population were library members in 2013 and 2014, with 73% of the population members in 2015/16.	Achieved
		Door count more than 500,000	<p>The door count for 2016/17 was 505,792 made up of 351,068 at Elma Turner Library, 138,324 at Stoke Library and 16,400 at Nightingale Library Memorial.</p> <p>This compares to 500,116 in 2015/16 and 492,638 in 2014/15.</p>	Achieved
		Online usage continues to increase each year.	<p>Online usage continues to increase. Online usage in 2016/17 was 987,077. This is compared to 914,209 in 2015/16 and 778,242 in 2014/15.</p>	Achieved



FINANCIAL PERFORMANCE - SOCIAL

Funding Impact Statement

	Long Term Plan 2016 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	10,526	11,300	11,342	10,853
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	295	300	296	330
Fees and charges	826	758	820	900
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	1,573	1,614	1,464	1,666
Total operating funding	13,220	13,972	13,922	13,749
Applications of operating funding				
Payments to staff and suppliers	12,823	12,960	13,188	13,983
Finance costs	0	0	0	0
Internal charges and overheads applied *	812	1,254	1,231	913
Other operating funding applications	0	0	0	0
Total applications of operating funding	13,635	14,214	14,419	14,896
Surplus/(Deficit) of operating funding	(415)	(242)	(497)	(1,147)
Sources of capital funding				
Subsidies and grants for capital	22	22	22	624
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	8,760	6,740	7,051	4,261
Gross proceeds from sale of assets	6,000	0	0	1
Lump sum contributions	0	0	0	0
Total sources of capital funding	14,782	6,762	7,073	4,886
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	574	1,094	731	730
- to improve level of service	2,663	443	5,550	2,414
- to replace existing assets	1,806	5,096	408	489
Increase (decrease) in reserves	0	0	0	220
Increase (decrease) in investments	9,324	(113)	(113)	(113)
Total applications of capital funding	14,367	6,520	6,576	3,739
Surplus/(Deficit) of capital funding	415	242	497	1,147
Funding balance	0	0	0	0

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



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 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	(415)	(242)	(497)	(1,147)
Subsidies and grants for capital expenditure	22	22	22	624
Development and financial contributions	0	0	0	0
Vested assets	0	0	0	178
Gains/(losses) on disposal	0	0	0	(84)
Depreciation	(1,187)	(1,266)	(1,303)	(1,193)
Targeted capital rates	0	0	0	0
Non cash write ups and gains on revaluation	0	0	0	29
Non cash write downs and losses on revaluation	0	0	0	0
Net Surplus/(Deficit) before taxation in Cost of Service Statement	(1,580)	(1,486)	(1,778)	(1,593)

Funding Impact Statement Variances against Budget

Other income of \$202,000 over budget represents rental income higher than expected. This includes the recovery of some arrears.

Payments to staff and suppliers are \$795,000 more than budget. \$994,000 results from the timing of funding to the Nelson School of Music for their earthquake strengthening project. \$170,000 has been accrued in the year under an agreement to assist the Suter gallery with the funding of its maintenance and renewal programme. Offsetting these, staff expenses are under budget by \$380,000 reflecting a different distribution of staff time than that anticipated.

Internal charges for interest were lower than anticipated as interest rates were favourable to those budgeted, and internal borrowings were lower.

Subsidies and grants for capital higher than anticipated mainly due to \$493,000 that was received by Council to facilitate the construction of the new Cricket and Small Bore Rifle building at Saxton Field.

Capital expenditure is \$3.1 million less than budget, reflecting scheduling updates for the Greenmeadows community centre. This has driven the decrease in borrowings required and an increase in reserves. More detail on variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

Unbudgeted vesting of land related to historic cemeteries has been received.





PARKS AND ACTIVE RECREATION

ABOUT COUNCIL'S PARKS AND ACTIVE RECREATION ACTIVITIES

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, services and events. It also manages a range of parks and open spaces to help protect Nelson's biodiversity, heritage, rivers and coast.

HIGHLIGHTS FOR 2016/17

Parks and Reserves

Council continued work with mountain biking trails by reinstating existing tracks at Codgers, destroyed in the storm of 2015. Two additional tracks were begun linking the future Mountain Bike Hub on Andrews Farm to the Dun Mountain Trail. Planning, resource consents and archaeological assessments were undertaken for a downhill track on Fringed Hill.

The Parks and Reserves Off-Road Tracks Strategy was approved by Council. This strategy sets the way forward for the development of off road tracks and trails in Nelson.

An application to the Ministry of Business Innovation and Employment (MBIE) for a grant of \$67,000 for enhancement work along the Dun Mountain Trail was made and was successful. The funding will be provided and work carried out in 2017/18.

Council approved the Brook Recreation Reserve Management Plan in principle. A hearings Panel met in September to hear and deliberate on submissions. Following this, Council sought further feedback from the community on the proposed re-classification of the reserve. Gazettal processes for classification and re-classification of land have been completed. The road stopping is currently in front of the Environment Court for a decision.

Fitness machines were installed at Orchard Reserve and Saxton Field to enhance recreation opportunities and to help the community to improve physical health and wellbeing.

The first stage of the landscaping of Rutherford Park was completed in 2016/17 to align with the redevelopment strengthening and reopening of the Trafalgar Centre.

Activities undertaken at sportsfields during 2016/17 includes the installation of a new hammer throw cage at Saxton Athletics arena, the Nitro Circus being held at Trafalgar Park, new drainage on the number four fairway on the golf course, seating and drainage added to the Neale Park Skate Park, new surfacing at Saxton netball car park and VIP steps added at Saxton Oval. 2016/17 also marked the end of the golf shop contractor's term of nine years and use of the golf course is now managed by the golf club.

A three day Pakistan Tour game, a White Ferns 'one dayer', a White Ferns T20 and two Pakistan New Zealand matches meant there were seven days of international cricket played in Nelson during the year.

Council received a grant of \$50,000 from the Rata Foundation for costs related to building the rifle range at the Cricket Indoor and Target Shooting building. This was completed in 2016/17 and is now in use by the two codes.

Work was carried out to complete a new footpath at Tahuna Beach. This was an extension of the existing path past the Hydroslide to the Skating Rink in line with the Tahunanui Development Plan.

Recreation and Facilities

Although the Trafalgar Centre was partially reopened in 2015/16 to allow the Nelson Giants to play their games there during the basketball season, the new space at the northern end of the Trafalgar Centre was completed in 2016/17. An open day for the Trafalgar





PARKS AND ACTIVE RECREATION

Centre was held in April. The Trafalgar Centre is the largest indoor multi-purpose events centre in the Nelson / Tasman Region, capable of seating 2,500 people. The northern end now provides a more versatile and attractive space for a wide range of events.

During the year, Council confirmed the preferred option for the Modellers Pond was to modify the pond at a cost of \$1.2 million. Council established a Project Group and agreed Terms of Reference. Funding for the project will also come from the Nelson Society of Modellers and other entities. Council now has Resource Consent for work around the pond. Detailed design is proceeding.

For the busy summer season, and with extra visitor numbers as a result of the Kaikoura earthquakes, Council provided three additional temporary inner city freedom camping areas at Akersten Street hardstand, Rutherford Park beside the Trafalgar Centre and Haven Road beside Anzac Park. The sites were provided between December and April 2017. They had rubbish and toilet facilities available, and free wifi was available at the Akersten and Rutherford Park sites. The Brook Valley Holiday Park, both cabins and campsites, reopened in December 2016 to help meet accommodation demand.

At the Marina, the Marina hardstand purchase was confirmed on 1 July 2016. Council purchased

approximately 3000m² of land at Akersten Street at a cost of \$1.6 million. The purchase included the existing hardstand facility, a wharf, jetty and the travel lift (for lifting and moving vessels). This hardstand and travel lift is now in operation.

Council also purchased a key port site property which was adjacent to Council owned land and the Rowing Club rooms. It was identified that acquiring the site would potentially provide extra space needed, and would increase the flexibility of the area for future marina development including sea sports. The use of this land is now being considered as part of the Marina Strategy.

The Marina Strategy progressed and is nearly complete. During the year, Council consulted with the community on the draft strategy and reported back to the Marina Advisory Group for further input. It is expected that the strategy will be completed and adopted by Council in 2017/18.

A draft Freedom Camping Bylaw was prepared and adopted for consultation. Consultation commenced in June. Council will hear from submitters and deliberate before adopting a final Bylaw.

The Saxton Velodrome is a project managed by Tasman District Council with Nelson City Council contributing funding. The work commenced in 2016/17 and is expected to be completed in 2017/18.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

Council's parks and active recreation activities contributed to achieving the following community outcomes over the year.

Community outcomes	Contribution
Our unique natural environment is healthy and protected	Council is guardian to many special ecosystems as well as a range of open spaces for active and passive recreation. It works to preserve and enhance those areas through biodiversity protection, better links and connections, and well-designed plantings.
Our urban and rural environments are people-friendly, well planned and sustainably managed	Council open space is designed to be accessible, safe and to encourage activity for people of all ages and abilities.
Our communities have opportunities to celebrate and explore their heritage, identity and creativity	Māori culture and traditions are understood and supported. Council's parks and reserves are inclusive, welcoming spaces that facilitate a healthy lifestyle.
Our communities have access to a range of social, educational and recreational facilities and activities	A range of recreational facilities and opportunities are provided. Heritage within open space areas is protected and appropriate interpretation provided.

SERVICE LEVELS AND PERFORMANCE

Measures from Year 2 of the Nelson Long Term Plan 2015-25

What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
A network of parks and reserves throughout the city protecting and enhancing the natural environment and providing enjoyment, leisure and recreation opportunities for both residents and visitors.	The total area of parks and open space available for recreation.	Current parks and open space provision will not be reduced except where divestment offers clear net benefits to the community.	The levels were 225 hectares of parks and reserves per 1000 residents in 2015/16. Parks and open space was not reduced in 2016/17 from what it was in 2015/16.	Achieved
	Level of customer satisfaction.	Customer satisfaction at least at levels of 80%.	In the 2016/17 Residents' Survey, the majority of residents (82%) are satisfied or very satisfied with parks and recreation, including gardens, sports grounds, sports venues, pools, playgrounds and reserves. This compares to 86% in the 2015/16 Residents' Survey.	Achieved
Recreation opportunities for people of all ages and abilities is provided.	Level of customer satisfaction.	Customer satisfaction at least at levels of 80%.	In the 2016/17 Residents' Survey, 70% of residents are satisfied or very satisfied with recreational opportunities in the area. This compares to 65% in 2015/16.	Not achieved
Areas of heritage or cultural importance in parks and	Level of consultation with Tangata Whenua o Whakatū occurring.	Tangata Whenua o Whakatū will be consulted on all new or reviewed reserve	No reserve management plans were available for review during 2016/17. Iwi were provided the opportunity to provide feedback on Council's intent to prepare	Not applicable



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
reserves appropriately protected.	Level of consultation with Tangata Whenua o Whakatū occurring.	management plans to determine if areas of cultural significance exist.	a reserve management plan for sportsground reserves in 2014/15, and will have the opportunity to provide feedback on the draft reserve management plan once it is available for consultation during 2017/18.	
	Number of requests for access to cultural material facilitated.	Provide access to cultural materials such as flax, toetoe, pingao and other resources where it is consistent with sustainable management.	There were two requests for access to cultural materials during 2016/17. Both were requests to harvest harakeke and permission was granted in both cases.	Achieved
	Level of compliance with the Heritage New Zealand Pouhere Taonga Act 2014.	All known historical and archaeological sites managed in accordance with the Heritage New Zealand Pouhere Taonga Act 2014. Inventory of all known sites kept up to date.	Council maintains an up to date record of the Heritage NZ List of Historic Places. Council also subscribes to the NZAA Archsite database of known archaeological sites, and in the 2016/17 year has managed all known sites in accordance with the Heritage New Zealand Pouhere Taonga Act 2014. The above reflects the same level of compliance/service as in 2015/16.	Achieved
Neighbourhood parks within walking distance of all homes, providing play opportunities, open space and amenity values.	Neighbourhood parks within walking distance of 95% of all homes.	One neighbourhood park within reasonable walking distance (500m radius or a ten minute walking distance) of most urban residential properties and easily accessible, ideally from more than one road frontage.	During 2016/17, land was purchased within the subdivision at Montebello to meet the gap indicated in the Ngawhātu Valley. Further land is to be acquired as opportunities arise. During 2016/17 97% of all homes in the residential zone were within walking distance of a neighbourhood park. This compares to 99% in 2015/16.	Achieved
Trafalgar Centre.	Number of people using the Trafalgar Centre and total hours used. Number of people using the Trafalgar Centre and total hours used.	Annual number of users exceeds 80,000	31,542 visitors used the Trafalgar Centre during the 2016/17 year. This is not a full year of use as the Trafalgar Centre did not have its formal opening until March 2017, although it was in use for some events from April 2016.	Not achieved

Table continued >



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
		Annual use hours exceeds 2,500/ year	The Trafalgar Centre was used for 640 hours during the 2016/17 year, which includes set up and the events themselves. This is not a full year of use as the Trafalgar Centre did not have its formal opening until March 2017, although it was in use for some events from April 2016.	Not achieved
Swimming pools that meet the needs of users and provide opportunity for aquatic based recreation activities and learn to swim programmes.	Level of accessibility of public swimming pools.	Provision of a swimming pool that is within 10km driving/ cycling distance of 80% of Nelson's population.	In 2016/17, 96% of dwellings in the residential zone are within 10km of Nayland or Riverside Pool. This compares to 94% in 2015/16.	Achieved
	Annual user satisfaction surveys.	80% of customers satisfied or very satisfied with the swimming pools (CLM survey).	Forty-one percent of residents have used or visited a pool in the past year. Overall, 78% of pool users are satisfied or very satisfied with the pools in the area. There has been a significant increase in satisfaction ratings (47% in 2016/17 compared to 36% in 2015/16). There was no CLM survey undertaken in 2016/17.	Not achieved
Financially sustainable Marina facility.	Level of self funding of the Marina.	No cost to rates to operate the Marina - fees and charges cover the maintenance and renewal of Marina facilities and repayment of debt.	No cost to rates to operate the Marina - fees and charges cover the maintenance and renewal of Marina facilities and repayment of debt.	Achieved
Public Toilets Accessibility.	Accessibility of Public toilets to residents and visitors in areas of high public use. Accessibility of Public toilets to residents and visitors in areas of high public use.	Toilet facilities are provided within 200m of any point within the central city and suburban centres.	Toilet facilities are provided within 200m of any point within the central city and suburban centres. This is unchanged from previous years.	Achieved
		Minimum cleanliness level >90% (based on staff audit).	The cleanliness level for 2016/17 was 99.5%. The cleanliness level for 2015/16 was 98.95%.	Achieved



FINANCIAL PERFORMANCE - PARKS AND ACTIVE RECREATION

Funding Impact Statement

	Long Term Plan 2016 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	12,389	12,926	12,839	13,177
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	0	0	0	15
Fees and charges	1,930	1,975	2,276	431
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	998	1,120	1,189	2,994
Total operating funding	15,317	16,021	16,304	16,617
Applications of operating funding				
Payments to staff and suppliers	10,604	9,570	9,769	9,824
Finance costs	0	0	0	0
Internal charges and overheads applied *	2,896	3,403	3,306	3,051
Other operating funding applications	0	0	0	0
Total applications of operating funding	13,500	12,973	13,075	12,875
Surplus/(Deficit) of operating funding	1,817	3,048	3,229	3,742
Sources of capital funding				
Subsidies and grants for capital	80	149	194	250
Development and financial contributions	1,200	1,238	1,200	1,768
Increase (decrease) in debt	13,381	2,014	44	5,426
Gross proceeds from sale of assets	0	0	0	265
Lump sum contributions	0	0	0	0
Total sources of capital funding	14,661	3,401	1,438	7,709
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	1,553	3,996	1,797	2,215
- to improve level of service	12,850	415	719	8,147
- to replace existing assets	2,075	2,038	2,151	1,099
Increase (decrease) in reserves	0	0	0	(10)
Increase (decrease) in investments	0	0	0	0
Total applications of capital funding	16,478	6,449	4,667	11,451
Surplus/(Deficit) of capital funding	(1,817)	(3,048)	(3,229)	(3,742)
Funding balance	0	0	0	0

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



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 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	1,817	3,048	3,229	3,742
Subsidies and grants for capital expenditure	80	149	194	250
Development and financial contributions	1,200	1,238	1,200	1,768
Vested assets	0	0	0	256
Gains/(losses) on disposal	0	0	0	(4)
Depreciation	(2,874)	(3,164)	(3,181)	(2,761)
Targeted capital rates	0	0	0	0
Non cash write ups and gains on revaluation	0	0	0	0
Non cash write downs and losses on revaluation	0	0	0	(620)
Net Surplus/(Deficit) before taxation in Cost of Service Statement	223	1,271	1,442	2,631

Funding Impact Statement Variances against Budget

The variance between annual plan budget and actual income for fees and charges offsets that for other operating income due to a reclassification of Marina charges.

Internal charges for interest were lower than anticipated as interest rates were favourable to those budgeted, and internal borrowings were lower.

Capital expenditure is \$6.8 million more than the annual plan budget in total. \$6.3m of this variance relates to expenditure on the Trafalgar Centre/Rutherford Park redevelopment (much of this variance was carried forward from 2015/16). More detail on variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

Unbudgeted income related to vested assets reflects esplanade reserve land vested to Council by subdivision developers.

Debt is \$5.4 million more than budgeted as a result of the higher capital expenditure, with unbudgeted proceeds from asset sales, increased development and financial contributions and a higher than anticipated operating surplus also contributing to the funding of capital.

Unbudgeted asset sales relates to the sale of land not required for Council purposes.

Development contributions and subdivision reserves contributions received were \$568,000 more than anticipated, reflecting sector activity.

Depreciation is \$420,000 less than budget, mostly relating to the Trafalgar Centre which was not in use until early 2017.

A valuation of the Trafalgar centre resulted in an impairment of \$620,000 reflecting the additional costs of refurbishing an existing building.





ECONOMIC

ABOUT COUNCIL ECONOMIC ACTIVITIES

Council has a role to create a successful, sustainable region and achieves this largely through providing infrastructure, and fostering economic development. The focus is on activities where increased effort is likely to be most positive for the region.

HIGHLIGHTS FOR 2016/17

2016/17 was the first year that the new Nelson Regional Development Agency (NRDA) was in operation. The agency is a merger of the former Nelson Regional Economic Development Agency and Nelson Tasman Tourism.

The key objective of the NRDA is to provide effective facilitation of regional development by making a measurable difference to areas it gets involved in.

The NRDA commenced a project to identify the Regional Identity for Nelson and talked to a number of stakeholders and community members through this process. As well as this, ongoing work continued, such as tracking the regional economy reports, regional marketing, tourism development, monitoring and managing the i-site.

Council hosted a Miyazu delegation for the 40th anniversary re-signing of the sister city relationship.

Innovate Nelson continued to have a focus on innovation and entrepreneurship in Nelson and Marlborough. Monthly workshops were run to help improve businesses using tools. Entries for a business accelerator competition were sought during 2016/17 with the winner to be announced in 2017/18.

The Nelson Tasman Business Trust operates with funding from the Nelson City Council and offers assistance to start-up and existing businesses in the region. The Regional Business Partner programme, is a partnership between central government, the Nelson Tasman Chamber of Commerce, Marlborough Chamber

of Commerce, Nelson Tasman Business Trust and Business Trust Marlborough. It also provides support for business development and innovation in the region.

Education Nelson Marlborough continued work to support the development and growth of international education in the region. During the year, the organisation hosted education agents to the Top of The South for a three day trip to explore what the region has to offer international students.

The NRDA administered the Nelson Events and Marketing Fund on behalf of Council. \$462,940 was allocated during 2016/17 to thirteen different approved events in 2016/17. This was up from \$277,000 in 2015/16 (12 events), \$179,000 in 2014/15 (eight events) and \$163,000 in 2013/14 (six events). Of the total allocated in 2016/17, \$120,000 was for Year 1 of the Netball New Zealand Tournament.

Of these 13 events supported by the Fund, six were sporting events (South Island Masters Games, Nelson Golf Festival, Cricket One Day International, Abel Tasman Cycle Challenge, Ocean Swim Series and Netball Super Club), six were non-sporting events (Marchfest, Pipe Band Championships, Nelson Baroque Residency, Art Expo, Nelson Fringe Festival and NZ Cider Festival) and one was a community event (Race Unity Day).

Total regional visitor spend in 2016/17 (the year ended June 2017) was \$657m, an increase of 9.1% over 2015/16.

Uniquely Nelson, which promotes over 600 Nelson City shops, businesses, cafes and restaurants, continued to support and strengthen existing partnerships and develop strategies for all year round business resilience and success. Supporting revenue stream over the Winter months is an important aspect of this. The 2016 Feast for the Senses is an example of this, with just under 300 people attending moveable feasts throughout the city.

In response to the ever-changing retail environment, the increased use of technology to encourage customers as to the many benefits of shopping, dining and doing business in Nelson City is vital. Uniquely Nelson relaunched their new website with many enhancements, such as Virtual Reality, to inform and encourage people to experience all that Nelson City has to offer. Nelson was the first city/town in New Zealand to do so.

Eight cruise ships visited Port Nelson this season (compared with five last season) with very positive feedback being received about the on-shore excursions provided. This is a total of 2,558 passengers and 1,749 crew. All ships were in the premium, boutique sector. Collateral has been developed together with Port Nelson to further promote the region as a cruise destination. NRDA attended the Cruise NZ conference and is planning to bid to host the conference in 2018.

Thirty three media visits were hosted with a total of 86 people, including 21 broadcast crew. This is a reduction from last year as expected as Tourism New Zealand now has a focus on providing more content directly to media, rather than hosting media here. 31 international trade groups were hosted with a total of 190 people.

In addition, NRDA attended TRENZ (Tourism Rendevous New Zealand) which is the largest tourism industry event in New Zealand. Formal meetings were held with 45 key international and New Zealand-based trade agents.

The following international marketing events were attended: TNZ roadshow in USA (Washington, Toronto, Charlotte and Houston), RTONZ trade shows in Sydney, PATA exchange in London, TNZ UK roadshow (London, Manchester, Glasgow), TNZ roadshow Australia (Brisbane, Sydney, Melbourne, Canberra).

Council provided a grant of \$50,000 to the Nelson Cycle Lift Society Incorporated for further development of the business case for the proposed Gondola project.

Following an approach from the Tahunanui Beach Camp, Council agreed to provide a financial contribution of \$15,000 from the Special Economic Projects fund for a temporary beach bus service. This ran over the Christmas period from the central city to Tahunanui Beach.

Seven days of international cricket was played in Nelson over summer. Preparation is underway for further matches to be held during 2017/18.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

Council's economic activities contributed to achieving the following community outcomes over the year.

Community outcomes	Contribution
Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement	The community's aspirations are understood and taken into account. The economic needs of the Nelson community and the wider region are considered in decision making.
Our region is supported by an innovative and sustainable economy	Council is responsive to business and committed to providing an enabling environment by minimising unnecessary bureaucracy. Support is provided to organisations and projects that attract new investment to the region, bring training opportunities and encourage our workforce to become more skilled and adaptable.



SERVICE LEVELS AND PERFORMANCE

Measures from Year 2 of the Nelson Long Term Plan 2015-25

What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/Not Achieved
Infrastructure to provide for a sustainable local and regional economy.	Council investment in infrastructure networks as measured by total value of network assets (transport, water supply, wastewater and stormwater) at net present value (\$).	Total value of Council's network assets is maintained or increased.	The net present value calculation has not been done. The valuation of infrastructure assets increased by \$30 million to \$1,124 million at June 2017.	Achieved
	Value of capital projects completed each year.	Total value of capital projects is maintained or increased compared to previous year.	The value of capital project addition totalled \$26.7787 million at June 2017 (compared to \$29.725 to June 2016).	Not achieved
Facilitate economic development for the benefit of the community.	Amount of government business support funding accessed for the region.	Government business support funding is maintained or increased and budgeted grants for research and development, and capability development are fully allocated to businesses.	Regional businesses supported to access Callaghan Innovation's Research and Development Grants programmes and New Zealand Trade and Enterprise capability development vouchers resulting in \$1,260,508 of government funding to local businesses. Capability development funds were fully allocated (there was a set amount of \$230,000 available for the year). In 2015/16 the Economic Development Agency accessed \$1,116,967.58 of Government funding for the region. All funds allocated were spent. Research and Development grants funds do not have a specified amount and as such cannot be measured as 'fully allocated'.	Achieved
Promotion of Nelson to increase the economic value of tourism.	Number of tourism guest nights annually. Number of tourism guest nights in the off-peak months.	Increase the number of tourism guest nights annually.	Total guest nights in 2015/16 were 1,402,922 Total guest nights in 2016/17 were 1,475,577 up 5.2% from 2015/16.	Achieved
		Increase the number of tourism guest nights in the off-peak months.	Off peak (excludes December to February) guest nights in 2015/16 were 739,723. Off peak nights in 2016/17 were 789,066 up 7.9% from 2015/16.	Achieved



FINANCIAL PERFORMANCE - ECONOMIC

Funding Impact Statement

	Long Term Plan 2016 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	1,521	1,247	1,722	1,652
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
Total operating funding	1,521	1,247	2,122	2,052
Applications of operating funding				
Payments to staff and suppliers	1,508	1,233	2,108	2,069
Finance costs	0	0	0	0
Internal charges and overheads applied *	13	14	14	13
Other operating funding applications	0	0	0	0
Total applications of operating funding	1,521	1,247	2,122	2,082
Surplus/(Deficit) of operating funding	0	0	0	(30)
Sources of capital funding				
Subsidies and grants for capital	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
Total sources of capital funding	0	0	0	0
Applications of capital funding				
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	(230)
Increase (decrease) in investments	0	0	0	200
Total applications of capital funding	0	0	0	(30)
Surplus/(Deficit) of capital funding	0	0	0	30
Funding balance	0	0	0	0

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



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 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	0	0	0	(30)
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	0	0	0	0
Vested assets	0	0	0	0
Gains/(losses) on disposal	0	0	0	0
Depreciation	0	0	0	0
Targeted capital rates	0	0	0	0
Non cash write ups and gains on revaluation	0	0	0	0
Non cash write downs and losses on revaluation	0	0	0	0
Net Surplus/(Deficit) before taxation in Cost of Service Statement	0	0	0	(30)

Funding Impact Statement Variances against Budget

\$200,000 of reserves were used to purchase an equity investment in the Nelson Regional Development Agency which was formed on 1 July 2016.





CORPORATE

ABOUT COUNCIL CORPORATE ACTIVITIES

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 elections, finances and administration, strategic documents and councillor support.

Council's corporate activities include:

- Cost of democracy including meetings, publicity, councillor costs and elections
- Management of investments including rental properties, forestry, Civic House, the Port Company, Airport and Nelmac
- Council Controlled Organisations
- Long term planning, strategy development and policy
- Organisational assurance
- Financial reserves
- Emergency Response Fund

HIGHLIGHTS FOR 2016/17

The local body election was carried out on 8 October 2016. The voter return in Nelson was 52.12%, being 18,853 votes. The national average for voter turnout in local body elections was 48.2%. Following the election, an induction process for councillors was carried out.

During 2016/17, Council prepared, consulted on, and adopted the Annual Plan 2017/18, which sets the work programme and rates for the 2017/18 financial year. Through this process, Council received 407 submissions. The final Annual Plan was adopted on 22 June 2017.

The results of the residents' survey conducted in 2016/17 show overall, 55% of residents are satisfied or very satisfied with Council, 32% are neither satisfied nor dissatisfied, while 11% are dissatisfied or very dissatisfied. A new question in the 2016/17

Residents' Survey asked if residents had direct contact with Council staff in the past year. More than half of residents (53%) had contact, while 46% had not. Residents who had contacted Council in the past 12 months were asked how satisfied they were with the service they received. Sixty-seven per cent of residents were satisfied or very satisfied. Fourteen per cent were neither satisfied nor dissatisfied, 17% were dissatisfied or very dissatisfied.

In November, Standard and Poor's retained Council's long-term credit rating at AA stable. This reflects Council's very strong budgetary flexibility, strong financial management and liquidity and low contingent liabilities.

During 2016/17, a total of three new cases about Council were opened by the Office of the Ombudsman. Two of these cases related to complaints under the Ombudsmen Act 1995 and the third to a complaint under the Local Government Official Information and Meetings Act 1987. The Office of the Ombudsman concluded seven cases about Council during the year (four of which were commenced during the previous year). Of these seven cases, five were discontinued, one was closed without further action and in one, a final opinion was issued.

Council received correspondence from the Office of the Auditor General in relation to the way that Council manages approvals of contracts under the Local Authorities (Members' Interests) Act 1968. Concerns were raised over the adequacy of the supporting information being provided; the process followed by Council officers in relation to the Council's Procurement Policy; and the award of one contract without going through a tender process. An independent investigation was carried out and improvements have been made to procurement systems and tendering and financial processes.

The Eelco Boswijk Civic Awards were held and seven individuals and organisations that helped Council





to achieve goals were awarded in the categories of community hero, change maker, leadership, kaitiakitanga, smart living and community spirit. A number of other people and organisations were also recognised for their input to Nelson.

Council received regular reporting on its key risks and is working actively to develop a better integration of its risk practices into decision making.

Council's Health and Safety Policy, and its Health and Safety Governance Charter were reviewed and updated.

Internal audit reviews were carried out on credit notes, invoicing, imprest accounts, banking module, EIL records management, Founders Heritage Park, Golf Course, parking meter revenue, schedular payments, sensitive expenditure – travel, community grants, IT strategic plan process, GST, cash receipting module, mobile fixed assets, art festival revenue, conflicts of interest and the Significance and Engagement Policy. These internal audits provide Council with the assurance that functions are being carried out as required and offer opportunities for improvement. External consultants were also engaged to perform a review of Council's business continuity planning.

Council is required under section 17A of the Local Government Act 2002 to review the cost-effectiveness of current arrangements for meeting the needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions. Reviews must consider options for the governance, funding and delivery of all Council services by 7 August 2017. In 2016/17, 24 reviews were undertaken and reported to the Audit Risk and Finance Subcommittee. Reviews were undertaken on a number of areas including Port Nelson, Nelson Airport, libraries and building consents and inspection services. In total, 28 reviews have now been undertaken, with the remainder in progress or scheduled.

“

Council extended its smokefree policy to include events run by Council and provided an allocation of \$3,500 to the New Zealand Cancer Society Nelson Centre to support a trial of smoke-free outdoor dining in the city centre.

”

During 2016/17, 1841 rates rebates interviews were completed at Civic House, in the community and in people's homes.

Council was one of the Foundation Councils in Local Government New Zealand's Excellence Programme and was assessed by independent assessors in February 2017, with a final report expected in October 2017.

The Haven Precinct Project commenced in 2016/17 with early stages of investigation and providing concept plans for the development, which covers the section from the former Reliance Engineering building to the Boathouse. A public feedback session was held in October. Budget is now included in the 2017/18 Annual Plan in support of further investigative work on this project.

Council extended its smokefree policy to include events run by Council and provided an allocation of \$3,500 to the New Zealand Cancer Society Nelson Centre to support a trial of smoke-free outdoor dining in the city centre.

Council's procurement policy was updated and new contract templates for a wide range of contracts was introduced to provide consistency in Council's contracting practices.

Preparation for Long Term Plan 2018-28 commenced with workshops on the Long Term Plan with Council. Pre-consultation is scheduled for July to September. Review of Asset and Activity Management Plans is well underway with a number of workshops on each Asset and Activity Management Plan being held during the 2016/17 year. The Liability Management Policy was reviewed and recommended by the Audit Risk and Finance Subcommittee to Council for adoption.

Forty-two per cent of residents are satisfied or very satisfied with opportunities to provide feedback. Reasons for satisfaction with opportunities to provide feedback included feeling happy with the consultation process or receiving positive feedback, while reasons for dissatisfaction with opportunities to provide feedback included a feeling there isn't a lot of communication or consultation from Council.

The Chief Executive resigned from Council in June 2017. An Acting Chief Executive has been appointed while recruitment is underway.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

Council's corporate activities contributed to achieving the following community outcomes over the year.

Community outcomes	Contribution
Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement	Council works together with community and regional partners. The needs of future generations are considered in all its decisions and our youth are mentored and encouraged to take on leadership roles. Community input to Council's decision making is facilitated by inclusive consultation.
Our infrastructure is efficient, cost effective and meets current and future needs	Council seeks to apply sustainable energy use practices in its activities.

SERVICE LEVELS AND PERFORMANCE

Measures from Year 2 of the Nelson Long Term Plan 2015-25

What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/ Not Achieved
Effective and impartial election administration service that meets or exceeds legislative requirements.	Completion of election processes in 2013, 2016 and 2019.	Election on time, within budget, no upheld complaints.	The election day was on Saturday 8 October 2016. The voter return was 52.12%, being 18,853 votes. The election was held on time, within budget, with no upheld complaints.	Achieved
Effective engagement and consultation.	Resident satisfaction.	Maintain or improve on 2014 results.	Overall, in the Residents' Survey 2016/17 42% of residents are satisfied or very satisfied with their opportunities to provide feedback. This compares to 37% in 2015/16 and 53% in 2014/15.	Not achieved



CORPORATE



What Council will provide	Performance measures	Targets 2016/17	Result 2016/17	Achieved/ Not Achieved
			Reasons for satisfaction with feedback opportunities in 2016/17 included residents feeling happy with the consultation process as well as receiving positive feedback. Reasons for dissatisfaction with feedback opportunities included residents feeling there is not a lot of communication or consultation from Council.	
Council Controlled Organisations (CCOs) that deliver net benefit to the community.	Refer to the CCO section of the Long Term Plan 2015-25 for specific measures for each CCO.	Council satisfied with attainment of six monthly CCO targets for all SOIs.	As in 2015/16, Council received six monthly reports from CCOs and is satisfied with their performance.	Achieved
Promote Māori participation in resource management and decision-making.	Level of Iwi/ Māori representatives' satisfaction with participation opportunities.	At least 90% satisfied or very satisfied. Maintain or improve on 2015 results.	There was a low response rate to this survey with four responses received. Two out of the four respondents responded that they were satisfied or very satisfied (50%) and the remaining two respondents to the survey saying that they were dissatisfied. Both respondents to the 2015/16 survey responded saying that they were satisfied (100%).	Not achieved

¹³ 2016 Residents' Survey responses.



FINANCIAL PERFORMANCE - CORPORATE

Funding Impact Statement

	Long Term Plan 2016 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	(1,550)	(206)	(186)	355
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	5	5	5	560
Fees and charges	0	0	0	(43)
Internal charges and overheads recovered	10,193	11,480	10,901	9,455
Local authorities fuel tax, fines, infringement fees, and other receipts	4,546	4,320	4,715	9,583
Total operating funding	13,194	15,599	15,435	19,910
Applications of operating funding				
Payments to staff and suppliers	5,818	5,945	6,804	9,687
Finance costs	4,482	6,176	5,361	4,209
Internal charges and overheads applied *	1,204	1,222	1,006	1,043
Other operating funding applications	0	0	0	0
Total applications of operating funding	11,504	13,343	13,171	14,939
Surplus/(Deficit) of operating funding	1,690	2,256	2,264	4,971
Sources of capital funding				
Subsidies and grants for capital	0	0	0	0
Development and financial contributions	0	0	0	206
Increase (decrease) in debt	38,605	15,363	20,182	7,834
Gross proceeds from sale of assets	0	0	0	16
Lump sum contributions	0	0	0	0
Total sources of capital funding	38,605	15,363	20,182	8,056
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	861	291	794	413
- to improve level of service	1,542	1,044	1,377	120
- to replace existing assets	1,648	1,041	934	438
Increase (decrease) in reserves	(377)	360	464	1,591
Increase (decrease) in investments	36,621	14,883	18,878	10,465
Total applications of capital funding	40,295	17,619	22,446	13,027
Surplus/(Deficit) of capital funding	(1,690)	(2,256)	(2,264)	(4,971)
Funding balance	0	0	0	0

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



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 (\$000)	Long Term Plan 2017 (\$000)	Annual Plan 2017 (\$000)	Actual 2017 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	1,690	2,256	2,264	4,971
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	0	0	0	206
Vested assets	3,051	3,124	0	3
Gains/(losses) on disposal	0	0	0	0
Depreciation	(1,527)	(1,645)	(1,547)	(1,382)
Targeted capital rates	0	0	0	0
Non cash write ups and gains on revaluation	0	0	0	3,130
Non cash write downs and losses on revaluation	0	0	0	0
Net Surplus/(Deficit) before taxation in Cost of Service Statement	3,214	3,736	717	6,928

Funding Impact Statement Variances against Budget

Subsidies and grants income is higher than anticipated as the claim related to the December 2011 weather event was settled by the Ministry of Civil Defence and Emergency Management later than had been anticipated.

Internal interest received was less than anticipated as internal borrowings were less than expected and interest rates more favourable than forecast.

Dividends received from Port Nelson Ltd were \$800,000 higher than budgeted. Forestry harvesting took place during the year after the completion of the forestry activity review, resulting in \$3.2m unbudgeted income. There were unbudgeted sales of ETS units generated by the forestry activity.

Payments to suppliers and staff \$2.9 million more than budget. This is mainly unbudgeted forestry harvesting costs related to the income above, along with unbudgeted items of a reactive nature such as investigating a gas leak at Neale Park.

Finance costs were less than anticipated as internal borrowings were less than expected and interest rates more favourable than forecast.

Capital expenditure was \$2.1 million less than budgeted of which \$1.8m has been carried forward into 2017/18. This is made up of a number of small projects and delays have occurred as a result of approval processes and staff/contractor resourcing. More detail on variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

The differences in investment and debt movements reflect the reduced requirement for internal borrowings from other activities and are offset by increases in reserves.

Non-cash write ups are revaluations of interest rate swaps, forestry, and property assets.

Unbudgeted development and financial contributions reflect the difference between subdivision reserve contributions received and the amount required to fund reserves projects during the year. This excess will be available to the Parks activity in future years to fund subdivision reserves.







FINANCIAL INFORMATION



Summary of capital
expenditure over \$100,000

Nelson City Council Financial Statements
AND NOTES TO ACCOUNTS –
Year ended 30 June 2017

Funding impact statement for the year ended 30
June 2017

Financial prudence

SUMMARY OF CAPITAL EXPENDITURE OVER \$100,000

Project	Carry over 2015/16 (\$000)	Estimate 2016/17 (\$000)	Available 2016/17 (\$000)	Actual 2016/17 (\$000)
Transport				
Roads: Subsidised				
Sealed Road Pavement Rehabilitation	0	115	115	47
Sealed Road Resurfacing	0	1,348	1,348	1,403
Drainage Renewals	0	98	98	120
Structures component replacement - Retaining walls	0	501	501	443
Traffic Services Renewal - Lighting	0	263	263	269
Minor Improvements	3	131	134	15
Airport Bridge Replacement	0	200	200	12
Elm Street Intersection safety improvements	0	0	0	162
Oldham Bridge Replace	0	0	0	191
Tahunanui Cycle Network	0	342	342	0
Walk cycle Schools Package: Integrated Activities	244	0	244	0
Railway Reserve to CBD (Stg II via St Vincent)	0	0	0	217
Gloucester Street Connections	6	191	198	42
UCP Rocks Rd to Maitai shared path	1	277	278	90
Roads: Unsubsidised				
Renewals: Footpaths	(2)	310	308	395
Sundry Land Purchases - Growth	0	103	103	0
Todd Bush Rd	425	0	425	356
Vested Assets	0	1,843	1,843	3,628
Tahunanui car park	50	154	204	0
Songer St new footpath - Nayland to Durham	0	90	90	102
Rocks Rd cycling and walking project	390	308	698	0
Inner City Enhancement - Car Parks				
CBD aesthetic elements	0	0	0	165
Ring Route Signage CBD	75	50	125	1
CBD Enhancements	0	407	407	1
Public Transport				
WC 531 Integrated Ticketing GRETS	31	98	129	12
Transport Projects under \$100,000	251	1,519	1,771	979
Total Transport	1,475	8,348	9,823	8,651

Water Supply

Water Treatment Plant Renewals	0	144	144	148
Scada Renewal	34	72	106	52
Renewals: Water Pipes	0	815	815	0
Hampden Street East Little Go Stream: Water	(2)	100	98	402
Maitland Ave water renewal	0	0	0	544
Pump Stations - Renewals	0	277	277	223



Project	Carry over 2015/16 (\$000)	Estimate 2016/17 (\$000)	Available 2016/17 (\$000)	Actual 2016/17 (\$000)
Water Supply continued...				
Renewals: Commercial Meters	0	154	154	151
Renewal: Membranes WTP	0	0	0	2,019
Capital Roding RC Renewal	61	205	266	176
Maitai Resource consent renewal	35	205	240	105
Vested Assets	0	312	312	649
Capital: Backflow Prevention	0	154	154	155
Maitai Pipeline (WTP - Westbk Tce)	0	2,852	2,852	2,810
Fire Flow Upgrades	0	103	103	62
DMA establishment	24	103	126	51
Seismic Risk Upgrades	0	103	103	78
Water Supply Projects under \$100,000	92	504	595	545
Total Water Supply	243	6,101	6,345	8,169

Wastewater

Wastewater Pipe Renewals	145	539	684	9
Hampden Street East Little Go Stream: Sewer	(60)	150	90	157
Jenner Rd sewer renewal	0	0	0	34
Renewals Pump stations	0	133	133	136
SCADA upgrade	22	72	94	143
Vested Assets	0	406	406	832
Neale Park PS	9	3,078	3,087	123
Nelson Regional Sewerage capital	0	745	745	896
Capital: Awatea Place	0	308	308	49
Corder Park Pump Station	428	0	428	477
Wastewater Projects under \$100,000	84	441	525	339
Total Wastewater	627	5,872	6,500	3,195

Stormwater

Vested Assets	0	562	562	742
LOS: Nile Street East	0	605	605	13
Fifeshire	0	257	257	76
Tahunanui Hills Stormwater- Moana Avenue to Rocks Road	0	103	103	50
Railway Reserve - Saxton Rd West - Dryden Street	12	770	782	532
Pvt/Public Drains	49	103	152	3
147A to 149 Waimea Road Stormwater	0	0	0	114
Wastney Terrace stormwater (pvt drain prgm)	41	773	814	84
Stansell Pvt/ Pub Drains	133	0	133	11
Stormwater Projects under \$100,000	169	663	832	354
Total Stormwater	404	3,835	4,238	1,977

Table continued >



Project	Carry over 2015/16 (\$000)	Estimate 2016/17 (\$000)	Available 2016/17 (\$000)	Actual 2016/17 (\$000)
Flood Protection				
Vested Assets	0	0	0	197
Capital: York Stream Channel Upgrade	167	770	937	112
Maitai flood management	0	103	103	0
Orphanage Stream upgrade	25	154	179	42
Saxton Creek upgrade	55	3,077	3,132	945
Hampden St East Little Go Stream: Stage 2	192	2,718	2,910	3,172
Saxton Creek Culvert Upgrade	78	82	160	134
Inventory of Urban Streams	27	200	227	89
Flood Mitigation	347	154	501	447
Flood Protection Projects under \$100,000	146	439	585	425
Total Flood Protection	1,038	7,696	8,734	5,563

Environmental Management

Monitoring The Environment				
Project Maitai/Mahitahi	9	205	214	39
Landfill				
Capital Projects	0	102	102	0
Road extension	0	0	0	18
York Valley weighbridge	131	0	131	0
Recycling				
Recycling Bins	(7)	1,100	1,093	0
Environmental Management Projects under \$100,000	76	127	203	346
Total Environmental Management	209	1,534	1,743	403

Social

Heritage and Arts Planning				
Art works programme	149	77	226	86
Suter Gallery				
Suter Redevelopment	166	0	166	0
Isel House				
EQP Building Remediation: Isel House	23	0	23	204
Historic Cemeteries				
Vested Assets	0	0	0	178
Libraries				
Book Purchases	0	398	398	385
Elma Turner Library Extension/ Relocation	(2)	205	203	5
Crematorium				
New Pet Cremator	0	154	154	0



Project	Carry over 2015/16 (\$000)	Estimate 2016/17 (\$000)	Available 2016/17 (\$000)	Actual 2016/17 (\$000)
Social continued...				
Toilets				
Queens Garden Toilet	12	190	202	16
Stoke Community Centre				
Stoke Sports and Community Facility	751	4,617	5,368	1,522
Community Properties				
Small Bore Rifle - New Building	20	158	178	576
Refinery extension	0	200	200	0
Community Housing				
Community Housing Renewals	20	103	123	156
Social Projects under \$100,000	140	586	726	682
Total Social	1,278	6,689	7,967	3,810

Parks and Active Recreation

Horticulture Parks				
Renewals: Structures	0	209	209	8
Neighbourhood Parks				
Land Purchase: General Reserve	330	410	741	1,027
New Reserve Development Programme	(10)	110	101	65
Neighbourhood Parks				
Capital: Mountainbike Tracks	0	125	125	0
Esplanade and Foreshore				
Modellers Pond Solution	540	0	540	60
Esplanade & Foreshore Planting Prgm	0	103	103	104
Vested Assets	0	0	0	223
Tahuna Reserve Development Plan	13	0	13	102
Sports Parks				
Rutherford/Trafalgar Park Development	1,182	0	1,182	1,551
Trafalgar Centre				
Replacement of benched seats	0	460	460	0
Replacement tiered seating	0	356	356	0
Mother grid design and installation	0	154	154	0
Trafalgar Centre Reopening	3,623	0	3,623	4,795
Trafalgar Theatre	0	200	200	3
Saxton Field Stadium				
Saxton Stadium lift renewal	145	0	145	31
Pools				
Renewals Nayland	15	23	38	197
Nayland Pool improvements	(16)	200	184	0
Marina Hardstand				
Marina Hardstand	25	0	25	170
Saxton Field Capital Works				
Capital: land purchase (Daelyn)	685	0	685	11
Saxton Creek recreation pond enhancements	0	257	257	257

Table continued >



Project	Carry over 2015/16 (\$000)	Estimate 2016/17 (\$000)	Available 2016/17 (\$000)	Actual 2016/17 (\$000)
Parks and Active Recreation continued...				
Community Facilities				
Land Purchase - Marina development	0	0	0	1,284
Parks & Active Recreation Projects under \$100,000	129	2,061	2,190	1,830
Total Parks and Active Recreation	6,661	4,667	11,329	11,717
Corporate				
Civic House				
Civic House Renewal Program	97	113	210	73
Floor 1 upgrade	0	413	413	8
Building modifications	0	307	307	33
Aircon	0	144	144	1
Capital: Plant & Equipment	0	175	175	7
Earthquake Prone Buildings Remediation	112	513	625	5
Administration				
Capital: Motor Vehicles	0	133	133	0
Capital: H/ware: Desktop	8	128	136	26
Capital: Comp: H/Ware: Network	34	97	131	128
Asset Management System enhancements	60	82	142	73
Upgrade TOTSM	29	82	111	13
Core Systems enhancement	110	307	417	335
Corporate Projects under \$100,000	191	610	802	273
Total Corporate	642	3,104	3,747	974
TOTAL CAPITAL EXPENDITURE	12,578	47,846	60,425	44,459



NELSON CITY COUNCIL FINANCIAL STATEMENTS AND NOTES TO ACCOUNTS – YEAR ENDED 30 JUNE 2017

Statements of comprehensive revenue and expense for the year ended 30 June 2017

	Note	Council			Group	
		Actual 2017 (\$000)	Budget 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Rates	3	59,457	59,076	57,324	59,457	57,324
Fees and charges	5	29,175	24,148	24,710	39,998	35,606
Subsidies and grants	4	6,536	5,274	5,208	8,618	9,021
Finance income	9	59	54	39	101	155
Other revenue	5	17,532	12,946	16,555	13,726	13,471
Other gains/(losses)	6	2,831	81	(3,238)	2,924	(3,199)
Total revenue		115,590	101,579	100,598	124,824	112,378
Personnel costs	8	(17,395)	(18,487)	(16,249)	(32,699)	(30,524)
Depreciation and amortisation expense	18,19	(23,310)	(23,093)	(21,903)	(24,778)	(22,931)
Other expenses	7	(57,487)	(50,222)	(45,923)	(51,462)	(41,972)
Finance costs	9	(4,217)	(5,515)	(3,834)	(4,325)	(3,903)
Total operating expenditure		(102,409)	(97,317)	(87,909)	(113,264)	(99,330)
Share of associate's surplus	24	-	-	-	7,027	3,052
Surplus before tax		13,181	4,262	12,689	18,587	16,100
Income tax expense	10	-	-	-	(306)	(280)
Surplus after tax		13,181	4,262	12,689	18,281	15,820
Other comprehensive revenue						
Gain on property revaluations	30	47,756	15,652	3,590	47,756	3,590
Share of associate's revaluations	24	-	-	-	11,034	17,272
Total other comprehensive revenue		47,756	15,652	3,590	58,790	20,862
Total comprehensive revenue		60,937	19,914	16,279	77,071	36,682

Explanations of major variances against budget are provided in note 39.

Summary of significant accounting policies and the accompanying notes form part of these financial statements.



Statements of changes in equity for the year ended 30 June 2017

	Note	Council			Group	
		Actual 2017 (\$000)	Budget 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Balance as at 1 July		1,350,424	1,342,478	1,316,312	1,455,284	1,400,769
Total comprehensive income previously reported		60,937	19,914	16,279	77,071	36,682
Transfer from asset revaluation reserve		(40)	-	17,833	(40)	17,833
Group equity released on disestablishment		-	-	-	(133)	-
Group equity acquired on establishment		-	-	-	370	-
Prior year adjustment		-	-	-	255	-
Balance at 30 June	30	1,411,321	1,362,393	1,350,424	1,532,807	1,455,284

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

Statements of financial position as at 30 June 2017

	Note	Council			Group	
		Actual 2017 (\$000)	Budget 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Assets						
Current assets						
Cash and cash equivalents	12	255	371	2,443	1,362	3,418
Trade and other receivables	13	12,363	11,543	12,397	13,770	14,345
Derivative financial instruments	17	-	95	-	-	-
Other financial assets	16	752	768	744	1,789	3,798
Inventories	15	-	67	118	1,178	945
Current tax receivables	14	-	-	-	12	14
Total current assets		13,370	12,844	15,702	18,111	22,520
Non current assets						
Derivative financial instruments	17	25	-	-	25	-
Investments accounted for using the equity method	24	36,663	22,266	36,663	136,602	122,052
Other financial assets	16	5,035	4,454	5,003	5,211	5,150
Property, plant and equipment	18	1,453,564	1,459,586	1,387,198	1,482,669	1,414,508
Intangible assets	19	2,256	1,682	2,367	2,653	2,690
Forestry assets	21	5,798	5,131	5,699	5,798	5,699
Investment property	22	1,100	1,018	1,060	1,100	1,060
Trade and other receivables	13	-	-	-	-	-
Investments in subsidiaries	23	8,200	8,353	8,353	-	-
Deferred tax assets	11	-	-	-	130	159
Total non-current assets		1,512,641	1,502,490	1,446,343	1,634,188	1,551,318
Total assets		1,526,011	1,515,334	1,462,045	1,652,299	1,573,838



	Note	Council			Group	
		Actual 2017 (\$000)	Budget 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
LIABILITIES						
Current liabilities						
Trade and other payables	26	12,327	12,995	17,696	12,846	20,981
Derivative financial instruments	17	40	39	7	40	7
Borrowings	27	2,350	11,049	21,400	2,571	21,400
Employee benefits liabilities	29	2,105	1,731	1,828	3,751	3,404
Total current liabilities		16,822	25,814	40,931	19,208	45,792
Non-current liabilities						
Derivative financial instruments	17	5,401	3,901	8,405	5,401	8,405
Borrowings	27	90,000	120,903	60,000	92,404	61,900
Employee benefits liabilities	29	223	222	222	301	292
Provisions	28	1,313	1,223	1,244	1,313	1,244
Trade and other payables	26	931	878	819	761	819
Other non-current liabilities		-	-	-	104	102
Total non current liabilities		97,868	127,127	70,690	100,284	72,762
Total liabilities		114,690	152,941	111,621	119,492	118,554
Net assets		1,411,321	1,362,393	1,350,424	1,532,807	1,455,284
EQUITY						
Accumulated funds	30	414,580	384,315	400,966	462,162	442,907
Other reserves	30	996,741	978,078	949,458	1,070,645	1,012,377
Total equity		1,411,321	1,362,393	1,350,424	1,532,807	1,455,284

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2017

	Note	Council			Group	
		Actual 2017 (\$000)	Budget 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Cash Flows From Operating Activities						
Receipts from rates revenue		67,015	67,262	66,522	67,015	66,522
Subsidies and grants received		6,536	5,274	5,408	6,794	6,977
Development and financial contributions received		3,414	2,414	2,827	3,414	2,827
Interest received		59	54	39	125	163
Dividends received		3,110	3,289	3,357	2,777	2,929
Receipts from other revenue		26,394	20,027	12,456	37,677	23,224
		106,528	98,320	90,609	117,802	102,642

Table continued >



	Note	Council			Group	
		Actual 2017 (\$000)	Budget 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Payments to suppliers		(60,981)	(50,402)	(38,837)	(55,140)	(34,954)
Payments to employees		(17,117)	(18,456)	(16,091)	(31,915)	(30,127)
Interest paid		(4,217)	(5,515)	(3,728)	(4,325)	(3,797)
Income tax paid		-	-	-	(217)	(320)
GST (net)		-	-	69	119	(510)
		(82,315)	(74,373)	(58,587)	(91,478)	(69,708)
Net cash flow from operating activities	31	24,213	23,947	32,022	26,324	32,934
Cash flows from investing activities						
Receipts from sale of property, plant, and equipment		688	22	6,472	3,166	7,202
Receipts from sale of investments		-	53	-	363	569
Repayment of community loans and advances		713	561	788	713	788
		1,401	636	7,260	4,242	8,559
Renewals		(10,275)	(10,436)	(7,402)	(10,293)	(7,454)
New capital works - growth		(4,452)	(3,856)	(4,048)	(4,452)	(4,048)
New capital works - increased level of service		(22,757)	(30,433)	(32,754)	(27,668)	(35,457)
Purchase of intangible assets		(515)	-	(1,232)	(681)	(1,292)
Investments in LGFA borrower notes		(320)	(160)	(160)	(320)	(160)
Other investments		(433)	-	(214)	(886)	(255)
Community loans advanced		-	-	(25)	-	(25)
		(38,752)	(44,885)	(45,835)	(44,300)	(48,691)
Net cash flow from investing activities		(37,351)	(44,249)	(38,575)	(40,058)	(40,132)
Cash flows from financing activities						
Proceeds from borrowings		32,215	23,338	40,740	32,940	40,990
Other capital contributions		-	-	-	19	-
		32,215	23,338	40,740	32,959	40,990
Repayment of borrowings		(21,265)	(3,061)	(32,116)	(21,281)	(32,133)
Net cash flow from financing activities		10,950	20,277	8,624	11,678	8,857
Net (decrease)/increase in cash, cash equivalents, and bank overdrafts		(2,188)	(25)	2,071	(2,056)	1,659
Cash, cash equivalents, and bank overdrafts at the beginning of the year		2,443	396	372	3,418	1,759
Cash, cash equivalents, and bank overdrafts at the end of the year	12	255	371	2,443	1,362	3,418

Summary of significant accounting policies and the accompanying notes form part of these financial statements.



Funding Impact Statement for the year ended 30 June 2017

	Long Term Plan 2015/16 (\$000)	Long Term Plan 2016/17 (\$000)	Annual Plan 2016/17 (\$000)	Annual Report 2016/17 (\$000)
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	41,220	43,299	43,749	44,078
Targeted rates	23,853	24,708	23,513	23,072
Subsidies and grants for operating purposes	2,676	2,783	3,202	3,729
Fees and charges	8,319	11,716	8,356	7,609
Interest and dividends from investments	2,891	2,970	3,343	4,019
Local authorities fuel tax, fines, infringement fees, and other receipts	11,880	11,882	11,806	18,407
Total operating funding	90,839	97,358	93,969	100,914
Applications of operating funding				
Payments to staff and suppliers	67,901	69,401	68,709	73,923
Finance costs	5,092	7,027	5,515	4,218
Other operating funding applications	0	0	0	0
Total applications of operating funding	72,993	76,428	74,224	78,141
Surplus (Deficit) of operating funding	17,846	20,930	19,745	22,773
Sources of capital funding				
Subsidies and grants for capital	2,507	2,028	2,072	2,809
Development and financial contributions	2,405	2,465	2,414	3,414
Increase (decrease) in debt	40,033	14,302	20,277	10,950
Gross proceeds from sale of assets	6,021	22	22	688
Lump sum contributions	0	0	0	0
Total sources of capital funding	50,966	18,817	24,785	17,861
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	6,147	5,870	3,856	4,259
- to improve level of service	41,314	18,984	30,433	22,951
- to replace existing assets	12,814	15,219	10,436	10,764
Increase (decrease) in reserves	(377)	360	463	3,792
Increase (decrease) in investments	8,915	(685)	(658)	(1,133)
Total applications of capital funding	68,812	39,748	44,530	40,634
Surplus/(Deficit) of capital funding	(17,846)	(20,931)	(19,745)	(22,773)
Funding balance	0	0	0	0



Reconciliation between the Net Surplus (Deficit) in the Statement of Comprehensive Revenue and Expense and Surplus (Deficit) of operating funding in the Funding Impact Statement

	Long Term Plan 2015/16 (\$000)	Long Term Plan 2016/17 (\$000)	Annual Plan 2016/17 (\$000)	Annual Report 2016/17 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	17,846	20,931	19,745	22,773
Subsidies and grants for capital expenditure	2,507	2,028	2,072	2,809
Development and financial contributions	2,405	2,465	2,414	3,414
Vested Assets	3,051	3,124	3,124	6,485
Gain/(Loss) on Disposal of assets	0	0	0	(629)
Revaluation of Derivatives	0	0	0	2,995
Investment write-up	0	0	0	231
Investment write-down	0	0	0	(1,588)
Depreciation	(21,727)	(22,895)	(23,093)	(23,309)
Net Surplus (Deficit) before taxation in Statement of Comprehensive Revenue and Expense	4,082	5,653	4,262	13,181

The accompanying notes form part of these Financial Statements Explanations of significant variances against budget are detailed in note 39.



FINANCIAL PRUDENCE

Annual report disclosure statement for the year ending 30 June 2016

What is the purpose of this statement?

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

The council is required to include this statement in its annual report in accordance with the Local

Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

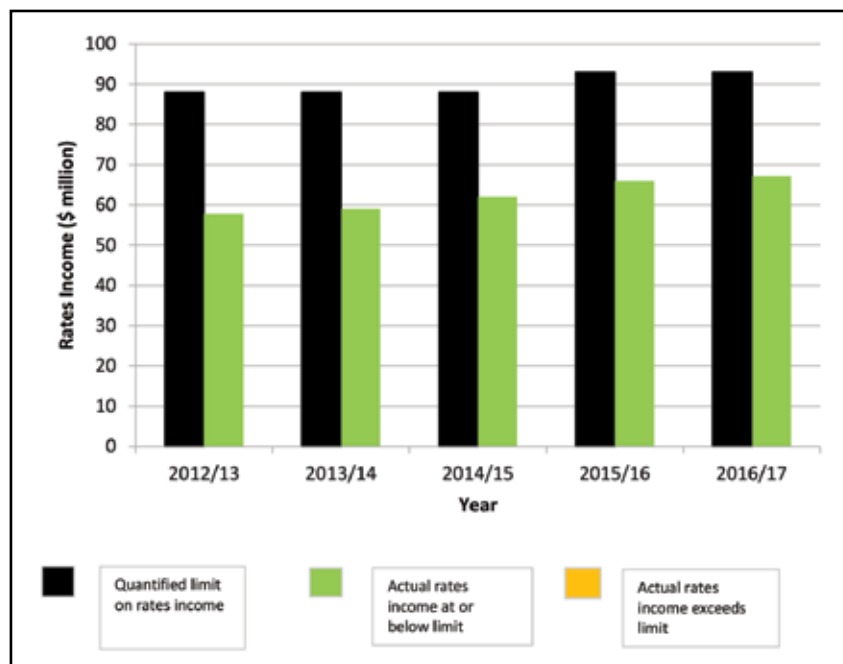
Rates affordability benchmark

The council meets the rates affordability benchmark if:

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

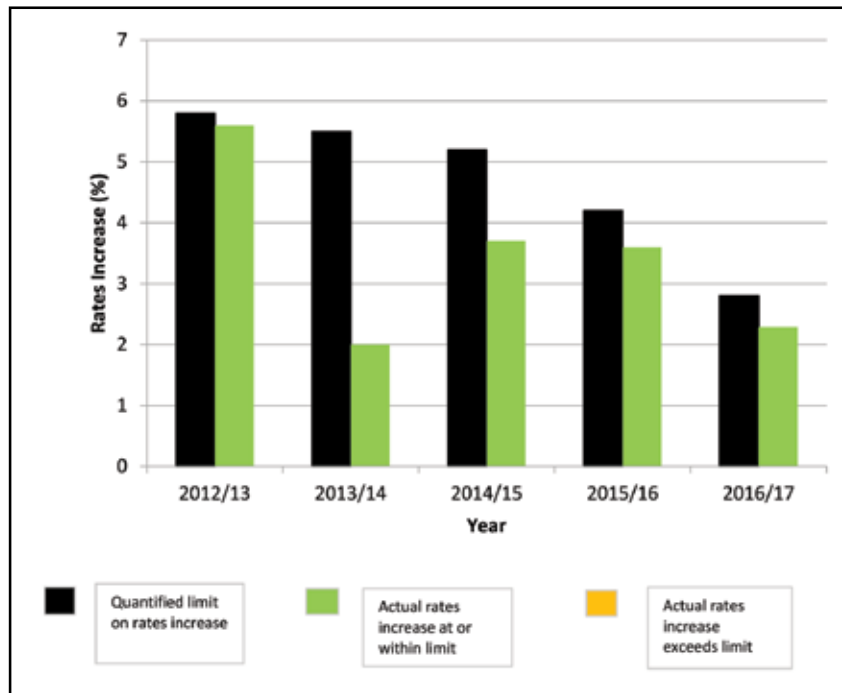
Rates (income) affordability

The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the council's long term plan. The quantified limit is \$93 million.



Rates (increases) affordability

The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the council's Long Term Plan (LTP). The quantified limit is the local government cost index plus 2% for each year of the LTP.

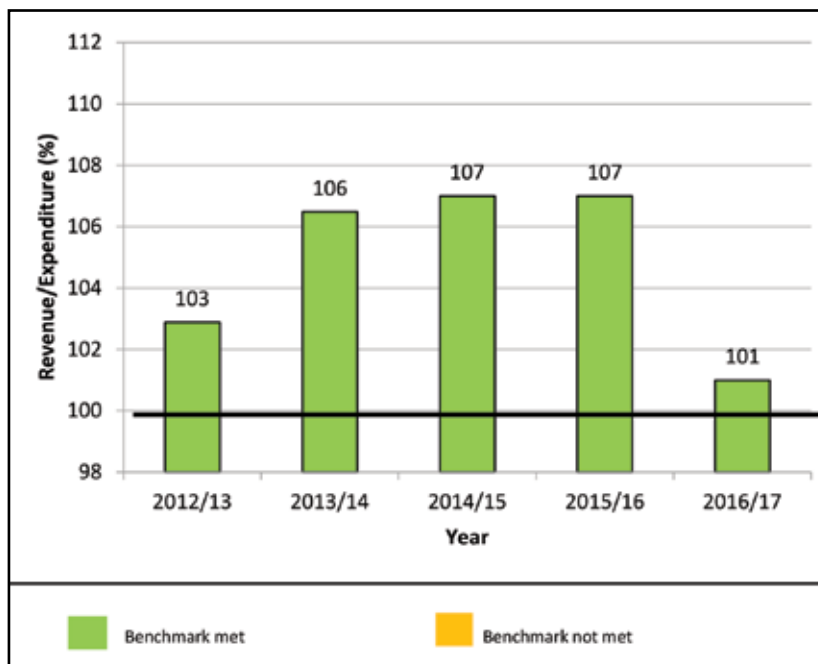


Note that the quantified limit for 2016/17 is per the Annual plan whereas previous years have been measured against LTP.

Balanced budget benchmark

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

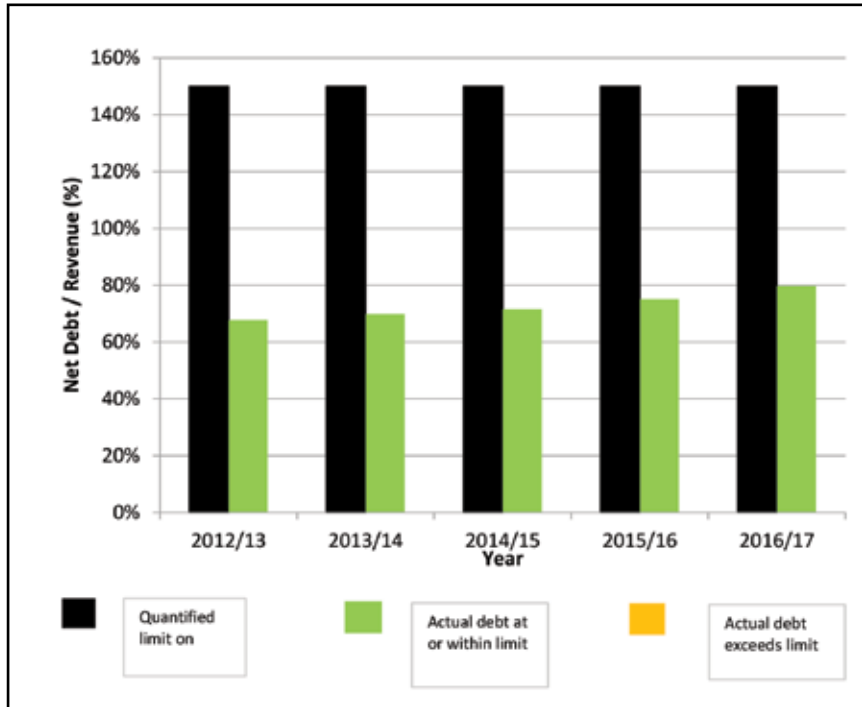
The council meets this benchmark if its revenue equals or is greater than its operating.



Debt affordability benchmark

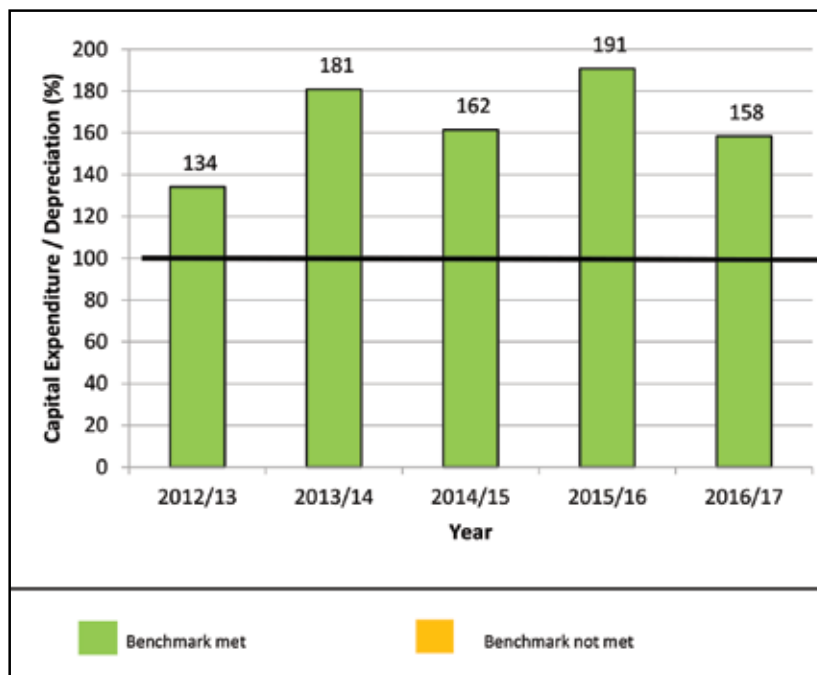
The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is that net external borrowings are not to exceed 150% of revenue. Net external borrowings are defined as external debt and overdraft less cash balances and deposits.



Essential services benchmark

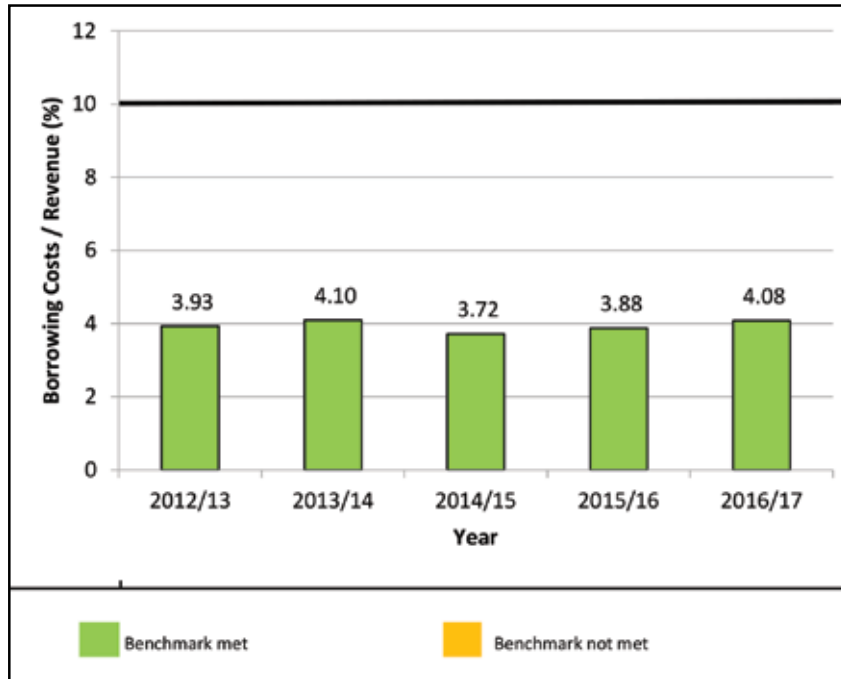
The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services. The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

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

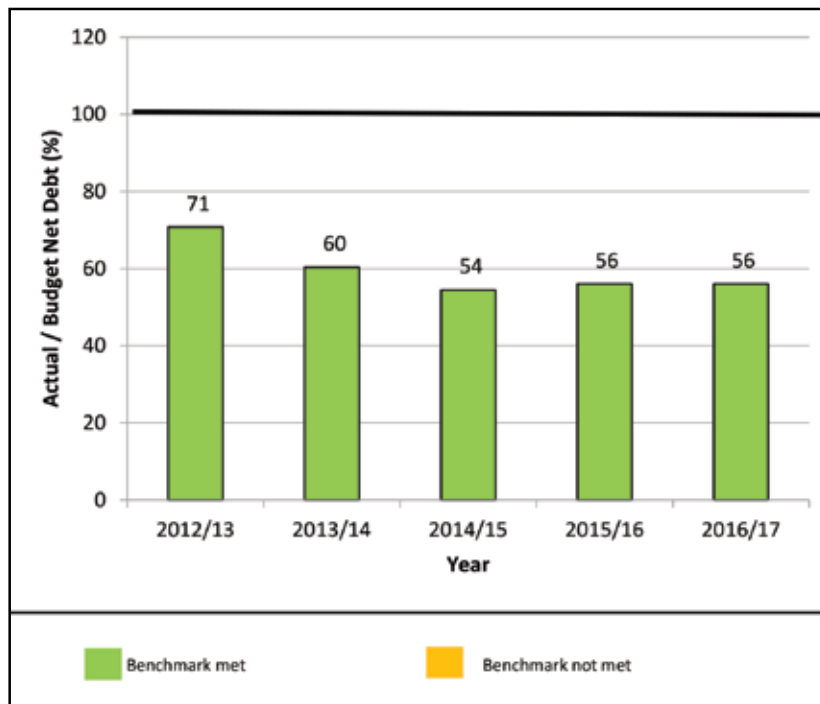
Because Statistics New Zealand projects the council's population will not grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



Debt control benchmark

The following graph displays council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

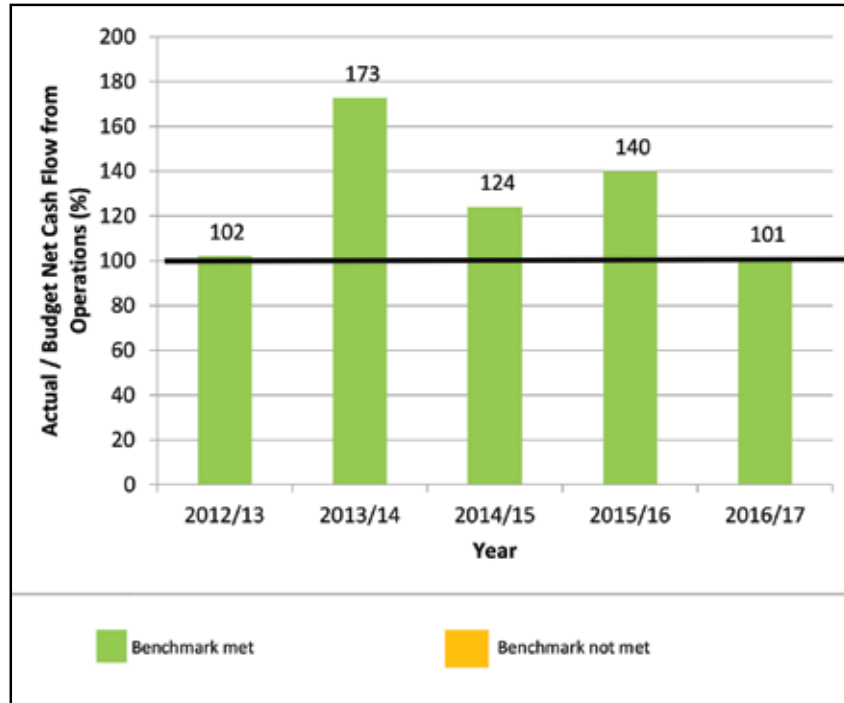
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operational control benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



NOTES TO ACCOUNTS

1 Statement of accounting policies for the year ended 30 June 2017

1.1 Reporting entity

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

These financial statements include details on the Council's share of subsidiaries and other associated activities. How each associated activity is accounted for and the consolidation policy are covered in the following pages.

The Nelson City Council Group consists of Nelson City Council, its subsidiaries – Nelmac Ltd, the Nelson Civic Trust, the Bishop Suter Trust and the Nelson Regional Development Agency – and associates and joint ventures.

The Entity and Group provides local infrastructure, local public services, and performs regulatory functions to the community. The Group does not operate to make a financial return.

The Group has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of the Council and Group are for the year ended 30 June 2017. The financial statements were authorised for issue by Council on 31 October 2017.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

Statement of compliance

The financial statements of the Council and group have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with tier 1 PBE accounting standards.

These financial statements comply with PBE standards.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain assets.

Functional and presentation currency

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 Entity and its subsidiaries and associate is New Zealand dollars.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

2.2 Basis of consolidation

Subsidiaries

The Entity consolidates in the Group financial statements all entities where the Entity has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Entity controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Entity or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.



Subsidiaries in which the Council has a controlling interest are consolidated by separate line-by-line aggregations of like items of assets, liabilities, equity, revenue, expense and cash flows into the consolidated financial statements. All significant inter-entity transactions are eliminated upon consolidation. Nelmac Limited is a fully owned subsidiary and has been consolidated on a line-by-line basis. The City of Nelson Civic Trust (Inc), The Bishop Suter Trust and the Nelson Regional Development Agency (NRDA) are controlled by Council via the appointment of a majority of the trustees. The Trusts and NRDA have been consolidated on a line-by-line basis.

The investment in subsidiaries is carried at cost in the Entity's parent entity financial statements.

Equity accounted joint ventures

The Entity's joint venture investment is accounted for in the Group financial statements using the equity method. An equity accounted joint venture is an entity which is a separate legal entity, over which the Entity does not have a controlling interest and that is not a subsidiary. The investment in an equity accounted joint venture is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the Group's share of the surplus or deficit of the venture after the date of acquisition. Distributions received from a venture reduce the carrying amount of the investment in the consolidated financial statements.

Where the Group transacts with an equity accounted joint venture, surpluses or deficits are eliminated to the extent of the Group's interest in the venture.

The investment in the equity accounted joint venture is carried at cost in the Council's parent entity financial statements.

As the Council does not have a controlling interest in any of the following, they have been accounted for using the equity method: Port Nelson Limited (PNL), Nelson Airport Limited, Tasman Bays Heritage Trust.

Proportionally accounted joint ventures

The Council does not have a controlling interest in the Nelson Regional Sewerage Business Unit (NRSBU) or the Nelson Tasman Combined Civil Defence Organisation. As these are not separate legal entities, Council has consolidated their share by line-by-line proportionate consolidation in the parent financial statements.

2.3 Revenue

Revenue is measured at fair value.

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.

The specific accounting policies for significant revenue items are explained below:

Rates revenue

Rates are set annually by a resolution from Council and relate to a financial year. All customers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

All rates with the exception of water by meter are non-exchange transactions.

The following policies for rates have been applied:

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

Service and other

Significant items of service and other income include:

Government grants

Government grants are received from the New Zealand Transport Agency, which subsidises part of the costs of 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 income. Assets vested in the Council are recognised as income when control over the asset is obtained. This is non-exchange revenue.

Sales of goods

Revenue from the sale of goods is recognised when a product is sold to the customer. These are exchange transactions.

Traffic and parking infringements

Revenue from traffic and parking infringements is recognised when paid. This income 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 and financial contributions

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

Housing New Zealand suspensory loan

The Council considers the suspensory loan from Housing New Zealand is in substance a grant with conditions and has recognised the funds received as a liability and releases the liability to revenue on a straight-line basis over the 20-year term of the agreement. This is in substance a non-exchange transaction.

2.4 Borrowing costs

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

2.5 Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held)

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

2.6 Grant expenditure

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

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

2.7 Leases

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.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

2.8 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 statements of financial position.

2.9 Debtors and other receivables

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

2.10 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 was 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 12 months, and as current if the remaining maturity is less than 12 months.

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

2.11 Property, plant and equipment

Property, plant, and equipment consist of:

Operational assets – These include land, buildings, improvements, landfill post closure, library books, plant and equipment, forestry, marina and motor vehicles.

Restricted assets – Restricted assets are land, buildings and improvements owned by the Council and Group that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructural Assets – infrastructural assets are the fixed utility systems owned by the Council. These include the roading, water, sewer, and stormwater networks.

Heritage assets - consisting of museum artefacts, collections and historical buildings and monuments.

Revaluation

All asset classes are carried at depreciated historical cost with the exception of infrastructure assets apart from land under roads and land (operational and restricted). These are re-valued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

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 and 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 income 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.

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 Entity and Group and the cost of the item can be measured reliably.

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

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

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 revalued assets are sold, 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 the Entity 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



Class of PP&E	Estimated useful life (years)
Operational assets	
Buildings	50 - 100
Marina	30 - 50
Improvements	Nil-20
Plant and equipment	2 - 30
Motor vehicles	7
Library books	3 - 10
Restricted assets	
Buildings	50 - 100
Improvements	Nil – 20
Infrastructural assets	
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



2.12 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 2017. 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.

2.13 Intangible assets

Software acquisition and development

Acquired computer software licenses 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, are recognised as an intangible asset. Direct costs include the software development employee related 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.

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:

Class of intangible asset	Estimated useful life	Amortisation Rate %
Computer software	3 - 10 years	10 – 33

2.14 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.

2.15 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.

2.16 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. Foreseeable losses on contracts are recognised immediately.

2.17 Investment property

Investment property is measured 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 valuation was performed by Telfer Young (Nelson) Limited and changes in valuation are recognised in the surplus or deficit.

2.18 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 have been transferred and the Entity and Group has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit;
- loans and receivables;



- held to maturity investments; and
- fair value through other comprehensive revenue.

The classification of a financial asset 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 (including cash and cash equivalents and other 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 12 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 12 months after balance date, which are included in non-current 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.

Financial assets at 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 in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The Entity and Group includes 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.

After initial recognition, these investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

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

2.19 Impairment of financial assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Impairment of a loan or receivable is established when there is objective evidence that the Entity and Group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation 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 uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, stock, government bonds, and loans, are recognised directly against the instrument's 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 Nelson City 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 considered 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 income is reclassified from equity to the surplus or deficit.

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

2.20 Borrowings

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

Borrowings are classified as current liabilities unless the Entity or Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

2.21 Creditors and other payables

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

2.22 Employee entitlements

Provision is made in respect of the Council's liability for annual leave, long service leave and retirement gratuities. Provision has been made for annual leave due and retirement gratuities calculated on an actual entitlement basis at current rates of pay. The provision for long service leave is based on an actuarial calculation.

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.

2.23 Provisions

As operator of the York Valley landfill, the Council has a legal obligation to provide ongoing maintenance and monitoring services at the 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 the resource consent conditions for closure and post closure treatment.

2.24 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 statement of financial position 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 surpluses will be available against which the deductible temporary differences or tax losses can be utilised.



Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the 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.

2.25 Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

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

Commitments and contingencies are disclosed exclusive of GST.

2.26 Budget figures

The budget figures are those approved by the Entity in its 2016/17 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

2.27 Cost allocation

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.

2.28 Equity

Equity is the community's interest in the Entity 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;
- property revaluation reserve;
- Council created reserves

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Entity. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Council created reserves

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

Revaluation reserves

The results of revaluing land, infrastructural assets and derivative instruments 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.

2.29 Critical accounting estimates and assumptions

In preparing these financial statements Nelson City 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 aftercare provision

An analysis of the exposure of the City Council in relation to the estimates and uncertainties surrounding the landfill aftercare provision is presented in note 28.

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

The revaluation of infrastructural assets is carried out in-house by council engineering staff, and is then peer-reviewed by experienced independent valuers.

3 Rates income

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
General rates	35,956	33,752	35,956	33,752
Uniform annual general charge	8,409	8,076	8,409	8,076
Total general rates income	44,365	41,828	44,365	41,828
Sewerage	6,903	7,129	6,903	7,129
Water fixed charge	3,530	3,570	3,530	3,570
Stormwater	3,972	4,298	3,972	4,298
Flood protection	942	738	942	738
Solar saver	32	42	32	42
Total targeted rates income	15,379	15,777	15,379	15,777
Less: Rate remissions	(287)	(281)	(287)	(281)
Total rates, excluding metered water supply rates	59,457	57,324	59,457	57,324



	Council	
	2017	2016
	\$000	\$000
Rates	59,457	57,324
Metered water supply rates	7,693	8,326
Total annual rates income	67,150	65,650

Rates remissions

Rates revenue is shown net of rates remissions. The Council's rates remission policy allows Council to remit rates on:

- Community, sporting and other organisations to facilitate the ongoing provision of non-commercial community services and recreational opportunities.
- Rates penalties where payment has not been received due to circumstances outside the ratepayers control.
- Rates for residential properties in commercial/ industrial areas.
- Rates on land protected for natural, historic or cultural conservation purposes.
- Excess water rates
- Rates on cemeteries
- Rates on golf practice greens
- Rates for underground utilities
- Rates on low value properties
- Land affected by natural calamity
- Households with dependant relatives in an additional unit
- Heating appliance replacement (qualifying ratepayers)
- Maintenance and protection of heritage buildings
- Commercial premises under 20 square metres

	Council		Group	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
Total gross rates, excluding targeted water supply rates	55,927	54,035	55,927	54,035
Rates remissions:				
Community, sporting and other organisations	(78)	(78)	(78)	(78)
Rates penalties remitted	(44)	(42)	(44)	(42)
Rates for residential properties in commercial/industrial areas	(8)	(10)	(8)	(10)
Rates on cemeteries	(25)	(25)	(25)	(25)
Rates on low value properties	(1)	(1)	(1)	(1)
Heritage	(68)	(66)	(68)	(66)
Clean heat warm homes	(52)	(52)	(52)	(52)
Dependant relative	(1)	(2)	(1)	(2)
Land affected by natural calamity	(5)	(5)	(5)	(5)
Commercial premises under 20m ²	(5)	-	(5)	-
Total remissions	(287)	(281)	(287)	(281)
Rates (net of remissions), excluding targeted water supply rates	55,640	53,754	55,640	53,754

Rating base information

Under the Local Government Act 2002, Council is required to disclose the following information, as at 30 June 2016:

Number of rating units:	22,012
Capital value of rating units (\$million):	11,188
Land value of rating units (\$million):	5,006



4 Subsidies and grants

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
NZ Transport Authority grants	3,859	3,711	3,859	3,711
Housing NZ suspensory loan	59	59	59	59
Other central government grants	919	381	1,868	381
Other capital grants	931	271	1,470	3,543
Other operating grants	768	786	1,362	1,327
Total subsidies and grants	6,536	5,208	8,618	9,021

5 Other revenue

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Regulatory revenue	4,164	3,827	4,164	3,827
Sales of goods and services	12,038	7,303	22,892	18,171
Rents received	5,280	5,254	5,249	5,282
Water by meter	7,693	8,326	7,693	8,326
Total fees and charges	29,175	24,710	39,998	35,606
Infringements and fines	785	907	785	907
Petrol tax	384	344	384	344
Development/financial contributions	3,414	3,481	3,414	3,481
Vested assets	6,485	7,224	6,671	7,268
Dividends	3,960	3,149	17	21
Insurance proceeds	6	(71)	6	(71)
Other income	2,498	1,521	2,449	1,521
Total other revenue	17,532	16,555	13,726	13,471

6 Other gains/(losses)

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Gain/(loss) on sale of property, plant and equipment	(395)	484	(350)	523
Gain on changes in fair value of investment property	40	80	40	80
Foreign exchange gains (net)	-	54	-	54
Interest rate swap gains (net)	2,995	(4,472)	2,995	(4,472)
Fair value gain	191	616	239	616
Total gains/(losses)	2,831	(3,238)	2,924	(3,199)



7 Other expenses

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Fees to auditors:				
- Audit fees for financial statements audit	151	135	226	221
Service provision	24,605	17,287	18,491	13,009
Impairment of receivables	9	9	9	9
Minimum lease payments under operating leases	138	241	138	469
Professional services fees / legal fees	1,982	1,516	1,984	1,516
Repairs and maintenance expenses	21,290	19,310	21,297	19,317
Other operating expenses	4,440	4,107	4,445	4,110
Electricity	2,187	1,675	2,187	1,675
Insurance	1,097	1,062	1,097	1,062
Loss on disposal of property, plant and equipment	-	581	-	584
Impairment of Assets	1,588	-	1,588	-
Total other expenses	57,487	45,923	51,462	41,972

Total audit fees for Council (\$151,000) include Council's share of the audit fees for NRSBU (\$8,350) and Civil Defence (\$3,650), along with the cost of audits for the Civic Trust (\$4,150) and the Debenture Trust Deed (\$4,000).

Audit fees of \$14,688 paid by the Bishop Suter Trust and \$19,800 paid by the Nelson Regional Development agency for 2017 were paid separately to their auditors Crowe Horwath.

Service provision refers to the external costs of delivering certain services and events to the

community. These costs are often by means of a contract or a subsidy for: services such as public transport, wastewater, economic development, civil defence, and many regulatory activities; grants and subsidies for organisations including the museum, Natureland, Theatre Royal, and School of Music; operations of Council assets such as forestry and the marina; and events such as international cricket fixtures and festivals. Operating expenses for NCC subsidiaries that provide these services to Council are also included.

8 Personnel costs

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Salaries and wages	16,594	15,611	31,517	29,307
Kiwisaver/superannuation schemes employer contributions	523	482	904	821
Increase/(decrease) in employee entitlements/liabilities	278	156	278	396
Total personnel costs	17,395	16,249	32,699	30,524



9 Finance income and finance costs

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Finance income				
Other interest received	59	39	101	155
Total finance income	59	39	101	155
Finance costs				
Interest on floating rate borrowings (note 27)	2,378	2,581	2,486	2,650
Interest on interest rate swaps	1,773	1,205	1,773	1,205
Other finance costs	66	48	66	48
Total finance costs	(4,217)	(3,834)	(4,325)	(3,903)
Net finance costs	(4,158)	(3,795)	(4,224)	(3,748)

10 Income tax

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Components of tax expense				
Current tax	-	-	270	228
Adjustments to current tax in prior years	-	-	1	-
Deferred tax	-	-	35	52
Tax expense	-	-	306	280
Relationship between tax expense and accounting profit				
Surplus/(deficit) before tax	13,181	12,689	18,587	16,100
Tax at 28%	3,691	3,553	4,474	4,508
Plus/(less) tax effect of: Non taxable income/adjustments	(3,691)	(3,553)	(4,168)	(4,228)
Tax expense	-	-	306	280

Table continued >



11 Deferred tax assets/(liabilities)

	Council		Group	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	(\$000)	(\$000)	(\$000)	(\$000)
The balance comprises temporary differences attributable to:				
Employee benefits	-	-	289	269
Property, plant and equipment	-	-	(155)	(107)
Provisions	-	-	1	1
Other	-	-	(5)	(4)
Total deferred tax assets	-	-	130	159

	PP&E	Other	Tax losses carried forward	Total
	(\$000)	(\$000)	(\$000)	(\$000)
Group				
Opening balance 1 July 2016	(48)	259	-	211
Credited (charged) to other comprehensive income	(59)	7	-	(52)
Balance at 30 June 2016	(107)	266	-	159

Opening balance 1 July 2017	(107)	266	-	159
Credited (charged) to other comprehensive income	(48)	13	-	(35)
Credited (charged) directly to equity	-	6	-	6
Balance at 30 June 2017	(155)	285	-	130

12 Cash and cash equivalents

	Council		Group	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	(\$000)	(\$000)	(\$000)	(\$000)
Cash at bank and in hand	255	2,443	1,362	3,184
Short term deposits maturing three months or less from date of acquisitions	-	-	-	234
Total cash and cash equivalents	255	2,443	1,362	3,418

(a) Cash at bank and on hand

The carrying value of cash at bank, call deposits, and term deposits with maturities less than three months approximates their fair value.

(b) Deposits at call

Cash, cash equivalents, and bank overdrafts include the following for the purposes of the statements of cash flows:

	Council		Group	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	(\$000)	(\$000)	(\$000)	(\$000)
Cash at bank and in hand	255	2,443	1,362	3,184
Short term deposits maturing three months or less from date of acquisitions	-	-	-	234
Total	255	2,443	1,362	3,418



13 Trade and other receivables

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Net trade receivables				
Rates receivable	1,609	1,474	1,609	1,474
	1,609	1,474	1,609	1,474
Net other receivables				
Other receivables	5,560	4,703	5,561	6,549
Dividend receivable	2,500	1,650	2,500	1,650
Sundry debtors	2,237	3,986	3,493	4,033
Provision for doubtful receivables	-	-	(7)	(3)
	10,297	10,339	11,547	12,229
Prepayments	457	584	614	642
Total current debtors and other receivables	12,363	12,397	13,770	14,345
Receivables from exchange transactions				
This includes rates outstanding along with grants, infringements and fees and charges outstanding that are partly subsidised by rates	6,252	4,848	8,728	8,935
Receivables from non exchange transactions				
Includes commercial sales and fees and charges outstanding that have not been subsidised by rates	5,654	6,965	4,428	4,768

Fair value

Receivables are generally short-term and non-interest bearing. Therefore, the carrying value of receivables approximates their fair value.

Impairment

The Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid 4 months after the due date for payment. If payment has not been made within 3 months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

The ageing profile of receivables at year end is detailed below:

	2017			2016		
	Gross (\$000)	Provision for uncollectability (\$000)	Net (\$000)	Gross (\$000)	Provision for uncollectability (\$000)	Net (\$000)
Council						
Not past due	10,716	-	10,716	10,737	-	10,737
Past due 1-30 days	766	-	766	647	-	647
Past due 31-60 days	173	-	173	371	-	371
Past due more than 61 days	258	-	258	58	-	58
Total	11,913	-	11,913	11,813	-	11,813

Table continued >



	2017			2016		
	Gross (\$000)	Provision for uncollectability (\$000)	Net (\$000)	Gross (\$000)	Provision for uncollectability (\$000)	Net (\$000)
Group						
Not past due	12,907	-	12,907	12,403	-	12,403
Past due 1-30 days	936	-	936	847	(2)	845
Past due 31-60 days	196	(1)	195	398	(1)	397
Past due more than 61 days	384	(6)	378	58	-	58
Total	14,423	(7)	14,416	13,706	(3)	13,703

14 Current tax receivables

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Current tax asset	-	-	12	14
	-	-	12	14

15 Inventories

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Raw materials at cost	-	-	262	276
Merchandise at cost	-	-	27	20
Work in progress at cost	-	-	595	298
Finished goods at cost	-	-	294	233
Ridgeways Properties	-	118	-	118
Total inventory	-	118	1,178	945

16 Other financial assets

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Unlisted shares	-	-	101	-
Short term bank deposit with maturities of 4-12 months	-	-	1,036	3,154
Community loans	652	644	652	644
Loans to related parties	100	100	-	-
Total current portion	752	744	1,789	3,798
Held to maturity investments	880	560	880	560
Equity securities	-	-	664	736
Equity securities - NZ LG Insurance Corp Ltd	140	140	140	140
Community loans	2,880	3,531	2,880	3,531
Loans to related parties (note 34)	488	558	-	(31)
Emissions Trading Scheme (ETS) credits	647	214	647	214
Total non current portion	5,035	5,003	5,211	5,150



Term deposits

The carrying amount of term deposits approximates their fair value.

Civic Trust investments

Include shares in public listed companies and fixed interest securities. These are valued at fair value.

Held to maturity investments

The New Zealand Local Government Funding Agency Limited, which commenced in December 2011 is the alternative debt provider majority owned by and operated for local authorities. The Council is not a shareholder but participates as a borrower and guarantor. When the Council borrows through the Local Government Funding Agency they are required to invest 1.6% of the proceeds back with the LGFA as borrower notes which the LGFA retain as capital.

Loans to related parties

The loan to related parties is a loan of \$925,000 to Tasman Bays Heritage Trust with a remaining term of 21 years. The loan is at a 0% interest rate, and a discount rate of 5.25% (2016: 5.25%) has been used.

Unlisted shares

The shares in NZ LG Insurance Corp Ltd are valued at cost as the net asset value would not be materially different.

Community loans

Community loans include the following:

- Solar Saver \$353,000 (2016: \$0.5m). Remaining terms up to 5 years, interest rates of 7.8% and 6.9%
- Clean Heat Warm Homes, face value \$1.3m (2016: \$1.8m), remaining terms up to 5 yrs, zero interest rate. The loan has been written down based on a discounted interest rate of 5.25% (2016: 5.25%)
- Theatre Royal. Face value \$1.5m (2016: \$1.5m), term 25 years, zero interest rate. The loan has been written down based on a discounted interest rate of 5.25% (2016: 5.25%)
- Others \$1.1m (2016: \$1.2m), various repayment terms and interest rates.

17 Derivative financial instruments

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Non-current asset portion				
Interest rate swaps	25	-	25	-
Total non-current asset portion	25	-	25	-
Total derivative financial instrument assets	25	-	25	-
Current liability portion				
Interest rate swaps	40	7	40	7
Total current liability portion	40	7	40	7
Non current liability portion				
Interest rate swaps	5,401	8,405	5,401	8,405
Total non current liability portion	5,401	8,405	5,401	8,405
Total derivative financial instrument liabilities	5,441	8,412	5,441	8,412
Total net derivative financial instruments	(5,416)	(8,412)	(5,416)	(8,412)

Fair value

Interest Rate Swaps

The Council has \$107m notional principal of interest rate swaps (2016: \$97.5m), with maturity dates between October 2017 and June 2027. Fixed interest rates range from 2.98% to 5.25% (2016: 2.98% to 5.25%) and the weighted average interest rate of the swap portfolio is 4.22% (2016: 4.30%).

\$27m (2015 \$17.5m) of that notional principal are forward start swaps, with a start dates between October 2019 and September 2022.



18 Property, plant and equipment

Council 2017	Cost / revaluation 1 Jul 2016 (\$000)	Accumulated depreciation and impairment charges 1 Jul 2016 (\$000)	Carrying amount 1 Jul 2016 (\$000)	Current year additions (\$000)	Current year disposals (\$000)	Current year impairment charges (\$000)
Council operational assets						
Land	54,073	-	54,073	932	(265)	-
Buildings	33,062	(11,444)	21,618	670	-	-
Other improvements	4,845	(829)	4,016	571	-	-
Landfill post closure	853	(459)	394	-	-	-
Library books	4,182	(2,227)	1,955	469	(1)	-
Other Plant and equipment	14,007	(9,958)	4,049	1,228	(57)	-
Motor vehicles	1,029	(532)	497	20	(17)	-
Marina	10,459	(1,534)	8,925	234	-	-
Total	122,510	(26,983)	95,527	4,124	(340)	-
Infrastructural assets						
Wastewater treatment plant and facilities	39,701	-	39,701	895	-	(13)
Wastewater reticulation	125,534	-	125,534	2,288	-	(164)
Water treatment plant and facilities	14,435	-	14,435	2,194	-	-
Water supply	133,158	-	133,158	5,963	-	(96)
Stormwater reticulation	124,244	-	124,244	1,886	-	(335)
Flood protection	16,776	-	16,776	5,239	-	(224)
Solid waste	7,220	-	7,220	46	-	-
Roading	631,804	-	631,804	8,171	(348)	(676)
Car parks	862	-	862	405	-	-
Total	1,093,734	-	1,093,734	27,087	(348)	(1,508)
Restricted assets						
Land	94,526	-	94,526	3,861	-	-
Buildings	60,713	(9,501)	51,212	5,149	-	(620)
Improvements	67,411	(15,212)	52,199	3,744	-	-
Total	222,650	(24,713)	197,937	12,754	-	(620)
Total Council	1,438,894	(51,696)	1,387,198	43,965	(688)	(2,128)



	Current year depreciation (\$000)	Loss on disposals (\$000)	Revaluation surplus (\$000)	Cost / revaluation 30 Jun 2017 (\$000)	Accumulated depreciation and impairment charges 30 Jun 2017 (\$000)	Carrying amount 30 Jun 2017 (\$000)
	-	234	6,566	61,540	-	61,540
	(886)	(82)	-	33,577	(12,257)	21,320
	(141)	-	-	5,452	(1,006)	4,446
	(12)	-	-	853	(471)	382
	(416)	-	-	4,639	(2,632)	2,007
	(888)	(3)	-	15,017	(10,688)	4,329
	(108)	-	-	985	(593)	392
	(144)	-	-	10,693	(1,678)	9,015
	(2,595)	149	6,566	132,756	(29,325)	103,431
	(1,264)	-	3,664	42,983	-	42,983
	(3,041)	-	1,835	126,452	-	126,452
	(938)	-	217	15,908	-	15,908
	(3,062)	-	2,028	137,991	-	137,991
	(2,104)	-	1,923	125,614	-	125,614
	(304)	-	233	21,720	-	21,720
	(382)	-	255	7,139	-	7,139
	(6,358)	-	12,761	645,354	-	645,354
	(43)	-	13	1,237	-	1,237
	(17,496)	-	22,929	1,124,398	-	1,124,398
	-	-	18,259	116,646	-	116,646
	(992)	(3)	-	65,859	(11,113)	54,746
	(1,600)	-	-	71,171	(16,828)	54,343
	(2,592)	(3)	18,259	253,676	(27,941)	225,735
	(22,683)	146	47,754	1,510,830	(57,266)	1,453,564



18 Property, plant and equipment

Council 2016	Cost / revaluation 1 Jul 2015 (\$000)	Accumulated depreciation and impairment charges 1 Jul 2015 (\$000)	Carrying amount 1 Jul 2015 (\$000)	Current year additions (\$000)	Current year disposals (\$000)	Current year impairment charges (\$000)
Council operational assets						
Land	70,741	-	70,741	1,165	-	(17,833)
Buildings	36,140	(10,987)	25,153	7,038	(9,725)	-
Other improvements	4,151	(721)	3,430	694	-	-
Landfill post closure	853	(455)	398	-	-	-
Library books	6,371	(4,448)	1,923	452	(1)	-
Other Plant and equipment	19,311	(15,240)	4,071	950	(12)	-
Motor vehicles	1,043	(561)	482	135	(22)	-
Marina	10,344	(1,371)	8,973	115	-	-
Total	148,954	(33,783)	115,171	10,549	(9,760)	(17,833)
Infrastructural assets						
Wastewater treatment plant and facilities	40,215	-	40,215	475	-	-
Wastewater reticulation	118,668	-	118,668	5,456	-	(133)
Water treatment plant and facilities	15,444	-	15,444	1,307	-	-
Water supply	138,425	-	138,425	5,234	-	(575)
Stormwater reticulation	121,184	-	121,184	2,847	-	(127)
Flood protection	12,031	-	12,031	4,070	(281)	-
Solid waste	6,846	-	6,846	480	-	-
Roading	607,439	-	607,439	9,856	(1,113)	(230)
Car parks	957	-	957	-	-	-
Total	1,061,209	-	1,061,209	29,725	(1,394)	(1,065)
Restricted assets						
Land	93,731	-	93,731	795	-	-
Buildings	50,637	(8,575)	42,062	10,194	-	-
Improvements	64,129	(13,571)	50,558	3,282	-	-
Total	208,497	(22,146)	186,351	14,271	-	-
Total Council	1,418,660	(55,929)	1,362,731	54,545	(11,154)	(18,898)



	Current year depreciation (\$000)	Loss on disposals (\$000)	Revaluation surplus (\$000)	Cost / revaluation 30 Jun 2016 (\$000)	Accumulated depreciation and impairment charges 30 Jun 2016 (\$000)	Carrying amount 30 Jun 2016 (\$000)
	-	-	-	54,073	-	54,073
	(848)	-	-	33,062	(11,444)	21,618
	(108)	-	-	4,845	(829)	4,016
	(4)	-	-	853	(459)	394
	(420)	1	-	4,182	(2,227)	1,955
	(890)	(70)	-	14,007	(9,958)	4,049
	(104)	6	-	1,029	(532)	497
	(163)	-	-	10,459	(1,534)	8,925
	(2,537)	(63)	-	122,510	(26,983)	95,527

	(1,249)	-	260	39,701	-	39,701
	(2,955)	-	4,498	125,534	-	125,534
	(775)	-	(1,541)	14,435	-	14,435
	(3,323)	-	(6,603)	133,158	-	133,158
	(2,044)	-	2,384	124,244	-	124,244
	(139)	-	1,095	16,776	-	16,776
	(400)	-	294	7,220	-	7,220
	(5,300)	475	20,677	631,804	-	631,804
	(43)	(52)	-	862	-	862
	(16,228)	423	21,064	1,093,734	-	1,093,734

	-	-	-	94,526	-	94,526
	(950)	(94)	-	60,713	(9,501)	51,212
	(1,641)	-	-	67,411	(15,212)	52,199
	(2,591)	(94)	-	222,650	(24,713)	197,937

	(21,356)	266	21,064	1,438,894	(51,696)	1,387,198
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18 Property, plant and equipment continued...

Group 2017	Cost / revaluation 1 Jul 2016 (\$000)	Accumulated depreciation and impairment charges 1 Jul 2016 (\$000)	Carrying amount 1 Jul 2016 (\$000)	Current year additions (\$000)	Current year disposals (\$000)	Current year impairment charges (\$000)
Operational assets						
Land	55,786	-	55,786	932	(265)	-
Buildings	36,412	(11,807)	24,605	10,340	(4)	-
Other plant and equipment	23,398	(15,714)	7,684	3,648	(369)	-
Library books	4,182	(2,227)	1,955	469	(1)	-
Capital work in progress	9,993	-	9,993	693	(10,493)	-
Marina	10,459	(1,534)	8,925	234	-	-
Motor vehicles	3,882	(1,888)	1,994	385	(56)	-
Other improvements	4,867	(851)	4,016	1,027	-	-
Landfill post closure	853	(459)	394	-	-	-
Art collection	7,485	-	7,485	266	(98)	(3)
Total	157,317	(34,480)	122,837	17,994	(11,286)	(3)
Infrastructural assets						
Roading	631,804	-	631,804	8,171	(348)	(676)
Water supply	133,158	-	133,158	5,963	-	(96)
Wastewater reticulation	125,534	-	125,534	2,288	-	(164)
Stormwater reticulation	124,244	-	124,244	1,886	-	(335)
Wastewater treatment plant and facilities	39,701	-	39,701	895	-	(13)
Water treatment plant and facilities	14,435	-	14,435	2,194	-	-
Flood protection	16,776	-	16,776	5,239	-	(224)
Car parks	862	-	862	405	-	-
Solid waste	7,220	-	7,220	46	-	-
Total	1,093,734	-	1,093,734	27,087	(348)	(1,508)
Restricted assets						
Land	94,526	-	94,526	3,861	-	-
Buildings	60,713	(9,501)	51,212	5,149	-	(620)
Improvements	67,411	(15,212)	52,199	3,744	-	-
Total	222,650	(24,713)	197,937	12,754	-	(620)
Total Group	1,473,701	(59,193)	1,414,508	57,835	(11,634)	(2,131)



	Current year depreciation (\$000)	Loss on disposals (\$000)	Revaluation surplus (\$000)	Cost / revaluation 30 Jun 2017 (\$000)	Accumulated depreciation and impairment charges 30 Jun 2017 (\$000)	Carrying amount 30 Jun 2017 (\$000)
	-	234	6,566	63,253	-	63,253
	(1,225)	(82)	-	46,593	(12,959)	33,634
	(1,501)	(3)	-	26,416	(16,957)	9,459
	(416)	-	-	4,639	(2,632)	2,007
	-	-	-	193	-	193
	(144)	-	-	10,693	(1,678)	9,015
	(266)	-	-	4,146	(2,089)	2,057
	(157)	-	-	5,908	(1,022)	4,886
	(12)	-	-	853	(471)	382
	-	-	-	7,650	-	7,650
	(3,721)	149	6,566	170,344	(37,808)	132,536

	(6,358)	-	12,761	645,354	-	645,354
	(3,062)	-	2,028	137,991	-	137,991
	(3,041)	-	1,835	126,452	-	126,452
	(2,104)	-	1,923	125,614	-	125,614
	(1,264)	-	3,664	42,983	-	42,983
	(938)	-	217	15,908	-	15,908
	(304)	-	233	21,720	-	21,720
	(43)	-	13	1,237	-	1,237
	(382)	-	255	7,139	-	7,139
	(17,496)	-	22,929	1,124,398	-	1,124,398

	-	-	18,259	116,646	-	116,646
	(992)	(3)	-	65,859	(11,113)	54,746
	(1,600)	-	-	71,171	(16,828)	54,343
	(2,592)	(3)	18,259	253,676	(27,941)	225,735
	(23,809)	146	47,754	1,548,418	(65,749)	1,482,669



18 Property, plant and equipment continued...

Group 2016	Cost / revaluation 1 Jul 2015 (\$000)	Accumulated depreciation and impairment charges 1 Jul 2015 (\$000)	Carrying amount 1 Jul 2015 (\$000)	Current year additions (\$000)	Current year disposals (\$000)	Current year impairment charges (\$000)
Operational assets						
Land	72,454	-	72,454	1,165	-	(17,833)
Buildings	39,396	(11,308)	28,088	7,131	(9,725)	-
Other plant and equipment	28,395	(20,487)	7,908	1,515	(230)	-
Library books	6,371	(4,448)	1,923	452	(1)	-
Capital work in progress	-	-	-	9,993	-	-
Marina	10,344	(1,371)	8,973	115	-	-
Motor vehicles	3,643	(1,763)	1,880	388	(22)	-
Other improvements	4,173	(743)	3,430	694	-	-
Landfill post closure	853	(455)	398	-	-	-
Art collection	7,421	-	7,421	64	-	-
Total	173,050	(40,575)	132,475	21,517	(9,978)	(17,833)
Infrastructural assets						
Roading	607,439	-	607,439	9,856	(1,113)	(230)
Water supply	138,425	-	138,425	5,234	-	(575)
Wastewater reticulation	118,668	-	118,668	5,456	-	(133)
Stormwater reticulation	121,184	-	121,184	2,847	-	(127)
Wastewater treatment plant and facilities	40,215	-	40,215	475	-	-
Water treatment plant and facilities	15,444	-	15,444	1,307	-	-
Flood protection	12,031	-	12,031	4,070	(281)	-
Car parks	957	-	957	-	-	-
Solid waste	6,846	-	6,846	480	-	-
Total	1,061,209	-	1,061,209	29,725	(1,394)	(1,065)
Restricted assets						
Land	93,731	-	93,731	795	-	-
Buildings	50,637	(8,575)	42,062	10,194	-	-
Improvements	64,129	(13,571)	50,558	3,282	-	-
Total	208,497	(22,146)	186,351	14,271	-	-
Total Group	1,442,756	(62,721)	1,380,035	65,513	(11,372)	(18,898)



	Current year depreciation (\$000)	Loss on disposals (\$000)	Revaluation surplus (\$000)	Cost / revaluation 30 Jun 2016 (\$000)	Accumulated depreciation and impairment charges 30 Jun 2016 (\$000)	Carrying amount 30 Jun 2016 (\$000)
	-	-	-	55,786	-	55,786
	(889)	-	-	36,412	(11,807)	24,605
	(1,415)	(94)	-	23,398	(15,714)	7,684
	(420)	1	-	4,182	(2,227)	1,955
	-	-	-	9,993	-	9,993
	(163)	-	-	10,459	(1,534)	8,925
	(258)	6	-	3,882	(1,888)	1,994
	(108)	-	-	4,867	(851)	4,016
	(4)	-	-	853	(459)	394
	-	-	-	7,485	-	7,485
	(3,257)	(87)	-	157,317	(34,480)	122,837

	(5,300)	475	20,677	631,804	-	631,804
	(3,323)	-	(6,603)	133,158	-	133,158
	(2,955)	-	4,498	125,534	-	125,534
	(2,044)	-	2,384	124,244	-	124,244
	(1,249)	-	260	39,701	-	39,701
	(775)	-	(1,541)	14,435	-	14,435
	(139)	-	1,095	16,776	-	16,776
	(43)	-	(52)	862	-	862
	(400)	-	294	7,220	-	7,220
	(16,228)	475	21,012	1,093,734	-	1,093,734

	-	-	-	94,526	-	94,526
	(950)	(94)	-	60,713	(9,501)	51,212
	(1,641)	-	-	67,411	(15,212)	52,199
	(2,591)	(94)	-	222,650	(24,713)	197,937
	(22,076)	294	21,012	1,473,701	(59,193)	1,414,508



Infrastructure assets - further disclosures

Most recent replacement cost estimates are as at 30 June 2017

Council 2017	Additions			
	Closing book value	Additions: constructed by Entity	Additions: transferred to Entity	Most recent replacement cost estimate for revalued assets
	(\$000)	(\$000)	(\$000)	(\$000)
Water supply:				
– treatment plants and facilities	15,908	2,194	-	27,483
– other assets (such as reticulation systems)	137,991	5,314	649	233,508
Sewerage:				
– treatment plants and facilities	42,983	895	-	59,943
– other assets (such as reticulation systems)	126,452	1,456	832	228,475
Stormwater drainage	125,614	1,144	742	185,632
Flood protection and control works	21,720	5,042	197	27,013
Roads and footpaths	645,354	4,543	3,628	776,490
Total infrastructural assets	1,116,022	20,588	6,048	1,538,544

Council 2016	Additions			
	Closing book value	Additions: constructed by Entity	Additions: transferred to Entity	Most recent replacement cost estimate for revalued assets
	(\$000)	(\$000)	(\$000)	(\$000)
Water supply:				
– treatment plants and facilities	14,435	1,307	-	24,904
– other assets (such as reticulation systems)	133,158	4,512	721	224,041
Sewerage:				
– treatment plants and facilities	39,701	475	-	43,066
– other assets (such as reticulation systems)	125,534	4,978	478	222,793
Stormwater drainage	124,244	1,626	1,221	181,184
Flood protection and control works	16,776	4,070	-	21,655
Roads and footpaths	631,804	5,053	4,803	755,593
Total infrastructural assets	1,085,652	22,021	7,223	1,473,236

Valuation

New Council assets that are added between valuations are recorded at cost except for vested assets.

Vested assets (current year additions transferred) are infrastructural assets such as roads, sewers and water mains, paid for by subdividers and vested in the City on completion of the subdivision. These have been valued based on the actual quantities of infrastructure components and the current “in the ground” cost of providing identical services.

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

Land (operational, restricted, and infrastructural land with a title)

The most recent valuation of land was performed by an independent registered valuer, Quotable Value New Zealand. The valuation is effective as at 30 June 2017.

Infrastructural asset classes: sewerage, water, drainage, and roads

As at 30 June 2017 infrastructure assets excluding specialist infrastructure assets and infrastructure land without a title have been revalued using an inflation index appropriate to the class of asset, taking into account additions and disposals subsequent to the full revaluation of 2016. The indices were supplied by, and



the revaluation methodology and results reviewed by Opus International Consultants Ltd. Revaluations are updated annually.

There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- Estimating any obsolescence or surplus capacity of the asset.
- Estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar assets.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Entity could be over-or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk, infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration, and condition-modelling are also carried out regularly as part of asset management planning activities, which provides further assurance over useful life estimates.

Specialist infrastructural assets

Including dams, water reservoirs and wastewater treatment plants have been revalued in-house by means of applying an inflation index of 2% to obtain 2017 valuations. Opus International consultants Ltd supplied the inflation index and reviewed the valuation methodology and results. Revaluations are updated annually.

Nelson Regional Sewerage Business Unit

Land is valued at market valuation as at 30 June 2017 by Quotable Value and is reviewed every five years or if there is a material movement. Infrastructure assets are valued at depreciated replacement cost with assets optimised using least cost alternative by Council engineers as at 30 June 2017. The valuation methodology has been peer reviewed by Opus International Consultants Ltd. Revaluations are updated annually.

Earthquake prone buildings

Nelson City Council is required to undertake seismic assessments of some of its buildings in accordance with the Building Act and its own Policy for Earthquake Prone, Dangerous and Insanitary Buildings. All required assessments have now been completed.

A total of 10 buildings have been assessed as under 34%NBS (this excludes bus shelters, toilet blocks, garages and other outbuildings). 4 of these buildings are not considered earthquake prone, the other 6 have a section 124 notice that requires additional work to either strengthen the buildings to 34%NBS or otherwise remove the risk.

The 2015-25 long-term plan established a budget of \$500,000 per year for potential remediation works.

Work in progress

Property, plant, and equipment in the course of construction by class of asset is detailed below:

	Council and Group	
	2017 (\$000)	2016 (\$000)
Water system	851	3,297
Roading network	1,243	1,564
Land and Buildings	3,036	10,746
Sewerage	977	7,681
Stormwater	683	1,658
Solid Waste	-	-
Flood protection	915	1,673
Other	15	14
Total work in progress	7,720	26,633

19 Intangible assets

Council	Computer software \$000
At 1 July 2015	
Cost	4,609
Accumulated amortisation and impairment	(2,927)
Net book amount	1,682

Year ended Actual 2016	
Opening net book amount	1,682
Additions	1,232
Amortisation charge	(547)
Closing net book amount	2,367

At 30 June 2016	
Cost	4,955
Accumulated amortisation and impairment	(2,588)
Net book amount	2,367



Council	Computer software \$000
Year ended 30 June 2017	
Opening net book amount	2,367
Additions	515
Amortisation charge	(626)
Closing net book amount	2,256

At 30 June 2017	
Cost	5,469
Accumulated amortisation and impairment	(3,213)
Net book amount	2,256

Group	Computer software \$000
At 1 July 2015	
Cost	5,222
Accumulated amortisation and impairment	(3,188)
Net book amount	2,034

Year ended 30 June 2016	
Opening net book amount	2,034
Additions	472
Disposals	(51)
Amortisation charge	235
Closing net book amount	2,690

At 30 June 2016	
Cost	5,642
Accumulated amortisation and impairment	(2,952)
Net book amount	2,690

Group	Computer software \$000
Year ended 30 June 2017	
Opening net book amount	2,690
Additions	807
Disposals	(126)
Amortisation charge	(718)
Closing net book amount	2,653

At 30 June 2017	
Cost	6,244
Accumulated amortisation and impairment	(3,591)
Net book amount	2,653

20 Depreciation and amortisation expense by group of activity

	Council	
	Actual 2017 (\$000)	Actual 2016 (\$000)
Directly attributable depreciation and amortisation expense by group of activity		
Corporate	524	524
Parks and active recreation	2,761	2,715
Social	1,194	1,156
Transport	6,618	5,577
Environmental management	460	467
Wastewater	4,319	4,230
Stormwater	2,105	2,046
Water Supply	4,004	4,103
Flood protection	422	139
Total directly attributable depreciation and amortisation by group of activity	22,407	20,957

Depreciation and amortisation not directly related to group of activities	903	946
Total depreciation and amortisation expense	23,310	21,903



21 Forestry assets

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Carrying amount opening balance	5,699	5,244	5,699	5,244
Gain/loss arising from changes in fair value less estimated point of sale costs	298	805	298	805
Harvest	(199)	(350)	(199)	(350)
Balance at 30 June	5,798	5,699	5,798	5,699

Council owns 546 hectares, (612 at 30 June 2016), of Radiata Pine, Douglas Fir and Cupressus Macrocarpa planted between 1981 and 2015. Other stands totalling 57.8 hectares, (35.4 at 30 June 2016), were considered to have no commercial value. Independent registered valuers PF Olsen have valued the forestry assets as at 30 June 2017. A discount rate of 6.5%, (6.5% in 2016), has been used in discounting the present value of expected after tax cash flows.

22 Investment property

Nelson City Council's investment property is valued annually at fair value effective 30 June. Investment properties were valued based on open market evidence. The valuation was performed by Ian McKeage of Telfer Young (Nelson) Limited. Telfer Young (Nelson) Limited are experienced valuers with extensive market knowledge in the type of investment property owned by Nelson City Council.

Rents received from this property were \$62,000 (2016: \$57,000).

The movement of investment property is as follows:

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Investment properties - fair value - opening balance	1,060	980	1,060	980
Investment properties - fair value - Net gain (loss) from fair value adjustment	40	80	40	80
Balance at 30 June	1,100	1,060	1,100	1,060

23 Investments in subsidiaries

Accounting policy

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(2.2):

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Investment in subsidiaries	8,200	8,353	-	-
Total investment in other entities	8,200	8,353	-	-



Significant subsidiaries of Council comprise:

Name of entity	Principal activity	Council control	
		2017 %	2016 %
Nelson Regional Development Agency	Regional development, marketing and promotion	100	100
Nelmac	Management of facilities and infrastructure	100	-
Bishop Suter Trust	Art gallery	100	100
Civic Trust	Enhancement of city environment	100	100

All subsidiaries have a balance date of 30 June and are resident in New Zealand. These fully controlled subsidiaries have been consolidated line by line.

Council's movement in investment in subsidiaries is as follows:

	2017 (\$000)	2016 (\$000)
Opening balance	8,353	2,353
Net investment made during the year	200	6,000
Historic correction to balance Nelmac's shareholder's funds	(353)	-
Total investment in subsidiaries	8,200	8,353

24 Investments in equity accounted joint ventures

Council	Actual 2017 (\$000)	Actual 2016 (\$000)
Port Nelson Ltd	12,708	12,708
Tasman Bays Heritage Trust	4,922	4,922
Nelson Airport Ltd	19,033	19,033
Shares in equity accounted joint ventures	36,663	36,663

Only the equity value of these 50% owned associates is consolidated. All associates have a balance date of 30 June and are resident in New Zealand.

Group	Actual 2017 (\$000)	Actual 2016 (\$000)
Movements in the carrying amount of investments in associates:		
Balance at 1 July	122,052	85,907
Net investment during the year	-	17,833
Share of total recognised revenue and expenses	7,027	3,052
Share of revaluation gain	11,034	17,270
Share of dividend	(3,610)	(2,700)
Other movements	99	690
Balance at 30 June	136,602	122,052



Summarised financial information of equity accounted joint ventures presented on a gross basis

Council	Actual 2017 (\$000)	Actual 2016 (\$000)
Assets	334,803	269,261
Liabilities	88,181	61,513
Revenues	69,656	53,891
Surplus/(deficit)	14,083	6,103

25 Proportionally accounted joint ventures

Council's interest in the Regional Sewerage Scheme and Civil Defence joint ventures is accounted for as jointly controlled operations.

Council's interest in The Ridgeways joint venture ceased on the winding up of the venture on 30 June 2016.

Council's interests in the jointly controlled operations are as follows:

Name	Principal activity	Percentage Ownership	
		2017 %	2016 %
Regional Sewerage	Sewerage disposal services	50	50
Civil Defence	Coordination of emergency services	50	50
Ridgeways	Development of Ridgeways subdivision	-	50

All jointly controlled operations are proportionally accounted.

The Regional Sewerage Business Unit and Civil Defence have a balance date of 30 June and are domiciled in New Zealand.

Summarised aggregate financial information of the Group's share of joint ventures (net of eliminations) proportionally consolidated:

	Council and Group	
	2017 (\$000)	2016 (\$000)
Assets		
Current assets	776	839
Non current assets	31,651	27,991
Total assets	32,427	28,830
Liabilities		
Current liabilities	1,215	1,172
Non-current liabilities	7,000	7,000
Total liabilities	8,215	8,172
Revenue	1,101	4,228
Expenses	(638)	(3,200)
Net surplus/(deficit)	463	1,028



26 Trade and other payables

	Council		Group	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
Current				
Trade payables	8,762	12,156	9,075	13,977
Deposits and bonds	371	1,067	371	1,067
Accrued expenses	840	731	885	748
Income in advance	1,083	603	1,087	777
Amounts due to customers for contract work	192	-	192	-
Grants	-	-	-	974
Other payables	751	2,511	810	2,810
Suspensory loan	59	59	59	59
Trust accounts	257	569	257	569
Taxes payable other than income tax	12	-	110	-
Total current creditors and other payables	12,327	17,696	12,846	20,981
Total creditors and other payables from exchange transactions	11,617	16,001	12,136	18,312
Total creditors and other payables from non-exchange transactions	711	1,695	711	2,669
Non current				
Housing New Zealand Suspensory Loan	761	819	761	819
Suter depreciation accrual	170	-	-	-
Total non-current creditors and payables	931	819	761	819
Non-current payables from exchange transactions	-	-	-	-
Non-current payables from non-exchange transactions	931	819	761	819
Total trade and other payables	13,259	18,515	13,608	21,800

Creditors and other payables are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value.

The Council received a 20-year suspensory loan of \$1.17 million from Housing New Zealand that must be repaid if the Council makes certain decisions that affect the provision of its social housing (including selling properties) prior to January 2032. The Council considers that the substance of the arrangement is the Council receives funding on condition that it provides social housing services over the 20-year term of the agreement. The current portion of the suspensory loan represents that amount of the loan that will be recognised as revenue over the next 12 months.



27 Borrowings and other financial liabilities

	Council		Group	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
Current portion				
Secured loans	2,350	1,400	2,571	1,400
Commercial paper	-	10,000	-	10,000
Floating rate notes	-	10,000	-	10,000
Total current portion	2,350	21,400	2,571	21,400
Non current portion				
Secured loans	-	-	2,404	1,900
Floating rate notes	90,000	60,000	90,000	60,000
Total non current portion	90,000	60,000	92,404	61,900
Total borrowings	92,350	81,400	94,975	83,300

Council's secured loans, commercial paper and floating rate notes are secured over the city's rates.

The Council's secured loans are issued at floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90 day bank bill rate plus a margin for credit risk.

Due to interest rates on debt resetting to the market rate every three months, the carrying amount of secured loans approximates their fair value.

As at 30 June 2017 the Council had borrowing facilities of \$20 million with Westpac Banking Corporation (2016: \$20.0m) and \$15m with ANZ National Limited (2016: \$15m). At balance date \$2.4 million of the total

\$35m facility was drawn down (2016: \$11.4m). Council also has a business card facility with Westpac with a limit of \$42,000 (2016: \$42,000).

Commercial Paper agreements are separate to those borrowing facilities. If the commercial paper was unable to be renewed for any reason, the Council is able to substitute with secured loans within existing facility limits.

The interest rates on the Council borrowings range from 2.31% to 2.9% (2016: 2.38% to 3.25%). The weighted average interest rate on the above loans was 2.56% (2016: 2.85%).

28 Provisions

	Council		Group	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
Value landfill - closure and post closure provision	1,313	1,244	1,313	1,244
Total non current portion	1,313	1,244	1,313	1,244
Movements in provisions:				
Opening balance	1,244	1,185	1,244	1,185
Reassessment of liability	(36)	(40)	(36)	(40)
Provision for year based on consumption	34	33	34	33
Interest	71	66	71	66
Closing balance	1,313	1,244	1,313	1,244



Council gained a resource consent in March 1999 to operate the York Valley landfill. Council has responsibility under the resource consent for closure of the landfill and to provide ongoing maintenance and monitoring of the landfill after the site is closed.

The cash outflows for landfill post-closure costs are expected to occur in 24 to 53 year's time (or between 2041 and 2070). The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and known changes to legal requirements.

The following significant assumptions have been made in calculating the provision:

- the remaining capacity of the site is 1.09 million cubic metres (refuse, clean fill, and cover);
- the estimated remaining life is 24 years;
- a discount rate of 6.5% (2015 6.5%); and
- an inflation factor of 2.5% (2015: 2.5%)

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

29 Employee benefits liabilities

	Council		Group	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
Annual leave	889	862	2,047	1,931
Long service leave	78	78	89	86
Retirement gratuities	51	46	51	58
Sick leave	43	43	43	43
Accrued pay	1,044	799	1,521	1,286
Total current portion	2,105	1,828	3,751	3,404
Long service leave	156	155	180	177
Retirement gratuities	67	67	121	115
Total non current portion	223	222	301	292
Total employee entitlements	2,328	2,050	4,052	3,696



30 Equity

	Council		Group	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
Customers' equity				
Retained earnings	414,580	400,966	462,162	442,907
Reserves	996,741	949,458	1,070,645	1,012,377
Balance at 30 June	1,411,321	1,350,424	1,532,807	1,455,284

Accumulated funds				
Balance at 1 July	400,966	366,065	442,907	404,875
Opening equity on entity establishment	-	-	370	-
Equity released on disestablishment	-	-	(133)	-
Disposal of land	-	17,833	-	17,833
Disposal of property, plant and equipment	332	4,817	332	4,817
Prior year correction	-	-	255	-
Movement in restricted reserves	101	(438)	150	(438)
Surplus/(deficit) for the year	13,181	12,689	18,281	15,820
Balance 30 June	414,580	400,966	462,162	442,907

Reserves includes				
Property, plant and equipment revaluation reserve	995,283	947,899	1,069,921	1,011,982
Hedging reserve - cash flow hedges	-	-	(734)	(1,212)
Restricted reserves	1,408	1,509	1,408	1,557
Contingency reserve	50	50	50	50
Total reserves	996,741	949,458	1,070,645	1,012,377

Property, plant and equipment revaluation reserve				
Balance at 1 July	947,899	949,126	1,011,982	995,389
Net revaluation gains	47,756	3,590	58,311	21,410
Transfer to accumulated funds on disposal of property	(372)	(4,817)	(372)	(4,817)
Balance at 30 June	995,283	947,899	1,069,921	1,011,982

Property revaluation reserves for each asset class consist of:				
Land	157,853	129,674	200,771	169,395
Buildings	-	-	456	456
Airport	-	-	17,819	17,819
Sewerage system	131,975	126,589	131,975	126,589
Water system	118,447	116,279	118,447	116,279
Stormwater network	100,787	98,895	100,787	98,895
Flood protection network	1,127	894	1,127	894
Roading network	478,427	469,153	478,427	469,153
Solid waste	6,653	6,399	6,653	6,399
Forestry (NRSBU)	14	16	14	16
Wharves	-	-	13,445	6,087
Total	995,283	947,899	1,069,921	1,011,982



	Council		Group	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
Hedging reserve - cash flow hedges				
Balance at 1 July	-	-	(1,212)	(664)
Fair value gains/(losses) in the year	-	-	664	(761)
Deferred tax movement	-	-	(186)	213
Balance at 30 June	-	-	(734)	(1,212)
Restricted reserves				
Balance at 1 July	1,509	1,071	1,557	1,119
Reclassification to surplus/(deficit) on disposal	-	-	-	-
Net transfers (to)/from accumulated funds	(101)	438	(149)	438
Balance at 30 June	1,408	1,509	1,408	1,557
Contingency reserve				
Balance 1 July	50	50	50	50
Fair value movement	-	-	-	-
Balance at 30 June	50	50	50	50

Information about reserve funds held for a specific purpose is provided below:

Reserve	Activities to which the reserve relates	Balance 1 July (\$000)	Transfers into fund (\$000)	Transfers out of fund (\$000)	Balance 30 June (\$000)
2017					
Art Council loan fund	Parks	10	-	-	10
Dog control reserve	Environmental	115	286	(284)	117
Events Contestable Fund reserve	Economic	422	1	(63)	360
Founders Park reserve	Social	100	139	(67)	172
Economic development	Economic	167	-	(167)	-
L C Voller bequest	Social	21	1	-	22
Nellie Nightingale bequest	Social	139	7	-	146
Nelson 2000 Trust	Parks	165	-	-	165
Nelson Institute funds	Social	8	1	-	9
Roading contributions	Transport	103	8	-	111
Saxton/Suffolk stormwater	Stormwater	110	2	(112)	-
Sport and recreation grants	Parks	13	-	-	13
Subdivisions reserve	Parks	-	1,974	(1,768)	206
Walker bequest	Parks	73	4	-	77
Wastney Tce stormwater reserve	Stormwater	63	1	(64)	-
Total restricted reserves - 2017		1,509	2,424	(2,525)	1,408



Reserve	Activities to which the reserve relates	Balance 1 July (\$000)	Transfers into fund (\$000)	Transfers out of fund (\$000)	Balance 30 June (\$000)
2016					
Art Council loan fund	Parks	10	-	-	10
Dog control reserve	Environmental	122	-	(7)	115
Events Contestable Fund reserve	Economic	172	250	-	422
Founders Park reserve	Social	92	122	(114)	100
Economic development	Economic	-	167	-	167
L C Voller bequest	Social	20	1	-	21
Nellie Nightingale bequest	Social	133	6	-	139
Nelson 2000 Trust	Parks	165	-	-	165
Nelson Institute funds	Social	8	-	-	8
Roading contributions	Transport	103	-	-	103
Saxton/Suffolk stormwater	Stormwater	105	5	-	110
Sport and recreation grants	Parks	12	1	-	13
Subdivisions reserve	Parks	-	1,826	(1,826)	-
Walker bequest	Parks	69	4	-	73
Wastney Tce stormwater reserve	Stormwater	60	3	-	63
Total restricted reserves - 2016		1,071	2,385	(1,947)	1,509

31 Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Surplus/(deficit) after tax	13,181	12,689	18,281	15,820
Depreciation and amortisation expense	23,310	21,903	24,778	22,931
Property, plant, and equipment impairment	1,592	-	1,592	-
Vested assets	(6,485)	(7,224)	(6,671)	(7,268)
(Gains)/losses in fair value of forestry assets	(99)	(455)	(99)	(455)
(Gains)/losses on derivative financial instruments	(2,996)	4,418	(2,996)	4,418
Increase in deferred tax	-	-	30	52
Conditional grants released to income	(59)	(59)	(1,108)	(1,932)
Associated surplus ex dividends	-	-	(3,420)	(349)
(Gains)/losses in fair value of investments	(40)	(80)	(88)	(65)
Movement in landfill liability	69	(59)	69	(59)
Provision for discount unwinding	(97)	(161)	(123)	(151)
Total non cash items	15,195	18,283	11,964	17,122
(Gains)/losses on disposal of property, plant, and equipment	627	97	577	61
Movement in non current provisions	-	7	8	20
Movement in capital creditors	(5,013)	(3,107)	(5,013)	(3,107)
Movement in investment related accounts receivable	-	-	(17)	(16)
Total items classified as investing or financing activities	(4,386)	(3,003)	(4,445)	(3,042)

Table continued >



	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
(Increase)/Decrease in receivables	4	(906)	1,071	(1,832)
(Increase)/Decrease in prepayments	127	(309)	90	(353)
(Increase)/Decrease in inventory	118	10	66	(70)
(Increase)/decrease in WIP	-	-	(296)	-
Increase /(Decrease) in payables	(304)	5,107	(244)	4,926
Increase /(Decrease) in income tax payable	-	-	110	(14)
Increase /(Decrease) in provisions	-	-	(128)	-
Increase /(Decrease) in employee entitlements	278	151	(145)	377
Net movement in working capital items	223	4,053	524	3,034
Net cash inflow/(outflow) from operating activities	24,213	32,022	26,324	32,934

32 Capital commitments and operating leases

Capital commitments

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Nelson City Council	7,649	16,410	7,649	16,410
Nelmac	-	-	66	1,114
Port Nelson Ltd	-	-	4,976	4,019
Nelson Airport Ltd	-	-	14,783	-
Tasman Bay Heritage Trust	-	-	-	-
Total capital commitments	7,649	16,410	27,474	21,543

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

Operating leases as lessee

Council leases land in the normal course of its business. These leases have non-cancellable terms of between one and 22 years.

The group leases land and buildings and plant and equipment in the normal course of its business.

The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Not later than one year	212	185	596	303
Later than one year and not later than five years	821	723	896	843
Later than five years	655	789	655	789
Total non-cancellable operating leases	1,688	1,697	2,147	1,935

Leases can be renewed at the Entity and Group's option, with rents set by reference to current market rates for items of equivalent age and condition.

There are no restrictions placed on the Entity and group by any of the leasing arrangements.



Operating leases as lessor

Land and buildings owned by Council and group are let under operating leases. Non-cancellable terms vary between one month and 21 years, with the majority under five years.

The future aggregate lease payments to be collected under non-cancellable operating leases are as follows:

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Not later than one year	1,461	1,483	4,698	3,885
Later than one year and not later than five years	2,163	2,784	9,613	9,496
Later than five years	4,246	4,317	15,309	14,486
Total non cancellable operating leases	7,870	8,584	29,620	27,867

33 Contingencies

Contingent liabilities

Contingent liabilities include those items where a liability may be incurred if certain events or outcomes occur, or where a present obligation exists but the extent of the liability cannot be measured reliably for recognition in the financial statements.

Management consider the likelihood of a particular event or outcome occurring to determine whether a contingent liability should be disclosed. No disclosure is made when the possibility of an outflow of resources is considered to be remote. Where amounts are disclosed the amount shown is the maximum potential cost.

Council:

Local Government Funding Agency

The Entity is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+ which is equal to NZ Government sovereign rating.

Nelson City Council is a guarantor of all of LGFA borrowings in the event of default. At balance date LGFA had borrowings totalling \$7,945 million (2016: \$6,445 million). In such an event, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each guarantor is set in relation to each guarantor's rates income. The likelihood of a local authority borrower defaulting is extremely low and all of the borrowings by a local authority from the LGFA are secured by a rates

charge. The Council has been unable to determine a sufficiently reliable fair value for the guarantee and has therefore not recognised a liability. The Council believes the risk of the guarantee being called on and any financial loss arising from the guarantee is remote.

Weathertight homes claims

During the 2017 financial year a claim against Council under the Weathertight Homes Resolution Service has been reactivated. Council has made a provision for the settlement of this claim, however it is possible that the eventual settlement will be in excess of that provision. Council is unable to determine a sufficiently reliable estimate for the settlement at this time and therefore recognises an unquantifiable contingent liability.

Group:

Nelson Airport Ltd - Purchase of HNZ building

Helicopters New Zealand Ltd (HNZ) currently own and occupy a building in the Airport precinct which includes offices, an airport terminal and hangarage. HNZ occupy the site under a ground lease with Nelson Airport Ltd. The ground lease expires on 12th October 2017, unless renewed under a right of renewal for a further period of 20 years. HNZ have advised Nelson Airport Ltd that it will not be exercising its right of renewal. This notice triggers an obligation under the lease for Nelson Airport Ltd to purchase the improvements at fair market value, a figure yet to be agreed between the parties. Nelson Airport Ltd anticipates taking vacant possession of the building on 13th October 2017. The transaction when concluded will result in a net cash outflow for Nelson Airport Ltd and recognition of a corresponding non-current asset.



Contingent assets

	Council		Group	
	Actual 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	Actual 2016 (\$000)
Ministry of Civil Defence and Emergency Management	-	555	-	555
Bishop Suter Trust insurance claim	-	-	-	6
Total quantifiable contingent assets	-	555	-	561

34 Related party transactions

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

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

Related party transactions required to be disclosed

Related party transactions with subsidiaries, associates, or joint ventures

	Council	
	Actual 2017 (\$000)	Actual 2016 (\$000)
SUBSIDIARIES		
Bishop Suter Trust		
Maintenance grant	502	482
Depreciation grant	170	-
Economic Development Agency		
Contestable events fund	455	137
Light Nelson	50	100
	1,177	719

Grants to subsidiaries and associates

Council provides grants to certain of its associates, assisting them with maintenance or other operating costs, or for other specific purposes. These grants are not by nature exchange transactions but are within the normal operating relationships between the entities. With the exception of the Suter depreciation grant there are no outstanding balances relating to these transactions.

The Suter depreciation grant is an accrual. The purpose of the accrual is to assist the Suter to fund renewals. The Suter's annual Statement of Intent will include a renewals schedule, on adoption of which the accrual will be released for the forthcoming year. The expenditure and the accrual consolidate to zero within the Group.

Tasman Bays Heritage Trust related party loan

Council made a loan to the trust of \$1.2 million, initially repayable over 30 years at 0% interest. Repayments on the loan have been renegotiated, and the loan has been recalculated as required under PBE IPSAS to net present value. A discount rate of 5.25% (2016: 5.25%) has been used. This has resulted in an asset to council of \$588,000, with the last payment currently scheduled for the year 2038. A loan repayment of \$100,000 was received in 2016/17, and another repayment of \$100,000 is scheduled for 2017/18 before reverting to \$25,000 per annum until 2022 and \$47,500 per annum thereafter.

Council also purchases services from its associates. Transactions and balances related to these activities are not included in this disclosure as they are exchange transactions on an arms length basis.



Nelmac maintenance of utility services contract

Council has awarded a number of contracts to its wholly owned subsidiary Nelmac.

The contract for utility services was not tendered and the value of the contract for the 2017 financial year was \$3.3 million (2016: \$3.3 million). As the contract was not tendered and there is no benchmarking available for these very individualised services, Council is unable to determine that the contract is at arm's length.

With Council's agreement, contracts may not be tendered because of: the procurement costs of public tender, a high standard of work by the incumbent, service levels consistently achieved, and/or non competitive local industry.

Council are satisfied that this contract represents value for the ratepayer because of economies gained through the stability and continuity of the relationship (retention of both local and specific knowledge that could not be matched by a new or external supplier).

Transactions with key management personnel

Key management personnel compensation

	Council	
	Actual 2017 (\$000)	Actual 2016 (\$000)
Councillors including the mayor		
Remuneration	669	646
Full time equivalent members	13	13
Senior Management Team, including the Chief Executive		
Remuneration	1,655	1,537
Full time equivalent members	7.4	7
Total key management personnel compensation	2,324	2,183
Total full time equivalent personnel	20.4	20

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

Key management personnel include the Mayor, Councillors, Chief Executive, and senior leadership team, and key advisors to that group.

Key advisors include three committee members who are external to the organisation. These advisors bring technical expertise to the Commercial subcommittee, the Audit, Risk, and Finance subcommittee and the

Planning and Regulatory committee. The remuneration for each external committee member varies between \$1,000 and \$1,458 per month depending on which committees are serviced. Payments for these advisors totalled \$33,000 (2016: \$36,000).

External committee members are John Murray, John Peters, and Glenice Paine.

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

35 Remuneration

Chief Executive

The Chief Executive of Nelson City Council is appointed under section 42 of the Local Government Act 2002.

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$371,669 (2016: \$309,426). This amount includes all contractual entitlements on the termination of her employment. The holiday pay entitlement includes \$2,939 accrued after 30 June.



Elected representatives

Elected representatives received the following remuneration:

	Council	
	Actual 2017 \$	Actual 2016 \$
Mayor Reese	133,035	130,368
Councillor Barker	48,462	47,841
Councillor Rainey	15,728	47,189
Councillor Copeland	13,164	38,839
Councillor Courtney	27,764	-
Councillor Dahlberg	27,764	-
Councillor Davy	15,728	47,189
Councillor Fulton	40,708	38,915
Councillor Matheson	58,963	54,706
Councillor Ward	13,164	38,839
Councillor Lawrey	40,198	38,839
Councillor Skinner	45,026	38,839
Councillor Acland	40,198	38,839
Councillor McGurk	47,591	47,189
Councillor Noonan	45,577	38,839
Councillor Rutledge	27,764	-
Councillor Walker	27,764	-
Total elected representatives' remuneration	668,598	646,431

Payments for commissioner hearings and District Licensing Committee included in total remuneration:

	Council	
	Actual 2017 \$	Actual 2016 \$
Councillor Barker	871	652
Councillor Fulton	510	77
Councillor Matheson	535	332
Total Local Boards	1,916	1,061

Council employees

At balance date, Council employed 261 staff (2016: 251), made up of 175 (2016: 163) full-time employees, with the balance of staff representing 44.91 (2016: 53.8) full-time equivalent employees.

Total annual remuneration by band for the 261 employees as at 30 June:

	Number of employees	
	2017	2016
< \$60,000	124	119
\$60,000 – \$79,999	83	83
\$80,000 – \$99,999	31	29
\$100,000 – \$119,999	15	13
\$120,000 – \$219,999	7	6
\$220,000 – \$379,999	1	1
Total employees	261	251



36 Severance payments

For the year ended 30 June 2017, the Council made 4 (2016: 4) severance payments to employees totalling \$226,273 (2016: \$35,000).

The value of the Chief Executive's severance package was \$70,245.

The value of each of the other three severance payments was: \$11,067, \$53,662, \$91,300

37 Financial instruments

(a) Fair value estimation

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

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

	Total	Quoted market price	Observable inputs	Significant non observable inputs
	(\$000)	(\$000)	(\$000)	(\$000)
30 June 2017 - Council				
Financial assets				
Derivatives	25	-	25	-
Shares	140	-	-	140
Total financial assets	165		25	140
Financial liabilities				
Derivatives	5,441	-	5,441	-
30 June 2016 - Council				
Financial assets				
Shares	140	-	-	140
Financial liabilities				
Derivatives	8,412	-	8,412	-
30 June 2017 - Group				
Financial assets				
Derivatives	25	-	25	-
Shares	140	-	-	140
Total financial assets	165		25	140
Financial liabilities				
Derivatives	5,441	-	5,441	-
30 June 2016 - Group				
Financial assets				
Shares	140	-	-	140
Financial liabilities				
Derivatives	8,412	-	8,412	-



(b) Financial instrument risks

Council's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The Council and Group has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from its treasury activities. Council has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

Council holds only short term investments with the major banks, and holds no listed equity instruments.

Currency risk

Council has exposure through the occasional purchase of foreign exchange denominated goods and services.

Significant in dividual amounts of NZD100,000 or greater commitments for foreign exchange are hedged using foreign exchange contracts, once expenditure is approved and the currentcy amount and timing are known.

As at June 2017, Council have contracts hedging a total of \$nil (2016: nil).

Fair values

The fair value of financial instruments is their carrying amount as stated in the balance sheet.

Interest rate risk

Council is exposed to interest rate risk and seeks to minimise this exposure through adopted treasury policies.

This includes entering into rate options or interest rate swap agreements. As at 30 June 2017 the Council had

entered into interest swap agreements to a value of \$ 107 million (2016: \$97.5m) at interest rates between 2.98% and 5.25% (2016: 2.98% and 5.25%).

The weighted average effective interest rate on Nelson City Council deposits of less than 3 months is 1.5% (2016: 0.96%).

The interest rates on Nelson City Council borrowings are disclosed in note 27.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Nelson City Council, causing the Council to incur a loss. Principally, any risk is in respect of cash and bank, debtors and investments.

The details of the \$12.4 million debtors are outlined in note 13.

Details of investments are outlined in note 16, 23, 24 and 25.

Council holds no investments or term deposits with the major banks (2016: nil).

Nelson City Council's investment policy limits the amount of credit exposure to any one financial institution or organisation and only allows funds to be invested with entities that have a strong Standard and Poor's credit rating.

Community loans

Council has \$4.1 million of community loans (2016: \$4.8 million) and there is a risk that some of these could be defaulted on. Council has no collateral or other credit enhancements for financial instruments that give rise to credit risk, except for a mortgage securing a community loan with a face value of \$1.5 million, (2016: \$1.5 million).

Maximum exposure to credit risk

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

	Council		Group	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
Cash at bank and term deposits	255	2,443	1,362	3,418
Receivables	11,906	12,397	13,163	14,345
Community and related party loans	4,120	4,833	3,532	4,175
LGFA borrower notes	880	560	880	560
Investments	-	-	664	736
Derivative financial instruments	25	-	25	-
Total credit risk	17,186	20,233	19,626	23,234

The Entity is exposed to credit risk as a guarantor of all of the LGFA's borrowings. Information about this exposure is explained in note 33.



Credit quality of financial assets

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

	Council		Group	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
Counterparties with credit ratings				
Cash at bank and term deposits				
AA-	255	2,443	1,362	3,292
BB+	-	-	-	126
Derivative financial instrument assets				
AA-	25	-	25	-
Other financial assets - LGFA borrower notes				
AA+	880	560	880	560
Other financial assets - loans and receivables				
AA-	-	-	1,036	3,154
Counterparties without credit ratings				
Community and related party loans				
Existing counterparty with no defaults in the past	3,532	4,175	3,532	4,175
Existing counterparty defaulted 30 June 2012, loan arrangements since reviewed and complied with	588	658	-	-
Total community and related party loans	4,120	4,833	3,532	4,175
Investments				
Existing counterparty with no defaults in the past	-	-	664	736
Unlisted shares				
Existing counterparty with no defaults in the past	140	140	140	140

Existing counterparty with no defaults in the past.

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

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Entity will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of

funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Entity aims to maintain flexibility in funding by keeping committed credit lines available with Westpac and ANZ National Bank Ltd.

Council provides security via a Debenture Trust Deed signed 10 December 2010 and as at 30 June 2017 had security stock issued of \$49m and debenture stock issued of \$35 million. These stock amounts provide security for bank facilities, swap facilities, floating rate notes and commercial paper.

Council manages its borrowing in accordance with its funding and financial policies, which include a Liability Management policy.

Council has an overdraft facility of \$200,000, against which \$nil was drawn at balance date (2016: \$nil).



Contractual maturity analysis of financial liabilities

	Contractual cash flows (\$000)	Less than 1 year (\$000)	1 - 2 years (\$000)	2 - 5 years (\$000)	More than 5 years (\$000)
Council 2017					
Payables	12,327	12,327	-	-	-
Secured loans	92,350	2,350	5,000	55,000	30,000
Derivative financial liabilities	5,441	40	214	2,468	2,719
Total	110,118	14,717	5,214	57,468	32,719

Council 2016					
Payables	18,754	17,994	59	176	525
Secured loans	81,400	21,400	-	35,000	25,000
Derivative financial liabilities	8,412	7	196	3,033	5,176
Total	108,566	39,401	255	38,209	30,701

Group 2017					
Payables	12,846	12,846	-	-	-
Secured loans	94,975	2,571	5,230	57,174	30,000
Derivative financial liabilities	5,441	40	214	2,468	2,719
Total	113,262	15,457	5,444	59,642	32,719

Group 2016					
Payables	23,315	22,555	59	176	525
Secured loans	83,300	23,300	-	35,000	25,000
Derivative financial liabilities	8,412	7	196	3,033	5,176
Total	115,027	45,862	255	38,209	30,701

Council is exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 33.

Contractual maturity analysis of financial assets

	Contractual cash flows (\$000)	Less than 1 year (\$000)	1 - 2 years (\$000)	2 - 5 years (\$000)	More than 5 years (\$000)
Council 2017					
Cash and cash equivalents	255	255	-	-	-
Receivables	11,906	11,906	-	-	-
Other financial assets:					
- community and related party loans	4,120	752	595	1,147	1,626
- LGFA borrower notes	880	-	240	160	480
Derivative financial instruments	25	-	-	-	25
Total	17,186	12,913	835	1,307	2,131



	Contractual cash flows (\$000)	Less than 1 year (\$000)	1 - 2 years (\$000)	2 - 5 years (\$000)	More than 5 years (\$000)
Council 2016					
Cash and cash equivalents	2,443	2,443	-	-	-
Receivables	11,813	11,813	-	-	-
Other financial assets:					
- community and related party loans	4,833	744	704	1,544	1,841
- LGFA borrower notes	560	-	-	240	320
Total	19,649	15,000	704	1,784	2,161
Group 2017					
Cash and cash equivalents	1,362	1,362	-	-	-
Receivables	13,156	13,156	-	-	-
Other financial assets:					
- community and related party loans	4,120	752	595	1,147	1,626
- LGFA borrower notes	880	-	240	160	480
Derivative financial instruments	25	-	-	-	25
Total	19,543	15,270	835	1,307	2,131
Group 2016					
Cash and cash equivalents	3,418	3,418	-	-	-
Receivables	13,703	13,703	-	-	-
Other financial assets:					
- community and related party loans	4,175	644	608	1,480	1,443
- LGFA borrower notes	560	-	-	240	320
Total	21,856	17,765	608	1,720	1,763

Sensitivity analysis

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

A movement in market interest rate on fixed rate debt does not have any impact because secured loans are fixed via interest rate swaps.

	2017 (\$000)				2016 (\$000)			
	-100bps		+100bps		-100bps		+100bps	
	Surplus	Other equity	Surplus	Other equity	Surplus	Other equity	Surplus	Other equity
Council								
Interest rate risk								
Financial assets								
Derivative financial assets	(193)		164					
Other financial assets:								
- Community loans and loans to related parties	146	-	(128)	-	162	-	(142)	-
Financial liabilities								
Derivative financial liabilities	(4,110)	-	3,804	-	(4,449)	-	4,128	-
Total sensitivity	(4,157)	-	3,840	-	(4,287)	-	3,986	-

Table continued >



Group	2017 (\$000)				2016 (\$000)			
	-100bps		+100bps		-100bps		+100bps	
	Surplus	Other equity	Surplus	Other equity	Surplus	Other equity	Surplus	Other equity
Interest rate risk								
Financial assets								
Derivative financial assets	(193)		164					
Other financial assets:								
- Community loans and loans to related parties	146	-	(128)	-	111	-	(98)	-
Financial liabilities								
Derivative financial instruments	(4,110)	-	3,804	-	(4,449)	-	4,128	-
Total sensitivity	(4,157)	-	3,840	-	(4,338)	-	4,030	-

c) Financial instrument categories

	Council		Group	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
FINANCIAL ASSETS				
Fair value through surplus or deficit - not hedge accounted				
Derivative financial instrument assets	25	-	25	-
Civic Trust investments	-	-	664	736
Total fair value through surplus or deficit - not hedge accounted	25	-	689	736
Loans and receivables				
Cash and cash equivalents	255	2,443	1,362	3,418
Receivables	12,363	12,397	13,770	14,345
Other financial assets:				
- term deposits	-	-	1,036	3,154
- Community loans and loans to related parties	4,120	4,833	3,532	4,175
Total loans and receivables	16,738	19,673	19,700	25,092
Held to maturity				
Other financial assets: LGFA borrower notes	880	560	880	560
Fair value through other comprehensive revenue and expense				
- Equity securities - NZ LG Insurance Corp Ltd	140	140	140	140
FINANCIAL LIABILITIES				
Fair value through surplus or deficit - not hedge accounted				
Derivative financial instrument liabilities	5,441	8,412	5,441	8,412



	Council		Group	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
Financial liabilities at amortised cost				
Payables	12,327	17,696	12,846	20,981
Borrowings: - secured loans	92,350	81,400	94,975	83,300
Total financial liabilities at amortised cost	104,677	99,096	107,821	104,281

38 Events occurring after the balance date

Council:

Nelson Tasman Regional Landfill Business Unit

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 \$4.2 million on 1 July 2017 reflecting the higher value of the 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.

39 Explanation of major variances against budget

Statements of comprehensive revenue and expense

Total operating income \$14 million more than budget:

Fees and charges are \$5 million more than budget. More details can be seen in the activities section, however the most significant items are:

- \$3.2 million unbudgeted income, \$2.7 million from forestry harvesting after the completion of the forestry activity review and \$520,000 from the sale of Emissions Trading Scheme units.
- \$943,000 extra income from resource and building consents, reflecting activity in the sector.
- \$628,000 extra income from landfill charges attributed to the level of activity in the building sector.

Subsidies and grants are \$1.3 million more than budget reflecting the timing of the subsidy received from the Ministry of Civil Defence and Emergency Management for expenditure around the 2011 emergency event (\$555,000), the receipt of donations for the indoor cricket/smallbore rifle facility at Saxton Field (\$493,000) and contributions from utilities providers for infrastructure (\$184,000).

Other revenue is \$4.6 million more than budget with both vested assets and development/subdivision

reserves contributions well ahead of budget (\$3.4 million and \$794,000 respectively) reflecting development activity around the city.

Other gains of \$2.8 million with no budget reflect the revaluation of interest rate swaps (\$3 million gain) along with unbudgeted gains and losses on sale and revaluations.

Total operating expenditure was \$5.1 million more than budget:

Personnel costs were \$1.1 million less than budget. Some vacancies were backfilled using unbudgeted temporary resource at the cost of \$339,000, reflected in other expenses.

Other expenses were over budget by \$7.3 million. More details can be seen in the activities section, however the most significant items are:

- maintenance expenditure under budget by \$849,000. \$539,000 of budget has been carried forward to 2017/18 for items programmed but not completed within the 2016/17 financial year.
- service provision over budget by \$4.8 million, including \$1.7 million unbudgeted forestry harvesting costs, \$1.1m for the rollout of the new recycling bins (change in accounting treatment from that assumed in budget), \$1 million relating to timing differences in the Nelson School of Music earthquake strengthening project, and \$574,000 unbudgeted expenditure for contracting resource to support increased workflows through the Resource Consents activity.
- \$1.5 million over budget relates to a consolidation adjustment in respect of the Nelson Regional Sewerage Business Unit.
- unbudgeted expenditure for temporary/consultancy resource \$534,000.

Other comprehensive income

The infrastructure assets are revalued every year to smooth out the large fluctuations, and land is revalued when its fair value diverges materially from its carrying value. The revaluation as at 30 June 2017 resulted in a total increase in asset value of \$47.8



million, \$32.1 million more than budget. Council revalued land as at 30 June 2017, amounting to \$28.3 million of the total revaluations.

Statements of financial position

Trade and other receivables \$820,000 more than budget with dividends receivable and accrued revenue both higher than had been anticipated.

Property, plant, and equipment was \$6 million less than budget. The opening balance at 1 July was \$32 million less than forecast at the time of setting the 2016/17 budget, asset revaluations were \$32.1 million more than budget, capital additions were \$6.7 million less than budget, disposals and impairments were \$2.8 million more than budget, and vested asset additions were \$3.4 million more than budget.

Investments accounted for using the equity method are \$14.4 million greater than budget due to the difference in the opening balance at 1 July.

Borrowings net of cash and cash equivalents, were \$39.5 million below budget due to the difference in the opening balance at 1 July (\$30.3 million), the utilisation of brought forward cash balances (\$2.2 million) and lower capital investment.

Reserves are \$18.7 million more than budgeted. The opening balance at 1 July was \$13.6 million less than forecast at the time of setting the 2016/17 budget, the asset revaluation was \$32.1 million less than budget, and \$372,000 of revaluation reserve was released to equity relating to the disposal of assets.

Accumulated funds are \$30.3 million more than budget. The surplus for the year is \$8.9 million more than budget, and the 1 July opening balance was \$21.5 million more than forecast at the time of setting the 2016/17 budget.

40 Insurance

The cost of the Canterbury earthquakes has highlighted the importance of good risk management and the part insurance and/or risk financing plays when it comes to rebuilding public assets. In many instances, councils can provide services in the future only through the continuing use of their assets. Public entities have had to think carefully about how they are managing their risks and how they are using the insurance and risk finance options available to them.

Wastewater, Stormwater, Water Supply, Flood Protection and Solid Waste assets

These activities have a total book value of \$477,807,000. Repairs to these assets following a significant event are covered 40% through Council's membership of the AoN South Island collective with a large deductible, with the remaining 60% being

funded by Central Government. Council has a disaster recovery fund intended to cover the deductible or Council's 40% share if the event is lower than the deductible. Due to prior emergency events, there are no funds available as at 30 June 2017, and any funding required would be by way of loans until a balance is built up in the disaster recovery fund.

Roading assets

Subsidised roading assets have a total book value of \$628,038,000 (including land under roads). For these assets, Council would receive a minimum of 44% subsidy from the NZTA, with the remaining portion of the loss to be funded through the disaster recovery fund and loan funding.

Unsubsidised roading assets have a total book value of \$18,553,000. This includes such items as footpaths, walkways and car parks. These items are not insured, and Council would fund any loss through the disaster recovery fund or loan funding.

Land, Buildings, Plant & Equipment, and other assets

These assets have a total asset book value of \$328,774,000.

The sum insured for non-residential property material damage is \$295,662,000. Council is part of a Top of the South collective with total non-residential property insured of \$876,686,000.

Residential property (material damage) is insured to a value of \$22,201,000 with limits of indemnity of \$2,000,000 for capital additions, construction/alterations of \$2,000,000, landslip \$2,000,000 and subsidence of \$2,000,000.

Forestry is insured to a value of \$6,314,000.

Tahunanui Beach Holiday Park assets are insured to a value of \$19,328,800.

Vehicles

The total book value of vehicles belonging to Council is \$392,000. All vehicles are insured for market value or replacement value (if vehicle is less than 12 months old).

Deductibles, excesses, and non material assets

Council has a reserve used to cover deductibles, excesses, and small assets not on the material damages schedule. The value of this reserve as at 30 June 2017 is \$432,000.



41 Capital management

The Council's capital is its equity (or customers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

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

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by the Entity. Intergenerational equity requires today's customers to meet the costs of utilising the Entity's assets and not expecting them to meet the full cost of long-term assets that will benefit customers in future generations. Additionally, the Entity has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure that customers in future generations are not required to meet the costs of deferred renewals and maintenance.

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

The Council has the following Council-created reserves:

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

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

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

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



PERFORMANCE OF COUNCIL OWNED COMPANIES

Council is involved with several organisations that deliver strategic outcomes or public benefit for the city. During 2016/17, the organisations that Council controls to achieve agreed community outcomes are:

- The Port Company – Port Nelson Ltd (50% with TDC)
- Council Controlled Trading Organisations – Nelmac Ltd and Nelson Airport Ltd (50% with Tasman District Council)
- Council Controlled Organisations – Nelson Regional Development Agency, the Tasman Bays Heritage Trust (Nelson Provincial Museum – 50% with Tasman District Council), and the Bishop Suter Trust and City of Nelson Civic Trust

Full details are available for each Council Controlled Organisation in their respective Annual Reports.

Note that the City of Nelson Civic Trust is a Council Controlled Organisation and that Council resolved March 2014 to grant an exemption to the City of Nelson Civic Trust under section 7 of the Local Government Act 2002. The City of Nelson Civic Trust is therefore not reported on in this Annual Report.

PORT NELSON LTD

Council owns 50% of Port Nelson Ltd, with Tasman District Council owning the other 50%. The company provides core port services for the Nelson region including cargo, logistics, vessel slipping services and the development and leasing of land and buildings. The Port is a strategic asset in accordance with Council's Significance and Engagement policy.

Port Nelson Ltd is a port company and is covered by the Port Companies Act 1988, which imposes obligations on Port Nelson Ltd almost identical to those imposed on Council Controlled Trading Organisations by the Local Government Act 2002, including the provision of an annual Statement of Corporate Intent.

The company provides core port services and managed property portfolio services including:

- Marine services which include pilotage, towage and navigation aids for the arrival, berth and departure of vessels to the Port

- Berths to accommodate vessels at the Port
- Wharves, plant and other services to facilitate the discharge and loading of vessels
- Container terminal handling services which include receipt, delivery, transit, storage and shipment of a wide range of import and export cargos
- Cargo logistics including warehousing and storage of goods
- Vessel slipping services
- The development, leasing and management of land and buildings not required for Port operating purposes



PERFORMANCE TARGETS – PORT NELSON LTD

Measure	Target 2016/17	2016/17	2015/16	2014/15	Outcome 2016/17
Lost Time Injury Frequency Rate*	<1.50	3.05	1.15	2.99	Not Achieved
Shareholder funds to total assets	65%	69%	73%	79%	Achieved
Net Debt / Equity Ratio	<45%	27%	20%	14%	Achieved
Dividends Declared	\$4.9m	\$6.5m	\$4.8m	\$5.7m	Achieved
Cargo Throughput (Cargo Tonnes)	2.8m	3.1m	2.7m	2.6m	Achieved
Shipping Tonnes (Gross Registered Tonnes)	9.4m	10.9m	9.7m	9.2m	Achieved
Ships Visits	755	805	821	747	Achieved
Revenue	\$43.0m	\$58.4m	\$45.5m	\$42.2m	Achieved
Return on Average Shareholders' Funds**	3%	7%	4%	7%	Achieved
Return on Funds Employed	5%	8%	7%	7%	Achieved
Capital Expenditure	\$22.7m	\$28.4m	\$15.3m	\$3.6m	Achieved
Incidents leading to pollution of harbour	Nil	Nil	Nil	Nil	Nil
Compliance with all resource consent conditions	100%	100%	100%	100%	Achieved
Compliance with Maritime New Zealand safety standards	100%	100%	100%	100%	Achieved

* LTI frequency rate: lost time injuries divided by hours worked in period multiplied by 100,000.

** Return on average shareholder's funds is based on the net profit earnings figure prior to other comprehensive income.

FINANCIAL PERFORMANCE – PORT NELSON LTD

Port Nelson Limited is 50% owned by the Nelson City Council and is self-administered.

	2017 (\$000)	2016 (\$000)
Revenue	58,426	45,503
Expenses	43,891	37,569
Net surplus before taxation	14,535	7,934
Provision for taxation	(3,694)	(2,667)
Net Surplus for year after taxation	10,841	5,267
Other comprehensive income	24,155	(1,618)
Total comprehensive Income	34,996	3,649
Shareholder's funds brought forward	146,622	147,773
Dividend	(6,500)	(4,800)
Shareholder's funds carried forward	175,118	146,622



NELMAC LTD

Nelmac was established in 1995 and is 100% owned by Nelson City Council. The main activity is to provide the city with high quality management, maintenance and construction of its natural and built environment. This includes managing facilities, infrastructure such as water and waste, parks, reserves and sports fields.

PERFORMANCE TARGETS – NELMAC LTD

Performance measure	Target 2016/17	Result 2016/17	Comment 2016/17
Non-shareholder business			
To ensure all non-Nelson City Council work contributes to the profitability of the company	NCC to Non NCC Revenue - Target Ratio 60%/40%	61%/39%	NCC work remains a priority for Nelmac
Equity ratio			
Financial risk limited by maintaining a ratio of Shareholder Funds to Total Assets	SHF to Total Assets - Range 55% to 65%	58%	Achieved
Quality of Service			
Company will maintain its AS /NZS ISO 9001:2008 accreditation	Meet performance measure	Achieved	An annual audit was conducted by Telarc in May 2017
Achieve compliance with Nelson City Council contract key performance measures for the year ending 30 June, to be monitored monthly	Meet performance measure	Achieved	Monitored Monthly – key performance measures achieved
Nelmac will maintain a record of the number of complaints and congratulations received each year and the results will be reviewed regularly by the Board	Meet performance measure	Achieved	Reviewed by the Board Monthly (included in Board Report)
Staff			
Staff morale/turnover, excluding retirement, redundancy and internal transfers	Staff Turnover within 5-15%	Not achieved 16.70%	This year as for last year, turnover ratio was just outside target range. Noting that the 2017/18 Statement of Intent measure is amended to +/- 5% from national average (14.6% for the private sector for 2016/17) to reflect low unemployment levels in the Nelson Tasman and also in our sector nationally



Performance measure	Target 2016/17	Result 2016/17	Comment 2016/17
Staff continued...			
Staff health and safety: continue to actively promote health & safety in the workforce	Achieved 0.06%	Achieved 0.06%	Nelmac's health & safety record continues to improve with a significant reduction in lost time injuries and demonstrating the effectiveness of the company's continued drive to create a safe and healthy workplace for all
Maintain the Tertiary level of ACC workplace safety management practices	Meet performance measure	Achieved	The biannual audit was conducted January 2017

FINANCIAL PERFORMANCE – NELMAC LTD NELSON MAINTENANCE & CONSTRUCTION LIMITED

Nelson Maintenance & Construction Limited (NeIMAC) commenced operations on 1 July 1995 following the corporatisation of the Operations Business Unit. The company is fully owned by the Nelson City Council.

	2017 (\$000)	2016 (\$000)
Revenue	28,947	26,570
Expenses	27,875	25,591
Net surplus before taxation	1,072	979
Provision for taxation	(304)	(280)
Net Surplus for year after taxation	768	699
Retained earnings brought forward	7,880	7,630
Revaluation	0	0
Dividend	(350)	(449)
Retained earnings carried forward	8,298	7,880



NELSON AIRPORT LTD

Council owns 50% of Nelson Airport Ltd with Tasman District Council owning the other 50%. The airport is a strategic asset in accordance with Council's Significance and Engagement policy. The main objective of the Company is to operate a successful airport business that meets the needs of the Nelson Tasman region.

PERFORMANCE TARGETS – NELSON AIRPORT LTD

Area	Target 2016/17	Comment 2016/17
AERONAUTICAL Deliver an aeronautical plan which underpins existing capacity, allows for new opportunities for growth and supports direct connectivity	Achieve total aeronautical revenues for the 2016/17 year of \$4.6m.	Total aeronautical revenues achieved were \$4.7m.
	Achieve total passenger throughput for the 2016/17 year of 1,006,000.	Total passenger throughput achieved in the 2016/17 year was 1,000,373.
	Complete an aeronautical marketing plan by December 2016.	The aeronautical marketing plan was completed by December 2016.
INFRASTRUCTURE Develop an airport precinct that promotes smooth, safe and efficient passenger operations, supports growth and stimulates acceptable economic return	Complete detailed design and procurement of contractors for new terminal and landside developments by June 2017.	Detailed design was completed for landside in September 2016 and for terminal construction in December 2016. On 11 May 2017 the Board resolved to appoint Naylor Love as the contractor for the new terminal development projects with contract award immediately following on 15 May 2017.
	Construction on new terminal developments to commence by May 2017.	Preliminary works for the new terminal developments started in February 2017 with commencement on the relocation of underground services. The new terminal and carparking construction contract was let with main construction works commencing in May 2017.
	Apron capacity review and design to cater for future demand to be completed by December 2016.	The apron capacity review and design was completed by December 2016.
	Complete Asset Management Plan by June 2017.	Asset Management Plan is underway and expected to be completed by December 2017.
ECONOMIC With continued investment, establish the financial framework which delivers a satisfactory return to shareholders whilst managing safety and risk in a socially responsible way	Achieve non-aeronautical revenues for the 2016/17 year of \$3.8m.	Nelson Airport Limited achieved non-aeronautical revenues of \$4.4m.
	Achieve earnings before interest, tax, depreciation and amortisation (EBITDA) for the 2016/17 year of \$5.2m.	Earnings before interest, tax, depreciation and amortisation (EBITDA) achieved for the 2016/17 year were \$5.8m.



Area	Target 2016/17	Comment 2016/17
	Formulate a dividend policy to implement alongside fair value accounting.	A new dividend policy was adopted and included in the Statement of Intent for the 2017/18 year.
<p>GOVERNANCE</p> <p>Continually enhance the governance and management of the Airport to deliver the objectives of the shareholders, Board and the local community</p>	Implement an enhanced Health and Safety Management System by August 2017.	Nelson Airport Limited established a Health and Safety Management System Board Charter and drafted a new Health and Safety Policy. A Risk Management Committee has been established and meets monthly. The Board review significant key risks, on a rolling basis, throughout the year. A cloud based Safety Monitor System has been implemented. A Safety Management System implementation plan has been established in response to planned changes to Civil Aviation Authority regulations. During the continued development of the health and safety management system Nelson Airport Limited has retained the services of an independent health, safety and risk management consultant.
	Complete a broad-brush risk assessment by September 2016.	The broad brush risk assessment was completed in November 2016.
	Achieve no lost-time injuries.	No lost-time injuries.
	Maintain a birdstrike rate of <5 per 10,000 movements.	The 12 month moving average bird strike rate per 10,000 aircraft movements at March 2017 (the latest report available at July 2017) was 4.2 for Nelson Airport.
	Implement airline conditions of use agreements by August 2017.	New comprehensive conditions of use established by the business and implemented in July 2017.
<p>ORGANISATIONAL DEVELOPMENT</p> <p>Provide an environment and culture together with support that fosters the development of people who work at the airport</p>	Complete performance and developmental reviews bi- annually – to June 2016 and to January 2017.	All staff reviews completed in line with the established six- monthly cycle.
	Implement a training and development programme by July 2017.	Nelson Airport Limited established a comprehensive Training and Development Policy which was approved by the Board in September and implemented thereafter. The policy outlines a programme incorporating the Personal

Table continued >



Area	Target 2016/17	Comment 2016/17
		Development Review (PDR) process and the monitoring and evaluation of any personal development training taken.
	Implement a comprehensive public relations and stakeholder engagement strategy by August 2017.	The public relations strategy continues to be developed and Nelson Airport Limited has retained a consultant on a part time basis to manage public relations and communications. The annual stakeholder engagement event was held on 21 June 2017 and a stakeholder feedback survey conducted in June 2017.

FINANCIAL PERFORMANCE – NELSON AIRPORT LTD

On 31 March 1999 Nelson Airport Limited purchased the airport assets and commenced operating the airport. The company is 50% owned by the Nelson City Council.

	2017 (\$000)	2016 (\$000)
Revenue	9,174	6,401
Expenses	4,783	4,709
Net surplus before taxation	4,391	1,692
Provision for taxation	(1,311)	(517)
Net surplus for year after taxation	3,080	1,175
Other comprehensive income	0	38,043
Total comprehensive Income	3,080	39,218
Equity Brought Forward	49,968	11,350
Dividend	(720)	(600)
Retained earnings carried forward	52,328	49,968



NELSON REGIONAL DEVELOPMENT AGENCY

The Nelson Regional Development Agency (NRDA) was established by Council and operated from 1 July 2016. It was formed from the merger of two previous Council Controlled Organisations, Nelson Regional Economic Development Agency and Nelson Tasman Tourism. The mission of the NRDA is to partner with the public and private sectors in the attraction and retention of investment, visitors and talent who want to add to the special character of the region.

NRDA is 100% owned by Nelson City Council, with directors appointed by Nelson City Council. NRDA also receives funding from Tasman District Council. It is current Council policy to retain ownership of NRDA.

PERFORMANCE TARGETS – NRDA

Performance measure: New business is stabilised and made fit for purpose

Organisational Review

The organisational review was completed in the first quarter with the creation of the NRDA Business Plan and the development of an internal focus on a team culture that fosters a high level of team alignment and confidence in each other to drive execution of the Business Plan.

The Business Plan assisted to define the focus of the organisation in the following three main areas of activity:

- Investment & Talent Attraction & Retention: Development and strengthening of the region's investment and talent attraction and retention cases with a priority on the Regional Identity focus areas.
- Destination Management: Sharing and delivering on the Regional Identity story across the spectrum of invest, visit and talent.
- Business Development & Innovation: Supporting existing businesses and business people to grow, and the development of new businesses.

The internal culture development is based around a commitment to the following five key NRDA Values created by the team:

1. Authentic Ambassadors sharing our Nelson Region's Identity
2. Great to exceptional team
3. Fun and Enjoyment
4. Catalyst for Partnership
5. Customer-Centric

This approach has resulted in the creation of a robust fit for purpose organisation with clarity of purpose, strategic direction and the appropriate structures and resource in place to drive implementation.

All of this has been achieved within the financial parameters set out below.

Stakeholder analysis, engagement and communications

The clarity of the Business Plan direction and the collaborative partnership approach has enabled NRDA to establish a purposeful stakeholder engagement approach around their role throughout the year.

This included the likes of:

- The board hosting a series of well-attended business stakeholder sessions in Motueka, Murchison and Kaiteriteri to listen to expectations for the region and develop a level of understanding and commitment to the purpose and role of the NRDA. This activity was supported by the hosting of a Nelson-based NRDA launch function attended by around 50 key stakeholders in November 2016.
- The main stakeholder engagement focus in the later part of the year was around the Regional Identity development through a series of sessions with both groups and individuals from the region's business, tourism, political, iwi, arts and creative sectors totalling over 120 stakeholders. This also included a strong local media element and the delivery of a local community based engagement campaign which generated a total digital reach of 230,000 with over 9,000 comments, likes or shares. The development phase of this workstream culminated in a Regional Identity framework presentation to a gathering of over 110 local business and community leaders in June 2017.



Performance measure: New business is stabilised and made fit for purpose

Stakeholder analysis, engagement and communications, continued...

- NRDA has also hosted two well-attended visitor sector forums, a targeted i-SITE update and a series of meetings with Golden Bay Promotions, Tasman Bay Promotions and Murchison, in total attended by well over 100 key stakeholders and partners, to assist with the development of the Nelson Tasman.
- Visitor Strategy and the resulting revised business partner programme to drive execution.
- Recognising the importance of Iwi to the region NRDA has also begun a series of stakeholder sessions with the eight iwi of Te Tau Ihu.
- As part of the organisation's response to the stakeholders' need for higher levels of appropriate engagement and the pace of change in this area, the NRDA established an internal communications function with a strong digital focus which has driven most of the activity outlined in this section of the report.

As outlined above NRDA has also been focused on developing and extending strategic partnerships across the region.

The outcome of this organisational stabilising and fit for purpose approach has been the development of several collaborative public and private sector partnerships that have enhanced stakeholder engagement and assisted in the alignment of strategy and resources to assist in setting a strong platform for delivering value to the community through driving the NRDA's future role in executing the business plan.

Performance measure: Interim Maintenance of Core Business Service Delivery

NRDA would like to further acknowledge the significant contribution the staff of the NRDA has made to maintain core service delivery to partners and customers through the transition period and in the latter half of the year the delivery of some impressive results. This included some unforeseen impacts on the core business of the i-SITE and the International marketing team's due to the Kaikoura earthquakes.

The organisation has continued to contribute to the sustainable economic vitality of the Nelson Tasman Region through the delivery of a range of quality service programmes with some highlights being:

Regional Business Partner Programme

The Regional Business Partner Programme is a key component of the regional business development and innovation ecosystem with the primary aim of building the capability and capacity of the region's business community to assist them to start-up, grow and innovate. The programme is delivered in partnership with Central Government, the Nelson Tasman Chamber and Nelson Tasman Business Trust around the delivery of support programmes in the areas of business development services, R&D and mentoring.

NRDA has managed to significantly grow the contribution this programme is making to the region in terms of both quantity and quality over the year by exceeding all contract obligations and NRDA stretch targets including:

- Continued to increase the grant funding levels issued and accessed by local businesses to over \$1.26 million (representing a 30% increase on last year).
- Achieved a considerably higher level of engagements across the wider business community and with NRDA service providers through an increased effort to raise the profile of the programme (representing a 40% increase in participants on last year).
- Also achieved considerably higher levels of customer satisfaction with the programme services with a net promoter score of +80 (representing a 60% increase on last year).
- As a result of this outstanding performance and resulting confidence in NRDA's ability to deliver, NRDA has also started to see the region being exposed to a wider range of innovation service offerings as they are rolled out from Callaghan and NZTE.



Business support and Innovation ecosystem

In partnership with NMIT and the Chamber NRDA completed an assessment of the Nelson Tasman Business Development and Innovation ecosystem which identified the overlaps, gaps and improved understanding of the needs of the customers.

The main recommendation of the report was the need to address better coordination, collaboration and leadership around start-up, early stage, scale-up and disruptive technology business support and innovation services within the region.

As a result, NRDA is currently in the process of developing a business case around the opportunity to partner with key stakeholders in the establishment of a potential physical co-location / collaboration Tech Hub facility designed to create a focal point for this activity within the region. In addition to the physical hub, this will also include establishing an ecosystem services filtering and coordination approach that connects ideas, talent and business people with solutions, backed by a set of physical and virtual services.

In addition to this work NRDA was also proud to have continued NRDA's partnership with NMIT and other sponsors around the delivery of the Young Enterprise programme in the region.

i-SITE programme

Over the year NRDA revised the i-SITE operating model with a big shift in focus on enhancing the customer experience and the role the i-SITE plays in making an outstanding first impression for the region, in particular for international visitors.

While the business was impacted by the Kaikoura Earthquakes and the resulting disruption to the international visitor market for the Top of the South, the i-SITE has delivered some exceptional results, with the highlights being:

- Customer Satisfaction rating of over 90% of 4 and 5/5 ratings which is an improvement on last year and ahead of the national average.
- Maintaining a break-even trading position, with a (12%) increase in the average transaction value for the year.

In addition, NRDA has been working closer with the other i-SITES of the region in particular the Motueka i-SITE where NRDA provided some services to assist them with a transition to a new operating model.

International Visitor Marketing programme

The international marketing programme has the primary aim of stimulating the value of international visitation to the Nelson Tasman region over the shoulder seasons by "influencing the influencers" and is very closely aligned with Tourism NZ and NRDA's other key partners such as Nelson and Christchurch Airports, Port Nelson and the key internationally focused tourism businesses of the region.

Over the year the programme has performed well, with some highlights being:

- Some great outcomes in terms of working with NRDA's partners in getting to market a revised Top of the South and West Coast touring route because of the significant disruption caused to the traditional touring routes from the Kaikoura earthquake in November 2016. This revised itinerary is also part of the new Tourism NZ global campaign. This is vital in managing the potential longer-term collateral damage risks, as well as the opportunities, presented to the region because of the earthquakes.
- With the support of TNZ, NRDA's international media hosting programme resulted in 544 articles being produced on the region with a total reach of over 2.5 billion people, in addition there was also numerous additional digital content generated.
- The international visitor trade hosting programme hosted over 30 groups this year across all NRDA target markets providing great exposure of our region to those who are influencing the travel decision-making in source markets.
- Alongside some of NRDA's key business partners, TRENZ again provided the most important opportunity to present our region to the international market. In addition to the many meetings and presentations, NRDA also hosted a Nelson Cider and Chocolate Bar which proved very popular to raise our profile at the most important travel trade event of the year.

Table continued >



International Visitor Marketing programme continued...

- In addition to the above, NRDA represented the region in-market at many key NZ travel trade shows including: USA, Australia, UK, Europe and Asia. In total, NRDA had the opportunity to directly put its case to over 900 agents and front-line staff.
- The cruise business is also part of the international portfolio and in partnership with the Nelson Port this year NRDA hosted 8 cruise ship visits with over 2500 passengers and 1700 crew, which is a marked increase from the 5 in previous years. This has positioned NRDA well to increase this aspect of the region's visitor business over the coming years.
- The international programme is delivered by two exceptional staff, Gisela and Tracee, who were recognised externally this year by Tourism NZ, being awarded as the top team in NZ for hosting of international trade and media.

Consumer & Business Events programmes

The domestic consumer programme has delivered many consumer-related activities including consumer shows in Christchurch and Auckland, a number of partnership campaigns with the likes of Nelson Airport, the airlines, AA traveller and the Interislander. In addition, a couple of key highlights were the "See Nelson in a New Light" campaign around the Light Nelson festival, and the HeART of Nelson campaign around the Nelson Arts Festival which generated a good level of Return on Investment for partners along with a high-level of satisfaction.

The programme also assisted in beginning to develop some more targeted special interest propositions in the Cycling and Arts areas and in the future, there will also be a focus on the artisan food and beverage offering with the intention of integrating them into the Regional Identity consumer campaign roll-out with targeted Spring and Autumn campaigns in coming years. The business events programme has continued to work well with NRDA's partners in the attraction of business events (particularly conferences) to the region. This is particularly important due to the high value of the attendees and the timing of the majority of the events being over the shoulder and winter period. This year's activity contributed to the region hosting 1368 events with 17800 delegate days, 23% of which were from out of the region.

Economic Events Programme

NRDA facilitates the NCC Economic Events funding programme with the primary outcome of contributing to raising the profile of Nelson as an events destination and the economic / community impact resulting from the hosting of a balanced calendar of events at the right time within the region.

This year has seen NRDA contributing to the development of a revised events strategy with NCC which is currently in draft form.

In partnership with NCC and key stakeholders NRDA has also led some major sporting event bids, which has seen the securing of new events including the New Zealand Netball International Super Club Competition for three years, the Ocean Swim Series and another significant event to be announced soon.

The facilitation of the fund this year has led to the funding of many events attracting just over 14,000 out of town visitors to the region, of which 85% are visiting over the March- November period.

Regional Growth Programme

Over the latter part of the year NRDA has been working with MBIE, Marlborough District Council, Nelson City Council, Tasman District Council, NMIT and the Nelson Tasman Chamber around the development of a joint approach to the Minister of Economic Development requesting the inclusion of Te Tau Ihu (Top of the South) in the MBIE facilitated Regional Growth Programme.

The Regional Growth programme will assist alignment and greater clarity of the economic development priorities for the region with a clearly defined growth action plan and level of commitment to implementation. This includes a commitment to partnering with central Government, in a collective capacity, to access the public and private resources required to enable implementation. The focus of this programme is on driving implementation of the priority growth programme actions.

NRDA is currently in the process of securing formal commitment from each entity to the proposal.



China Market Development

NRDA delivers a China market development programme that has the primary aim of increasing the capability and capacity of Nelson Tasman businesses to generate added value from the expansion of their activities related to the China market.

The following are a few highlights from this year's activities:

- A Chinese company intending to establish a presence in one of Nelson's main industry sectors over the coming two years. This has potential to create flow-on investment into other value-added products in the natural products sector.
- NRDA has maintained a core group of around 25-30 businesses who are part of the quarterly China Business Network meetings held in conjunction with NZTE.
- NRDA hosted at least five Chinese business delegations in Nelson seeking investment opportunities, particularly in the natural products sector.
- NRDA has also led a visit to China with some businesses at the request and expense of a Chinese business hoping to invest in Nelson, and on a separate occasion led another visit accompanied by two Nelson business owners to assist with the development of a supplier to confirm a supply agreement for one, and the other who requested an introduction to a significant business in Huangshi, all of which are progressing well. In addition, NRDA also represented Nelson City Council at the official launch of Nelson Gardens in Huangshi.

Performance measure: Regional Identity Program Provides clarity of direction for the region stakeholders

The regional identity strategy was presented to councils and over 100 key stakeholders in June 2017.

The identity is designed to provide clarity and alignment of focus around the unique and compelling attributes of the Nelson Tasman region with three key markets in mind: Talent; Visitors; Locals (including business).

The identity was developed over the December 2016-June 2017 period with a high degree of stakeholder engagement and market testing.

The result is the Nelson Tasman Regional Identity which has at its heart an identity essence of: Ordinary / Extraordinary, meaning in Nelson Tasman our ordinary is everyone else's extraordinary, whether that is:

- As a resident, it's easy to live a life less ordinary
- As a visitor, it's easy to experience a life less ordinary
- Or ordinary businesses making extraordinary products/supplying extraordinary services.

The regional identity strategy is based on five key story pillars, which are backed by a number of unique and compelling Nelson Tasman Proof Points:

1. Stunning Natural Landscapes - Even on an ordinary day, we are surrounded by extraordinary nature.
2. Richly Diverse - The 8 iwi of Te Tau Ihu along with the numerous international cultures create a mix of people, professions and flavours like no other.
3. Arts & Artisans - With extraordinary heritage, practicing artists and savvy artisan business, this is a place where creativity flourishes.
4. Clever Business - Pure grit and clever thinking have fashioned an extraordinarily diverse and inventive business offering.
5. Highly Connected - Being well connected to NZ and the world, with the benefits of a contemporary city. It is easy to live an extraordinary life in the centre of NZ.

The next phase is Production, where NRDA will create a number of marketing tools and assets for utilisation by the local community and businesses. In addition, the identity will now form the basis for the regional growth strategy, the region's investment case and all of the visitor and talent marketing activity of NRDA.



Performance measure: 2017-19 Business Plan delivery

The organisational review was completed in the first quarter with the creation of the NRDA Business Plan by November. This business plan has been reflected in the 2017/18 SoI. Over the latter part of the year NRDA undertook an extensive review of the visitor sector partner programme with a high degree of stakeholder involvement in its design. This resulted in the development of a new NRDA Visitor Strategy Business Partner Programme. The programme has the aim of improving the public private sector partnership approach to the visitor marketing of the region.

NRDA is currently rolling the programme out to the private sector with the aim of securing 200 partners generating at least \$260K investment into marketing programmes.

Due to the importance NRDA has placed on the collaborative public and private sector partnership approach to the delivery of NRDA functions, NRDA report that the levels of business partner investment in the organisation have been maintained and in some cases improved across all areas of the business.

Financially Sustainable Organisation

Delivery of a balanced budget in 2016/17.

Annual financial reporting completed for 2016/17.

FINANCIAL PERFORMANCE – NRDA NELSON REGIONAL DEVELOPMENT AGENCY

	2017 (\$000)
Revenue	2,438
Expenses	2,430
Net surplus before taxation	8
Provision for taxation	(2)
Net Surplus for year after taxation	6
Share Capital	370
Retained earnings brought forward	0
Retained earnings carried forward	376



TASMAN BAYS HERITAGE TRUST

(Nelson Provincial Museum)

The Tasman Bays Heritage Trust (TBHT) was established in 2000 as a Council Controlled Organisation owned 50% by Nelson City Council and 50% by Tasman District Council. The Trust is responsible for providing museum services and protecting the collections of historic treasures held on behalf of the Nelson Tasman region.

The museum exhibition facility on the corner of Trafalgar and Hardy Streets was opened in late 2005 providing a combination of permanent and temporary exhibitions. It is well used by schools for part of their learning experiences outside the classroom (LEOTC) programmes. It is current Council policy to retain its share of ownership of Tasman Bays Heritage Trust.

PERFORMANCE TARGETS – TASMAN BAYS HERITAGE TRUST

Performance Measure	Target 2016/17	Result 2016/17	Comment 2016/17
Objective: Increase visit or appeal and expand the visitor base into non-traditional audiences			
Hold one major event per quarter	Quarterly completion	Achieved	Pokemon Go weekend attracted youth visitation, 42% of whom had not visited the museum before. 'Scareitage' talk on Halloween. 'Good luck for the year of the Rooster' tri-lingual display to celebrate Chinese New Year. Opening function of Da Vinci Robots & Machines launched to families.
Institute holiday programme activities	Deliver four holiday programmes per year	Achieved	Craft and making activities offered free of charge at set times during school holidays.
Increase visitor numbers by 5% annually	Annual targets achieved	Exceeded	Visitation of 60,425 achieved against target of 49,600.
Visitor surveys demonstrate broadening of demographic appeal	By 2018	In progress	In progress to report on in 2018.
Maintain 80%+ satisfaction ratings with visitors	Reported six- monthly	Achieved	Surveys indicate 90.5% satisfaction rate.
Three year exhibition plan approved	By 31 December 2016	Draft programme achieved	2017/18 exhibition calendar will include a variety of subjects to appeal to a wide range of audiences. These include Bugs! (family audience); Halo Project (art - in partnership with Brook Waimarama Sanctuary and Nelson Arts Festival); Wakatu Incorporation photographs (Māori audience); a celebration of the Glass Plate Negative collection (photography and social history) and Water (natural history, mātauranga Māori and social history).



Performance Measure	Target 2016/17	Result 2016/17	Comment 2016/17
Enhance street frontage to increase visibility	By June 2016	Achieved 2017	Thanks to NCC grant, the Trafalgar Street windows have been replaced with clear glass (with Hardy St windows scheduled for replacement in August 2017 after the closure of Da Vinci exhibition and removal of themed marketing material).
Rework entrance foyer	By December 2016	Postponed to align with capital works planning	Postponed to the 2018/19 financial year to avoid possible rework in light of the proposed capital works project.
Objective: Consolidate, expand and diversify partnerships and relationships			
Increased support for regional museums and cultural centres	At least one exhibition toured to Tasman regional museums annually	Achieved	Mai I Hawaiiiki te Ahi Ka Roa designed, produced and installed at Motueka Museum December 2016. Bi-lingual education programmes delivered by NPM educator to 900 students at Motueka Museum Powelliphanta exhibition installed at Golden Bay Museum.
Organise quarterly regional meetings	Four meetings annually	Achieved	Two regional museums meetings held, in conjunction with Founders Park and Suter Art Gallery. Two National Services Te Paerangi workshops delivered at NPM for regional museum sector– Governance and Health & Safety, and Object Handling.
Develop Regional Museums brochure	By March 2017	Achieved (in conjunction with Founders Heritage Park)	Brochure printed and distributed in January 2017.
Assist Ngāti Rārua in developing their exhibition at Motueka Museum	Ngāti Rārua exhibition opens in December 2016	Achieved	Mai I Hawaiiiki Te Ahi Ka Roa opened at Motueka Museum in December 2017.
Meet LEOTC contract target (5,500 students annually) Objective: Maintain, grow and diversify the revenue sources	Report twice- yearly	Exceeded	7,913 students attended NPM programmes against target of 5,500.
Current funding streams maintained	Measured end of each financial year	Achieved	\$47,083 achieved from sponsorship, grants and bequests \$82,221 admission charges achieved \$30,059 achieved in retail sales.
Retail outlet redeveloped to increase appeal and income	By December 2016	In progress	Retail review undertaken & profits increased by 16%. NPM calendar produced for the first time as proof of concept – sold out.



Performance Measure	Target 2016/17	Result 2016/17	Comment 2016/17
Objective: Consolidate, expand and diversify partnerships and relationships continued...			
Finances are managed as budgeted	Budget targets met and reported six-monthly	Surplus achieved	Surplus of \$163,295 achieved due to contributions and delays in staffing recruitment.
Objective: Manage and maintain all TBHT assets, including the Regional Heritage Collection			
Revise and implement new Collection Strategy	By December 2016	Achieved	New Collection Management Policy created and approved by TBHT board. This policy aims to ensure the Museum holds a Collection which is strongly significant and relevant to the Nelson and Tasman region.
No physical damage to the Collection	Reported annually	Achieved	No physical damage to Collection objects.
Completion of Glass Plate Negative scanning project	By December 2016	In progress	Completion of scanning expected in September 2017.
Objective: Revise organisational framework to deliver upon strategy			
Ensure organisational structure is fit for purpose to deliver revised vision and strategy based on the findings of the 2014 Strategic Report	In place by August 2016	Achieved in June 2017	New organisational structure in place delivering on recommendations from 2014 strategic review.
Performance management system embedded based upon new job descriptions, including annual reviews and quarterly performance discussions	In place by November 2016 & quarterly reporting ongoing	Achieved, to be reviewed once new leadership team recruited	All job descriptions have been reviewed and changed as necessary to best deliver on vision. Performance management system to be reviewed pending finalized recruitment of new senior leadership team.
Meet 80% staff satisfaction rate in annual Employment Engagement survey	Run annually from March 2017	Delayed	Delayed pending recruitment of new leadership team.
Objective: To increase online visitor engagement with our collections and programmes			
Redevelop website to improve visitor engagement and collection access	By 31 December 2017	Achieved	More user-friendly and modern-looking interface developed for Collections Online, the section of website which shares information and images of objects in the Museum Collection to the public.
Increase and monitor engagement of the regional community through enews and social media marketing, increasing followers on Facebook, Instagram and Twitter.	Increase social media reach by 10% annually in 2016, 2017 and 2018	Achieved	Twitter following grew by 20% Facebook following grew by 20% Instagram followers doubled.

Table continued >



Performance Measure	Target 2016/17	Result 2016/17	Comment 2016/17
Objective: To develop a five-year plan to consolidate all museum operations at one site			
Options canvassed through a process of internal, stakeholder and public consultation	By December 2017	In progress	Feasibility study commissioned to identify costs and options for museum consolidation. Feasibility report due September 2017. Initial Collection Storage space requirements have been prepared. This takes into account future de-accessions and growth to the Collection.
Recommendation of a preferred option to stakeholders	Recommendation to stakeholders by 30 March 2018	On track	On track pending completion of feasibility study in September 2017.
Investigate the possibility of incorporating some/all of the TBHT Library/ Archives collections with NCC and TDC Libraries	Recommendation provided by TBHT to stakeholders by December 2017	On track	Future of Library & Archives considered as part of Feasibility Study.

FINANCIAL PERFORMANCE – TASMAN BAYS HERITAGE TRUST

	2017 (\$000)	2016 (\$000)
Revenue	2,056	1,987
Expenses	1,893	2,239
Net surplus	163	(252)
Revaluation	0	0
Equity brought forward	19,012	19,264
Equity carried forward	19,175	19,012



THE BISHOP SUTER TRUST (Suter Gallery)

Council established the Bishop Suter Trust in 2008 as a Council Controlled Organisation to run the Suter Art Gallery. Its first Statement of Intent was adopted in June 2009. The art gallery is also part of the learning experiences outside the classroom programme for schools. It is current Council policy to retain the Suter Gallery as a Council Controlled Organisation managed by the Bishop Suter Trust.

The Bishop Suter Trust, during 2016/17 completed its multi-year redevelopment of the Suter Art Gallery at its historic Bridge Street Site. The redevelopment has the objectives of ensuring The Suter's nationally significant art collection is displayed in facilities that are fit for purpose, with better accessibility and made to last for future generations.

Construction began in January 2015 and during the re-build period, The Suter set up a temporary home in Halifax Street that included exhibition areas, office space, the cafe and shop as well as storage.

PERFORMANCE TARGETS – THE BISHOP SUTER TRUST

Target	Result 2016/17
Objective 3.1 GOVERNANCE: Operate a successful visual arts centre and public art gallery	
Successfully complete the Suter Art Gallery Redevelopment Project in partnership with NCC; Ensure that the overall Project design/ costs remain within the \$12 million budgeted and that The Suter is completed to plan, budget and timeframe:	The building opened 1 October 2016 as planned. The Project design costs remained within budget
Provide an arts centre and visitor attraction: That is open 362 days of the year with a minimum of 110,000 visits to The Suter facilities; Report six monthly with visitor statistics and response:	Not Achieved: The Suter was open to the public 335 days of the financial year, 27 days less than the target. It closed at the temporary location, 28 Halifax Street from 5 September 2016 for re-location and the new Suter on Bridge Street opened to the public on 2nd October 2016. There were at least 102,167 on-site visits [includes Halifax and Bridge St premises] of which approx. 97,989 visits are to the new Suter. Statistics for the new Suter are best estimates only and do not for example, include visitors accessing the Suter Café/ galleries via the Sculpture Walk, or all Theatre patrons.
Ensure that the Suter is well managed and operates within its agreed plans: Reports, plans and budgets meet set deadlines. The Risk Management Plan is reviewed annually and mitigation strategies identified are implemented.	Achieved.
Develop and implement a Marketing Plan which focusses on attracting visitors and developing resourcing for The Suter (see also 3.4); report on progress	Achieved: A The Suter website was redesigned and launched coinciding with the opening. A marketing plan for the opening was developed and implemented. Increased and regular use of social media channels Facebook, Instagram and Twitter to promote The Suter and 'whats-on'.
Develop an asset management plan in relation to the new Suter facilities; Plan prepared by 2016/17 for the ongoing maintenance of the Redeveloped Suter.	Not Achieved: Opus are assisting with the development of this plan. A comprehensive asset register of furniture, equipment, fixtures and fittings has been developed.

Table continued >



Target	Result 2016/17
Objective 3.1 GOVERNANCE: Operate a successful visual arts centre and public art gallery continued	
<p>Be a good employer by maintaining good employer policies and practices; Report on observance of policies, health & safety, turnover and related statistics.</p>	<p>In 2016 a restructuring occurred and 1 staff member opted for redundancy and 1 was redeployed to a new position. Front of House positions were increased to provide better customer service and security. 6 staff recruited. 3 staff resigned- venue host (casual) and designer (part-time).</p> <p>Health & Safety regular agenda item on staff meetings. Health & safety and emergency procedures part of formal training programme for volunteers.</p>
Objective 3.2 VISITOR EXPERIENCE: Engage, educate and entertain the regional community and visitors through visual arts' programmes: Exhibitions and Life-long learning opportunities	
<p>Provide a programme of regularly changing exhibitions: Report half yearly on progress.</p>	<p>Achieved: 4 exhibitions were mounted at 28 Halifax and 10 curated by the Suter at Bridge Street, plus 1 (NSAS Autumn exhibition) which had input from Suter staff.</p> <p>A display is ongoing at Nelson Airport. There are 4 sculptures displayed on the Pastorius Waller International Sculpture Walk.</p>
<p>Develop a forward exhibition programme that is diverse and stimulating, including internally produced and externally sourced exhibitions: Exhibitions scheduled that meet the needs and interests of a broad audience. Report on progress half yearly.</p>	<p>A programme of exhibitions has been planned in detail for 2017/8 and a broader plan goes out to 2020.</p>
<p>Provide public programmes which enhance appreciation and enjoyment of the visual arts; A minimum of 20 talks/ events/ activities are held per annum.</p>	<p>Achieved: Includes 10 openings & ceremonies, 31 Thursday talks, 7 artist floor-talks and events, 6 invite only events and 14 training sessions / previews for volunteers, 2 NSAS talks.</p>
<p>Provide learning experiences for regional school students that support their NZ curriculum studies based on the Suter's programmes and resources; Target is 3,100 students from 25 schools as per the Ministry of Education LEOTC Contract Milestones & post visit evaluations indicate 90% satisfaction ratings of "fine" to "great". At least one Education Advisory committee meeting held per annum.</p>	<p>Achieved: YTD: Educator has led 202 classes, 5,767 students with 1,360 helpers – note this is The Suter's reporting year not LEOTC which corresponds with the school year, and is actual figures for Educator – led sessions and participants. For the Ministry of Education LEOTC reporting the same class visiting twice during a year is counted once only.</p> <p>1 Education Advisory committee meeting held. Satisfaction ratings achieved.</p>
<p>Provide out-of-school art educational activities; 50 sessions of Suter Kids Club are delivered per annum:</p>	<p>Achieved: 123 Suter Kids Club sessions held; Term 3, 2016: 2 sessions per week; Term 4 2016: 3 sessions per week; Term 1 2017, 3 sessions per week; Term 2 2017, 5 sessions per week including a new programme MyArtSpace for teenagers.</p>
<p>Develop and provide other activity based learning opportunities: 2016/17 initiate programmes and report half yearly on progress:</p>	<p>A monthly schedule of activities on Thursdays was initiated in October 2016 and has continued in 2017.</p>



Objective 3.3: COLLECTION: Collect, record, interpret and preserve the artistic heritage of the Nelson/Tasman region and New Zealand	
Develop the Suter's Collection in accordance with the Suter's Collection Policy; All acquisitions and de-accessions comply with the Collection Policy and related procedures. All acquisitions/de-accessions approved by the Trust and reported 6 monthly.	Achieved: 35 gifts (includes multiple image portfolios) and 5 purchases.
Maintain and develop the Acquisitions Fund & Collection Bequests to allow active collecting to occur; The acquisitions' funds meet or exceed budget and all such funds are used for the purposes so designated.	Achieved: The 10x10 Acquisitions Fund has become the 5x40 Acquisitions Fund and the Legacy Group initiated. Donations received with Friends subscriptions targeted towards the purchase of an art work (by Euan Macleod), plus 2 significant donations for that work. Received a significant donation towards the Lusk painting. Received 2 bequests to The Suter.
The Collection is safely moved and installed into new storage systems; The Collection is stored in environmental conditions that are in line with accepted museum practice (including temperature 18-22°C/ relative humidity 50-55%, pest control, archival materials, security and fire monitoring). There are no handling mishaps or other damage occurs to collection items.	Achieved: Collection successfully moved back to Bridge Street; unpacked and re-housed in new storage facilities. No handling mishaps. Temperature and RH are now consistent and in line with accepted Museum standards. Not achieved: 1 deliberate damage by a member-of the public, to a displayed art work which was on long term loan. Claim accepted by insurer.
Collection records are significantly upgraded to increase accessibility and usability, as a part of a long term strategy to provide on-line access to the collection and to enhance the reputation of the significance of the collection; Collection items are uploaded to the internet site NZ Museums on line; Loan and other collection requests are met; Progress reported six monthly.	Achieved: Copyright approval records have been updated as a consequence of the Suter publication project People Places and Perspectives and many works re-imaged to publication standard. Not achieved: no further records have been uploaded to NZ Museums on line, however new Suter website directly links to NZ Museums on line. Achieved: Loan requests met for Gottfried Lindauer painting of Father Garin SM for an exhibition at Auckland Art Gallery and Laura Herford The Little Emigrant for an exhibition at Christchurch Art Gallery. Image of this painting uses in Christchurch Art Gallery Bulletin, website and other publicity for their exhibition.
Initiate collection related research projects, involving community groups, to enhance knowledge about the Collection and engage the community directly with the Collection. Advance subject indexing of the Collection. Disseminate knowledge of the collection: Collection related items in media; Participate in compiling the Nelson 'craft' story as a contribution to a NZ craft history project administered by Auckland Museum; Progress reported six monthly.	Achieved: People, Places Perspectives Artworks from The Suter's collection written by Julie Catchpole Gallery Director, Craig Potton Gallery Chairperson and Julia Warren, contractor, was published to coincide with the re-opening of The Suter. Ongoing: Work continues on improving collection records, artist files and exhibition history records. Important archival material continues to be identified and appropriately re-housed. Volunteers have assisted with these projects as well as improving and indexing other Suter archives. Not achieved; Nelson craft story project postponed, and will be reactivated in 2017/18 as part of the Auckland Museum Craft in Aotearoa/ New Zealand project.

Table continued >



Objective 3.4: PARTNERSHIPS: Partnerships that Sustain The Suter	
Strengthen the Suter's relationship with Iwi and Māori; Honour the kaupapa of the MoU with Ko Te Pouāranga; the Redevelopment reflects the relationship. KTP input to programmes and collection development. Report 6 monthly.	<p>Nga Iwi support for events and ceremonies, including a dawn ceremony in August 2016; the unveiling of the pou and blessing of exhibitions on the eve of the formal opening; support and welcome for the formal opening and for subsequent exhibition openings.</p> <p>The Pou in the foyer represent Iwi with relief carved kowhaiwhai designs and Kaitiaki Manu (birds) selected by each Iwi. Taaniko pattern applied to doors and windows in the new building. Bilingual internal signage.</p> <p>Consultation for future exhibitions.</p>
Actively engage in collaborative partnerships to support the programmes of The Suter (refer to 3.2.1 and 3.3.2): Sufficient resources are achieved to support projects.	In kind support for opening promotion activities, hospitality & for publication. Grant received from Creative Communities.
The Friends of The Suter (FOTS) and Legacy Group are enhanced: FOTS membership increases, activities and progress on patronage scheme reported 6 monthly.	<p>As at 30 June 2017 there were 509 memberships, which includes existing Life memberships, honorary and annual subscriptions (by comparison there were 455 memberships at 30/6/16, the end of the previous subscription year).</p> <p>Legacy Group established and 2 events held for patrons.</p>
The Suter contributes to other organisations and initiatives to promote Nelson/Tasman visual arts and heritage and provides leadership in fields of expertise to support the Council's provision of cultural wellbeing: Report on contribution to the implementation of the Regional Arts Strategy, Heritage Strategy, regional museums network and other related initiatives; report on contribution nationally in areas of expertise.	Ongoing: Director participated in the Public art advisory panel; Suter staff participated in regional museums network meetings and The Suter won the 2017 Museums Aotearoa Service IQ Project Excellence Award. The Suter's Educator Esther McNaughton participated in international (Museum/Gallery) Educator conference and has had a paper accepted for another international conference.

FINANCIAL PERFORMANCE – THE BISHOP SUTER TRUST

	2017	2016
	(\$000)	(\$000)
Revenue	2,813	4,195
Expenses	2,235	1,192
Net surplus	578	3,003
Retained Earnings Brought Forward	19,582	10,516
Prior year adjustment	(162)	63
Equity injection	0	6,000
Retained earnings carried forward	19,998	19,582



OTHER COUNCIL CONTROLLED ORGANISATIONS

The City of Nelson Civic Trust is also a Council Controlled Organisation but is exempt from reporting requirements and is therefore not included in this Annual Report. For further information about the City of Nelson Civic Trust, please see Council's website www.nelson.govt.nz







CONTACT US

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COUNCIL CUSTOMER SERVICE CENTRE

Open from 8.30am to 5.00pm weekdays except Thursdays (open 9am to 5pm on Thursdays).

Located in Civic House, corner Halifax and Trafalgar St, 110 Trafalgar Street, PO Box 645, Nelson.

Telephone 546 0200 (24 hour, 7 day service).
Fax 546 0239.

WEBSITE AND EMAIL

Visit nelson.govt.nz or email enquiry@ncc.govt.nz

CORRESPONDENCE

Address written correspondence to Council to:

Chief Executive, PO Box 645, Nelson 7040 or
fax to 546 0239.

ATTEND A COUNCIL MEETING

Council meetings are advertised in Our 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 meeting where up to five minutes will be available for members of the public to speak to Council. Book a time before the meeting by contacting a Council Governance 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, must be made in writing at least 10 days before the meeting. Contact a Council Governance Adviser on 546 0200.

PETITIONS

The presentation of a petition to Council or its Standing Committees must conform to certain rules. Contact a Council Governance 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 Dom Channon, Phillip Rollo and Tim Cuff.