



AGENDA

Ordinary meeting of the

Governance Committee

**Thursday 4 December 2014
Commencing at 1.00pm
Council Chamber
Civic House
110 Trafalgar Street, Nelson**

Membership: Ian Barker (Chairperson), Her Worship the Mayor Rachel Reese, Councillors Luke Acland (Deputy Chairperson), Eric Davy, Kate Fulton, Brian McGurk, Paul Matheson (Deputy Mayor), Gaile Noonan, Pete Rainey, John Murray and John Peters

Guidelines for councillors attending the meeting, who are not members of the Committee, as set out in Standing Orders:

- All councillors, whether or not they are members of the Committee, may attend Committee meetings (SO 2.12.2)
- At the discretion of the Chair, councillors who are not Committee members may speak, or ask questions about a matter.
- Only Committee members may vote on any matter before the Committee (SO 3.14.1)
- It is good practice for both Committee members and non-Committee members to declare any interests in items on the agenda. They should withdraw from the table for discussion and voting on any of these items.

Apologies

1. Confirmation of Order of Business

2. Interests

- 2.1 Updates to the Interests Register
- 2.2 Identify any conflicts of interest in the agenda

3. Annual Friendship Forum Update

Carla Lindley and Kristina Eddy of the Nelson Youth Council will provide the Committee with an update from their trip to China to attend the Annual Friendship Forum.

4. Public Forum

- 4.1 Letter to NZLG regarding the TPP agreement

Graeme O'Brien will speak to the Committee about requesting Council to write a letter to NZLG as Christchurch has done, asking that NZLG give direction to local council concerning the resolution adopted by Council concerning the Trans Pacific Partnership agreement.

5. Confirmation of Minutes – 6 November 2014

8-17

Document number A1272971

Recommendation

THAT the minutes of the meeting of the Governance Committee, held on 6 November 2014, be confirmed as a true and correct record.

6. Status Report – Governance Committee 4 December 2014

There is no status report at this time.

7. Chairperson's Report

GOVERNANCE

8. Appointment of Trustee to the Nelson Municipal Band Trust 18-19

Document number A1271779

Recommendation

THAT the report Appointment of Trustee to the Nelson Municipal Band Trust (A1271779) be received.

Recommendation to Council

THAT pursuant to the terms of the Trust Deed dated 14th July 2008, the Council hereby appoints Fiona Webster, Manager Westpac Bank Nelson to act as a Trustee for the administration of the Fund in accordance with the terms of the Deed.

9. Sister Cities Conference 2016 20-22

Document number A1265372

Recommendation

THAT the report Sister Cities Conference 2016 (A1265372) be received.

Recommendation to Council

THAT provision of \$20,000 is made in the draft Long Term Plan 2015-2025 for hosting the 2016 Sister Cities Conference.

10. Council Risk Register 23-31

Document number A1276686

Recommendation

THAT the report Council Risk register (A1276686) and its attachments (A1241121) be received;

AND THAT the attached Risk Register be endorsed in principle, including the implementation of the highlighted controls;

AND THAT any direction the Committee gives on the register be incorporated, and thereafter the Risk register be updated and presented to the Governance committee on a quarterly basis for the first year and six monthly thereafter;

AND THAT the Committee agree the focus is to be on mitigation strategies, noting internal audit and other internal controls will be the priority.

11. Long Term Plan 2015-25: Draft Assumptions 32-40

Document number A1274616

Recommendation

THAT the report Long Term Plan 2015-25: Draft Assumptions (A1274616) and its attachment (A1238431) be received.

Recommendation to Council

THAT Council approves the draft assumptions outlined in Attachment 1 (A1238431) to be included in the Long Term Plan 2015-2025.

FINANCE

12. Finance Report for the Period Ending 31 October 2014 41-55

Document number A1276802

Recommendation

THAT the report Finance Report for the Period ending 31 October 2014 (A1276802) and its attachments (A1276805, A1277030, A1268999 and A793514) be received and the variations noted.

Recommendation to Council

THAT the special dividend of \$500,000 from Port Nelson Ltd be used to repay debt.

13. Progress of Draft Development Contributions Policy 56-60

Document number A1275129

Recommendation

THAT the report Draft Development Contributions Policy (A1275129) be received;

AND THAT a one-catchment approach for the calculation of the level of development contributions charged is approved as the preferred approach;

AND THAT inclusion of incentives to support Council's strategic objectives including for affordable housing and intensification is approved.

14. Revenue and Financing Policy 61-100

Document number A1276610

THAT the report A1276610 Revenue and Financing Policy and its attachment (Revenue and Financing Policy (A1272405) be received.

Recommendation to Council

THAT following modelling (as provided at the Committee meeting) the Committee determine either:

- a) Targeted rates for stormwater and flood protection be based on capital value in the Long Term Plan 2015-25; or**
- b) Targeted rates for stormwater and flood protection to remain as a fixed charge;**

AND THAT the updated Revenue and Financing Policy be adopted for inclusion in the Long Term Plan 2015-25.

PUBLIC EXCLUDED BUSINESS

15. Exclusion of the Public

Recommendation

THAT the public be excluded from the following parts of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
1	Governance Committee Minutes – Public Excluded – 6 November 2014	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: • Section 7(2)(a) To protect the privacy of natural persons
2	Procedure for Setting Remuneration for Directors of Council Controlled Trading Organisations This report contains information regarding: • Setting remuneration for Directors of CCTO's	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: • Section 7(2)(i) To carry out negotiations

16. Re-admittance of the public

Recommendation

THAT the public be re-admitted to the meeting.

Minutes of a meeting of the Governance Committee

Held in Council Chamber, Civic House, Trafalgar Street, Nelson

On 6 November 2014, commencing at 9.01am

Present: Her Worship the Mayor (R Reese), Councillors I Barker, K Fulton, E Davy, P Matheson, B McGurk, G Noonan, P Rainey, John Peters, John Murray.

In Attendance: Chief Executive (C Hadley), Manager Communications (P Shattock), Group Manager Corporate Services (N Harrison), Senior Strategic Advisor (N McDonald), Group Manager Infrastructure (A Louverdis), Group Manager Community Services (C Ward), Senior Accountant (T Hughes), Manager Administration (P Langley), and Administration Adviser (F O'Brien)

Apology: Councillor L Acland

1. Apologies

Resolved

THAT apologies be received and accepted from Councillor Acland.

Davy/McGurk

Carried

2. Confirmation of Order of Business

The Chairperson advised that the Nelson Enterprise Loan Trust Public Forum item would be dealt with later in the meeting.

3. Interests

Councillor Rainey stated that he had a conflict of interest with the item regarding Nelson Enterprise Loan Trust of the Public Forum and that he would leave for this portion of the meeting.

4. Public Forum

4.1 Campaign to make Nelson a Fairtrade City

John Marshall and Rebecca Sheehy tabled documents (A1269606 and A1269600), which clearly outlined what they were requesting from Council and also which gave a brief introduction to Fair Trade Nelson and their campaign goals.

It was explained that there would be an initial joining fee of \$500 and an annual fee of \$400 associated with belonging to the Fair Trade Cities Organisation. Council would be expected to support one Fair Trade event each year to increase media coverage and have a link on the Nelson City Council webpage. It was noted that promotion could be tied into Nelson events, specifically Ecofest which could be an excellent vehicle to endorse this.

In response to a question it was clarified that Nelson could become the fourth New Zealand Fair Trade city following Wellington, Dunedin and Auckland.

In answer to a further question regarding labour and employment conditions within its system it was clarified that these were included in the campaign against child labour and the promotion fair wages. It was clarified, as an advocacy group, that none of its members were involved in fair trade companies.

4.2 Significance and Engagement Policy

Chris Allison and John Paul Pochin spoke on behalf of Bicycle Nelson Bays about past engagement with Council. They indicated this helped to identify problems before projects were finalised. They voiced their opinion that they no longer had the opportunity to comment on projects. Councillors were surprised at these comments and it was stated that there had been excellent engagement on recent key projects such as Rocks Road.

The speakers clarified that they wished for informal engagement on all projects for feedback, especially those on a small scale. They stated they had expertise, training and knowledge of best practice which would have been beneficial to Council. They noted that they had always supported and promoted Council projects.

5. Confirmation of Minutes – 25 September 2014

Document number A1255587, agenda pages 8-17 refer.

It was noted that the minutes be confirmed subject to the following changes:

- That the spelling of Her Worship the Mayor's name be corrected in the attendees list.
- That the spelling of the word Princes Drive be corrected in item 7.

Resolved

THAT the minutes of the meeting of the Nelson City Council – Governance Committee, held on 25 September 2014 with corrections, be confirmed as a true and correct record.

Noonan/McGurk

Carried

6. Status Report

There were no Status Report updates.

7. Chairperson's Report

The Chairperson gave a verbal report noting his personal concerns regarding the number of empty properties in Nelson City. He referenced agenda item 10 regarding Community Outcome Descriptors and proposed the importance that the CBD remained a vibrant area.

8. Rural Fire: Proposed Funding Model

Document number A1259473, agenda pages 18-26 refer.

Manager Emergency Management, Roger Ball and Ian Reide presented the report introduced explained their positions on Waimea Rural Fire Committee. They outlined their report which proposed a new capability based funding model and a request for a figure to be set to go forward for the Long Term Plan. This would not result in a change to operations.

Mr Ball advised that the capability model was based on a third split between Council, Department of Conservation and Tasman District Council meaning that in the event of a fire all localities would be able to assist. This split was questioned and it was explained that the funding model sought to address complex factors dealing with mainly risk and response. Nelson City Council has a large urban rural interface and would need to call on the services of Waimea Rural Fire Association and other agencies in case of a fire. A multi agency

exercise took place replicating the Atawhai and this proved the case. Taking into account 95-98% of fires to date were man-made this risk was even more apparent in the decision. It was noted that a table would have been helpful in the report to clarify the figures.

In answer to a question it was stated that small forest owners currently pay a levy of \$40000 and fire authority carry insurance to the value of \$21000 as they do not carry their own. It was questioned why Hira was treated differently and clarified that this was for training and testing of equipment with stakeholders holding equipment.

Councillors Fulton and McGurk moved and seconded the recommendation in the officer's report. With their agreement the second clause of the motion was amended to include "that the document be used as the basis to commence negotiation" in substitution of "be confirmed".

Resolved

THAT the report Rural Fire: Proposed Funding Model (A1259473) and its attachment (A1261150) be received;

AND THAT the proposed capability funding model as set out in document A1261150 be used as a basis to commence negotiations.

AND THAT officers negotiate with the Waimea Rural Fire Committee and other stakeholders over Nelson City Council's contribution to the new funding model and submit a recommended figure for approval in the Long Term Plan 2015/2025.

Fulton/McGurk

Carried

Attendance: Councillor Rainey left the meeting at 10.03am

9. Nelson Enterprise Loan Trust Interest Free Loan

Document number A1258529, agenda pages 75-86 refer.

Bruce Dyer gave a Powerpoint presentation (A1270720) and tabled a newsletter (A1270793).

He explained the 17 year history of Nelson Enterprise Loan Trust and illustrated the various successes that had emerged from investment.

Attendance: Councillor Noonan left the meeting at 10.12am.

In response to a question about the history of the Trust Mr Dyer explained that the initial loan was provided to give them the ability to offer small loans to businesses which would not otherwise be able to attain them. As the loan amount to the Trust and the following loans given out were of low amounts it was stated that there was little risk to all involved.

In response to a question regarding the type of grants that the Trust had received from Tasman District Council Mr Dyer stated that there had been three grants altogether, all similar amounts. The most recent of which had been for \$2500.

There was a suggestion that the loan should be written off as there was little intention to repay. It was noted that the system in place showed commitment to Nelson Enterprise Loan Trust and the process should continue.

Resolved

THAT the report Nelson Enterprise Loan Trust Interest free loan (A1258529) and its attachments (A1251733, A1261929, A1262026) be received;

Mayor/Barker

Carried

Recommendation to Council

THAT the \$25000 interest free loan to Nelson Enterprise Loan Trust be rolled for a further three years through to September 2017.

Mayor/Barker

Carried

Attendance: The meeting adjourned from 10.25am to 10.30am during which time Councillor Noonan and Councillor Rainey returned to the meeting and Councillor Fulton left the meeting.

10. Finance Report for period ending 30 September 2014

Document number A1262300, agenda pages 27-43 refer.

Group Manager Corporate Services, Nikki Harrison presented the report.

The upgrades to be done on Saxton field were questioned regarding the breakdown of costs. Group Manager Community Services, Chris Ward explained that staff have been working on Saxton field to make sure it is available for large events, such as cricket. He advised some infrastructure needed to be upgraded. The buildings in question were the cricket/athletics and utilities buildings.

Regarding the Bank lane canopy, councillors expressed their disappointment that this work would not proceed in the current financial year and it was suggested that Saxton Stadium not be developed in exchange for Bank Lane Canopy.

A query was raised regarding increasing WIFI costs and whether there would eventually be a set annual fee. Funds had been set aside to support teething problems and requests for enhancements such as data increase. This was a conservative amount and the full amount was unlikely to be used.

Attendance: Councillor Fulton returned to the meeting at 10.43am.

Councillors queried whether the figures for parking were surprising. Ms Harrison clarified that these met expectations and stated that there had been some changes which accounted for this. Officers had begun to issue Warrant of Fitness and Registration renewal warnings and the effect of this would be more pronounced in the next quarter.

It was queried whether there were any figures to reflect whether parking changes had affected the CBD business. It was noted that the effect may be significant and figures were requested.

In response to a question whether rates would be able to compensate for the entire \$800000 parking shortfall it was stated that this was a permanent deficit and needed to be considered. It was queried as to whether there were any other costs that contributed to parking not reflected in figures and it was noted that the bulk were incurred through staff time.

Progress on the Southern Arterial was mentioned and Her Worship the Mayor said she aimed to meet with the new Minister of Transport to gather further information.

It was agreed that the recommendations would be moved in parts.

Resolved

THAT the report Finance Report for the Period ending 30 September 2014 (A1262300) and its attachments (A1263456, A1263699, A1258411, A793514, and A1265270) be received and the variations noted.

AND THAT the Committee note the impact on revenue of the free parking initiative to 30 September 2014 per attachment eight.

Murray/Davy

Carried

Recommendation to Council

THAT Council approves unbudgeted operating expenditure of \$13,557 for the 2014/15 year to continue to provide free WiFi to the Central Business District;

Mayor/Peters

Carried

Deputy Mayor Matheson and Councillor Rainey moved the second clause of the recommendation in the officer report.

Councillor Noonan seconded by Councillor Davy moved the following amendment.

AND THAT Council approves additional capital expenditure of up to \$62,000 for capital works at Saxton Field.

The amendment was put and carried and became the substantive motion.

Recommendation to Council

AND THAT Council approves additional capital expenditure of up to \$62,000 for capital works at Saxton Field.

Matheson/Rainey

Carried

11. Development Contributions Policy Review Statement

Policy Advisor, Susan Moore-Lavo presented the report.

Document number A1264142, agenda pages 44-46 refer.

Resolved

THAT the report Development Contributions Policy Review Statement (A1264142) be received;

AND THAT the matter of the principles guiding the review of the Development Contributions Policy be considered by full Council on 20 November 2014 to enable statutory timeframes to be met.

Davy/Barker

Carried

Recommendation to Council

THAT the principles guiding the review of the Development Contributions Policy be considered and that this direction be made publicly available by 1 December 2014.

Davy/Barker

Carried

12. Community Outcomes Descriptors

Document number A1247915, agenda pages 47-52 refer.

Policy Advisor, Susan Moore-Lavo presented the report.

Resolved

THAT the report Community Outcomes Descriptors (A1247915) and its attachment (A1250263) be received.

Noonan/Fulton

Carried

Recommendation to Council

THAT the descriptors explaining the Community Outcomes be adopted to inform the Long Term Plan 2015-25.

Noonan/Fulton

Carried

13. Adoption of the Significance and Engagement Policy

Document number A1262170, agenda pages 53-74 refer.

Policy Advisor, Susan Moore-Lavo presented the report.

In response to a question, Senior Strategic Adviser Nicky McDonald clarified that engagement was very good with Bicycle Nelson Bays, but that she would request examples from Bicycle Nelson Bays of poor engagement.

Resolved

THAT the report Adoption of the Significance and Engagement Policy (A1262170) and its attachments (A1262973, A1241702 and A1264506) be received;

Rainey/McGurk

Carried

Recommendation to Council

THAT the Significance and Engagement Policy be adopted.

Rainey/McGurk

Carried

14. Exclusion of the Public

Resolved

THAT the public be excluded from the following parts of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
1	Governance Committee - Public Excluded - 25 September 2014	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none">• Section 7(2)(i) To carry out negotiations• Section 7(2)(a) To protect the privacy of natural persons• Section 7(2)(h) To carry out commercial activities

Governance Committee
6 November 2014

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
2	Additional Trustee for Economic Development Agency	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: • Section 7(2)(a) To protect the privacy of natural persons

Noonan/Peters

Carried

The meeting went into public excluded session at 11.26am and resumed in public session at 11.42.

15. Re-admittance of the Public

Resolved

THAT the public be re-admitted to the meeting.

Barker/Matheson

Carried

There being no further business the meeting ended at 11.42am

Confirmed as a correct record of proceedings:

_____ Chairperson _____ Date

Appointment of Trustee to the Nelson Municipal Band Trust

1. Purpose of Report

- 1.1 To appoint Fiona Webster, Manager Westpac Bank Nelson, as Trustee of the Nelson Municipal Band Trust.

2. Delegations

- 2.1 The Governance committee has responsibility of all matters relating to Council Controlled Organisations and have the power to make recommendations to Council on these matters.

3. Recommendation

THAT the report Appointment of Trustee to the Nelson Municipal Band Trust (A1271779) be received.

Recommendation to Council

THAT pursuant to the terms of the Trust Deed dated 14th July 2008, the Council hereby appoints Fiona Webster, Manager Westpac Bank Nelson to act as a Trustee for the administration of the Fund in accordance with the terms of the Deed.

4. Background

- 4.1 Nelson City Council established the Nelson Municipal Band Trust in 1980 to assist the Band to develop a capital fund, to provide an annual income to help support the Band.

5. Discussion

- 5.1 The Nelson City Council was named as Trustee, but provision is made in the deed for the Council to appoint three Trustees to administer the fund, such Trustees are to be appointed by Council resolution. The deed was modified in 2008 to comply with the requirements for registration with the Charities Commission as a charitable trust.

- 5.2 The initial Trustees by resolution of Council were the then Mayor, the President of the Band, and the Manager of the Council's bank. Historically these three individuals have remained as the Trustees ex officio, with the current appointees being respectively Rachel Reese, Patrick Heaphy, and Jane McSpirit.
- 5.3 With the recent change in Manager at Westpac Bank, it is appropriate for the new appointee to this position to be formally appointed as a Trustee of the Nelson Municipal Band Trust.

6. Options

- 6.1 Option 1 – accept the recommendation. This is an administrative matter which is required under the Trust deed of the Nelson Municipal Band Trust.
- 6.2 Option 2 – reject the recommendation.

7. Assessment of Significance against the Council's Significance Policy

- 7.1 This is not a significant decision.

8. Alignment with relevant Council Policy

- 8.1 This decision is not inconsistent with any other previous council decision.

9. Consultation

- 9.1 No consultation is required.

10. Inclusion of Māori in the decision making process

- 10.1 No consultation is required.

Nikki Harrison
Group Manager Corporate Services

No supporting information follows

Sister Cities Conference 2016

1. Purpose of Report

- 1.1 To confirm Council support for hosting the 2016 Sister Cities conference.

2. Delegations

- 2.1 The Governance Committee is responsible for Sister Cities relationships.

3. Recommendation

THAT the report Sister Cities Conference 2016 (A1265372) be received.

Recommendation to Council

THAT provision of \$20,000 is made in the draft Long Term Plan 2015-2025 for hosting the 2016 Sister Cities Conference.

4. Background

- 4.1 Sister Cities New Zealand hosts an annual conference in May of each year and invites expressions of interest from members of Sister Cities NZ to host the event. The conference was held in Tauranga in 2013; Gore in 2014 and will be held in Wellington in 2015.
- 4.2 The conference attracts 60 – 100 delegates from Local Councils and EDAs, Central Government (e.g. MFAT), Sister-City and Friendship City movements, NZ Japan Society, China People's Association for Friendship and Foreign Cities and other relevant community groups. There is also an opportunity to extend invites to representatives from the hosts own Sister Cities.
- 4.3 In 2016 Nelson and Miyazu will celebrate the 40 year anniversary of their Sister City partnership. This significant milestone represents the second longest sister-city relationship between a Japanese and a New Zealand city. The Sister City Coordinating Group expressed a desire for Nelson to host the Sister Cities NZ conference in 2016 to celebrate that milestone.
- 4.4 Council officers indicated to Sister Cities NZ that Nelson would be interested in hosting the 2016 conference, subject to final being

confirmed by resolution of Council. Officers have now received an invite from Sister Cities NZ to host this event.

5. Discussion

- 5.1 Hosting the Sister Cities will bring visitors into Nelson in the shoulder season (May 2016). Officers and the Sister Cities Committee member believe that Nelson has the potential to attract up to 100 delegates. The conference would build upon recent and upcoming Sister Cities activities and is an opportunity to further showcase Nelson as a visitor destination and conference location.
- 5.2 The Nelson Regional Economic Development Agency is supportive of this event. There are economic, social and cultural development opportunities that can be leveraged off the conference.
- 5.3 Officers have done some preliminary cost analysis, and have had access to the budget for the Tauranga conference. Total costs for that conference were \$51,690, with \$37,690 coming from delegate fees. This left approximately \$14,000 to be found by the host city.
- 5.4 Officers believe the costs of delivery of the event in Nelson would be higher, and recommend that a provision of \$20,000 be made within the draft Long Term Plan (LTP) for this event, based on conservative estimates. However, if delegate numbers are higher than projected then recoveries will be greater (table 1). Officers also can see opportunities for sponsorship of the conference dinner and related activities which could further offset the Council contribution.

Table 1

	Tauranga 2013 (actual)	Nelson 2016 (60 delegates)	Nelson 2016 (100 delegates)
Costs			
Fixed costs (venue, programme)	\$27,221	\$35,000	\$35,000
Variable costs (teas etc)	\$20,750	\$20,100	\$33,500
Payment to SCNZ	\$4,071	\$4,140	\$6,900
Income			
Delegates	\$37,690	\$39,000	\$65,000
Sponsorship	\$1,000	\$3,000	\$3,000
Council/EDA	\$13,000	\$17,240	\$7400
Profit(loss)	\$179	\$0	\$0

- 5.5 The 2015 conference will be held in Wellington. If Council decides to approve the allocation of funding for the conference, it is recommended that officers and the Mayor attend that conference in order to promote the Nelson venue and to gain experience of the event.
- 5.6 Officers from Tasman District Council have been contacted to gauge interest from them in co-hosting the event. They have indicated that this may not be a priority given they are not part of Sister Cities NZ.

6. Options

- 6.1 The Committee could decide not to support the Sister Cities NZ conference coming to Nelson, and no funding would need to be allocated.
- 6.2 The Committee could decide to support the conference and to recommend that Council makes provision within its draft LTP. Officers support this option and believe a realistic allocation is \$20,000.

7. Assessment of Significance against the Council's Significance Policy

- 7.1 This is not a significant decision.

8. Alignment with relevant Council Policy

- 8.1 Council has three active Sister Cities relationships and a particularly strong link to Miyazu.
- 8.2 This event contributes to Goal seven of Nelson 2060: *'Our economy thrives and contributes to a vibrant and sustainable Nelson'*.

9. Consultation

- 9.1 No specific community consultation has been carried out.

10. Inclusion of Māori in the decision making process

- 10.1 No specific Maori views have been sought on this recommendation.

11. Conclusion

- 11.1 Council has the opportunity to host a national event in the shoulder season of 2016. The Sister Cities co-ordinating committee are very supportive and officers recommend that Council should support this event.

Chris Ward
Group Manager Community Services

Attachments

None.

Council Risk Register

1. Purpose of Report

- 1.1 To update the Committee on the progress of the Council's risk register.

2. Delegations

- 2.1 The Governance Committee is responsible for the liabilities and corporate risk management.

3. Recommendation

THAT the report Council Risk register (A1276686) and its attachments (A1241121) be received;

AND THAT the attached Risk Register be endorsed in principle, including the implementation of the highlighted controls;

AND THAT any direction the Committee gives on the register be incorporated, and thereafter the Risk register be updated and presented to the Governance committee on a quarterly basis for the first year and six monthly thereafter;

AND THAT the Committee agree the focus is to be on mitigation strategies, noting internal audit and other internal controls will be the priority.

4. Background

- 4.1 Previous audit reports have identified that a formalised risk management framework would help Nelson City Council better manage and respond to strategic and operational risks.
- 4.2 Risk management is the coordinated set of processes to identify, assess and control risk. A standard framework provides a consistent approach to risk management activities (ie project environment, strategic planning, operational service delivery, etc).
- 4.3 A workshop was held with councillors on 14 August 2014 presenting risk management concepts based on the Institute of Directors Risk Essentials

course. Councillors then had a discussion about the risks that they saw for council and tasked a small group of councillors and external members to form this feedback into a risk register.

- 4.4 The group have met twice since then and refined the feedback into the attached Risk Register. It is important to note that this is a first cut and the Risk Register should be treated as a 'live and evolving' document which should be reviewed on a six monthly basis by the governance committee.
- 4.5 Council officers intend to present a risk map in addition to the risk register to the next Governance Committee. It will allow the Committee to see the relativity of the different risks and it allows the Committee to determine which risks it can accept and which risks it would like to see controlled in some manner.

5. Discussion

- 5.1 The small group have refined the consequence scale to be a numeric 1 – 5 (with 5 being the highest) rather than minor, moderate, major and severe. The likelihood scale has also changed to 1-5 (with 5 being the highest) rather than almost certain, likely, possible, unlikely and rare. This is for ease of assessing risk by being able to multiply through the consequence by the likelihood before and after the mitigations.
- 5.2 Council officers consider that this approach may become too 'mathematical' and similar to the statutory compliance framework previously developed, with too much focus on getting the relative 'score' correct.
- 5.3 In Attachment 1, the mitigation strategies in bold italics are controls that are recommended by the group but are not yet in place. Their implementation will reduce the residual risk in future updates to the committee.
- 5.4 The identified risks are in Attachment 1.

6. Options

- 6.1 Accept the recommendation – officers recommend endorsing the risk management register and the work program over the next year.
- 6.2 Not accept the recommendation.

7. Assessment of Significance against the Council's Significance Policy

- 7.1 This is not a significant decision.

8. Alignment with relevant Council Policy

- 8.1 Understanding the risks that Council faces and the mitigations that are in place or that should be considered, allows council to consider the impacts

on the Council's strategic documents, particularly the long term plan or annual plan.

9. Consultation

9.1 There has been no consultation on the risk management register.

10. Inclusion of Māori in the decision making process

10.1 Maori have not been consulted on this decision.

Nikki Harrison
Group Manager Corporate Services

Attachments

Attachment 1: Risk management – risk register Nov 2014 [A1241121](#)

Risk Description	Consequences (1-5)	Likelihood (1-5)	Assessed Risk (Consequences x likelihood)	Mitigation Strategies	Consequences (1-5)	Likelihood (1-5)	Residual Risk (consequences likelihood)	Responsibility Initials (eg GMCS, CE, GMI)
POLITICAL								
Reputational damage to Council from elected member actions and Council decisions	4	4	16	Interest Register, agenda declaration Risk register, relationship senior staff Communications Standing orders Representation review LGNZ Know How training/inductions training Code of conduct	3	2	6	Mayor, CE, GM Com Services
Regional Cohesion is threatened and the relationship with TDC and/or MDC comes unstuck	4	3	12	Regular meetings – Mayor-Mayor, CE-CE Joint Committee meetings with TDC Clear delegations to Joint Shareholders' Committee Cross boundary work teams (eg regional outcomes) Shared services	3	2	6	Mayor, CE, SLT
The relationship with iwi has difficulties – either with iwi themselves, or with public who fail to understand impact of Treaty Settlement legislation	4	3	12	<ul style="list-style-type: none"> • Recognition of statutory requirements • Reviewing Kotahitanga and providing opportunities for formal feedback • Develop efficient/effective ways for NCC to meet legislative obligations under variety of legislation • Resource consent process established • Communciations • Elected Members and staff training 	2	2	4	Elected members, CE, SLT
Central Government imposes changes on Local government through legislation and policy changes <ul style="list-style-type: none"> • Relationship • Implications of legislative change • Local government reform 	4	4	16	<ul style="list-style-type: none"> • Regular meetings Mayor- local MP • Informed of proposed changes • Membership LGNZ • Officers to officials meetings (eg through RCEOs) 	2	4	8	

* The mitigation strategies in bold italics are controls recommended by the group but not yet in place.

Risk Description	Consequence (1-5)	Likelihood (1-5)	Assessed Risk (Consequence x Likelihood)	Mitigation Strategies	Consequence (1-5)	Likelihood (1-5)	Residual Risk (consequence x likelihood)	Responsibility Initials (eg GMCS, CE, GMI)
STRATEGIC								
There is a decline in regional GDP and business performance in Nelson declines	3	3	9	<ul style="list-style-type: none"> Rating Policy Nelson Plan/CBD Enhancements Project EDA and NTT, UN Relationship with Nelson Tasman Chamber of Commerce Business Friendly Council 	3	2	6	Elected members, SLT
Council fails to respond adequately to social change occurring more rapidly or differently to anticipated – impact of changing demographics, and potential change in affordability of Council services to residents	4	4	16	<ul style="list-style-type: none"> Using up to date demographics Analysing trends EDA Communication with key stakeholders 	2	2	4	Elected members, SLT
Council fails to deliver projects to Nelson <ul style="list-style-type: none"> on time within budget correct scope 	4	4	16	<ul style="list-style-type: none"> Clear strategic priorities Adequate resources Procurement policy Prioritising work appropriately to meet Council objectives Preparation of business case for projects* 	2	2	4	SLT
EQP Buildings have: <ul style="list-style-type: none"> negative impact on CBD negative impact on cultural economy Loss of events companies Loss of events to other centres Loss of historic heritage Impact on insurance costs 	3	4	12	<ul style="list-style-type: none"> Demolition consents (need to consider prioritising, best time of year) Council owned properties – Property Asset Review – clarifying future use Nelson Plan Alternative use eg pocket park, Bridge St Building owner forum to encourage staged refurb/demo/rebuild Rating policy?? Positive relationships assist in securing alternative venues Fast tracked project delivery on targeted venues (eg Trafalgar Centre) to receive feasibility asap 	2	3	6	Elected members/SLT
Infrastructure fails (or is impacted from climate change/hazards) <ul style="list-style-type: none"> –stormwater/flood protection network; and/or - Transport network; and/or - Wastewater network; and/or - Water supply network. 	5	3	15	<ul style="list-style-type: none"> Asset management plans for each network Comprehensive risk analysis on each utilities plant Continuity plans for each plant Generator Call out systems in place 30 year infrastructure strategy* 	3	3	9	Elected members/SLT

* The mitigation strategies in bold italics are controls recommended by the group but not yet in place.

Risk Description	Consequence (1-5)	Likelihood (1-5)	Assessed Risk (Consequence x Likelihood)	Mitigation Strategies	Consequence (1-5)	Likelihood (1-5)	Residual Risk (consequence x likelihood)	Responsibility Initials (eg GMCS, CE, GMI)
There is a lack of agreed strategic focus within Council leading to not prioritising / rates becoming unaffordable without addressing core community needs	3	4	12	<ul style="list-style-type: none"> Inclusion of demographic, economic analysis and trend identification for long-term decision-making. Articulation of 5 key strategic areas and projects assessed against contribution Long Term Plan process/AMPs Annual Reporting back to the community on what has been achieved against Annual Plan 	2	3	6	Elected members/SLT
Performance of CCOs/CCTOs does not reach potential	4	4	16	<ul style="list-style-type: none"> Statement of Expectations Statement of Intent <i>Joint committee of council presentations*</i> <i>SOI process with Joint Shareholders' Committee*</i> 	3	3	9	Elected members/SLT
Financial and reputational exposure from funding entities in which Council has an interest, eg CCOs, Natureland	4	4	16	<ul style="list-style-type: none"> Tight contracts Relationship management/communications SOI (where applicable) <i>Review regularly*</i> <i>Councillor training on duties as trustees*</i> 	4	2	8	Elected members/SLT

* The mitigation strategies in bold italics are controls recommended by the group but not yet in place.

Risk Description	Consequence (1-5)	Likelihood (1-5)	Assessed Risk (Consequence x likelihood)	Mitigation Strategies	Consequence (1-5)	Likelihood (1-5)	Residual Risk (consequence x likelihood)	Responsibility Initials (eg GMCS, CE, GMI)
EXTERNAL								
Natural hazards impact on the city <ul style="list-style-type: none"> Climate change seismic biosecurity weather events 	5	4	20	<ul style="list-style-type: none"> Civil Defence planning (reduction focus) Disaster recovery funding Natural Hazards project work, Nelson Plan Insurance/Risk sharing Infrastructure planning LIMS Earthquake strengthening Top of the South biosecurity partnership Regional Pest Management Strategy 	4	3	12	SLT
Financial stability of Council is impacted by external events (GFC, interest rate rises, affordability)	5	3	15	<ul style="list-style-type: none"> Rates cap, Debt cap, Interest rate hedging, Treasury Policy Keeping head room, understanding different impacts debt vs opex Identifying and reducing lazy assets (Property asset review) Reducing all unnecessary costs (reducing CCOs) Understanding infrastructure strategy alignment to financial impact (30 year) 	6	2	6	
Housing affordability comes under pressure / changes in housing policy from central government incl DCs, RMA policy	3	3	9	<ul style="list-style-type: none"> Housing Trust and Community Housing Nelson Plan – encouraging greater density/growth Building consent fee structure Working with Central Government (Minister's comment Nelson to be priority) D.C.s Housing accord 	2	2	4	
Ship grounding, collision, tipping over, marine pollution (navigational safety)	5	2	10	<ul style="list-style-type: none"> Harbour safety management plan in progress Safety equipment procured Wreck recovery and Harbour Master Insurance for Council and Port Nelson Pursue federation of insurance with Regional Councils 	3	1	3	

* The mitigation strategies in bold italics are controls recommended by the group but not yet in place.

Risk Description	Consequence (1-5)	Likelihood (1-5)	Assessed Risk (consequence x likelihood)	Mitigation Strategies	Consequence (1-5)	Likelihood (1-5)	Residual Risk (consequence x likelihood)	Responsibility Initials (eg GMCS, CE, GMI)
ORGANISATIONAL								
Not having the organisational capacity right	4	3	12	<ul style="list-style-type: none"> • Appropriate recruiting = the right people • HR Plan • Staff survey for morale and culture • Prioritising projects in face of demographic change (skilled staff scarce) • Constant review of organisational resources and processes • CEE Committee/Relationship with Chief Executive • Elected Member protocols for engagement with staff • Talent framework, including succession planning* 	2	2	4	
Poor staff actions exposing Council to risk, through <ul style="list-style-type: none"> • Fraud • Conflict of interest • Disclosure of confidential information • Poor judgment 	5	4	20	<ul style="list-style-type: none"> • Internal controls framework • Interest declaration • Secondary employment approval process • Investment in management and leadership development training • Improvement in internal audit function* 	3	2	6	
Health & Safety obligations are not meet	5	4	20	<ul style="list-style-type: none"> • Contract management processes • Organisation Health & Safety Committee which CE chairs • H&S training • H&S framework and policies • Regular monitoring of adherence to these policies • Regular reporting to Governance Committee* 	3	2	6	
Legislative Compliance is not met	3	3	9	<ul style="list-style-type: none"> • Regular training on local government and other relevant legislation • Membership of professional associations, eg SOLGM • Legal review of critical actions, eg striking of rates 	2	2	4	
Council loses Building Control Authority (BCA) accreditation	5	3	15	<ul style="list-style-type: none"> • Regular reporting to Planning & Regulatory Committee • Appropriate resourcing • Process mapping/internal audit • Shared services* 	3	2	6	

* The mitigation strategies in bold italics are controls recommended by the group but not yet in place.

Technology fails	5	3	15	<ul style="list-style-type: none"> • Water treatment/sewer checks of automated processes • IT steering committee • Contractual support • Backups and backup site • IT Disaster Recovery plan • Annual recovery tests • <i>IT Strategic Plan*</i> 	3	2	6	
Insufficient/incomplete advice is provided to Council leading to poor decision making	4	3	12	<ul style="list-style-type: none"> • Addressing all matters in the LGA • Reports and resolutions that stand along' • Appropriate background provided • Comprehensive policy direction • Programming reports with sufficient lead-in time • Qualified staff • Participation in continuous improvement initiatives across sector 	3	2	6	

* The mitigation strategies in bold italics are controls recommended by the group but not yet in place.

Long Term Plan 2015-25: Draft Assumptions

1. Purpose of Report

- 1.1 To consider the draft assumptions appended to this report for inclusion in the 2015-2025 Long Term Plan.

2. Delegations

- 2.1 The Governance Committee has delegated responsibility for the co-ordination and development of all policies specified in the Local Government Act 2002 for Long Term Plan development.

3. Recommendation

THAT the report Long Term Plan 2015-25: Draft Assumptions (A1274616) and its attachment (A1238431) be received.

Recommendation to Council

THAT Council approves the draft assumptions outlined in Attachment 1 (A1238431) to be included in the Long Term Plan 2015-2025.

4. Discussion

- 4.1 At a workshop on 14 March 2014 Councillors considered a set of draft assumptions for the Long Term Plan 2015-25 and provided feedback.
- 4.2 On 25 September 2014, a set of draft assumptions were brought to the Governance Committee for consideration. A number of questions were raised about the assumptions. In particular the Committee was concerned about figures not yet being available to underpin the assumptions. This included figures for interest rates, inflation, and vested assets.
- 4.3 The Committee passed a resolution that the draft assumptions should be referred back to the Committee when further details were available.
- 4.4 Figures are now available for interest rates, assumed level of vested assets, and rates of inflation. It is not yet possible to give accurate levels of development contributions expected over the next ten years as this work is in progress but will be available by early 2015. Other

information which has been updated since the previous draft includes additional commentary on a number of matters such as population projections, natural hazards, and the future legislative context.

5. Options

- 5.1 Adopting a set of assumptions for the Long Term Plan is a legal requirement. There are options about what assumptions are to be used. If the attached assumptions are not adopted, further discussion will need to take place to develop alternatives.

6. Assessment of Significance against the Council's Significance and Engagement Policy

- 6.1 This matter is not considered to be significant in relation to Council's Significance and Engagement Policy.

7. Alignment with relevant Council Policy

- 7.1 The Long Term Plan must disclose all significant forecasting assumptions, the level of uncertainty associated with each assumption, and identify the potential effect of the uncertainty on the financial estimates.

8. Consultation

- 8.1 These draft assumptions form part of the Long Term Plan 2015-2025. Consultation on these assumptions will take place as part of the consultation over the Long Term Plan.

9. Inclusion of Māori in the decision making process

- 9.1 Consultation with Maori for the adoption of these assumptions will take place as part of consultation over the Long Term Plan.

Susan Moore-Lavo
Policy Adviser

Attachments

Attachment 1: Long Term Plan 2015-2025: Draft Assumptions [A1238431](#)

Assumptions for 2015-25 Nelson Long Term Plan

Council is required to identify the significant forecasting assumptions it has made in preparing its ten year Long Term Plan. Assumptions are necessary to allow Council to plan for expenditure and costs over the next ten years. They are the best reasonable assessment made on the basis of currently available information.

Any assumptions that apply only to specific activities are included in the discussion on that activity.

Forecasting assumptions	Risk/uncertainty	Impact	Comment/mitigation
<p>Population growth: Based on advice from Statistics New Zealand in August 2014, the population in Nelson has grown faster than was expected. Nelson's population is expected to grow by over 5000 residents in the next ten years to almost 55,000 by 2025.</p> <p>The age group with the biggest proportional increase is those over 75 years, which will rise from 8% in 2015 to 18% by 2045.</p> <p>The rate of population growth is then expected to slow down after 2025, but will still reach almost 60,000 in 2045.</p> <p>The number of households in Nelson is projected to increase by about 2400 in the next 10 years to reach almost 23,000 in 2025, and almost 26,000 in 2045.</p> <p>Approximately half of the growth during the life of this LTP will be in the wider Stoke area.</p>	<p>Growth higher than projected, putting pressure on Council services and infrastructure.</p> <p>The age profile could vary from forecast, with more accelerated ageing putting pressure on certain services/facilities.</p>	Low	<p>Council takes a generally conservative approach in applying population growth estimates in its infrastructure planning, using a mid-range estimate and continually updating and revising as new data is available. This limits the risk exposure.</p>
<p>Affordability: The Nelson Tasman economy has grown more slowly than the national average for a number of years but overall has weathered the global economic downturn reasonably well. Council is taking a cautious approach to prospects for the regional economy, noting that the ageing demographic will bring older residents who are no longer in employment and potentially less able to afford increasing rates.</p>	<p>Economic pressures lead to more residents defaulting on rates payments than expected.</p>	Medium	<p>This will be a medium to long term impact particularly if, as predicted, the average retirement age also rises significantly.</p>

Attachment 1

Forecasting assumptions	Risk/uncertainty	Impact	Comment/mitigation																																																							
<p>Census data shows that those over 65 year olds in paid employment is less than the national average, however this may change as the age of superannuation entitlement may be raised over the period of this LTP.</p> <p>Housing affordability in the area continues to be an issue, with Nelson remaining in the five least affordable regions in New Zealand (Statistics NZ, Roost).</p>	<p>There is a risk that as a result of a higher cost of living in the region and the higher percentage of older residents, that there may be difficulties in attracting key staff</p>		<p>The risks of an ageing demographic may be balanced by the potential to bring economic opportunity to the region in specific industries such as retirement villages, and specialised services.</p>																																																							
<p>Inflation/Price changes: Council uses inflation forecasts from Business and Economic Research Ltd (BERL) to estimate inflation over time. These figures were updated in September 2014, and are prepared specifically for Local Government. It is assumed that inflation rates are as predicted and modelled in budgets.</p> <table border="1" data-bbox="168 758 817 1141"> <thead> <tr> <th>Year ending</th> <th>CPI %</th> <th>LGCI Opex %</th> <th>LGCI capex %</th> <th>LGCI %</th> </tr> </thead> <tbody> <tr><td>30-Jun-16</td><td>1.7</td><td>1.81</td><td>2.34</td><td>2.04</td></tr> <tr><td>30-Jun-17</td><td>1.9</td><td>2.34</td><td>2.61</td><td>2.46</td></tr> <tr><td>30-Jun-18</td><td>2.0</td><td>2.44</td><td>2.64</td><td>2.53</td></tr> <tr><td>30-Jun-19</td><td>2.1</td><td>2.57</td><td>2.67</td><td>2.61</td></tr> <tr><td>30-Jun-20</td><td>2.1</td><td>2.71</td><td>2.8</td><td>2.75</td></tr> <tr><td>30-Jun-21</td><td>2.2</td><td>2.85</td><td>2.96</td><td>2.9</td></tr> <tr><td>30-Jun-22</td><td>2.3</td><td>2.99</td><td>3.11</td><td>3.04</td></tr> <tr><td>30-Jun-23</td><td>2.4</td><td>3.13</td><td>3.27</td><td>3.19</td></tr> <tr><td>30-Jun-24</td><td>2.4</td><td>3.27</td><td>3.48</td><td>3.36</td></tr> <tr><td>30-Jun-25</td><td>2.5</td><td>3.42</td><td>3.67</td><td>3.53</td></tr> </tbody> </table>	Year ending	CPI %	LGCI Opex %	LGCI capex %	LGCI %	30-Jun-16	1.7	1.81	2.34	2.04	30-Jun-17	1.9	2.34	2.61	2.46	30-Jun-18	2.0	2.44	2.64	2.53	30-Jun-19	2.1	2.57	2.67	2.61	30-Jun-20	2.1	2.71	2.8	2.75	30-Jun-21	2.2	2.85	2.96	2.9	30-Jun-22	2.3	2.99	3.11	3.04	30-Jun-23	2.4	3.13	3.27	3.19	30-Jun-24	2.4	3.27	3.48	3.36	30-Jun-25	2.5	3.42	3.67	3.53	<p>Inflation higher than expected, increasing costs for Council.</p>	<p>Medium</p>	<p>Likely to be some variation in actual rates of inflation from predictions and this will impact on the financial results of Council. Changing costs may mean the timing of projects needs to be adjusted.</p> <p>Council has relied on the current parameters the Reserve Bank is required to operate under in terms of inflation being held within the range of 1 – 3 %</p>
Year ending	CPI %	LGCI Opex %	LGCI capex %	LGCI %																																																						
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<p>Interest rates: In preparing the LTP the Council has assumed an interest rate of between 5.08 and 5.64% Assumptions are based on detailed analysis of the cost of both existing and future debts and anticipated interest rates.</p>	<p>The prevailing interest rates differ significantly from those estimated by the Reserve Bank of New Zealand.</p>	<p>Medium</p>	<p>Increase in interest rates flow through to higher debt servicing costs and higher rates funding requirements. The Council has mitigated these risks with a prudent hedging programme developed within the limits of a prudent treasury policy.</p>																																																							

Forecasting assumptions	Risk/uncertainty	Impact	Comment/mitigation
<p>Development contributions: Assumptions on development contributions are included in the updated Development Contributions Policy. With changes to the legislation around development contributions there is uncertainty about the level of contributions and any costs associated with the new processes. Council has assumed it will collect an average of xxx(<i>to be determined after work on DC completed</i>) in Development Contributions over the next ten years.</p>	<p>The level of development contributions collected could be insufficient to cover the costs of required growth infrastructure.</p>	<p>Low</p>	<p>Costs for infrastructure will need to be met from other allocations.</p>
<p>Climate change and natural disasters: It is assumed that natural disasters will occur with increasing frequency. This has been the experience of recent years and is consistent with predictions of climate change impacts. Exposure of low lying land to the risk of inundation from sea level rise is another assumption related to climate change. Council relies on Ministry for Environment guidelines in estimating sea level rise. Council's Land Development Manual currently provides for a 0.5m sea level rise by the end of the century but this will be reviewed in line with the latest MfE advice (1m for 100 years).</p> <p>The Nelson Tasman Civil Defence Emergency Plan states that the most significant natural hazards for Nelson are: earthquakes (greatest impact) and flooding (most likely).</p> <p>The probability of a magnitude 7 earthquake in Nelson is 87% in the next 50 years, and 98% in the next 100 years. The probability of a magnitude 8 earthquake is 43% in the next 50 years, and 67% in the next 100 years.</p>	<p>Climatic events lead to increased costs for Council in both responding to events and building greater resilience into infrastructure.</p>	<p>Medium</p>	<p>A characteristic of the Nelson community is the concentration of lifelines infrastructure (roading network, port, airport etc) on low-lying areas. Council has been increasing its contributions to the Disaster Recovery Fund as one method of mitigating the risk of natural disasters.</p>
<p>Hazards: It is expected that dealing with contaminated land in capital and maintenance projects will become more common as the HAIL register is refined and added to.</p>	<p>Investigation, consenting, handling and disposal of contaminated material leads to an increased overall cost of projects.</p>	<p>Medium</p>	<p>Increased design and construction budgets in the annual and long term plans.</p> <p>If Council has made past decisions that were compliant with the legislation at the time of consent being granted, then it is unlikely that it would then be financially liable for</p>

Forecasting assumptions	Risk/uncertainty	Impact	Comment/mitigation
			<p>remediation or mitigation of identified hazards after that time.</p> <p>In relation to the private use of land, council has a duty of care in issuing LIM's, and must ensure that an applicant has been informed properly and fairly about relevant features or characteristics of the land and its uses. Council includes HAIL information on LIM reports to ensure all known information is made available.</p> <p>In granting a resource consent, where there are likely or known hazards, then any consent issued requires these hazards or adverse effects to be mitigated or removed.</p>
<p>Useful lives of significant assets: It is assumed that there will be no reassessment of the useful lives of assets during the 10 year period covered by this plan. The detail of useful lives for each asset category is covered in the Statement of Accounting Policies.</p>	<p>Assets wearing out earlier than predicted and funding needs to be found for replacements.</p>	<p>Low</p>	<p>This may result in changes needing to be made to the underlying capital expenditure programme.</p>
<p>Loan arrangements: It is assumed that Council's bankers will continue to renew the existing loan facilities.</p>	<p>Access to committed loan facilities less than expected.</p>	<p>Low</p>	<p>The Local Government Funding Agency now in place should allow Council to diversify funding sources away from the local banks as well as being able to borrow for longer terms.</p>
<p>NZTA funding: NZTA has reviewed the principals and methods used in setting its financial assistance rates. For 2015/16 the FAR will be 47% and will rise by 1% per annum to 52% over six years.</p>	<p>NZTA providing less funding than currently indicated and Council's share of project costs therefore increasing.</p>	<p>Medium</p>	<p>Changes to the funding priorities of New Zealand Transport Agency are outside Council control.</p>

Forecasting assumptions	Risk/uncertainty	Impact	Comment/mitigation
<p>Weather tight building claims: It is assumed that there will continue to be claims for weather tightness but these will not be significantly more than accounted for.</p>	<p>Claims on Council higher than forecast.</p>	<p>Medium</p>	<p>A higher level of claims would impact on rates by increasing the rate requirement.</p>
<p>Earthquake prone buildings: It is assumed that Council will face ongoing costs with regard to earthquake prone building assets, but that decisions about works to undertake and the timing of any necessary works will allow costs to be adequately spread.</p> <p>The proposed Building (Earthquake-Prone Buildings Amendment Bill) proposes that Councils must complete seismic capacity assessments of specified buildings not later than 5 years after the day the Act comes into force.</p>	<p>New work is identified, or required work is more significant than anticipated.</p>	<p>Medium</p>	<p>Significant additional expenditure on earthquake strengthening buildings could not be met by the current budget.</p>
<p>Resource consents: It is assumed that resource consents held by Council will not be significantly altered and any due for renewal during the life of the plan can be renewed accordingly.</p>	<p>Conditions of resource consents altered and significant new compliance costs or consents cannot be renewed as expected.</p>	<p>Medium</p>	<p>Budgets are in place for renewal of resource consents and there is no expectation of significant departure from requirements over the next 10 years.</p>
<p>Vested Assets: It is assumed that vested assets increase by \$4m per annum adjusted by inflation.</p> <p>Council assumes that the impact of vested assets will be neutral, in that the costs associated with the additional assets will be offset by a proportionate increase in rates revenue.</p>	<p>That Council will have more assets vested thereby increasing the depreciation expense in subsequent years that is not offset by a proportionate increase in rates revenue.</p>	<p>Low</p>	<p>Assets must be maintained by Council, so there would be an impact on costs if more assets than expected were vested in Council. An example of where a vested asset may increase cost to the Council is where land is bequeathed to be maintained as a reserve, or similar.</p> <p>Vested assets can fluctuate from year to year but the impact is ordinarily offset by a proportionate increase in rates revenue. It would be highly unusual for the Council to enter into an arrangement with a developer</p>

Forecasting assumptions	Risk/uncertainty	Impact	Comment/mitigation
			where the ongoing costs associated with the vested assets are disproportionate to the increase in rates revenue.
<p>Insurance costs: It has been assumed that insurance premiums continue at current levels plus inflation and that we can get 100% cover and that the Local Authority Protection Programme Disaster Fund continues</p>	<p>Premiums increasing above inflation and/or Council cannot get 100% cover.</p>	<p>Medium</p>	<p>Any increase in premiums above the level assumed will have an impact on rates. Council may need to make decisions about cover levels during 10 year period.</p>
<p>Return on investments: It is assumed that the return on investments and retained earnings on subsidiaries will continue at current levels plus inflation.</p> <p>While planning in the LTP will take a conservative approach with expected returns on investments, there will be an expectation when agreeing on annual performance that higher returns will be generated.</p>	<p>Returns lower than expected.</p>	<p>Low</p>	<p>This would impact on Council's ability to fund services and infrastructure and would likely require an increase in rates..</p>
<p>Government Policy Changes: It is assumed that the any future Government legislation changes will take into account the need for a stable working and statutory framework.</p> <p>The Government has made known its intention to reform the Resource Management Act 1991, to receive a report back from the Rules Reduction Taskforce, and to continue to seek ways of addressing housing affordability and social housing need. It has also introduced the Building (Earthquake-Prone Buildings) Amendment Bill which includes a requirement on Councils to complete seismic assessments and to earthquake strengthen specified buildings.</p> <p>Further changes to legislation impacting on local government may take place, but this is not known at this time. It is assumed that Government will work with Councils to ensure that any legislative changes are managed appropriately.</p>	<p>Government policy shifts may result in new or amended legislation either requiring significant response and cost to administer by Council or result in changes to services delivered.</p>	<p>Medium</p>	<p>Financial impact resulting from a need to respond to significant legislation changes would impact on rates or fees and charges.</p> <p>It is not possible to quantify the potential financial impact of any future legislative changes at this time.</p>

Forecasting assumptions	Risk/uncertainty	Impact	Comment/mitigation
<p>Co-funding arrangements: It is assumed that for projects where other partners are contributing part of the funding, this funding will still be available.</p>	<p>Partners will no longer be in a position to provide funding which will result in an increased level of input from Council, or the termination of the project</p>	<p>High</p>	<p>Viability of projects would be threatened and Council would need to consider its ongoing funding commitment.</p>
<p>Treaty Settlements for Te Tau Ihu: It is assumed that Council obligations to work with Iwi as a result of Treaty settlements can be met within existing resources.</p> <p>This may involve provision of training to current staff, increased emphasis on relevant experience in the recruitment of new staff, or a need in some instances to employ external assistance.</p>	<p>Establishing new ways of working with Maori requires greater Council resource than anticipated.</p>	<p>Low</p>	<p>Financial impact of dedicating resources to meet Treaty commitments would impact on rates</p>
<p>Emissions Trading Scheme: New climate change agreement to be concluded by end of 2015 to come into force by 2020 which will increase costs to Council for waste disposal to landfill and increase costs for the operation of the landfill site.</p>	<p>Carbon pricing costs higher than expected or impact earlier.</p>	<p>Medium</p>	<p>Financial impact of responding to unexpected changes in carbon pricing would affect rates.</p>

Finance Report for the Period Ending 31 October 2014

1. Purpose of Report

- 1.1 To inform the members of the Governance Committee on the financial results of activities for the 4 months ending 31 October 2014 compared to budget, and to highlight and explain any material variations.

2. Delegations

- 2.1 The Governance Committee monitors the financial and service performance of the Council and makes recommendations to Council.

3. Recommendation

THAT the report Finance Report for the Period ending 31 October 2014 (A1276802) and its attachments (A1276805, A1277030, A1268999 and A793514) be received and the variations noted.

Recommendation to Council

THAT the special dividend of \$500,000 from Port Nelson Ltd be used to repay debt.

4. Background

- 4.1 The report focuses on the 4 month performance compared with the year to date budget. Budgets for operating income and expenditure are phased evenly through the year, whereas capital expenditure budgets are phased to occur mainly in the second half of the year.
- 4.2 Some definitions of terms used within this report:
- Operating income – all income other than rates including metered water, grants, fees, rentals, and recoveries;
 - Rates – includes the general rate, wastewater, stormwater and flood protection rates, and targeted rates for Solar Saver;
 - Staff costs – salaries plus overheads such as training, super, professional fees and office accommodation expenses;

- Depreciation – includes all depreciation, and any losses on asset disposal/retirement;
- Interest – includes debt interest, bank fees, interest rate swap margins, treasury and rating agency fees.

5. Discussion

- 5.1 The report focuses on performance to date compared with the year to date budgets. More detailed financials by sub-activity are in Attachment 1.
- 5.2 For the 4 months ending 31 October 2014, the activity surplus/ deficits are \$1.6 million favourable to budget.
- 5.3 Revenue and expenditure variances are discussed by activity.

NCC variance to budget to 31 October 2014

Year to Date Variance to Budget						
Activity	Surplus (Better)/ Worse	Revenue (Better)/ Worse	Expenses - Staff	Expenses - other	Expenses - Interest	Expenses - Depr
Corporate	(870,787)	(470,628)	72,167	(135,736)	(323,046)	(13,543)
Parks & Active Recreation	(65,642)	58,415	(78,426)	60,286	(58,790)	(47,128)
Social	106,816	(108,618)	2,548	256,796	(20,238)	(23,672)
Economic	(244,871)	197,000	30,591	(472,461)	(1)	0
Transport	286,153	35,418	11,120	189,725	(29,077)	78,966
Environmental Management	(388,324)	298,243	(118,458)	(542,686)	2,487	(27,911)
Wastewater	260,514	81,745	(5,641)	124,638	(14,581)	74,354
Stormwater	95,048	0	(56,712)	93,742	(15,929)	73,947
Water Supply	(520,663)	(46,152)	(18,745)	(287,167)	(17,275)	(151,324)
Flood Protection	(238,084)	0	(12,591)	(205,854)	(18,982)	(658)
Total	(1,579,839)	45,424	(174,146)	(918,716)	(495,432)	(36,969)

Corporate

- 5.4 The corporate activity is \$0.9 million better than budget due to:
- 5.4.1 Revenue - \$471,000 better than budget. Council has received a special dividend of \$500,000 from Port Nelson Ltd, which was unbudgeted and will be used to repay debt. Unbudgeted interest income from NRSBU is \$116,000 year to date (transferred quarterly), offset by unbudgeted interest expenditure for the loans now held by NCC. Unbudgeted income from Forestry is \$144,000, and is expected to be in the region of \$240,000 by the time the insurance claim is settled. Income in the Disaster Recovery Fund is \$167,000 under budget due to timing of further insurance claims. Rental Properties are \$78,000 ahead of budget due to invoicing in advance (timing). Internal interest is \$187,000 under budget reflecting the timing of capital expenditure.
- 5.4.2 Expenses - other \$136,000 better than budget as the contingency has not yet been called on (\$51,000) and Civic House expenditure is under

budget (\$55,000) largely related to the budget sitting in this activity for property condition assessments which as yet has no expenditure recorded against it (timing). This is also the case for the budget for post earthquake inspections (reactive budget), year to date \$15,000.

- 5.4.3 Expenses –external interest - \$323,000 better than budget – Year to date savings are a combination of borrowings at 30 June being less than anticipated, the weighted average cost of borrowings for the four months being less than planned for, offset by interest incurred in respect of the NRSBU borrowings.

Parks and Active Recreation

- 5.5 The parks and active recreation activity is \$66,000 better than budget due to:

- 5.5.1 Expenses – staff - \$78,000 better than budget. The distribution of staff time over the organisation differs from anticipated and there are savings across this activity but particularly in Community Programmes, Esplanade and Foreshore Reserves, Sports Parks and Recreation Liaison.
- 5.5.2 Expenses – other - \$60,000 worse than budget. Regional Community Facilities is \$349,000 over budget as the second grant to the Brook Waimarama Sanctuary Fence has been paid in full (\$524,000 - timing). Offsetting this, the budgeted grant to Tasman District Council for the velodrome at Saxton Field has not yet been made, resulting in an underspend of \$276,000 year to date (timing). \$145,000 (unbudgeted) has been spent in recovery from the April 2014 emergency event. This will be funded from the disaster recovery account. There is an underspend of \$100,000 year to date in other maintenance categories; in particular no expenditure has yet been made for the Marina maintenance dredging consent/plan (\$71,000) which is scheduled for late in the financial year. Year to date there is a saving of \$60,000 in consultancy costs (timing) relating to facilities policies and \$20,000 saving as the Tahuna Erosion study has not yet been invoiced (timing).

Social

- 5.6 The social activity is \$106,000 worse than budget due to:
 - 5.6.1 Revenue - \$109,000 better than budget. Income related to the Arts Festival is \$229,000 ahead of budget year to date (timing) and \$30,000 ahead of full year budget. The Founders Book Fair proceeds (year to date \$40,000 budget) will not come in until the end of the financial year (timing). Rental for the Tahuna Motor Camp is \$54,000 under budget year to date as the bulk of that income will be received in January and February 2015 (timing). Recoveries of such expenditures as rates, water, and electricity on properties owned by Council but managed by others are currently under budget by \$41,000. Expenditure for these items is under budget by a similar amount.

- 5.6.2 Expenses – other - \$256,000 worse than budget. Arts Festival \$322,000 over budget year to date (timing), offset by income. Maintenance under budget \$83,000, largely as a result of the budget provided for the School of Music and Theatre Royal whose assets have not transferred to Council at this time.

Economic

- 5.7 The economic activity is \$245,000 better than budget due to:
- 5.7.1 Revenue - \$197,000 worse than budget. The Cricket World Cup (CWC) recovery of costs is due after the event generating a timing difference against budget.
- 5.7.2 Expenses – other - \$472,000 better than budget. The Economic Development expenditure is under budget by \$123,000. There is no spending to date in the EDA economic development fund, business incubator, facilities marketing and economic impact assessment. Expenses relating to the CWC are under budget by \$345,000 which is a timing difference.

Transport

- 5.8 The transport activity is \$286,000 worse than budget due to:
- 5.8.1 Revenue - \$36,000 worse than budget. Car parking revenue is \$281,000 under budget reflecting the free parking trial over the first three months of the year and the subsequent first hour free trial. The shortfall in parking income will need to be covered by rates either through other savings in the current financial year or increased rating next year. NZTA grants are ahead of budget \$78,000 reflecting expenditure also ahead of budget (timing). Recoveries relating to corridor access requests and ultra fast broadband remediation are ahead of budget by \$100,000. Expenditure for these items is also ahead of budget. Income for Miller's Acre Centre is \$23,000 ahead of budget year to date, reflecting rentals invoiced a month in advance (timing). Parking enforcement (fines) is currently \$23,000 ahead of budget, and road reserve licenses have been invoiced for the year creating a timing difference of \$28,000.
- 5.8.2 Expenses – other - \$189,000 worse than budget. Expenditure relating to corridor access requests and ultrafast broadband remediation are ahead of budget along with the related income. There has been no expenditure year to date (total \$62,000) on studies and strategies. Maintenance costs are \$238,000 greater than year to date budget primarily due to repairs prior to sealing Waimea Road and road marking which has to be completed prior to the Cricket World Cup.

Environmental Management

- 5.9 This activity includes civil defence and rural fire activities, consents and compliance, environmental programmes, and solid waste activities.

- 5.9.1 The environment activity is \$388,000 better than budget due to:
- 5.9.2 Revenue - \$298,000 worse than budget. Landfill fees are \$270,000 less than budget and \$150,000 less than year to date September last year. Solid waste from Buller is no longer coming to York Valley generating a shortfall against budget of approximately \$25,000 per month (\$300,000 per annum). A review of Landfill fees may be required early in 2015. The budget also included the removal of sludge from the Nelson Wastewater Treatment Plant. This will not occur this year as the waste is being dried out on site to a greater extent than originally planned to save on transport and eventual landfill charges.
- 5.9.3 Expenses – staff - \$118,000 better than budget. This is mainly in Building Services which is carrying two vacancies currently, and which has not been charged staff time from the Resource Consents team to the extent anticipated.
- 5.9.4 Expenses – other - \$542,000 better than budget. Weather Tight Homes Claims show \$79,000 less than budget year to date with consultancy expenditure now being incurred. Monitoring the Environment is \$192,000 under budget as this sub activity contains a large number of programmes, some of which have yet to incur expenditure. This is a timing issue and officers expect the variance to flatten out as the year progresses. Landfill expenditure is \$181,000 under budget reflecting no expenditure yet for ETS levies and toe embankment maintenance and lower internal charges than anticipated for waste minimisation and recycling. The landfill has not yet reached the level where toe embankment maintenance is required; this is expected to happen in the final quarter of this financial year.

Wastewater

- 5.10 The wastewater activity is \$260,000 worse than budget due to:
- 5.11 Revenue - \$82,000 less than budget – trade waste income is ahead of budget by \$177,000 due to timing differences, and higher levels than those anticipated in the annual plan. The owner’s distribution from NRSBU is currently \$250,000 less than budgeted due to heavy maintenance expenditure in the early part of the year (timing).
 - 5.11.1 Expenses – other - \$124,000 worse than budget. The expenditure for desludging of the Nelson Waste Water Treatment Plant is ahead of budget by \$156,000 year to date (timing) but there is expected to be a saving against this budget at year end.

Stormwater

- 5.12 The stormwater activity is \$95,000 worse than budget due to:
 - 5.12.1 Expenses – other - \$94,000 worse than budget. Unbudgeted expenditure relating to the June 2014 storm of \$155,000 has been incurred. The contingency budget from 2013/14 of \$155,000 has been carried forward

against this expenditure, however there is a timing difference of eight months creating the \$87,000 variance.

Water

- 5.13 The water activity is \$521,000 better than budget due to:
 - 5.13.1 Expenses – other - \$287,000 better than budget relates to year to date underspend against maintenance budgets, mainly reactive maintenance.
 - 5.13.2 Depreciation - \$151,000 better than budget. The replacement valuation for the water membranes at the water treatment plant have halved and their expected useful lives increased, generating an expected depreciation saving against budget of \$438,000 in the current financial year.

Flood Protection

- 5.14 The flood protection activity is \$238,000 better than budget.
 - 5.14.1 Expenses – other - \$206,000 better than budget. \$165,000 is year to date underspend against maintenance budgets, including \$171,000 relating to emergency recovery works (timing). There has been only minor expenditure year to date for these works (identified from the December 2011 Rainfall Event) as the resource consent has yet to be granted. Works are scheduled for the summer season when the streams are at minimal flow.

Capital Expenditure

Capital expenditure to 31 October 2014 was \$8.6 million, \$5.0 million (37%) below budget. Details are included in attachments two to four.

Project Updates

- 5.16 No project updates for this report.

6. Assessment of Significance against the Council's Significance Policy

- 6.1 There are no significant decisions.

7. Consultation

- 7.1 No consultation is required.

8. Alignment with relevant Council Policy

- 8.1 The finance report is prepared comparing current year performance against the Annual Plan.

9. Inclusion of Māori in the decision making process

9.1 No consultation is required.

Nikki Harrison
Group Manager Corporate Services

Attachments

Attachment 1: NCC Summary Performance [A1276805](#)

Attachment 2: Capital expenditure graph [A1276805](#)

Attachment 3: Capital expenditure by activity [A1276805](#)

Attachment 4: Capital expenditure projects over \$750,000 [A1276805](#)

Attachment 5: Balance Sheet [A1277030](#)

Attachment 6: Interest Rate Position Report [A1268999](#)

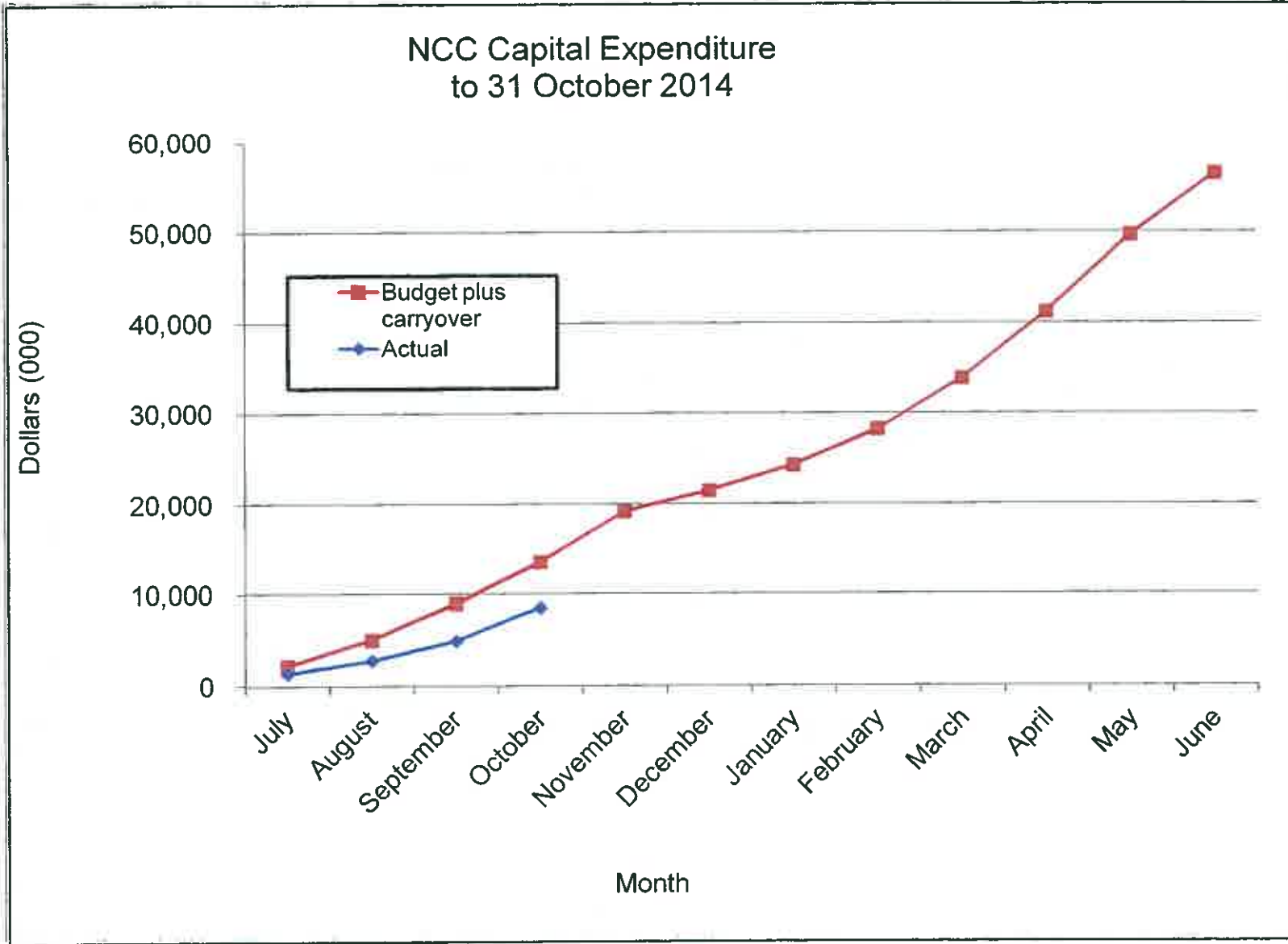
Attachment 7: Debtors Report [A793514](#)

NCC variance to budget to 31 October 2014

Activity	Subactivity	Year to Date Variance to Budget					
		Surplus (Better)/Worse	Revenue (Better)/Worse	Expenses - Staff	Expenses - other	Expenses - Interest	Expenses - Depr
Corporate	Cost Of Democracy	12,188	4,166	(1)	8,023	0	0
	Admin & Meeting Support	98,934	2,205	116,328	(19,600)	0	0
	Council Publicity	25,452	0	33,683	(9,146)	32	883
	Members Expenses	(3,606)	0	(599)	(3,003)	0	(3)
	Election Expenses	(597)	0	(1,332)	735	0	0
	Civic Expenses	(14,881)	524	795	(16,200)	0	0
	Contingency	(49,997)	0	2	(49,999)	0	0
	Investment Management	(664,124)	(402,911)	2,273	(7,377)	(256,110)	0
	Civic House	(85,603)	(17,878)	2,393	(66,548)	(12,227)	8,656
	Rental Properties	(74,545)	(78,338)	27,227	(23,188)	(1,253)	1,007
	Forestry	(118,912)	(144,677)	(758)	33,052	(6,507)	(22)
	Subdivisions (W/Bluff & Ridgeway)	(29,193)	(391)	(1,036)	906	(28,672)	0
	Policy	(114,263)	0	(106,809)	(7,454)	0	0
	Administration	(8,099)	0	0	24,063	(8,099)	(24,063)
	Emergency Response Fund	156,461	166,670	1	0	(10,211)	0
Corporate Total		(870,787)	(470,628)	72,167	(135,736)	(323,046)	(13,543)
Parks & Active Recreation	Horticulture Parks	(23,998)	1,442	(7,168)	(10,533)	(1,778)	(5,962)
	Neighbourhood Parks	5,354	5,317	7,176	11,338	(7,718)	(10,758)
	Park Trees	1,312	0	(902)	2,213	0	0
	Conservation Reserves	51,152	(6,883)	325	58,765	(181)	(874)
	Landscape Reserves	43,587	(3,164)	(1,277)	57,585	(6,904)	(2,654)
	Esplanade & Foreshore Reserves	(121,671)	(35,652)	(16,865)	(54,968)	(4,307)	(9,879)
	Heritage,Landscape,Local Trees	37,164	0	(5,867)	43,031	0	0
	Walkways	6,315	(688)	2,665	8,838	0	(4,500)
	Sports Parks	(18,185)	9,346	(11,915)	(3,840)	(3,055)	(8,721)
	Recreation Planning	(4,352)	(365)	(3,987)	0	0	0
	Natureland	(11,563)	(10)	(1,333)	(10,001)	(219)	0
	Trafalgar Centre	(17,000)	0	9,088	3,251	(28,622)	(717)
	Saxton Field Stadium	75,419	(14,207)	(3,148)	76,061	5,164	11,550
	Saxton Oval Pavilion	(11,798)	(1,980)	(909)	(9,538)	422	208
	Golf Course	18,453	42,804	(1,670)	(21,876)	0	(805)
	Pools	(30,618)	13,544	(5,455)	(40,192)	(2,424)	3,909
	Community Programmes	(28,836)	1,248	(19,977)	(10,107)	0	0
	Recreation Liaison	(17,267)	1,168	(11,375)	(7,060)	0	0
	Play Facilities	(15,489)	0	(3,094)	3,732	(1,039)	(15,088)
	Marina	(39,905)	29,508	(6,581)	(58,417)	(2,426)	(1,989)
	Saxton Field Capital Works	(291,107)	16,988	(874)	(298,271)	(8,100)	(849)
	Regional Community Facilities	327,392	0	4,717	320,276	2,399	0
Parks & Active Recreation Total		(65,642)	58,415	(78,426)	60,286	(58,790)	(47,128)
Social	Managing Heritage And Arts	(18,429)	0	(2,801)	(14,021)	(571)	(1,036)
	Museum	9,409	0	0	11,548	(2,139)	0
	Suter Gallery	20,439	0	(3,598)	39,594	(15,556)	0
	Isel House	(2,679)	72	(2,739)	(20)	0	9
	Melrose House	3,379	68	153	(4,018)	5,097	2,079
	Broadgreen House	23,053	0	20,177	2,684	0	192
	Founders Park	117,633	46,184	(18,652)	87,263	2,568	270
	Historic Cemeteries	(4,711)	(1,107)	2,614	(3,017)	0	(3,200)
	Heritage Incentives	(24,432)	0	(2,222)	(22,210)	0	0
	Festivals	13,065	(282,561)	19,481	276,145	0	0
	Street Decorations	880	0	463	418	0	0
	School Of Music	(28,754)	11,984	68	(34,183)	(2,935)	(3,688)
	Theatre Royal	(28,565)	11,984	(2)	(14,992)	(5,155)	(20,400)
	Nelson Library	42,006	16,503	(629)	19,014	(557)	7,676
	Stoke Library	(40,216)	739	(34,585)	(6,007)	0	(364)
	Nightingale Memorial Library	(12,140)	(280)	(10,056)	(1,557)	0	(247)
	Marsden Valley Cemetery	(12,711)	6,248	(4,545)	(7,308)	(838)	(6,268)
	Crematorium	5,333	15,062	(4,997)	(3,832)	(581)	(319)
	Toilets (Free)	(12,916)	0	(538)	(13,094)	311	406
	Toilets (Charge)	(14,993)	(646)	1,654	(16,015)	15	(1)
	Stoke Hall	(20,733)	1,537	(2,929)	(19,341)	2	(1)
	Maitai Club	(11,621)	(2,751)	(2,212)	(6,661)	6	(2)
	Community Properties	(7,370)	1,806	11,168	(21,130)	116	669
	Wakapuaka Recreation Centre	(3,958)	151	(2,666)	(1,441)	0	(2)
	Trafalgar St Hall	(1,329)	1,229	1,088	(3,649)	3	0
	Motor Camp Tahuna	47,166	65,531	()	(18,166)	0	(200)

Activity	Subactivity	Year to Date Variance to Budget					
		Surplus (Better)/ Worse	Revenue (Better)/ Worse	Expenses - Staff	Expenses - other	Expenses - Interest	Expenses - Depr
	Maitai Camp	2,765	11,699	(4,212)	(4,544)	(29)	(149)
	Brook Camp	60,985	3,078	38,646	19,313	(52)	(1)
	Community Housing	(25,059)	5,974	5,501	(37,533)	0	998
	Employment Assistance	15,201	(10,000)	(3,680)	28,975	0	(93)
	Community Liaison: Development	(50,171)	(11,121)	(11,654)	(27,395)	0	(1)
	Community Liaison: Grants (Ca)	66,290	0	14,253	51,978	59	0
Social Total		106,816	(108,618)	2,548	256,796	(20,238)	(23,672)
Economic	Sister City Links	(3,884)	0	705	(4,588)	0	0
	Economic Development	(119,125)	0	3,407	(122,533)	1	0
	Tourism Nelson	(2)	0	2	(2)	(2)	0
	Cricket World Cup	(121,859)	197,000	26,478	(345,337)	0	0
Economic Total		(244,871)	197,000	30,591	(472,461)	(1)	0
Transport	Subsidised Rooding	94,345	(82,675)	(23,870)	179,509	21,382	0
	Unsubsidised Rooding	70,055	(109,948)	38,193	56,524	(3,097)	88,384
	Rooding Properties	(33,507)	(32,625)	(504)	(463)	86	(1)
	Parking Regulation	(31,962)	(23,939)	(3,312)	(4,713)	0	2
	Car Parking	183,487	281,064	(9,601)	(43,318)	(37,749)	(6,909)
	Millers Acre Centre	(28,584)	(23,114)	1,806	2,048	(9,354)	30
	Public Transport	14,301	(107)	5,209	11,839	(101)	(2,539)
	Total Mobility	18,017	26,762	3,199	(11,700)	(244)	0
Transport Total		286,153	35,418	11,120	189,725	(29,077)	78,966
Environmental Management	Civil Defence	(1,266)	(1)	(1,204)	1	(62)	(1)
	Rural Fire Control	24,375	3,724	423	21,000	35	(807)
	Monitoring The Environment	(172,548)	0	19,598	(191,534)	(524)	(87)
	Developing Resource Mgt Plan	(96,187)	700	(41,131)	(55,756)	0	0
	Environmental Advocacy/Advice	24,630	(444)	27,009	(1,935)	0	0
	Pest Management	(58,386)	0	(2)	(58,384)	0	0
	Clean Heat Warm Homes	516	0	(1)	(446)	963	0
	Solar Saver	2,289	0	(1)	216	2,074	0
	Dog Control	5,806	(12,521)	(2,001)	20,328	0	1
	Animal Control	(2,049)	(549)	(1)	(1,500)	0	0
	Liquor Licencing	(24,947)	(26,997)	1,448	602	0	0
	Food Premises	26,575	28,138	0	(1,563)	0	0
	Public Counter Land & General	(30,176)	(23,581)	(6,264)	(332)	0	0
	Building Services	(131,957)	(26,900)	(97,700)	(6,571)	0	(785)
	Harbour Safety	14,825	1,100	(1,302)	14,928	0	99
	Pollution Response	7,139	10,484	(1)	(3,345)	0	0
	Resource Consents	37,803	15,213	4,196	18,394	0	0
	Enforcing Bylaws	(5,527)	(298)	(1,334)	(3,895)	0	0
	Whrs Claims	(89,442)	0	(10,398)	(79,045)	0	0
	Waste Minimisation	0	30,176	(17,363)	(12,812)	0	(2)
	Transfer Station	(4)	7,059	4,989	(10,041)	0	(2,011)
	Landfill	80,013	281,002	3,861	(180,532)	0	(24,318)
	Joint Landfill	202	0	202	0	0	0
	Green Waste	(4)	4,439	(630)	(3,813)	0	0
	Recycling	(4)	7,499	(852)	(6,651)	0	0
Environmental Management Total		(388,324)	298,243	(118,458)	(542,686)	2,487	(27,911)
Wastewater	Wastewater	260,514	81,745	(5,641)	124,638	(14,581)	74,354
Wastewater Total		260,514	81,745	(5,641)	124,638	(14,581)	74,354
Stormwater	Stormwater	95,048	0	(56,712)	93,742	(15,929)	73,947
Stormwater Total		95,048	0	(56,712)	93,742	(15,929)	73,947
Water Supply	Water Supply	(520,663)	(46,152)	(18,745)	(287,167)	(17,275)	(151,324)
Water Supply Total		(520,663)	(46,152)	(18,745)	(287,167)	(17,275)	(151,324)
Flood Protection	Flood Protection	(238,084)	0	(12,591)	(205,854)	(18,982)	(658)
Flood Protection Total		(238,084)	0	(12,591)	(205,854)	(18,982)	(658)
Total		(1,579,839)	45,424	(174,146)	(918,716)	(495,432)	(36,969)

A1276805



Attachment 2

A1276805

Capital Expenditure
Total Council - by Activity

Activity	Actual YTD \$(000)	Annual Budget plus C/fwd \$(000)	Significant variances against budget
Corporate	314	3,217	Civic house first floor and aircon upgrades not yet commenced. Hunter furniture roof renewal deferred. EQ prone buildings remediation expenditure in other activities (budget to be shifted). Many IT projects yet to be commenced.
Parks & Active Recreation	1,181	9,903	Trafalgar centre remediation in very early stages. Some land purchases made for general reserve, but no expenditure related to Daelyn land purchase.
Social	818	10,246	Theatre Royal/Nelson School of Music transfer of assets yet to occur
Economic	0	0	
Transport	3,985	12,540	Friction Course Replacement and Cable Bay Road recovery works are ahead of budget timing. Timing of Railway Reserve/Princess Drive overbridge subject to developer. Brook walk/cycle improvements under consultation. Bishopdale to Ridgeway shared path construction due Feb 2015.
Environmental Management	232	1,699	Landfill road extension physical works now started. Finalising specification for weighbridge.
Wastewater	1,016	7,350	Corder Park Pump Station upgrade physical works to start Dec/Jan. NWWTP trickling filter cover ahead of budget timing.
Stormwater	251	3,131	Salt Water Creek/Haven Road culvert project programmed for new year. Tasman St upgrade physical works programmed for early 2015. Backflow prevention programme ahead of budget timing.
Water Supply	390	3,783	Water Treatment Plant new membrane physical works early 2015.
Flood Protection	363	4,578	Saxton Creek upgrade stage 1 resource consent now lodged. Orphanage Stream upgrade resource consent being prepared.
	<u>8,550</u>	<u>56,447</u>	
Financial Reserves	720	3,000	
Nelson Regional Sewerage BU	59	359	
	<u>9,329</u>	<u>59,806</u>	

Attachment 3

A1276805

Capital Expenditure

4 Months to 31 October 2014

Total Council

	Actual YTD '\$(000)	Annual Budget plus C/fwd '\$(000)	Contract Completion Date	Latest Forecast '\$(000)	Comments
Major projects (over \$750,000 in any column)					
Infrastructure					
Arapiki / Quarantine Trunk Main	586	1,635	Apr-16	1,635	On track
Ngawhatu Valley Trunk Main	8	800	May-15	800	Tender evaluation completed November
York Valley Road Extension	144	1,195	Apr-15	1,195	Physical works underway in September
Corder Park Pump Station	8	3,603	May-17	3,603	Physical works to start Dec/Jan
Cable Bay Road	1,007	2,111	Mar-15	2,111	Underway
Tasman St (Nile to Bronte)	33	929	Apr-15	929	Detailed design completed. Physical works programmed for early 2015
Salt Water Creek/Haven Rd Culvert	2	850	May-15	850	Programmed to commence early 2015
Friction Course Replacement	1,440	1,441	Dec-14	1,441	On track
Water Treatment New Membrane (Train 5)	0	1,200	Apr-15	1,200	Detailed design underway. Physical works early 2015
Saxton Creek Upgrade	203	2,500	Jun-17	2,500	Stage 1 consent application lodged October.
Community Services					
Land Purchase: General Reserve	241	1,676	n/a	1,676	Ongoing based on development, no contract
			Apr-16		Awaiting concept plans for presentation to Council in December. Detailed design early 2015
Trafalgar Centre Reopening	29	3,466		3,466	
Theatre Royal	0	6,800		6,800	Transfer of assets yet to occur
Nelson School of Music	0	1,885		1,885	Transfer of assets yet to occur
Total other (under \$750,000)	<u>4,848</u>	<u>26,357</u>		<u>26,357</u>	
Council Total	<u>8,550</u>	<u>56,447</u>		<u>56,447</u>	
Vested Assets	720	3,000		3,000	
Nelson Regional Sewerage business unit	59	359		359	

Attachment 4

Nelson City Council

Abbreviated Balance Sheet

	31/10/2014	30/09/2014	30/06/2014	
Current Assets				
Bank Deposits →	Cash and Bank	37,558	65,947	251,853
	Investments	0	0	0
Amounts due from customers. →	Rates Debtors	8,351,592	(4,981,461)	242,652
	Trade Debtors	10,472,426	10,716,694	11,065,794
	Debtors and Accruals	11,100,625	11,273,940	905,367
		<u>29,962,202</u>	<u>17,075,120</u>	<u>12,465,666</u>
Current Liabilities				
Cash Book Balance →	Bank Overdraft	0	0	0
Amounts owed to suppliers. →	Creditors	(11,296,157)	(10,734,782)	(15,062,273)
	Commercial paper	(9,913,758)	(9,913,758)	(29,730,802)
Term Loans to be paid in 12 months →	Current Portion of Term Liabilities	0	0	0
		<u>(21,209,915)</u>	<u>(20,648,541)</u>	<u>(44,793,075)</u>
	Net Working Capital	8,752,286	(3,573,421)	(32,327,409)
Non Current Assets				
Shares in Subsidiaries etc →	Investments	27,232,498	27,232,498	27,560,115
Total value, net of depreciation of all →	Fixed Assets	1,319,639,841	1,317,717,214	1,317,869,256
		<u>1,346,872,339</u>	<u>1,344,949,712</u>	<u>1,345,429,371</u>
Non Current Liabilities				
	Term borrowings	(64,136,016)	(60,286,016)	(33,536,016)
Money borrowed that requires payment after 12 months →	Other Term Liabilities	(1,595,715)	(1,586,036)	(1,557,261)
		<u>(65,731,731)</u>	<u>(61,872,052)</u>	<u>(35,093,277)</u>
		<u>1,289,892,895</u>	<u>1,279,504,239</u>	<u>1,278,008,684</u>
Shareholder Funds				
	Ratepayers Equity	364,347,898	353,897,665	352,654,845
	Reserves	925,544,997	925,606,574	925,353,839
		<u>1,289,892,895</u>	<u>1,279,504,239</u>	<u>1,278,008,684</u>

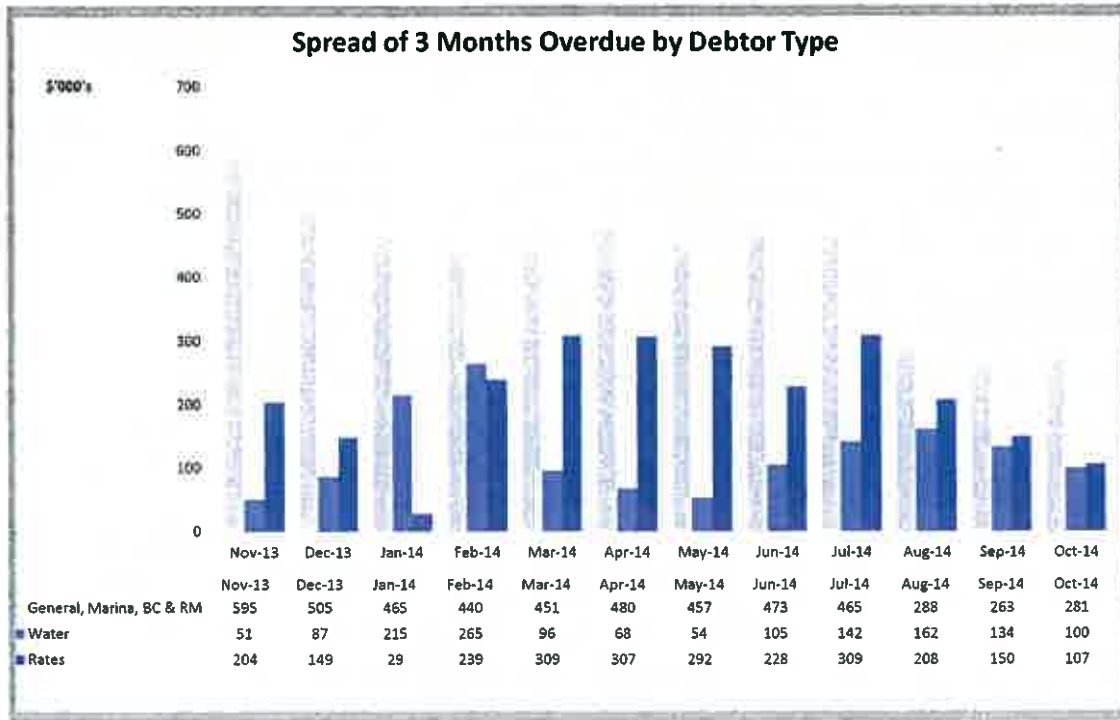
Nelson City Council Interest Rate Position

12 Month Forecast Core Debt:	100.0	31-Oct-14	
Policy Limits	55% - 90%		
Overall Fixed: Floating Mix	83%		
Policy Compliance	Y		
Liquidity Ratio:	110%		
Actual	121%		
Policy Compliance	Y		
Fixed Rate Maturity Profile:			
Years	1 - 3 years	3 - 5 years	5 years plus
Policy Limits	15% - 60%	15% - 60%	15% - 60%
Actual Hedging	20%	27%	54%
Policy Compliance	Y	Y	Y
Funding Maturity Profile:			
Years	0 - 3 years	3 - 5 years	5 years plus
Policy Limits	15% - 60%	15% - 60%	10% - 40%
Actual Hedging	56%	17%	28%
Policy Compliance	Y	Y	Y
Weighted Average Duration:			
Funding	4.16 Years		
Fixed Rate Portfolio (swaps and fixed rate loans)	5.37 Years		
Weighted average fixed rate on current borrower swaps*:			
Swap Portfolio	4.43%	* Note: non-active forward starts are not included.	
Counterparty Credit Risk (Interest Rate Risk Mgmt Instruments and investments)			
Policy Credit Limit (NZ\$) per NZ Registered Bank (Interest rate risk management)		\$	10,000,000
Policy Credit Limit (NZ\$) per NZ Registered Bank (Investments)		\$	10,000,000
Policy Credit Limit (NZ\$) per NZ Registered Bank (Total maximum per counterparty)		\$	20,000,000
	Credit Exposure	Credit Exposure	Compliance
	(Swaps)	(Investments)	
	(\$m)	(\$m)	
WPC	6.84	0.00	Y
ANZ	6.76	0.00	Y
ASB	0.00	0.00	Y
BNZ	0.50	0.00	Y
Kiwibank	0.00	0.00	Y
CBA	0.00	0.00	Y

Specific borrowing limits

Net interest expense on external debt as a percentage of total revenue to be less than 15%	2.56%	Y
Net interest expense on external debt (secured by rates) as a percentage of rates revenue to be less than 20%	4.09%	Y
Net external debt (secured by rates) as a percentage of total revenue to be less than 150%	74%	Y
Net external debt (secured by rates) as a percentage of equity to be less than 20%	6%	Y

A1268999



A793514

Progress of Draft Development Contributions Policy

1. Purpose of Report

- 1.1 To agree to the following to enable further work on a draft Development Contributions Policy: a one catchment approach to calculating the cost of growth infrastructure; and the introduction of incentives in the Policy to help deliver Council's strategic objectives including for affordable housing and intensification.

2. Delegations

- 2.1 The Governance Committee has delegated authority to consider matters in relation to development contributions and to make recommendations to Council.

3. Recommendation

THAT the report Draft Development Contributions Policy (A1275129) be received;

AND THAT a one-catchment approach for the calculation of the level of development contributions charged is approved as the preferred approach;

AND THAT inclusion of incentives to support Council's strategic objectives including for affordable housing and intensification is approved.

4. Background

- 4.1 The Local Government Act 2002 (LGA) was amended in August 2014 and involved several changes in relation to the charging and collection of development contributions.
- 4.2 Provisions for reconsiderations, objections and developer agreements have already been incorporated into the Development Contributions Policy and were approved by Council on 09 October 2014.
- 4.3 Further changes to development contributions under the LGA include changes to the collection of development contributions for community

infrastructure and reserves. These changes do not apply to Nelson City Council as contributions are not collected for these purposes.

- 4.4 Council contracted Rationale Ltd to assist in drafting a revised Development Contributions Policy, including a new calculation model for apportioning costs. Workshops undertaken with Council staff, elected members, and representatives of the development community were held in early October, followed up with further discussions on 10, 11 and 18 November.
- 4.5 A Scoping Document has previously been circulated to all Council elected members.

Issues identified in the Scoping Document

- 4.6 The following issues were identified in the existing Development Contributions Policy:
- The basis of the calculations are not well understood, reducing confidence in the assessments for staff and developers;
 - There are opportunities to better integrate land use planning, development and infrastructure provision;
 - The policy is complex resulting in confusion and frequent negotiation with developers;
 - Uncertainty about Council's preferences for development limits the Policy's ability to drive behaviour.
- 4.7 The preferred approach for addressing these matters, agreed to by Council on 20 November, is to:
- Review and update the development contributions calculations;
 - Amend the policy;
 - Introduce and improve some incentives in the policy which will support Council's strategic outcomes.

5. Discussion

Review and Update of the Calculations

- 5.1 Officers are working to apportion the cost of infrastructure provision. This work is expected to be completed by mid-December. A calculation model will then be built, and will be populated with figures relating to specific infrastructure projects.
- 5.2 Projects can then be prioritised and agreed to with elected members for inclusion in the upcoming Long Term Plan.

- 5.3 Only those projects listed in the Long Term Plan will have development contributions collected for them. This is a legislative requirement. This does not mean that other projects will not proceed, but that greater use of Developer Agreements may be made, allowing direct negotiation between Council and developers over costs.

One Catchment Approach

- 5.4 Officers recommend that Council's current "one catchment" approach is retained. Nelson is relatively unique in being a small, compact city. It has distinct differences geographically to larger urban centres, or from rural districts, such as neighbouring Tasman where development and infrastructure is variable across the region. Considerations of fairness and equity can be balanced with practical and administrative efficiencies. The legislation allows for this.
- 5.5 Applying a one catchment approach simplifies administration of development contributions as the calculations are more easily made, applied, and implemented. Given the compact nature of the city (noting that development contributions are not charged in the wider rural area such as north east of the Gentle Annie Saddle), most development that takes place within the city has an impact on the wider community to some degree.

Incentives

- 5.6 Officers recommend that incentives are introduced into the Policy to encourage the development of particular housing types, such as smaller and more affordable housing, as well as incentivising development in specified areas such as the inner city and periphery.
- 5.7 This can be done through various methods, with a range of options discussed with Council at a future workshop at the end of this year, before inclusion in the draft of the Policy.

Draft Development Contributions Policy

- 5.8 There is not sufficient detail available at this point for a draft Development Contributions Policy to be provided for discussion. Once cost apportionments have been completed, and a decision is made on the recommendations in this report for the one catchment approach, and the use of incentives to drive Council's objectives for intensification and affordable housing choice, a further level of detail can be discussed with elected members.
- 5.9 It is anticipated that a workshop will take place with those elected members who are members of the Development Contributions Working Group, before the end of 2014, or if not achievable due to time constraints, early in 2015. This workshop would address, amongst other matters, incentivising development.

6. Options

- 6.1 There are options as to whether or not the recommendations outlined in this report are agreed to. Further details of how the one catchment approach, and the application of incentives, will be implemented through the Policy will need further discussion before being included in a draft Development Contributions Policy for consultation through the Long Term Plan.

7. Assessment of Significance against the Council's Significance and Engagement Policy

- 7.1 The decisions required by this paper are not considered significant against Council's Significance and Engagement Policy. Once a draft is finalised for consultation, this will take place through the special consultative procedure for the adoption of the Long Term Plan, as specified under the LGA.

8. Alignment with relevant Council Policy

- 8.1 The objectives of the draft Development Contributions Policy align with the following Council objectives:

Nelson 2060

- Goal 3: Our natural environment – air, land, rivers, and sea – is protected and healthy
- Goal 5: We are able to rapidly adapt to change
- Goal 7: Our economy thrives and contributes to a vibrant and sustainable Nelson
- Goal 9: Everyone in our community has their essential needs met

8.2 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 region is supported by an innovative and sustainable economy.

9. Consultation

- 9.1 The consultation to adopt a Development Contributions Policy will take place as part of the consultation on the Long Term Plan in 2015. There is no consultation required until that draft has been approved.

10. Inclusion of Māori in the decision making process

10.1 There has been no consultation with Maori in relation to this decision, but will take place once a draft Policy has been prepared.

11. Conclusion

11.1 It is recommended that the following is approved to guide the further development of the draft Development Contributions Policy:

- That Nelson City Council retain a one catchment approach to development contributions;
- That further work on incentives for certain types of housing development, and development in specified areas, is undertaken to ensure the Policy will support the objectives of Council for affordable housing and intensification.

Susan Moore-Lavo
Policy Adviser

Revenue and Financing Policy

1. Purpose of Report

- 1.1 To consider the updated Revenue and Financing Policy and recommend to Council that it be included in the Long Term Plan 2015-25.

2. Delegations

- 2.1 Council's Governance Committee has the delegated power to consider the Revenue and Financing Policy in its role of co-ordination and development of all policies specified in the Local Government Act 2002 for Annual Plan and Long Term Plan development.

3. Recommendation

THAT the report A1276610 Revenue and Financing Policy and its attachment (Revenue and Financing Policy (A1272405) be received.

Recommendation to Council

THAT following modelling (as provided at the Committee meeting) the Committee determine either:

- a) Targeted rates for stormwater and flood protection be based on capital value in the Long Term Plan 2015-25; or***
b) Targeted rates for stormwater and flood protection to remain as a fixed charge;

AND THAT the updated Revenue and Financing Policy be adopted for inclusion in the Long Term Plan 2015-25.

4. Background

- 4.1 The Revenue and Financing policy explains how and why the Nelson City Council has arrived at the choice of funding tools described in the forecast funding statements and the rating system. It also explains how the Council complies with the funding policy process set out in sections 102 and 103 of the Local Government Act 2002.

- 4.2 Specifically the Revenue and Financing Policy describes the Council's policies around the funding of operating expenses and capital expenditure. The Policy forms part of the Long Term Plan and must be adopted before adoption of the Long Term Plan 2015-25.
- 4.3 External input from Malcolm Thomas of Thomas Consulting was obtained to review the structure and content of the policy and to ensure that it conforms to best practice.
- 4.4 On 10 April, 10 June, 7 November and 12 November 2014 the Revenue and Financing Policy was discussed at Council workshops. The second workshop was facilitated by Malcolm Thomas.

5. Discussion

- 5.1 Attachment 1 of this report sets out the Revenue and Financing Policy.
- 5.2 The text in the Revenue and Financing Policy reflects discussions in the Council workshops. In addition, some text has been updated to reflect internal process changes that have taken place since 2012, when the policy was last reviewed.
- 5.3 The updated Revenue and Financing Policy includes commentary about the benefits and funding rationale for all eight activity groups (Transport, Water etc). Previously, this commentary was included as a separate section within each activity group. This revised format is intended to enhance readability of the Long Term Plan.
- 5.4 At a Council workshop on 10 June 2014, the funding targets around user pays was discussed. Suggested changes were incorporated and further feedback invited. The outcome is that the funding proportions outlined in the table on page 37 represent Council's desired intentions i.e. the share of the gross operating costs borne by each group of ratepayers/users.
- 5.5 These are expressed as 'ranges' rather than a hard target, recognising that there may be year to year drivers within an activity which mean it is difficult to meet a target ie building consent activity levels. Also the need or desire to sometimes treat user groups differently.
- 5.6 There have been discussions around changing the stormwater/flood protection target rate to be based on capital value rather than a fixed charge per property. This is because there is an argument that the higher valued properties have more assets to protect and therefore should bear a higher proportion of the rate. Officers seek guidance on whether this change to the rating system should be consulted on through the LTP 2015-25 and will have more detailed modelling of the potential impact on individual properties available at the meeting.

6. Options

- 6.1 Section 102 of the Local Government Act 2002 requires local authorities to include a Revenue and Financing Policy in their Long Term Plan.

6.2 There are options about the content of the policy. Any changes by Council can be incorporated prior to the policy being included in the Long Term Plan.

7. Assessment of Significance against the Council's Significance Policy

7.1 This decision is not considered significant under the Council's Significance Policy.

8. Alignment with relevant Council Policy

8.1 The Revenue and Financing Policy is required for the Long Term Plan.

9. Consultation

9.1 The Revenue and Financing Policy will form part of the Long Term Plan but is not specifically required to be consulted on before being adopted.

9.2 A summary of the Revenue and Financing Policy will be included in the Long Term Plan Consultation Document. Again, it is not specifically required to be consulted on before being adopted.

Nikki Harrison
Group Manager Corporate Services

Attachments

Attachment 1: Nelson City Council Revenue and Financing Policy [A1272405](#)

Revenue and Financing Policy

Introduction

The Revenue and Financing Policy explains “who pays and why” for each of the Council’s activities, such as transport and water supply. The policy is based on an assessment of who benefits, and the timeframe over which the benefit occurs. The tables on pages 15-36 provide a summary of the Council’s assessment for each activity.

Council’s goal is to set affordable and predictable rates over the long term. To do this, the Council has to strike a balance between providing levels of service that meet customer and legislative requirements, and the public’s ability to pay for these services.

The Council has a number of funding options. The main ones are: general rates, targeted rates, fees and charges, borrowing, development contributions and subsidies. Council’s approach to these funding options is summarised in the table on pages 6-9 of this policy.

A third aspect of this policy is Council’s approach to operating and capital expenses. **Operating expenditure** pays for the work the Council does on an annual basis. An example of this type of spending is maintenance and running costs for existing infrastructure. **Capital expenditure** pays for new items, such as new buildings, pipes and roads.

Operating Expenditure Funding Policy

Council funds **operating expenditure** from the following sources:

1. General

General rates are used where there is a deemed general community benefit across all ratepayers.

2. Targeted rates

Council levies targeted rates to fund specific activities where there are groups of ratepayers that benefit from the activity, however in some cases targeted rates are levied as a proxy for direct user pays.

3. Fees and charges

Fees and charges are set to recover the direct user pays for the benefit received. In some cases Council is limited by legislation, collection costs or the impact on the community and fees and charges are set at a lower level than the assessment of private benefits would indicate.

4. Grants and subsidies

Where the Council is providing services that are part of national programmes or the Government provides subsidies to the Council to provide certain services then Council will claim for these Government grants/subsidies.

5. Other income

Other sources of funding include interest and dividends received, and other operating revenue such as rent received.

Operating expenditure is generally funded on an annual basis from money received in that year, apart from depreciation on the NZTA share of subsidised transport projects and some other minor community assets. However, exceptions can be made to this approach when it is necessary to avoid significant fluctuations in rates on a year to year basis. An example of this approach was the spreading of costs related to the December 2011 extreme rainfall event.

The Council has divided its business into 10 groups of activities. Some of these activities have a number of sub-activities, each with their own funding policies, as shown in the tables on pages 17-36 of this policy.

Depreciation

Managing depreciation ensures we have funds in the future to replace assets when they reach the end of their life. Depreciation is based on an estimate of the average wearing out, consumption, or other loss of value of an asset. Spreading the replacement cost of a long-life asset over the expected life of that asset means that current and future users of the asset contribute towards the eventual replacement of the asset, rather than just those paying rates at the time the asset needs replacing or major renewal.

Council raises cash through rates and charges to pay for current operating expenses which includes depreciation. The cash raised for depreciation is used to purchase replacement assets or repay loans within that activity. In the Funding Impact Statement depreciation does not appear as an expense line, but is included in the Statement of Comprehensive Income. These funds raised will, over time, fund the renewals that are required to maintain the assets at their required operational level. Each year's renewals are funded from this depreciation, but in most activities there is currently excess depreciation. This is because a majority of Council assets are in good condition and the required renewals in the period under review are less than the level of depreciation being funded. Renewals are normally low in the first few years of an asset's life, and then increase later in the life, for example when pipes need replacing after 60 years.

The excess depreciation raised could be put aside in an investment reserve until the funds are required to fund a major renewal. This could result in having to manage a large investment portfolio, while at the same time managing a large borrowing portfolio. This would be an inefficient way of managing the funds because the return on investments is likely to be 1% to 2% less than the interest rate on borrowings.

Nelson City Council, like many other Councils, uses the depreciation fund to repay debt. This has resulted in more efficient management of funds. Internal loans are used to ensure that depreciation for individual activities is correctly accounted for.

A surplus can arise if an asset costs less to renew than expected. If this happens, any excess is used to fund new capital expenditure within that activity, and if there is still a surplus it is used to repay loans in that activity. In some activities there may still be money left over. In these cases the excess money is held in reserve for future years.

Depreciation not funded

These are assets for which the Council does not intend to fund the replacement of in the future. It therefore does not fund depreciation for these assets:

- Founders heritage assets
- Wakapuaka Hall
- Stoke Hall
- Natureland Zoo
- Motor Camps

In addition, the Council is not required to fund depreciation for the New Zealand Transport Authority (NZTA) share of subsidised assets.

Capital expenditure Funding Policy

Capital expenditure is spending on assets such as new buildings, pipes and roads. The Council must outline in the LTP what capital expenditure is prudent, and within the guidelines it has set itself in the Financial Strategy.

Council funds capital expenditure in the following priority order:

1. financial contributions and development contributions, if a growth project
2. grants and subsidies, for example New Zealand Transport Authority, Tasman District Council, or community groups
3. depreciation
4. loans.

Asset management plans are maintained for all infrastructural services and these provide information about asset condition and asset renewals required to maintain desired service levels.

Renewals are funded from subsidies and grants (when available), depreciation, asset sales and lastly from borrowing if necessary.

New capital developments are funded from subsidies and grants (when available), user contributions, reserves, asset sales, and where necessary from borrowing.

Through the application of its Development Contributions Policy the Council receives contributions to fund infrastructure that is required due to City growth.

Borrowing is an appropriate funding mechanism to smooth the peaks in capital expenditure. It also enables the costs of major developments to be borne by those who ultimately benefit from the expenditure. This is known as the 'intergenerational equity principle' and means that the costs of any expenditure should be recovered from the community over the period during which benefits from that expenditure accrue. It is not prudent or sustainable for all capital expenditure to be funded from borrowings and Council must balance prudence against equity. The overriding limits on borrowing are set out in the Financial Strategy (see page x of the Strategy).

Rating and Charging Options

The following section explains the different options available to Council for levying rates and charges, followed by an explanation of the situations when each method is most appropriately applied.

General rates

General rates are used where there is community wide public benefit or no other appropriate funding source. The general rate is used to fund all Council activities other than water supply, wastewater, stormwater and flood protection, which are targeted rates and are explained below. All ratepayers should bear the cost of these non-targeted activities based on their land values because they benefit the community as a whole.

Every property is charged a baseline amount, which is called the uniform annual general charge (UAGC) per separately used or inhabited part of a rating unit (SUIP). The rest of the general rate is based on the land value of the property, depending on its use. Single residential properties are the baseline and have no differential.

As shown in the tables on pages 13-36 of this Policy, the Council has compared the public and private benefit of each activity in order to decide what percentage of the costs should be recovered through user charges. In most years fees and charges, excluding water charges and Development Contributions, raise approximately 50% of total Council revenue, and rates around 50%.

Differentials

Differentials are a percentage adjustment to the rates to reflect differences in levels of services received. For example, rural property owners pay lower general rates, reflecting the lower level of services, such as fewer or no street lights. The Council has set differentials to collect higher rates from commercial properties, and where there are two or more residential units on one assessment. Lower differentials are used to collect lower rates on rural properties and small holdings.

Council has adopted a policy that commercial rates are set to collect 25% of the total rates excluding water and voluntary targeted rates. 30% of this is funded from inner city and Stoke commercial properties while 70% is funded from the other commercial properties. The commercial zones of inner city and Stoke are defined in the Nelson Resource Management Plan. Council undertook a benefits allocation review in 2014 to ensure that this is fair and equitable and decided to maintain this percentage for the LTP as the benefit allocation had not changed significantly .

Targeted rates

The Council charges targeted rates in the form of uniform annual charges and demand related charges. These are for the recovery of the cost of providing water, wastewater and stormwater and flood protection.

Voluntary targeted rates

- Clean Heat Warm Homes

Council operates the Clean Heat Warm Homes scheme to assist ratepayers in replacing non-complying solid fuel burners in parts of the city where air quality can

be a problem. The scheme was funded through loans and the cost of the interest paid by Nelson City Council on the borrowing for the scheme is met from general rates. Council ceased to accept new entries beyond 30 June 2012.

- Solar hot water systems

Council operates the Solar Hot Water systems scheme to assist ratepayers to install a solar Hot Water system (SHWs). The scheme was funded through loans and the cost of the interest and administration costs of \$400 per installation is included in the total paid by the ratepayers using the scheme. Council ceased to accept new entries beyond 30 June 2012.

Source of Funding	Policy for Funding Operating Expenditure	Policy for Funding Capital Expenditure
General Rates		
<p>General rates are currently set at rates of cents in the dollar of land value, calculated differentially based on the following classifications of property:</p> <ul style="list-style-type: none"> • Single Unit Residential • Multi-unit Residential • Commercial inner city and Stoke • Commercial general • Rural • Small Holdings <p>Its incidence is modified by a uniform annual general charge (UAGC).</p>	<p>General rates will be primarily used to fund those activities, or parts of activities, that benefit the community in general and where no identifiable individuals or groups benefit in a significantly different way to the rest of the community.</p> <p>General rates may also be used where the use of direct charging would discourage use. General rates may also be used where it is impractical, or too administratively expensive, to fund the activity from other funding sources.</p> <p>General rates are currently apportioned according to the land value and deemed use of each property.</p> <p>The UAGC is a fixed charge per rating unit which the Council treats as a part of the general rate. It is used as a mechanism to ensure each rating unit contributes a minimum amount of the general rate and also to moderate rates on high value properties.</p>	<p>Generally not used for capital expenditure directly.</p> <p>General rates can be used to fund depreciation.</p>
Targeted Rates		
<p>Targeted uniform rates are set to cover the net cost of Water, Wastewater, Stormwater and Flood Protection for those groups of ratepayers that receive the services.</p>	<p>Targeted rates may be used to fund activities which identifiable categories of ratepayer, or ratepayers in identifiable locations, receive benefits from the activity to be funded in a significantly different way from other ratepayers.</p> <p>Targeted rates may be set as a fixed annual charge, or based on some other legally permissible basis such as land or capital value. They may be set differentially depending the location or classification of ratepayer or the nature of the service being provided.</p>	<p>Generally not used for capital expenditure directly.</p> <p>Targeted rates can be used to fund depreciation.</p>

Targeted rates, reflecting the actual costs from individual properties, are also set for Clean Heat Warm Homes scheme and the Solar Hot Water rate.		
Lump Sum Contributions		
These are a mechanism Council may use for enabling ratepayers to elect to pay for capital projects by lump sums instead of by targeted rates.	Operating costs are not funded from lump sum contributions.	The Council may fund capital projects in whole or part through lump sum contributions.
Fees and Charges		
Various fees and charges are set to cover all or parts of the cost of delivering activities	Fees and charges will generally be used for those services where the benefit is entirely, or in part, to the direct user of the service and where the use of the service is at the discretion of the user. This includes fees for various regulatory services, facilities operations or administrative services. Where the Council uses charges to ration the use of an activity, it may charge at a level above that which would be necessary to recover the costs of the activity. Fees and charges may be in the form of fines, penalties or similar and used where the Council wishes to modify the behaviours that impose cost, or inconvenience, on other members of the community.	Fees and charges may be used to reduce debt levels in the activity related to the fees and charges. User charges may be used to purchase physical assets used in that activity where prudent to do so.
Interest and Dividends from Investments		
The Council receives interest and dividends from its investments, such as Nelmac Port Nelson and Nelson	Ordinary budgeted interest and dividends, along with any other investment income, is treated as general revenue.	Interest and dividends may be used to retire debt. Special dividends are used to reduce debt.

Airport Ltd, and short-term cash management.		
Borrowing		
Debt is used to help fund long life infrastructure assets and other physical assets.	The Council will not normally borrow to fund operating costs, except for: <ul style="list-style-type: none"> - larger emergency events - large operating expenses which have multiple year benefits ie desludging of wastewater treatment ponds - some capital grants to external organisations which are classified as operating costs under the International Financial Reporting Standards. 	Borrowing is used to fund long life infrastructure assets and other physical assets after available funds from development / financial contributions, grants and depreciation reserves have been utilised.
Proceeds from Asset Sales		
Income received from selling surplus assets after paying for selling costs.	Operating costs are not funded from asset sales.	Proceeds from asset sales are an appropriate source for purchasing assets or retiring debt. Council will aim to ensure that the ratepayers who benefit from the use of funds match the group of ratepayers who paid for the asset.
Development Contributions		
Development contributions are sums payable, or assets transferred, to Council by developers or new service users. They pay for the costs imposed on infrastructure and Council facilities by growth in the number of properties / users.	Operating costs are not funded from Development Contributions.	Development contributions are a first choice for the funding of capital expenditure costs that result from development growth. The expenditure must be consistent with the purpose for which the development contributions were levied. Contributions will be calculated in accordance with the Council's Development Contributions Policy.
Financial Contributions under the Resource Management Act		
Financial contributions are sums payable, or assets transferred to Council, by	Operating costs are not funded from Financial Contributions	Financial contributions may be used to fund that proportion of new asset expenditure that is made necessary by the effects of subdivision

<p>developers or new service users to enable mitigation, avoidance or remedying of adverse effects arising from subdivision or development.</p>		<p>and development. The contribution may be required as a condition of consent, in accordance with any relevant rule in the District Plan.</p>
<p>Grants and Subsidies</p>		
<p>These are payments from external agencies and are usually for an agreed, specified purpose. The main source of these is NZ Transport Agency subsidies for road maintenance, renewals and improvements.</p>	<p>Grants and subsidies will be used for operating expenses only when this is consistent with the purpose for which they were given.</p>	<p>Grants and subsidies will be used for capital expenditure only when this is consistent with the purpose for which they were given.</p>

Funding Targets

Council's funding targets set the level of revenue that is appropriate for users to contribute for each Council activity, as shown in the right hand column of the tables on pages 15-36 of this Policy. Council has reviewed these targets as required by section 101 of the Local Government Act 2002. The specified funding source proportions are indicative only. In any given year there may be justification for variation from these proportions. This could be due to changes in market conditions, government policy or in the demand for a Council service. Most of the targets consist of a range rather than a precise number to reflect this uncertainty.

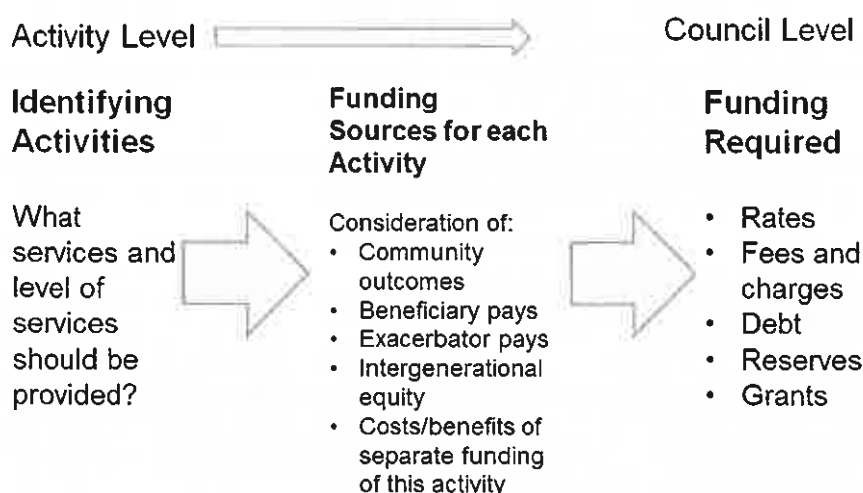
Process for determining funding sources

The Council has adopted a two-stage process to determine the appropriate funding sources, as required by section 101 (3) of the Local Government Act 2002.

Step 1

The first step is to determine the most appropriate source of funding for each activity by considering the following:

- community outcomes to which the activity primarily contributes
- distribution of benefits between the community as a whole, any identifiable part of the community and individuals
- the period in, or over which, the benefits are expected to occur. Generally, benefits derived from operating costs are received in the year the expenditure is incurred. In contrast, capital expenditures relate to investments in assets that generate benefits over their useful lives that extend beyond the current year
- the extent of the actions or inaction of individuals or a group contributing to the activity undertaken
- the costs and benefits, including consequences of transparency and accountability, of funding the activity distinctly from other activities.



Step 2

Once the most appropriate funding method for each activity is identified, the Council needs to consider the overall impact of its funding mix on the community. For example, the principle of paying for benefits received may call for a high degree of user pays for an activity, but this must be balanced against the principle of affordability.

Selecting the Appropriate Funding Source – Council Principles

The general principles used in the process are:

- the public good theory
 - the distribution of benefits between the community as a whole 'public benefit' = rates
 - An activity should be collectively funded if those who benefit directly cannot be identified and/or if those who benefit directly cannot be excluded from using the service
- the user/beneficiary pays principle
 - An activity should be funded on a user pays basis if an individual or group of individuals directly receive benefits of the activity exclusively and the costs of the activity can easily be attributed to that individual or group of individuals.
 - The service 'consumed' is excludable and creates rivalry (using this service reduces the availability for someone else).
- The merit goods theory
 - The use of private goods and services can also result in benefits to third parties – people who don't directly use them. In these cases Council considers that the service should be provided on the basis of community need rather than willingness to pay, or identifiable benefits received (e.g. regional sporting facilities).
- the intergenerational equity principle
 - the period in or over which those benefits are expected to accrue
- the exacerbator/polluter pays principle
 - the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity, and
- the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.
 - This considers the efficiency or ability to separate and identify costs and then collect revenue, and the impact on demand for services

Differentiation of private and public goods is not easy because very few goods and services can be treated as purely private or public; most goods and services have characteristics of both private and public goods.

The following policy positions have been set by Council and are used with the principles above.

- Where the benefit accrues to the whole City, general rates will be used.
- Where benefits accrue to certain groups within the City, user charges, differentials or targeted rates will be used if it is efficient to do so.
- User pays is also recognised as a tool to achieve Council's goals e.g. charging for refuse collection to encourage waste minimisation.
- In some cases, e.g. Wastewater, targeted rates are used as a surrogate for user charges as Council considers this to be a more efficient and effective method of funding than individual user charges.
- Rates are at least partly a tax. While effort is made to link payment of rates to benefits received

- or costs generated it is not possible to do this on an individual ratepayer basis.
- Subsidies from central government recognises that some services, e.g. roading, form part of a national infrastructure and only central government can levy user charges.
- The Uniform Annual General Charge (UAGC) recognises that most services are available to all properties regardless of value and that all properties should contribute a reasonable amount to the running of the City.

The process for funding the operating costs of these activities is as follows:

- Any operating grants or subsidies for a particular activity are used to reduce the gross cost.
- Where it is practical to recover the designated portion of the net operating cost of an activity from a private user or exacerbator, fees and charges are set at levels designed to achieve this, provided there are no legislative constraints on doing this.
- Where a fee or charge is not practical, targeted rates may be set in accordance with Council's rating policies.
- Any net income from investments or petrol taxes may then be applied and any residual requirement will be funded through general rates and/or uniform annual general charges (UAGC) – the latter rates and charges will be set on a differential basis in accordance with Council's rating policies. For the purposes of this policy any reference to general rates as a funding source is considered to include UAGCs.
- Rating policies including the details of targeted rates, the level of the UAGC, the choice of valuation base for the general rate and the details of the differential system will be outlined in the Funding Impact Statement in the 10 Year Plan or Annual Plan as appropriate.

In this document we use the words "public" or "private" to reflect who benefits from the services Council provides. When the word "public" is used it means the community at large will receive benefits and generally it is more efficient to charge for those through a rate. When the word "private" is used it means that either an individual or an identifiable group of individuals will receive benefits and generally this group can be charged either directly through user charges because it is efficient to do so or by using a targeted rate.

The tables which follow show this analysis for each activity within the groups of activities. A summary is provided on the final page of the policy.

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Group - Transport							
Community Outcomes Contributed to - Healthy land, sea, air and water. People friendly places. A strong economy. Kind, healthy people							
Road and footpath network	<p>All road and footpath users benefit from Council providing these services (motorists, pedestrians, cyclists, transport operators and all those who have goods shifted by road transport). Utility service providers also use the road reserve for their services. While the users of the network receive the majority of benefits from this activity, the network is non-excludable and all properties have access.</p> <p>Other personal and public safety aspects are the provision of streetlights which help to prevent crime and prevent injury, and the road safety education initiatives.</p>	<p>High. Road network maintenance provides both short and long term benefits. Assets such as bridges provide benefits to be enjoyed by future generations of ratepayers as well.</p>	<p>Heavy vehicles place a higher cost on maintenance of the roading network. This is recognised through Road User Charges. All individuals who have high usage of the network also pay more through excise fuel taxes.</p> <p>These users pay more towards the funds that NZTA provides through grants to the Council.</p>	<p>Roading and Footpaths is a mandatory Activity as defined in the LGA 2002.</p> <p>Costs have to be identified and reported separately in order to meet the requirements of the NZTA.</p>	<p>General rates Fees and charges Grants and subsidies Borrowings Reserves</p>	<p>All residents and businesses benefit from Council funding a road network. People from outside the City also benefit. The roading network is a vital service that underpins the movement of people, goods and services. People who do not drive still derive an indirect benefit, for example, roads are used for street parades and fairs, festivals and other activities. Council collects the local share of costs through general rates.</p> <p>The Council has no practicable method of charging for usage. It is impractical (and illegal) to charge for road use by any direct mechanism such as tolls. The NZTA grant, funded by fuel taxes and road user charges, is a proxy for user charges.</p> <p>The residual cost should be borne by whole City through the general rate with a differential applied to business to reflect the additional costs heavy vehicles place on the roading network.</p>	<p>Private 20-30% Public 70-80%</p>

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Inner City Enhancement	<p>Inner city properties receive benefits from extensive carparks for customers. Inner City businesses also e benefit from a higher standard of surface, regular cleaning, amenity plantings and street furniture.</p> <p>The majority of benefits from carparking are attributable to the individual user therefore is seen as a private benefit (excludable and rivalry). There are wider benefits from parking enforcement from ensuring people have access to carparks.</p>	Medium – High. Carparks are mostly provided as part of the road reserve.	<p>People who place obstructions or litter on footpaths create extra costs to clear the footpaths.</p> <p>People who park for longer than allowed reduce the availability of carparks for others. This is managed through fines.</p>	Carparks, street furniture and footpaths deliver particular benefits to the commercial sector. Footpaths do not receive NZTA funding and so have different funding sources. It is not feasible or legal to identify and charge all individual users of Council CBD services.	Fees and Charges General Rates Borrowings Reserves	<p>Council provides these services to support a vibrant and successful commercial centre. The higher levels of service for commercial properties are recognised by a higher commercial general rate differential.</p> <p>The operating costs are funded through carparking fees set at levels which are appropriate to manage demand & cover the costs of parking enforcement, meters and enhanced footpaths / furniture. Parking costs do not include the cost of the physical carpark itself. Any court costs are paid by the person who received the fine.</p>	private 90-100% public 0-10%
Public transport and mobility	<p>A number of individuals and groups benefit from this activity:</p> <ul style="list-style-type: none"> members of our community with disabilities total mobility and Super Gold cardholders. Those users without access to motor vehicles. School students who don't comply with Ministry of Education passenger transport criteria. General motorists due to reduction in vehicles using the roading network <p>These benefits are excludable and result in rivalry (bus seats or parks available).</p>	Mostly short term.	People without disabilities using the mobility carpark spaces generate the need for enforcement. Costs are partly recovered through fines.	Separate funding from NZTA and Ministry of Transport requires identification of costs within the Transport Group.	General Rates Grants and subsidies Fees and charges Borrowings	<p>The Council delivers total mobility and public transport services as part of a national service. Council receives a NZTA Subsidy, as well as funding from the Ministry of Transport for Super Gold Card users. The balance of funding comes from general rates and a grant from Tasman District Council for their share of the Total Mobility service.</p> <p>The NZTA grant is a proxy for public funding.</p>	Private 50-60% Public 40-50%

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Group - Water Supply							
Community Outcomes Contributed to - Healthy land, sea, air and water. A strong economy. Kind, healthy people							
<p>Water Supply</p> <p>Source - Maitai and Roding rivers</p> <ul style="list-style-type: none"> • Treatment • Reticulation network 	<p>The benefits from expenditure on water supply services are mainly private. However, there are some public health advantages from the community having a supply of safe drinking water and the assured availability of water for firefighting purposes.</p> <p>Water is also required by business and manufacturing for the production and processing of food and goods..</p>	<p>High.</p> <p>The water supply network has components that last for 80 years or more therefore the benefits are spread over multiple generations.</p>	<p>Excessive use of water by some could reduce the amount available for others. Water is metered so it is used efficiently and supply costs are shared fairly. Those who use more are charged more.</p> <p>There are administrative costs in a user-pays approach from the transaction cost of collecting water charges, but this cost is small in relation to the benefits of applying this system.</p>	<p>This is a mandatory Activity as defined in the LGA 2002.</p> <p>Funding this activity on a user-pays basis provides an incentive for water conservation, which is a significant benefit.</p>	<p>Fees and charges (meters) as a targeted rate</p> <p>Development contributions</p> <p>Financial Contributions</p> <p>Borrowings</p> <p>Reserves</p>	<p>While there is wide public benefit in the provision of clean water, this needs to be practically managed and funded. The benefit of clean water is directly to individuals and businesses mainly in local properties, although not to all properties in the city. Benefits vary dependent on the volume of water used. Demand management is important to manage the available water resource during dry periods, and to minimise the water network costs.</p> <p>For this reason, the cost is recovered through a metered charge for each property that is connected or can be connected to the water supply based on usage. All consumers of water (eg businesses) are metered and charged for the actual amount used. In areas of new subdivision development, levies (development and financial contributions) are also used.</p>	<p>Public 0%</p> <p>Private 100%</p>

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Group - Wastewater							
Community Outcomes Contributed to - Healthy land, sea, air and water. People friendly places. A strong economy. Kind, healthy people							
Wastewater	<p>The benefits from wastewater are largely equally spread across all households within the wastewater network area. Other commercial and industrial users benefit over and above this based on their volume and composition of wastewater. Their usage results in commercial benefits not associated with basic human health.</p> <p>There are recreational and environmental benefits associated with both inland and marine waters and protecting land from effects of wastewater seepage.</p>	<p>High.</p> <p>The timeframes of benefit are both short (eg each time the system is used) and ongoing with intergenerational benefits as an asset and in its protection of health and the environment.</p> <p>The network has components that last for 80 years or more therefore the benefits are spread over multiple generations.</p>	<p>Commercial volumes of waste can result in higher costs to run the network, as do industrial waste discharges to the network. Trade waste charges based on volume, biological loadings and chemical composition are set to reflect the costs of reticulation and treatment of commercial / industrial waste. Non-complying discharges require monitoring and enforcement.</p> <p>Stormwater infiltration through incorrectly installed downpipes requires monitoring and action by and on behalf of Council.</p>	This is a mandatory Activity as defined in the LGA 2002.	<p>Fees and charges (trade waste)</p> <p>Targeted rates</p> <p>Development contributions</p> <p>Financial Contributions</p> <p>Borrowings</p> <p>Reserves</p>	<p>While there is wide public benefit in the management of wastewater, this needs to be practically managed and funded. The cost is generally recovered through a targeted rate for each property that is connected or can be connected to the waste water network. Trade waste charges make up 20-30% of operational costs to reflect the additional loading these discharges have on the network.</p> <p>Costs of running the joint venture (NRSBU) trunk mains, pumping stations and treatment plant are shared between Tasman District Council and Nelson City Council in proportion to their respective use of the infrastructure. The apportionment of capital and the allocation of sewage drainage capacity are approximately 50/50.</p>	<p>Public 70-80%</p> <p>Private 20-30%</p>

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Group - Stormwater							
Community Outcomes Contributed to - Healthy land, sea, air and water. People friendly places. A strong economy. Kind, healthy people							
Stormwater Pipes, channels, natural waterways, pumps,	All properties within the serviced areas benefit from management of stormwater. Stormwater management protects private property from flooding and erosion. There is also a public benefit with regard to health, safety and reducing inconvenience by maintaining access to properties during periods of high rainfall and flooding.	High. Stormwater includes assets that have very long lives servicing multiple generations.	Property developments that fail to provide appropriate stormwater collection and discharge to the stormwater network (if in the area serviced) could result in adverse impacts on neighbouring or downstream properties. These issues are managed through the Environment Group activities of Council.	This is a mandatory Activity as defined in the LGA 2002	Targeted rates Development contributions Financial Contributions Borrowings Reserves	Stormwater management is largely a public benefit but applies only to those properties in the serviced areas. Therefore a targeted rate is the most appropriate funding source. The main objectives are the protection of public health and property. As such a targeted rate based on capital value could be considered.	Public 100% Private 0%
Group - Flood Protection							
Community Outcomes Contributed to - Healthy land, sea, air and water. People friendly places. A strong economy. Kind, healthy people							
Flood Protection	This activity provides protection from floods and keeps urban areas (roads, land, amenities, shops etc) free from floodwaters. This contributes to public health and safety, maintains quality of life and enhances amenity and property values. All landowners protected from flood waters receive a private benefit. However these benefits vary considerably and are very hard to quantify at the individual property level.	High. Flood protection works are long life assets.	None	This is a mandatory Activity as defined in the LGA 2002	Targeted rates Development contributions Financial Contributions Borrowings Reserves	The benefits of funding Council's flood protection activity apply to all those who live in the areas where Council provides flood protection works. Therefore Council uses a targeted rate as the most equitable form of funding this activity. The main objectives are the protection of public health and property. As such a targeted rate based on capital value could be considered.	Public 100% Private 0%

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Group - Environment							
Community Outcomes Contributed to - Healthy land, sea, air and water. People friendly places. A strong economy.							
Solid Waste Refuse collection and Disposal	<p>The benefits from refuse collection are for every household within collection areas by giving access to an affordable collection system. Further public benefit arises from transfer station operations as this promotes public health and sanitation and controls pollution. Additional individual benefits are received by those who dispose of more waste.</p> <p>Solid waste management contributes to a tidy, clean, healthy and safe environment. A well-managed landfill results in less pollution, reduces waste and prolongs the life of the landfill. All residents and businesses benefit from access to a local well managed landfill that reduces disposal costs.</p> <p>The landfill is managed to reduce gas emissions and increase revenue with a methane gas collection facility.</p>	<p>Benefits are long term as this activity reduces the impact of solid waste on the environment.</p> <p>Refuse collection services benefits are more short term in nature.</p> <p>The current landfill is expected to last to around 2034.</p>	<p>Exacerbators include:</p> <ul style="list-style-type: none"> • manufacturers who use excessive packaging. • those who produce unnecessary and unrecyclable waste. • those who dispose of hazardous waste inappropriately. • those who produce excessive hazardous substances. <p>It is difficult to track and identify those who dispose of waste inappropriately and there is no suitable mechanism for charging manufacturers who use excessive packaging. This needs to be addressed at a national level.</p>	This activity is funded on a user pays basis that requires separate identification.	Fees and charges Grants Methane gas sales Borrowings Reserves	<p>The cost of operating the York Valley Landfill, Pascoe Street Transfer Station and associated infrastructure is funded from user charges collected at the landfill and transfer station. Methane gas is sold to reduce the costs of controlling gas emissions.</p> <p>User charges are set at levels that cover the costs of the service and that also encourage reductions in the volumes of solid waste.</p> <p>A local Waste Minimisation levy is also taken as part of these user charges and this funds waste management and minimisation initiatives such as residential and schools recycling, illegally dumped refuse cleanup and waste education</p> <p>The solid waste account is managed as a closed account with any surplus transferred to a financial reserve and any deficit funded from the financial reserve or from debt.</p>	Public 0% Private 100%

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Solid Waste Recycling	All residents and commercial businesses benefit from access to recycling services that reduce waste and prolong the life of the landfill. Council has also assessed that the whole community benefits from waste minimisation as stated in the Joint Waste Minimisation Management Plan.	Benefits are long term from reducing the waste impact on the environment – both locally and nationally.	Those who recycle more create additional costs. However this actually supports the outcomes sought by government and the Council.	Recycling now incurs significant costs and has a unique set of policy objectives. User charges would require an expensive administration system to be established and would reduce usage.	Fees and charges Grants (waste minimisation levy) Borrowings	This is a public good so this activity should be funded through general rates or targeted rates. The public is used to these services not having user charges and this should continue to increase usage to meet other policy objectives. There is some funding from user charges from the collection and disposal activity as that generates some of the costs for recycling. To encourage waste minimisation Council runs education and awareness programmes, backed up by user charges for individuals and businesses that use the transfer station and landfill user charges.	Public 0 Private 100%

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Animal control	<p>The benefits from animal control are mainly private through providing administration and licensing services for dog owners. Dog owners benefit as work volume is directly proportional to number of dog owners. There is also a degree of public benefit in increased public safety.</p> <p>There are also benefits for the SPCA and dog owner associations (animal welfare, education of dogs' needs). Neighbouring landowners stock is protected from the effects of wandering dogs.</p> <p>Some costs are the result of animals wandering from their home locations that are not directly caused by their owners. In these cases the costs are carried by the general public.</p>	Benefits are short term, often requiring rapid responses to wandering dogs and stock.	Dog owners who do not control their dogs or do not register them create enforcement costs and endanger public health. These costs are partly recovered through fines, but some of these costs cannot be recovered.	Council is legally required to operate a dogs database and a register of dangerous dogs. The dog license fee also acts as a demand management tool to promote good dog ownership.	General rates Fees and charges Reserves Borrowing	The large majority of benefits are private and from exacerbators. This is reflected in almost all costs being funded through the dog license fee, with some funding from fines and impounding fees. A small amount is funded through the general rate to reflect those costs that are a public good. These are usually associated with rural stock control.	Private 90-100% Public 0-10%

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Building consents	<p>The community benefits from safety and health protection on buildings over time. Individuals benefit from certainty of the quality of building (minimum standards), and occupiers gain the protection of consistent standards. People seeking advice about building and related requirements receive a private benefit.</p> <p>The benefits from building consents can be directly related to the individuals or organisations that apply for the building consent. Full cost recovery is not always possible because some fees are set by law or regulation and the fee needs to be weighed against the cost of fee avoidance.</p>	Short to long term.	<p>Those who fail to obtain building consents, and those who do not build in accordance with a consent.</p> <p>Additional inspection costs from poor project design and / or management are passed on to the building owner.</p>	User charges recover the majority of costs for this activity. The activity is delivered in accordance with the Building Act 2004.	General rates Fees and charges Borrowings Reserves	<p>The majority of costs benefit private users, so user charges reflect this. Some costs associated with accreditation and general advice to residents is more of a public good and is charged through the general rate.</p> <p>Council has to balance the affordability of consent costs and public advice to residents against the impact on the general rate.</p>	Private 60-80% Public 20-40%

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Environmental Policy	The activity provides the District Plan and the strategies and policies that guide and regulate development in the City, based on the principles of the Resource Management Act. The benefits are attributable to the whole community and are therefore mainly a public benefit.	Medium to long term. Each District Plan has to be reviewed every 10 years. Development decisions made can result in very long term benefits to individuals and businesses.	Those seeking changes to the District Plan can initiate private plan changes. These costs can be charged to the initiator. Individuals and / or businesses who create the need for additional rules in the District Plan cannot be charged - the costs become a public good cost.	It is not possible to identify individuals or businesses that create the need for policy planning. Costs cannot be allocated to individuals and businesses using these services in any one year as the benefits and costs apply across the community differently each year. Charges are made in accordance with the provisions of the RMA 1991.	General rates Fees and charges	The benefits apply to the community in general and as such general rates are used to fund most of these costs. User charges are set for private plan changes, and for service requests that generate significant administration time.	Private 0-20% Public 80-100%

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Resource Consents	<p>The focus of this activity is to allocate the use of natural resources to consent holders and to protect the quality of Nelson's natural and physical environment, now and into the future. The resource consent holders benefit by obtaining approval for the use of resources.. Benefits for the wider community are prevention of inappropriate development and the avoidance of adverse environmental effects.</p> <p>In cases where there is non-compliance with the District Plan the exacerbator pays.</p>	<p>Short to long term. Some resources can only be used once and decisions can have a long term impact. Benefits are usually medium term.</p>	<p>Resource consent applicants who do not properly research proposed changes create additional costs. Submitters to plans whose submissions are on vexatious grounds. Consent holders who do not meet the consent conditions create the need for monitoring and enforcement.</p>	<p>User charges recover the majority of costs for this activity, as benefits are clearly defined.</p>	<p>General rates Fees and charges Reserves</p>	<p>Direct benefits are charged through user charges to the people applying for resource consents. Some of these consents include regular monitoring which are also charged.</p> <p>Council has to balance the affordability of consent costs and public advice to residents against the impact on the general rate.</p>	<p>Private 40-60% Public 40-60%</p>
Public Health	<p>Public benefits arise from the general community health and safety that results from enforcement of bylaws and statutory requirements. Residents are assured minimum health standards apply in a range of businesses controlled by regulations (liquor to hairdressers to food).</p> <p>There is a significant private benefit arising from individual licences that certify individuals or owners of premises. These businesses create the need for the inspection and enforcement activity.</p>	<p>Short term. There are some longer term public benefits from a healthy resident population, and the attractiveness of the City to visitors.</p>	<p>Businesses that do not meet the legal minimum standards create the need for enforcement actions.</p>	<p>Council's policy is to charge these activities on a user pays basis where possible. These activities have a common focus on licensing and inspections.</p>	<p>Targeted rates General rates Fees and charges Reserves</p>	<p>Council sets fees for the licences and inspections within the limits set by legislation and bylaws. In some cases these fees are at levels that do not cover the costs of the service. The public good benefits of health and safety result in the general rate being the choice for most of the costs. For the Solar Saver and Clean Heat Warm Homes schemes, targeted rates are used.</p>	<p>Private 30-50% Public 50-70%</p>

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Environmental Pest management Non-regulatory activities	<p>There is a public benefit from having public land free from pest infestations.</p> <p>Rural landowners (pastoral farmers and foresters) gain increased productivity, economies of scale and efficiency from a joint effort. Such initiatives also reduce encroachment and re-infestation from neighbouring land.</p> <p>While there are private benefits pests and weeds are not constrained by property boundaries.</p>	Short to medium term.	<p>Landowners who do not undertake adequate pest control.</p> <p>Those who pollute the environment.</p>	The cost of administering a separate rate outweighs the benefits.	General rates Fees and charges Reserves	Pest management requires concerted joint actions across property boundaries – otherwise re-infestation occurs. It is not feasible to allow individual property owners within an affected area to opt in or out.	Private 0-10% Public 90-100%
Emergency Management	The benefits of this activity are attributable to the whole community. Recovery from disasters will benefit some individuals or groups more than others. These benefits are seen as averaging out over time as the impacts and location of natural disasters cannot be accurately predicted.	Short to long term.	People who do not or are unable to provide for themselves in the event of an emergency. Those lighting fires without permits, or who do not prepare their Civil Defence three day kits.	Given the size and political importance of the expenditure, separate funding is considered important for transparency.	Grants and subsidies General rates Borrowing	<p>As the benefits are entirely for the public good it is not appropriate to apply separate charges or a targeted rate.</p> <p>The general rates are the appropriate funding tool.</p>	Private 0% Public 100%

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Group - Social							
Community Outcomes Contributed to - People friendly places. A strong economy. Kind, healthy people. A fun, creative culture. Good leadership.							
Libraries	<p>Users of the library gain a private benefit in that, with membership, they are able to access reading material. Other private benefits come from access to computers and the internet, audio-visual items and holiday programmes. These benefits are excludable and create rivalry (issuing a book to one individual precludes that book being issued to someone else).</p> <p>There is a wider community benefit in the provision of reading material, the availability of reference material and protection of heritage documents. Increasing the reading abilities of children and adults increases the overall knowledge and skills of the entire community, including the availability of skilled employees for local businesses.</p> <p>However, the majority of benefits are seen as private.</p>	<p>Facilities provide both short and long term benefits. Facilities such as library buildings accrue benefits to be enjoyed by future ratepayers as well.</p> <p>The benefits to residents from knowledge are long term.</p>	<p>Books and other items not returned mean others are disadvantaged. Fines are the tool used to reduce this behaviour.</p>	<p>This is a significant cost activity for Council. Charging for usage is only feasible through item charges as usage varies substantially between individuals and properties.</p>	<p>General rates Fees and charges Grants and subsidies Reserves Borrowing</p>	<p>The rationale is to encourage life-long learning, therefore membership fees and item rental costs could create a barrier to that goal.</p> <p>Charging for general book issues at a level that would generate substantial income would result in significant declines in usage and issues.</p> <p>Internet and digital books may change funding options in the future but for the medium term general rates and a small proportion of user charges are the preferred option.</p>	<p>Private 0-10% Public 90-100%</p>

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Art and Culture, Museums, Theatres and Art Galleries - Suter Art Gallery	<p>Providing arts and heritage activities fosters community pride and identity. The entire community benefits from the educational opportunities & cultural awareness that the provision of activities and facilities brings. The whole community (including particular sector groups eg schools) benefit from the Museum through the provision of cultural services, information and education, exhibition and management of the museum collection.</p> <p>The business community benefits from spending by visitors attending facilities & events.</p> <p>Individual benefits accrue to those who use facilities and attend activities.</p> <p>These benefits are excludable but mostly non-rivalrous (unless the facilities are full individual usage does not stop another person attending).</p> <p>Grants and heritage activities provided to groups exclude other groups from receiving funding. This is modified to some degree as Council applies criteria to grant funds that moves the benefits towards the whole community.</p> <p>Overall there is a fairly even split of public and private benefits.</p>	<p>Short to long term. Facilities tend to be civic buildings that last multiple generations. Art works and museum items usually last a very long time.</p> <p>Grant benefits are short term although they do build community capability for the longer term.</p>	<p>The need is created by the whole community. Sector artistic groups and private users also create a demand for facilities.</p> <p>The community creates the need by requiring a facility to store and display museum collections as well as have access to cultural services, information and education.</p> <p>Groups of individuals with specific interests in heritage and arts.</p>	<p>This is a significant cost activity for Council. Charging for usage is only feasible through entrance charges.</p> <p>Most art and heritage activities funded involve partnerships with community groups and volunteers. Charging for these activities would significantly reduce community involvement.</p>	<p>General rates Fees and charges Grants and subsidies Reserves Borrowing</p>	<p>The need and spread of benefits for Museums, Theatres and Art Galleries is largely a political decision. The significant public good aspect of these activities supports the funding through the general rate. Some of these costs are attributed to the business sector to recognise the number of residents and visitors who are attracted to the City centre.</p> <p>The private benefit component is funded through sponsorship (as a proxy for community support) and user charges for special exhibitions.</p> <p>Entrance charges for the general facilities would significantly reduce usage and past investments in this activity would be poorly utilised. These facilities also provide activities for visitors. Because of these issues Council has decided to reduce the proportion to be funded by individuals.</p> <p>Grant funding and heritage activities benefit the whole community. Private and group benefits funded through external grants and sponsorships that are often required by Council.</p>	<p>Private 0-20% Public 80 – 100%</p>

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Cemeteries and Crematorium	<p>These services provide appropriate and safe cemetery and crematorium services. The cemeteries also provide public open space, often with heritage value.</p> <p>Individual users / groups benefit, particularly families of the deceased. The entire community benefits adequate provision for interring the deceased in an appropriate manner and that cemeteries are maintained as a place of remembrance.</p>	Long term.	None	<p>New users of the services are charged on a user pays basis. Historical burials and cremations created ongoing costs that cannot be charged for in retrospect.</p>	<p>General rates Fees and charges Reserves Borrowing</p>	<p>Council is faced with maintaining these facilities in perpetuity to a high standard. New users pay for the burial / cremation costs plus the ongoing costs of maintaining the plot. This is the private benefit funding proportion. The costs of maintaining historical burial areas, and some of the costs of public spaces, are a public good and are therefore funded through general rates.</p> <p>Crematorium fees have to meet market competition.</p>	<p>Private 40-60% Public 40-60%</p>
Motor Camps	<p>Visitors to the City benefit from affordable camping facilities and other accommodation options. The Motor Camps also offer semi-permanent low- cost residential options..</p> <p>These benefits are excludable and rivalrous.</p> <p>Businesses benefit from the attraction of visitors who can stay overnight due to the availability of range of accommodation for residents and visitors.</p> <p>The whole community benefits from providing serviced camping spaces and not having visitors camping illegally and generating litter and pollution issues.</p>	Short to long term.	None	<p>This activity is operated as a business and funding is separate from core Council operations.</p>	<p>General rates Fees and charges Borrowing</p>	<p>Motor Camps are provided to allow campers and other visitors to stay in the City. While the whole community, and businesses in particular, benefit from this the users of the Motor Camps gain the most benefit. These facilities use reserve land but are operated as a business. Funding is largely from user charges and the balance is from general rates. Any surplus funds can be used to reduce the general rate requirements.</p>	<p>Private 90-100% Public 0-10%</p>

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Community Housing	<p>Individual tenants are the primary beneficiaries. These reasonable quality low-cost housing units are targeted at older residents on low incomes with the least wealth. Rental levels are set below market rates. These benefits are excludable and rivalrous. The assets have considerable value and the benefits are received by a small percentage of the community.</p> <p>The community as a whole benefits from having appropriate affordable housing available to senior residents.</p>	<p>Long term. Each housing unit will last at least 50 years.</p>	<p>Mature residents who are unable to provide for their long term accommodation needs.</p>	<p>Fees and charges as set by Council policy and government superannuation levels determine income. Funding needs are separately identified to clearly show the amount of subsidy.</p>	<p>Fees and charges Borrowing</p>	<p>The Community Housing activity was started in the 1950's in a partnership with government. Council has a Policy setting rental charges at 25% of national superannuation level. As the benefits are largely private the activity is self funding through fees and charges.</p> <p>The ability to fund future renewals of the housing units may require changes to this policy.</p>	<p>Private 100% Public 0%</p>

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Social Development	<p>Council has a role in supporting community groups which promote community development. The community benefits from the existence of a strong co-ordinated voluntary sector, and improved social services that better match the needs of the community.</p> <p>Community groups gain funding to proceed with their projects, and beneficiaries of those projects receive a range of benefits.</p> <p>Some individual benefits are excludable but many of the programmes aim to support groups or the community as a whole.</p> <p>Migrants and intending migrants to the region gain support. Members of the youth Council gain experience of Council procedures and an opportunity exists for the youth voice to be heard.</p>	Generally short term.	Residents with social needs that are the result of addictions. Residents with behavioural problems.	It is not possible to charge the full costs to individuals who benefit, as they often have limited incomes. Community groups use volunteers and are not personally receiving the benefits of the funding.	General rates Fees and charges Reserves Borrowing	<p>The purpose of the funding is to address social issues and to help those residents who are the most disadvantaged. In many cases the net cost to the community from these grants is positive. As the entire community benefits from improved social outcomes the general rate is used to fund grants and programmes.</p> <p>Council encourages community groups to maximise government funding and other grants. Council funding (general rates) are only used where these other sources are not sufficient to fund these approved grants / activities. Council limits the funds available as the demand is always more than what Council deems is affordable through rates.</p> <p>Council also funds social policy and monitoring in order to know the current and expected state of social needs in the City. This is a Council-run function which is funded through the general rate.</p>	Private 0-20% Public 80-100%

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Community Properties – public toilets, halls etc	<p>Benefits flow to the whole of the community through the provision of community buildings for leisure, arts, and cultural and community events.</p> <p>The whole community benefits from clean public toilets.</p> <p>There are economic benefits to businesses by providing facilities for visitors and residents, and community buildings that attract people to events and for recreational purposes.</p> <p>Private benefits arise from the enjoyment received from attending community events and other activities, and from using public toilets.</p>	Short term for events and activities. Long term from the provision of buildings.	<p>People and groups who want community spaces to meet or carry out an activity.</p> <p>People (visitors and residents) away from their home or workplaces needing toilets.</p>	Council funds this activity through a mixture of user charges, rents and general rates. A specific rate could be used but the amount is not significant for the Council. The general rate is seen as appropriate to fund the public good aspects of the activity.	Fees and charges General rates Reserves Borrowing	<p>Council provides a range of community buildings and public toilets to support community groups, activities and a more community orientated City. Many of these facilities are historical and some reflect the different community needs of previous generations. Council is now faced with maintaining these facilities as the general community is very supportive of retaining these facilities. Council sets charges at a level that balances income against usage. While these charges are lower than the private benefits would suggest there is little scope to significantly increase them.</p> <p>Public toilets are generally free in New Zealand and there is considerable resistance to setting charges for them. There is a high transaction cost through additional capital or operating costs to make charges possible. On balance Council has decided to encourage their use by making them free.</p> <p>Overall, Council funds this activity through a variety of user charges, rents and general rates.</p>	Private 0-20% Public 80-100%

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Group - Parks and Active Recreation							
Community Outcomes Contributed to - People friendly places. A strong economy. Kind, healthy people. A fun, creative culture.							
Premier Parks and facilities - Trafalgar Park, Trafalgar Centre and Saxton Field	<p>This activity includes indoor stadiums, the premier sports park and grandstands, and the shared regional facility at Saxton Field.</p> <p>The benefits from expenditure on event venues are mainly private. The premier grounds and facilities for use by sporting groups, teams, clubs and associations is a significant private benefit to their members.</p> <p>The public derive benefit from having access to sports grounds for recreation other than sport. Having these regional facilities contributes a sense of community identity through inter-regional sporting contests, and provides entertainment opportunities. Benefits are shared with Tasman District and funding is jointly managed for some of these regional facilities.</p> <p>The community benefits from regional and national sports tournaments, commercial shows and events that occur due to the availability of these facilities. Businesses benefit from the attraction of visitors to these events.</p> <p>For these facilities most usage is excludable and rivalrous. The majority of benefits are private to individuals, groups, clubs and commercial businesses, but also contain many public benefits.</p>	Premier recreation facilities provide long term benefits to residents through improved health, social involvement and provision of visitor attractions.	<p>Vandals create more maintenance costs.</p> <p>Demand for commercial event space reduces their availability for community use.</p> <p>Regional level sports teams require higher quality sports facilities than are normally required. This provides benefits to a small number of residents..</p>	<p>Sporting and commercial events set entry fees and Council sets fees based on commercial private use. Many regular sports activities are funded through pay per play arrangements.</p> <p>The balance are public goods funded through general rates.</p>	<p>Fees and charges</p> <p>General rates</p> <p>Grants and subsidies</p> <p>Reserves</p> <p>Borrowing</p>	<p>Council operates these facilities with a mix of commercial and community users. More commercial events result in reduced access for community recreation users. There is considerable 'merit goods' in this activity and it is not feasible to set charges to match private benefits.</p> <p>Commercial use of the stadium and associated spaces is charged at market rates. Charges are limited by alternative costs both within and outside the Region. Top level sporting events are charged entry fees but these do not often go to Council. Council has to balance attendance and usage against the level of charges.</p> <p>Regular local sporting use charges are set more in line with the Sports Parks activity. Some clubs have provided additional facilities through partnerships with Council. These clubs charge on more of a 'pay per play' basis to fund those facilities. The balance of funds required to maintain the facilities after fees and charges income is from the general rate as all people and businesses benefit.</p>	Private 10-20% Public 80-90%

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Sports Parks	<p>Two main groups gain private benefits from sports parks – sporting groups and businesses involved in event organisation, hospitality and tourism.</p> <p>In terms of organised active sport and commercial events the benefits are excludable and rivalrous. Access to the sports fields for informal sports and recreation is not excludable but is partly rivalrous.</p> <p>The public/whole of community benefit through the provision of formal and informal recreational opportunities that enhance and support individual and community health. The public derive benefit from having access to sports grounds for recreation other than sport, as well as the option of having access to organised club sport. The extensive open spaces created by sports parks enhances the overall attractiveness of the City.</p> <p>Overall there is a fairly even split of public and private benefits.</p>	<p>Long term.</p> <p>Good recreation facilities provide long term benefits to residents through improved health and social involvement.</p>	<p>Vandals and litterers create additional work to maintain the grounds.</p> <p>Sports teams and club demands for more services create pressure on Council budgets.</p>	<p>Recreation benefits the whole community so this activity is funded through general rates. The cost of administering a separate rate outweighs the benefits. Individual benefits are partly funded through user fees and charges</p>	<p>Operating Costs Fees and charges General rates Grants and subsidies Reserves Borrowing</p>	<p>While there are significant private and group benefits there are adverse impacts from imposing substantial fees and charges. Sports clubs are struggling to remain viable as adult participation in organised sport declines. Council is part of the regional physical activity strategy that aims to increase the participation rate in active sports. Increasing charges is likely to further reduce numbers joining sports clubs.</p> <p>Council must balance participation numbers against rates impacts. It is possible that revenue would not increase much if charges are increased as some clubs may fold. The majority of sports parks were set aside by previous generations for recreation use. Changing recreation activities is likely to create the need to consider how these parks are allocated, as demand for indoor and court facilities increases.</p>	<p>Private 0-20% Public 80-100%</p>

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
<p>Neighbourhood reserves and playgrounds</p> <p>Includes Zoo, walkways, and cycleways planning</p>	<p>Individual users of the parks gain benefits from the enjoyment of the facilities and open spaces, exercise facilities and interaction with other members of the community. Adjoining landowners gain amenity value from living next to a reserve. Those who live in areas with significant densities of landscape trees gain amenity value. These benefits are often reflected in higher land values that result in higher general rates.</p> <p>The parks and reserves provide a venue for special events such as weddings, music events, organised picnics and promotions. These benefits can be commercial in nature and are not solely public goods.</p> <p>The majority of benefits are non-excludable and non-rivalrous and are therefore public good. The exception is commercial benefits from private functions that restrict the access of the general public.</p>	<p>The benefits from this activity range from immediate, such as walking through the parks, to the long term benefits to individuals and the city, by having a good quality environment and heritage trees.</p>	<p>Vandals and litterers create additional work to maintain the grounds.</p> <p>Inconsiderate users create the need to increase signage and improvements (e.g. cyclist vs walkers).</p>	<p>This activity includes activities which are totally for the public good. It would be costly to identify individual users and any direct charges would reduce the sense of community.</p>	<p>General rates Fees and charges Reserves Borrowings</p>	<p>It is impractical to charge users of these reserves for access. All residents and visitors have the opportunity to use the services and Council encourages their use to build a sense of community as well as improve health and fitness.</p> <p>These benefits are public good in nature and should be funded through general rates. Business benefits from the attraction of visitors and increased population for lifestyle reasons. These benefits are reflected in the general rate commercial differential.</p> <p>The exception is when the reserves are used for a commercial basis such as formal private events or business promotions. In these cases fees and charges should be set to recognise the private use of public land that has an impact on the general public access.</p> <p>The Natureland Zoo is leased to the private sector and any additional funds Council allocates to the facility supports the public good elements of the Zoo.</p>	<p>Private 0-10% Public 90-100%</p>

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Marina	<p>The main benefits are private to boat owners because it enables exclusive occupation of publicly owned space, which offers greater security than single moorings. These benefits are excludable and rivalrous.</p> <p>Businesses benefit as the marina provides economic benefits from attracting visitors to Nelson. Residents benefit from passive recreation opportunities.</p> <p>The community as a whole benefits by managing an efficient use of scarce water space and protects marine environments, by concentrating boat moorings and marine contaminants in one area.</p>	<p>Medium term.</p> <p>Marina assets need to be renewed on a regular basis.</p>	<p>Mooring users need to comply with rules around contaminants and fees. The Marina needs to be managed to ensure this occurs.</p>	<p>This activity is operated as a business and funding is separate from core Council operations.</p>	<p>Fees and charges</p> <p>Reserves</p> <p>Borrowings</p>	<p>The marina is a stand-alone business that provides services to boat owners wishing to moor close to Nelson. While there are some benefits to the whole community, businesses and local individuals these are seen as being covered by the City providing the service. The large majority of benefits are private to the Marina users so this activity is fully funded from user charges.</p>	<p>Private 100%</p> <p>Public 0%</p>
Recreation	<p>This activity includes recreation programmes and planning, as well as a range of assets such as a golf course and outdoor swimming pools.</p> <p>The community gains benefits from health and fitness, community participation, as well as some additional open space. Attractive places are provided for social interaction and club sports.</p> <p>Private benefits are received by recreational users, recreation programme participants and all users of Council reserves.</p> <p>The majority of benefits are non-excludable and non-rivalrous and are therefore public goods. The exceptions are pool users and the golf club users.</p>	<p>Medium to longer term.</p>	<p>Vandals create additional work to maintain the assets.</p>	<p>This activity is mainly a public good activity. It would be costly or impractical to identify individual users and any direct charges would reduce the sense of community.</p>	<p>General rates</p> <p>Fees and charges</p> <p>Lease / rents</p> <p>Reserves</p> <p>Borrowing</p>	<p>Council charges where feasible for entry to recreation assets and programmes. Charging more than a small proportion of costs would severely reduce the affordability of these services for large portions of the community.</p> <p>Council leases land to the Waahi Taakaro Golf Club. This lease is set at levels to support the Club and encourage public use.</p>	<p>Private 0-20%</p> <p>Public 80-100%</p>

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Group - Economic							
Community Outcomes Contributed to – A strong economy. Good leadership.							
Economic	<p>The whole community benefits through the spin-off impacts of economic development and through having a coordinated approach to economic development.</p> <p>The business community primarily benefits from economic development of a region (eg increased income and people, are likely to increase business wealth). Sectors within the business community benefit through targeted economic development programmes.</p> <p>Possible new businesses gain support, information, and contact with other businesses or investors who can help them become established. The not-for-profit sector benefits through indirect effects of economic development, such as increased sponsorship and grant availability.</p> <p>This activity is jointly funded with Tasman District and delivers regional strategies and programmes (Nelson Regional EDA, Nelson Tourism Ltd and the Regional Economic Development Strategy).</p> <p>These benefits are not excludable or rivalrous. The benefits are a public good.</p>	The benefits of economic and tourism growth range from immediate, such as business profits and salaries and wages to long term economic benefits to Nelson.	None.	<p>Council's support for the Nelson economy benefits the community as a whole and therefore Council funds this activity through the general rate. As the business sector is the primary beneficiary this is reflected in the commercial general rate differential.</p> <p>It is not possible to identify individual residents, properties or businesses that benefit from this activity.</p>	General rates Grants and subsidies Reserves	This activity is a classic public good and as such is funded through general rates with an emphasis on the commercial general rate differential. While it is difficult to attribute outcomes from this expenditure there is general agreement that Council not providing a coordinated investment in this activity can result in a decline in the economic activity of the Region and the City.	Private 0% Public 100%

Activity	Who benefits (User / Beneficiary pays principle, public good theory)	Period of benefits (intergenerational equity principle)	Whose actions or inactions contribute (Exacerbator / polluter pays principle)	Costs and Benefits of Separate Funding	Funding Sources	Funding Rationale	Funding Targets Adjusted for community affordability
Group - Corporate							
Community Outcomes Contributed to – Good leadership							
Civic and Democracy Services	The community benefits by having a democratic system of local government as required by law. Consultation has the benefit of producing decisions and outcomes that comply with the LGA 2002 and deliver the best outcomes for Nelson. Individuals and lobbyists requesting official information receive a degree of private benefit but this is a public good process.	Good governance resulting in high quality decisions which are supported by the public delivers long term benefits.	Those making unreasonable or excessive official information requests or vexatious or frivolous appeals.	Democratic processes benefit all residents and businesses, therefore this activity is funded through the general rate. It is not practical, legal or feasible to set individual charges or targeted rates based on specific issues and processes.	General rates Fees and charges Borrowings	This is a pure public good where the processes are set in legislation. This activity is funded through the general rate.	Private 0% Public 100%
Investment Management	Benefits are largely attributable to the whole community and are a public benefit. There are individual benefits for those who lease or buy land from Council, or are paid by Council for associated services. Some other beneficiaries are those who use the airport and port, and forestry consultants who manage the forests.	Short and long term.	None	The returns from these investment reduce the general rates, unless particular assets produce income that goes into associated reserve accounts.	Dividends and interest Fuel tax Rent Borrowing Sale of trees	This activity manages the financial investments of Council. It produces revenue that offsets the costs of running the Council. Some of the assets are jointly owned with TDC and the revenue is split accordingly.	Private 0% Public 100%

Summary of Funding Targets

Funding Source Proportions for Operating Costs

	General Rates	Targeted Rates	Fees and Charges	Grants and Other Revenue
Transport				
Road and Footpath Network	70-80%			20-30%
Inner City Enhancement	0-10%		90-100%	
Public Transport and Mobility	40-50%			50-60%
Water Supply			100%	
Wastewater		70-80%	20-30%	
Stormwater		100%		
Flood Protection		100%		
Environment				
Solid Waste Collection and Disposal			100%	
Solid Waste Recycling	0		90-100%	0-10%
Animal Control	0-10%		90-100%	
Building Consents	20-40%		60-80%	
Environmental Policy	80-100%		0-20%	
Resource Consents	40-60%		40-60%	
Public Health	50-70%		30-50%	
Environmental	90-100%		0-10%	
Emergency Management	100%			
Social				
Libraries	90-100%		0-10%	
Art and Culture	80-100%		0-20%	
Cemeteries and crematoriums	40-60%		40-60%	
Motor Camps	0-10%		90-100%	
Community Housing			100%	
Social Development	80-100%		0-20%	
Community Properties	80-100%		0-20%	
Parks and Active Recreation				
'Premier Parks and facilities' Trafalgar Centre, Trafalgar Park and Saxton Field 'Premier Parks'	80-90%		10-20%	
Sports Parks	80-100%		0-20%	
Neighbourhood Parks and Reserves	90-100%		0-10%	
Marina			100%	
Recreation	80-100%		0-20%	
Economic	100%			
Corporate				
Civic and Democracy	100%			
Investment Management				100%

The funding proportions outlined in this table represent the Council's desired intentions – i.e. the share of the gross operating costs borne by each group of ratepayers / users.

Note - The Council has varying levels of control over the actual revenue obtained from users of facilities that are not owned by Council. Management and operations that are carried out by other entities generally retain revenue from entry fees.