Nelson City Council
te kaunihera o whakatū

OPEN

MINUTE ITEM ATTACHMENTS

Ordinary meeting of the

Nelson City Council

Tuesday 20 March 2018
Commencing at 9.00am
Council Chamber

Civic House

110 Trafalgar Street, Nelson

TABLE OF CONTENTS **PAGE**

Nelson Tasman Hospice

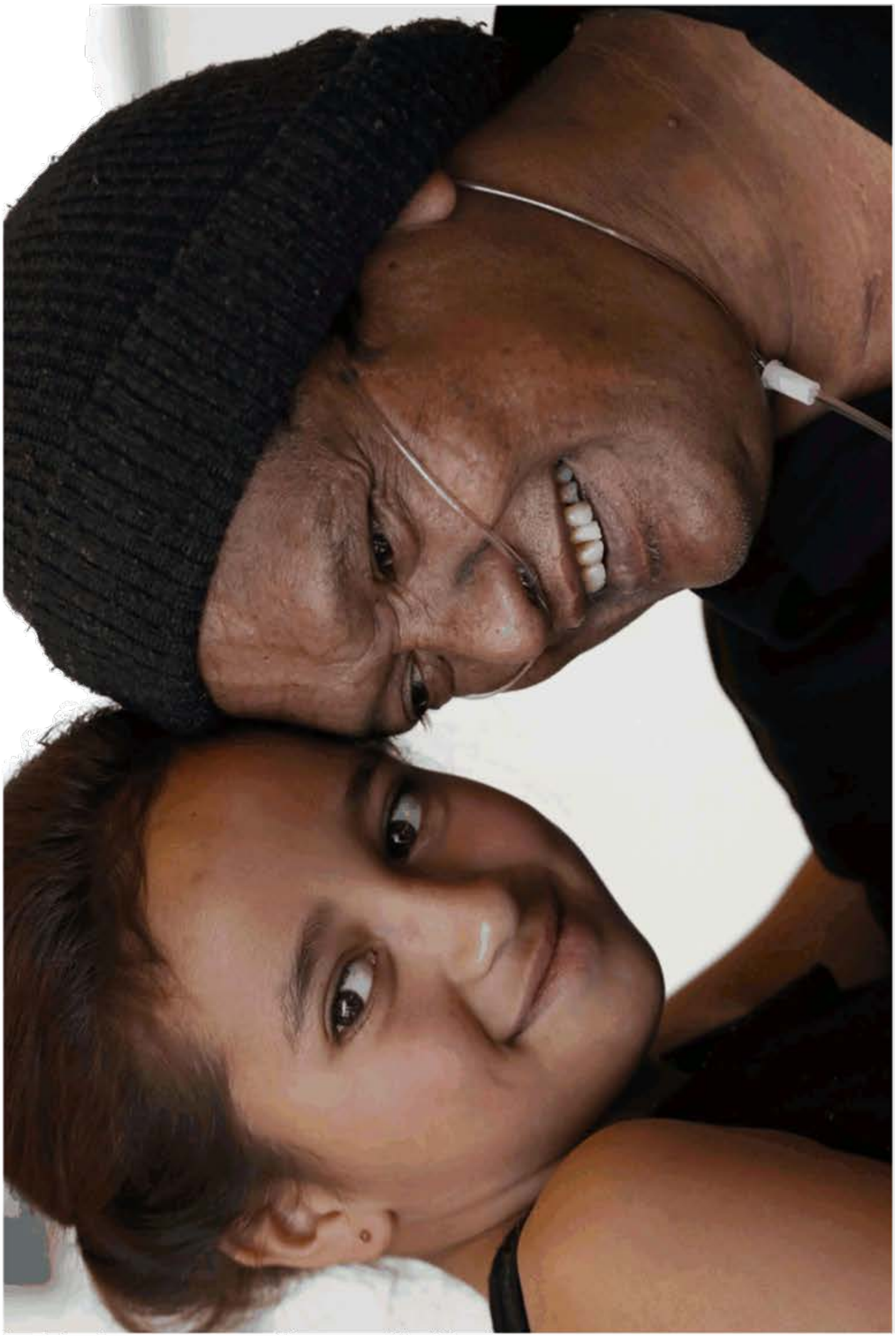
A NEW HOME FOR HOSPICE

Nelson City Council meeting

We request a waiver of over $141,000 in development fees

- We provide FREE care for thousands of patients a year in the Nelson region
- This is a $14 million investment in our community
- We need to raise a further $2 million from the community for the new building
- We have to raise over $1 million a year to cover a shortfall in operational costs
- Many families benefit from our services and many more will in the future

Thanks for listening



A NEW HOME FOR HOSPICE

NCC full council meeting

Nelson Tasman Hospice requests waiver of $141,681.77 in development fees for the new facility in Suffolk Road, Stoke.

Hospice services

1. We provide palliative care for people with a life limiting illness. We help patients live life to the full until the end.
2. FREE care for over 160 patients at any one time – in the hospice, in patients' homes and in rest home facilities.
3. We have had involvement with over 37% of those who have died in our region in the past year.
4. We educate other health professionals in palliative care.
5. We have over 450 volunteers in the Nelson region to help us deliver our service.

New build

1. We have had to move hence the $14 million development to secure the future of the hospice.
2. There is NO government funding for capital projects.
3. We are seeking $2 million from the community.

Why development fees should be waived

1. As a charitable organisation we have limited funds as we have to cover an operational shortfall of $1 million every year.
2. It would be a one-off contribution from the council for a service which provides care for its residents.
3. Our request is not setting a precedent – fees are already waived for government buildings, NMIT, child care centres and some property developers building apartments.
4. Commercial rest homes pay half the amount hospice has been charged.

Who will benefit

The ratepayers of Nelson who come under our care – that could be your mother, father, brother, sister or any other relative.

A1934006

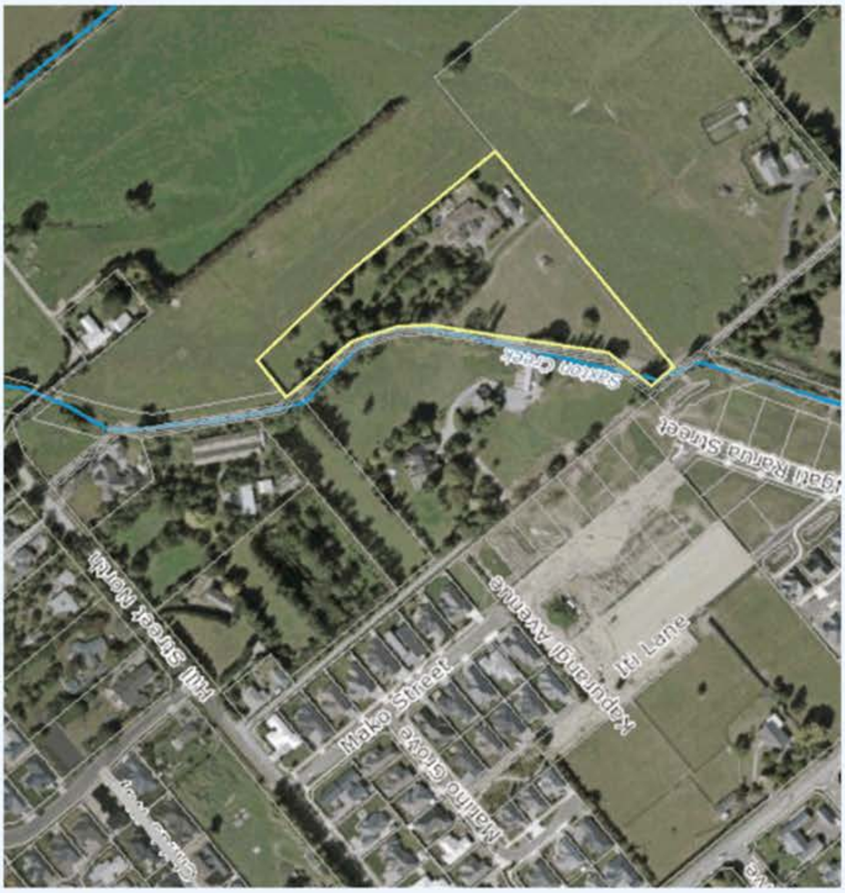
Paul McIntyre and Frans Dellebeke
Nelson Tasman Hospice
Public Forum Council 20 March 2018

landmark lile ltd
RESOURCE MANAGEMENT

Proposed Special Housing Area
for
3D Hill Limited

3D Hill Street, Nelson South

A1933142 Council 20 March 2018

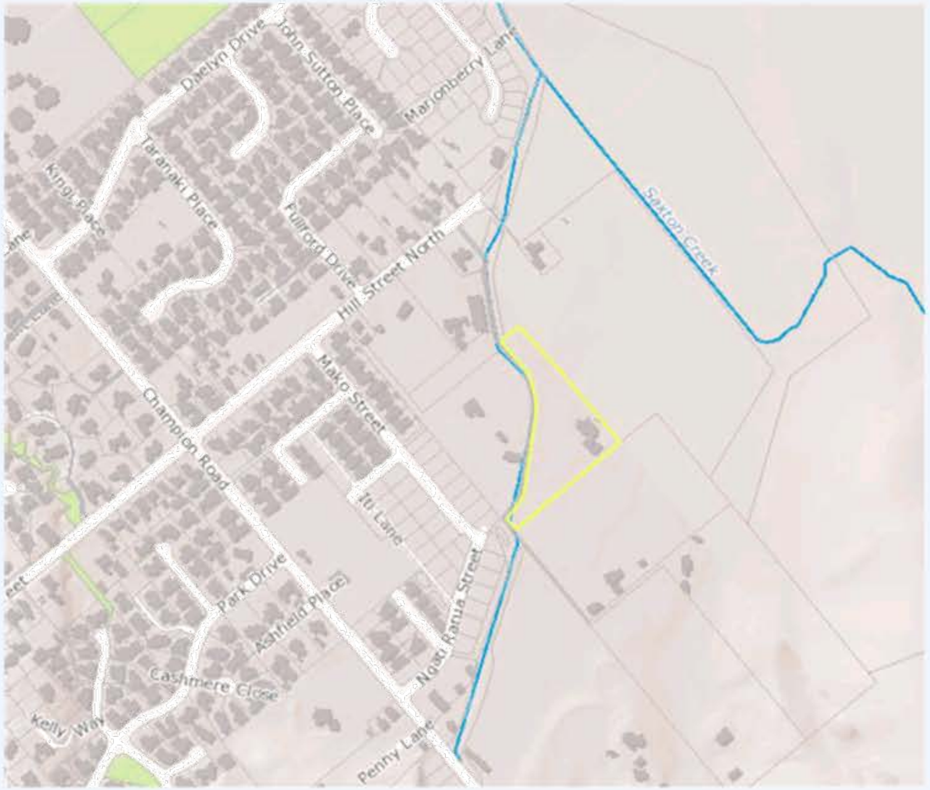


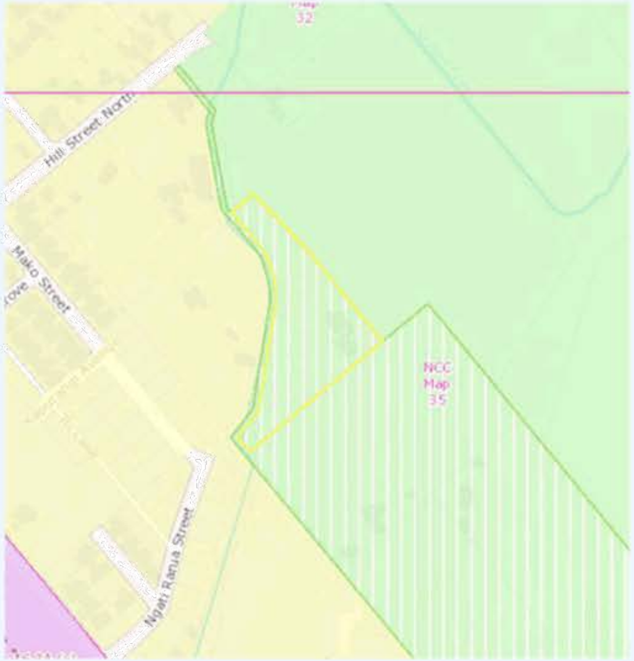
landmark lile ltd
RESOURCE MANAGEMENT

3D Hill Street

landmark lile ltd
RESOURCE MANAGEMENT

Density and Zoning





landmark lile ltd
RESOURCE MANAGEMENT

- Qualifying Development Criteria

- Maximum Number of Storeys: 2
- Maximum Calculated Height: 7.5m
- Minimum Number of Dwellings: 15 (14 additional)

landmark lile ltd
RESOURCE MANAGEMENT

Draft Layout

- Access the Ngati Rarua Place extension

landmark lile ltd
RESOURCE MANAGEMENT

Services

- Will need to be extended, and coordinated with other developments
- Access – available from Ngati Rarua Place once bridge constructed

Thank you for this opportunity

landmark lile ltd
RESOURCE MANAGEMENT

Proposed Special Housing Area
for
Cleveland Heights Limited

2 City Heights, Nelson City

A1933146 Council 20 March 2018

landmark lile ltd

RESOURCE MANAGEMENT

2 City Heights

landmark lile ltd
RESOURCE MANAGEMENT

Zoning

Residential

landmark lile ltd
RESOURCE MANAGEMENT

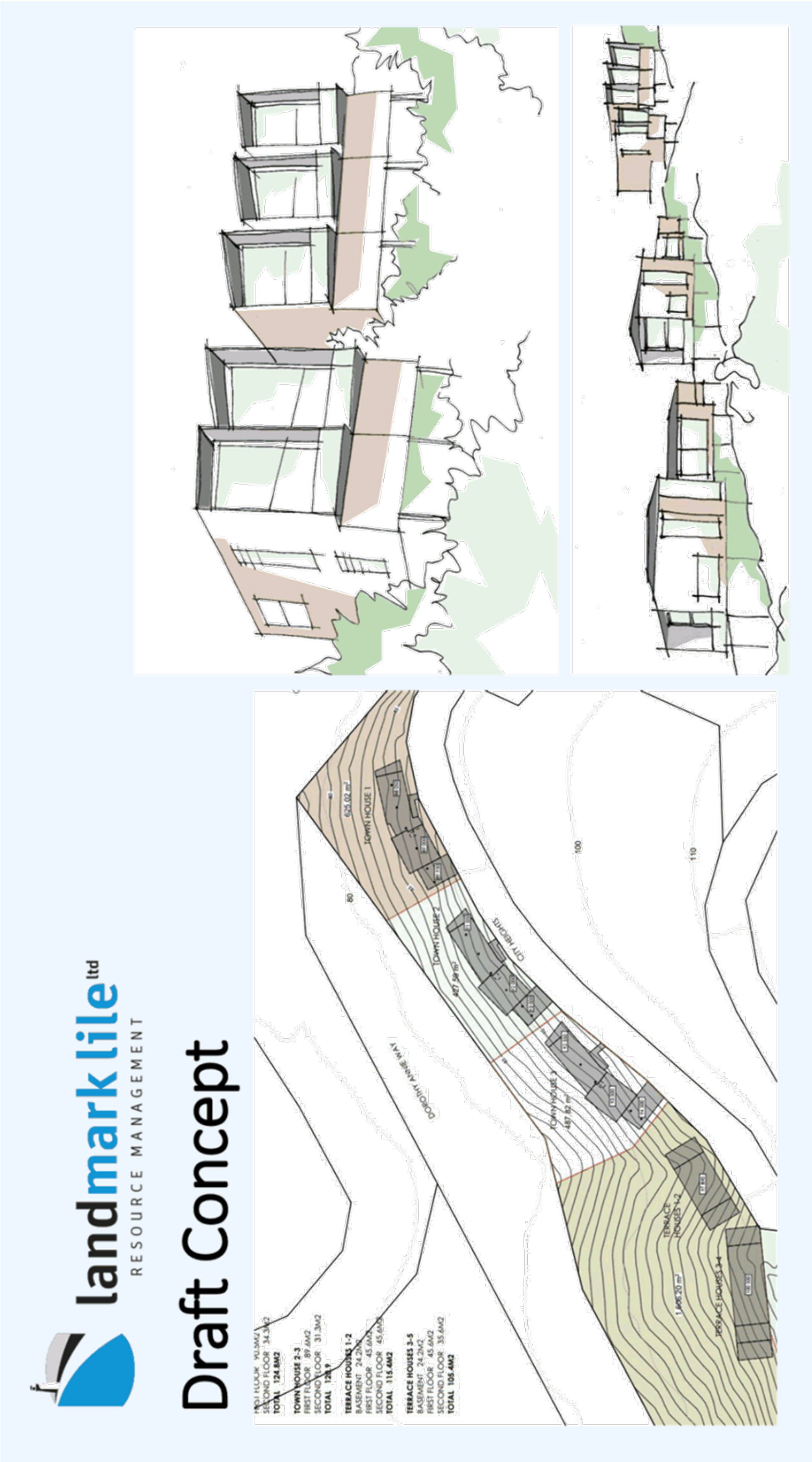
Qualifying Development Criteria

Maximum Number of Storeys:	2
Maximum Calculated Height:	12m (due to topography)
Minimum Number of Dwellings:	5

landmark lile ltd
RESOURCE MANAGEMENT

Services

- Water - available
- Wastewater - available
- Stormwater - available
- Access – available

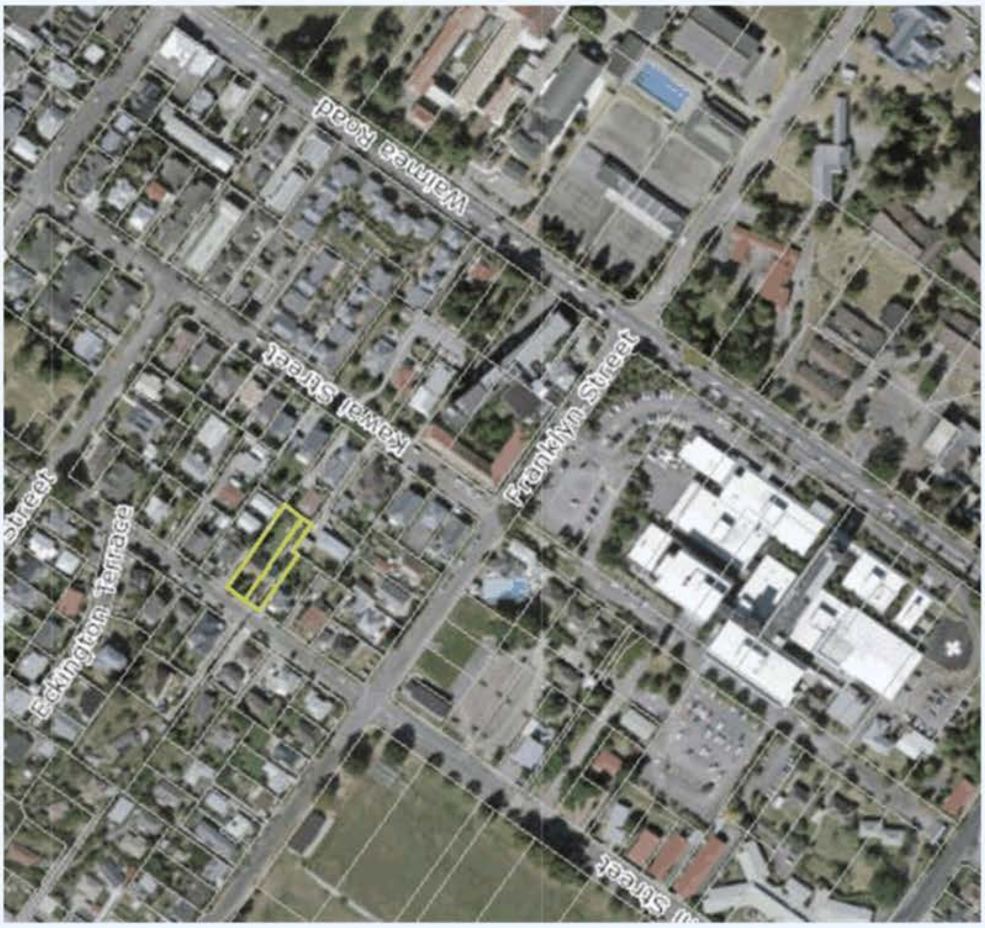

landmark lile ltd
RESOURCE MANAGEMENT
Draft Concept
SECOND FLOOR 34.3M2
TOTAL 124.8M2
TOWN HOUSE 2-3
FIRST FLOOR 89.6M2
SECOND FLOOR 31.3M2
TERRACE HOUSES 1-2
BASEMENT 24.2M2
FIRST FLOOR 45.6M2
TOTAL 115.4M2
TERRACE HOUSES 3-5
BASEMENT 24.2M2
FIRST FLOOR 45.6M2
SECOND FLOOR 35.6M2
TOTAL 105.4M2
DOROTHY ANNIE WAY
CITY HEIGHTS
TOWN HOUSE 1
625.02 m²
TOWN HOUSE 2
427.58 m²
TOWN HOUSE 3
487.82 m²
TERRACE HOUSES 1-2
TERRACE HOUSES 3-4
1,606.20 m²
80
100
110

landmark lile ltd
RESOURCE MANAGEMENT

Proposed Special Housing Area
for
Nick Fisher and Tammy Pegg

31 Tipahi Street, Nelson South

A1933149 Council 20 March 2018



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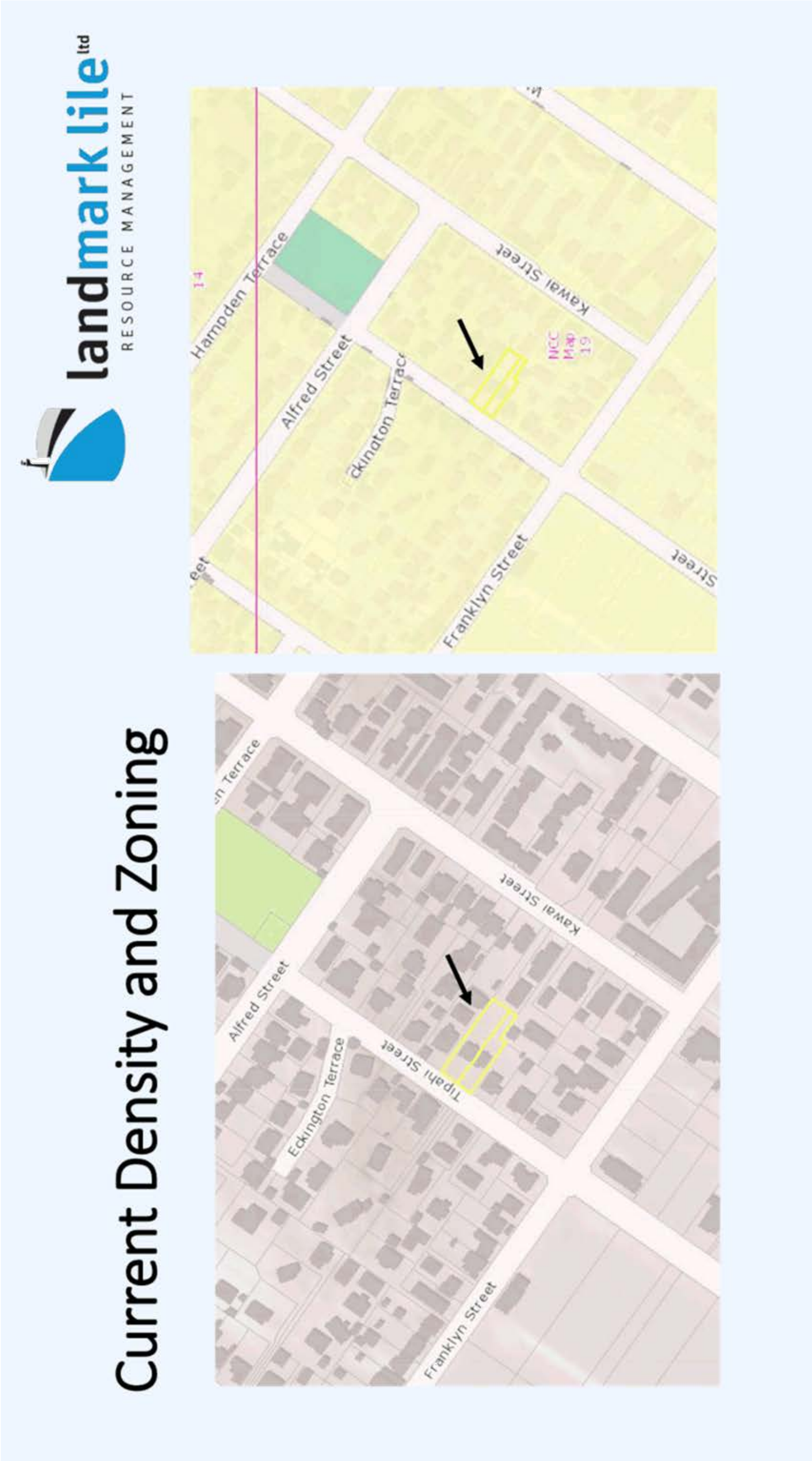
RESOURCE MANAGEMENT

31 Tipahi Street


Current Density and Zoning
landmark lile ltd
RESOURCE MANAGEMENT
Hampden Terrace
Alfred Street
Eckington Terrace
Kawai Street
Tipahi Street
Franklyn Street
NCC
Map
19
14

landmark lile ltd
RESOURCE MANAGEMENT

Qualifying Development Criteria

- Maximum Number of Storeys: 2
- Maximum Calculated Height: 9m (due to topography)
- Minimum Number of Dwellings: 4 (3 additional)

landmark lile ltd
RESOURCE MANAGEMENT

The Concept

- Close proximity to Nelson Hospital where there is a shortage of residential accommodation options for hospital staff
- Construct 4 small residential units

landmark lile ltd
RESOURCE MANAGEMENT

Services

- Water - available
- Wastewater - available
- Stormwater – available, but need to manage runoff
- Access - available

Thank you for this opportunity

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RESOURCE MANAGEMENT

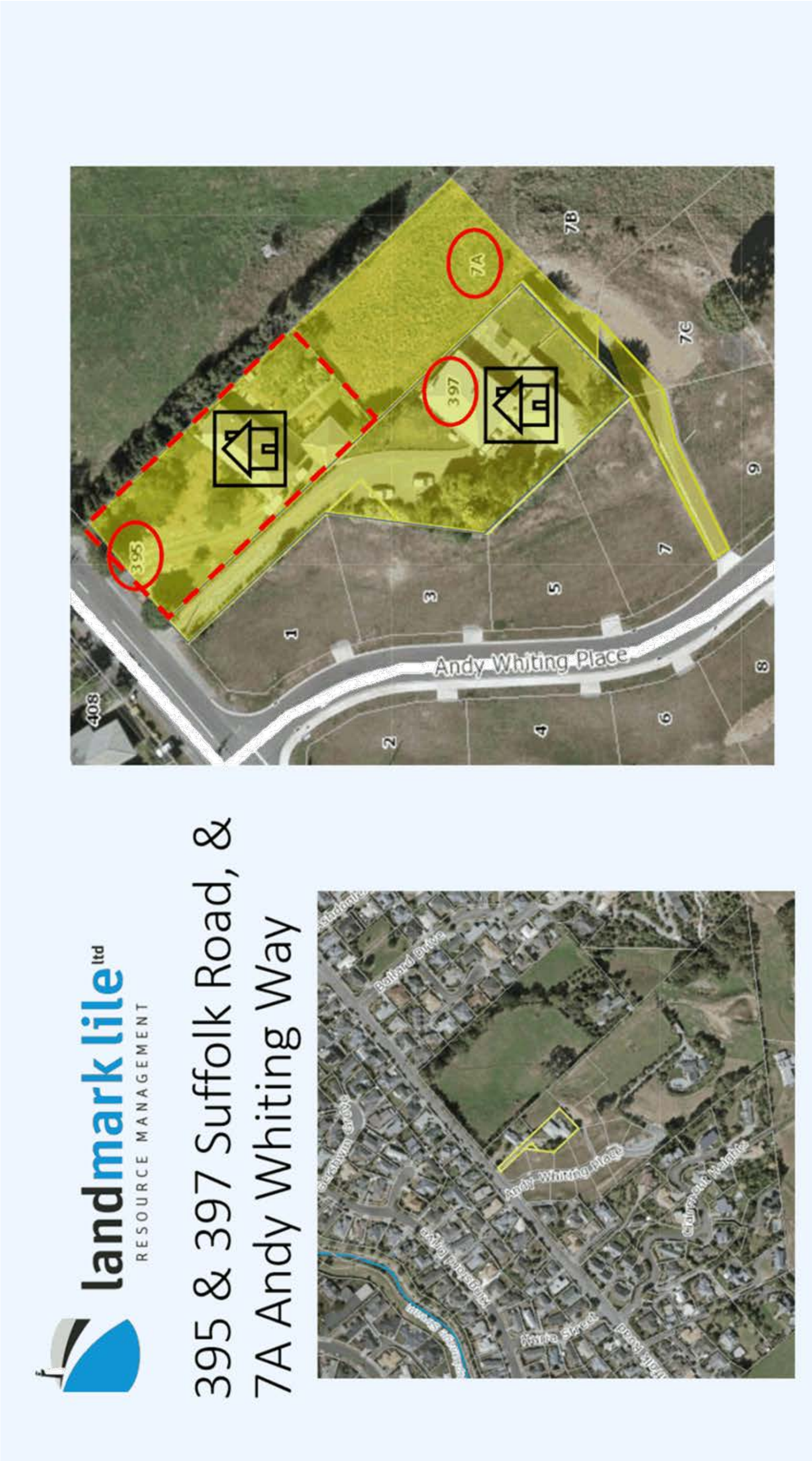
Proposed Special Housing Area

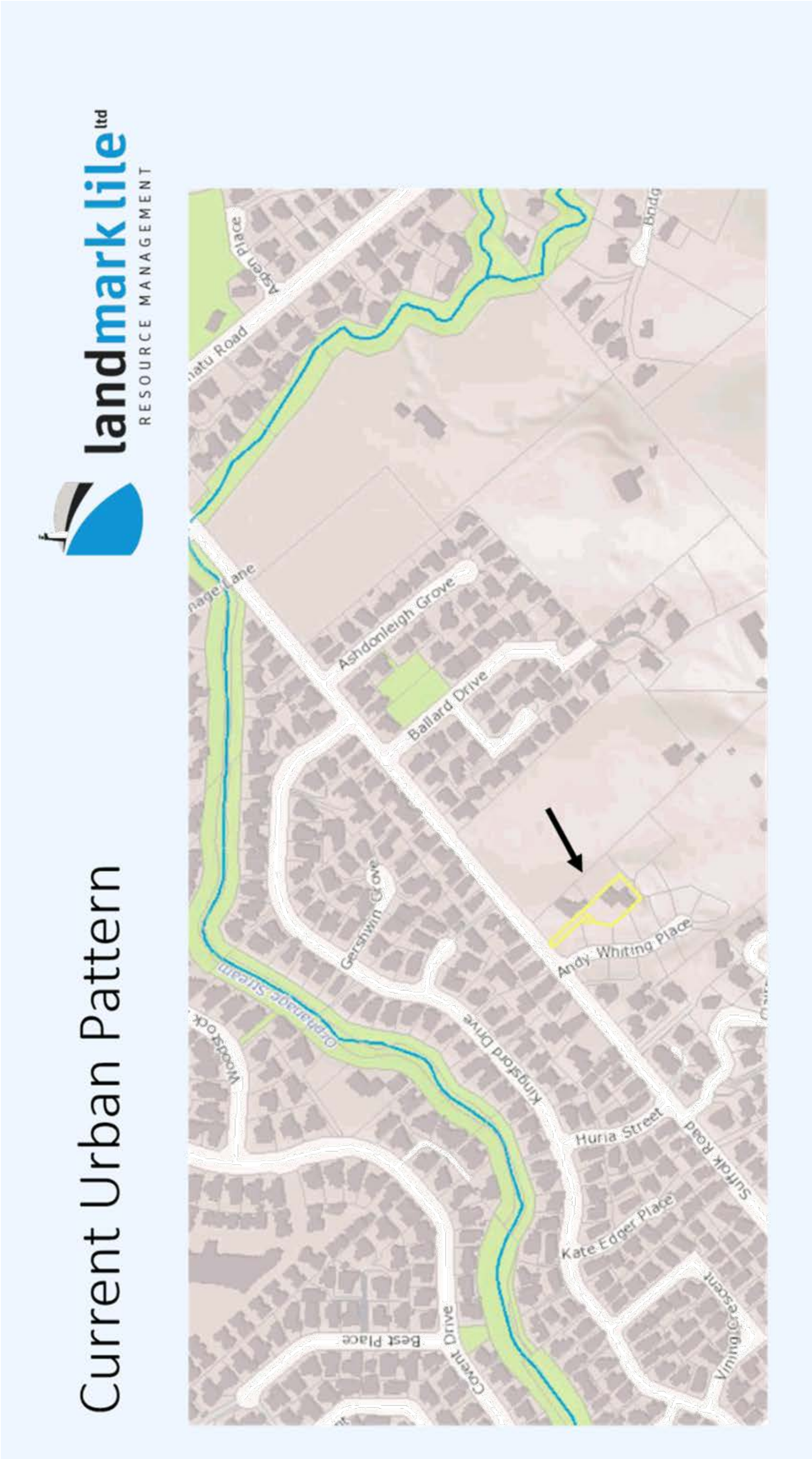
for

KFW Developments Limited

395 and 397 Suffolk Road

A1933153 Council 20 March 2018

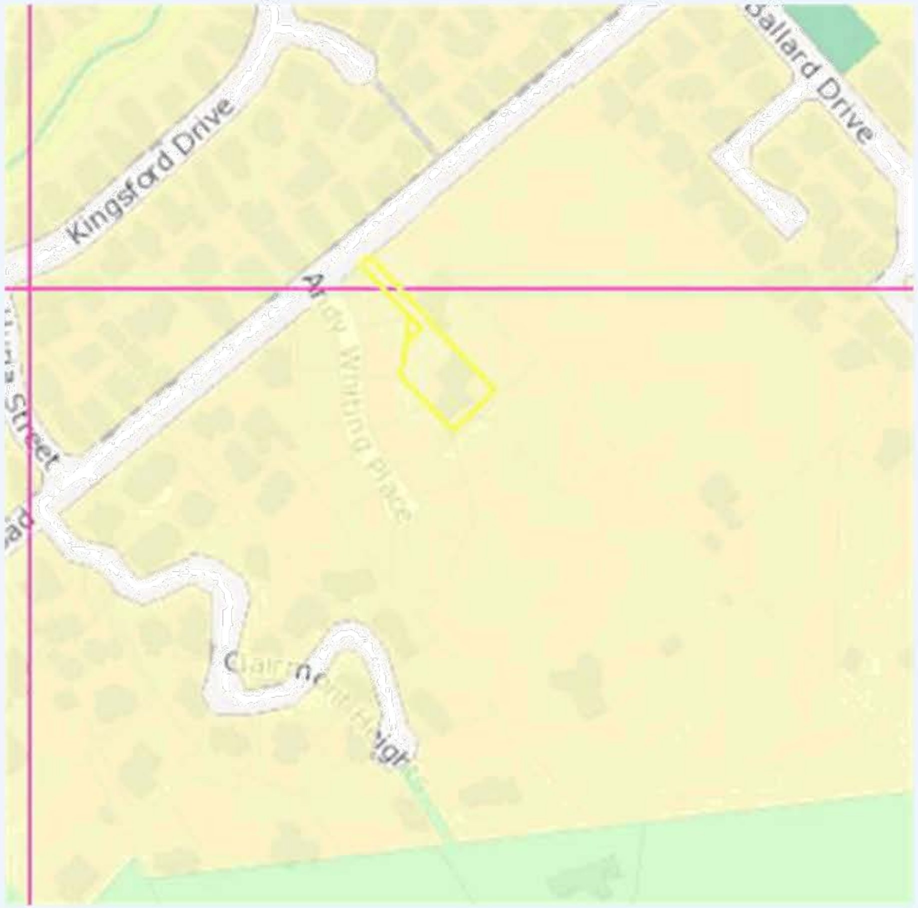

landmark lile ltd
RESOURCE MANAGEMENT
395 & 397 Suffolk Road, &
7A Andy Whiting Way
Andy Whiting Place
7A
397
395
7B
7C
408


landmark lile ltd
RESOURCE MANAGEMENT
Current Urban Pattern
Ashdonleigh Grove
Ballard Drive
Gershwin Grove
Orphanage Stream
Kingsford Drive
Andy Whiting Place
Huria Street
Suffolk Road
Kate Edger Place
Best Place
Covent Drive

landmark lile ltd
RESOURCE MANAGEMENT

Zoning

Residential



landmark lile ltd
RESOURCE MANAGEMENT

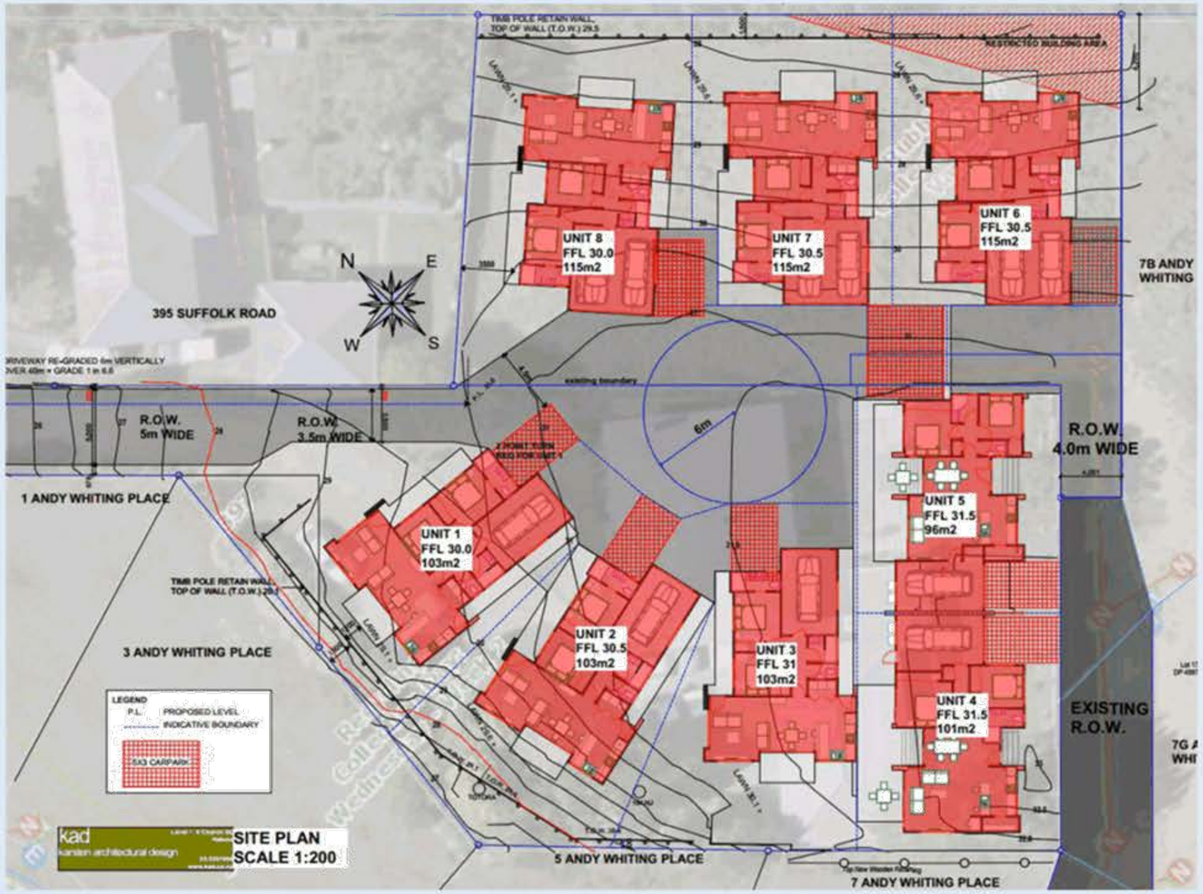
- Qualifying Development Criteria

- Maximum Number of Storeys: 2
- Maximum Calculated Height: 7.5m
- Minimum Number of Dwellings: 8 (7 additional, plus extra with the additional of 395 Suffolk Road)

landmark lile ltd
RESOURCE MANAGEMENT

Draft Concept

- Single storied units
- 2 bedrooms
- Single and double garages
- Integrated design
- Suit those looking to downscale



Services

landmark lile ltd
RESOURCE MANAGEMENT

- Water - available
- Wastewater - available
- Stormwater - available
- Access – available (easier with 395 Suffolk Road added)

Thank you for this opportunity

Nelson City Housing Accord – Special Housing Area

Recommendation	Suitable
SHA Name	397 Suffolk Road SHA
Address	397 Suffolk Road & 395 Suffolk Road, 7A, & B and 7C Andy Whiting Place Pt Lot 1 DP 6810 Pt Lot 1 DP13880, CT 8B/748 Lot 18 DP 499751, CT 742320 LOT 1 DP 6283 BLK VII WAIMEA SD
Approximate size	4232m^2 more or less Note: 7B and 7C Andy Whiting Place were included in the request for access purposes only (shared right of way)
Landowner	KFW Developments Limited
Developer	KFW Developments Limited
SHA request received	26 January 2018
Brownfield/Greenfield	Residential Zone

Qualifying Development Criteria

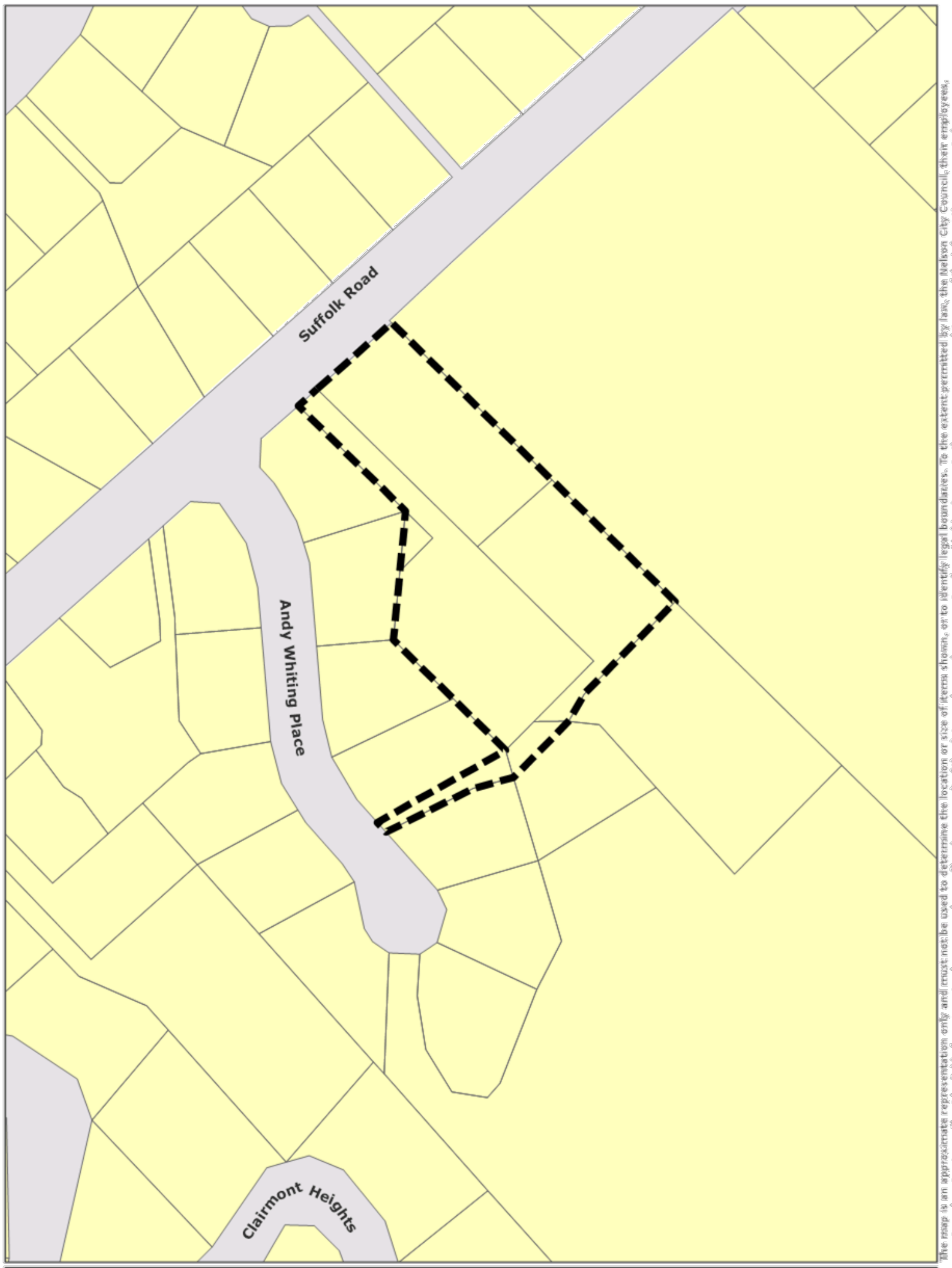
- *Maximum number of storeys that building may have: 2*
- *Maximum calculated height that building must not exceed:7.5m*
- *Minimum dwelling or residential site capacity: 11*

Criteria	**Summary**	**Notes**
Consistent with Nelson City Housing Accord	yes	Aligns with principle aim to increase the supply of housing in Nelson with a preference for development in urban zoned land that is serviced.
Alignment with the District Plan	yes	Aligns with objectives of the existing zone.
Infrastructure availability/readiness, including available capacity. (Note: this criterion relates to Section 16 HASHAA which requires that the Minister must be satisfied that adequate infrastructure either exists or is likely to exist having regard to relevant planning	yes	The area is likely to have suitable provision for infrastructure to support the development. This will be a mix of Council supplied capacity currently available to the site and developer supplied infrastructure capacity/connection where there is currently insufficient capacity/connection and it is not provided for in the Long Term Plan. Water Connection is available from the main in Suffolk Road Street. 7A, 7B and 7C have connections available from Andy Whiting Place. Any work required to ensure flow and pressure is available to the site to support the additional dwellings shall be designed, constructed and funded by the developer. Stormwater

documents, strategies, policies and any other relevant information. The onus will still be on the developer under section 34 HASHAA to satisfy Council that there will be sufficient and appropriate infrastructure to support the development through the HASHAA resource consent process).		Connection is available from the main in Suffolk Road Street. 7A, 7B and 7C have connections available from Andy Whiting Place Any works required to provide stormwater infrastructure to serve the site will need to be designed, constructed and funded by the developer. Wastewater Connection is available from the main in Suffolk Road Street. 7A, 7B and 7C have connections available from Andy Whiting Place. Any works required to provide suitable wastewater reticulation to the site will need to be designed, constructed and funded by the developer. Transport Only one access to Suffolk Rd will be permitted. Eleven Dwellings on a private ROW exceeds the maximum of 6 permitted in the Land Development Manual. The applicant should provide a ROW plan and typical cross sections demonstrating what is proposed and an assessment of the non-complying number of proposed users on a ROW. Any work required to the access and right of way to ensure adequate transport infrastructure to support the development of the site shall be designed, constructed and funded by the Developer. All internal infrastructure will be provided by the developer in accordance with the NCC Land Development Manual 2010
Landowner views	yes	Supportive of SHA
Demand to build	yes	There is ongoing demand to build
Demand for housing	yes	There is ongoing demand for housing

Other Comments	
Reasons for using SHA process	To further incentivise development in this area.
Planning history	

Reviewed by:	Shane Overend and Sue McAuley
Transport	
Stormwater	
Waste water/water	



395 - 397 Suffolk Road and 7, 7A, 7B and 7C Andy Whiting Place

Special Housing Area

Legend

Special Housing Area

Residential

0 10 20 30 m

Scale 1:1,250

March 2018

Nelson City Council
te kaunihera o whakatū

File Ref.: A1913520
DT. Original map size A4.

PO Box 645 Nelson 7040 New Zealand PH 03 5460200 nelson.govt.nz

6.5.4 Neighbourhood reserve land

The basis of the $40m^2$ / HUD is linked back to the level of service for neighbourhood reserves. This is currently 1.7Ha per 1,000 persons. Based on an average household size of 2.4 people this equates to 1.7Ha per 400 HUD, or $40m^2$ / HUD. Provision of this land ensures that sufficient neighbourhood reserves land is provided to maintain the desired level of service.

6.6 Significant assumptions

6.6.1 Best available knowledge

All information used in the calculation of development contributions is the best available knowledge at the time of the calculation models being prepared.

Capital expenditure projections are those that have been forecast in the Long Term Plan. Actual expenditure for the years to and including 2007/08 to 2016/17, and estimates for 2017/18 have been used. Amendments to the capital programme have been made to account for budgets carried forward and expenditure changes. The public scrutiny and the audit of these capital projections provides additional confidence as to the process.

6.6.2 Growth projections

Council prepared growth projections in 2018. These projections used Statistics New Zealand census data and projections. These show that Nelson's population is expected to grow by over 6,000 residents and by 2028 the population is expected to be over 59,000. The number of households is expected to increase by over 3,500 in the life of this LTP, before continuing to grow at a slightly slower rate.
The increase in residential HUDs in the development contribution model is based on the projected increase in households. The growth in non-residential rating units is assumed to be 1%, as adopted in the 2018 LTP.

However, Council bases its financial forecasting for income from Development Contributions based on the funds received in previous years. This is because developments, and the income from these, takes time to be realised, and Council needs to minimise the risk of income being lower than forecast. This conservative approach uses an average of 230 new Household Units of Demand p.a. over the ten years, i.e 2,300 for the term of the LTP. Growth rates and the Development Contributions policy are reviewed at least three yearly and income from Development Contributions, are reviewed each year as part of the Annual Report and Annual Planning processes. If development is faster or slower than forecast then Council can consider changing its capital work programme to match the rate of growth.

Local Government Members (2017/18) (Local Authorities) Amendment Determination 2018

Pursuant to clauses 6 and 7A(1) and (5) of Schedule 7 of the Local Government Act 2002 and to the Remuneration Authority Act 1977, the Remuneration Authority, after having regard to the matters specified in clause 7 of that schedule, makes the following determination (to which is appended an explanatory memorandum).

Contents

Determination

1 Title

This determination is the Local Government Members (2017/18) (Local Authorities) Amendment Determination 2018.

2 Commencement

(1) Clause 4(2) is deemed to have come into force on 29 January 2018.

(2) Clause 4(3) is deemed to have come into force on 21 September 2017.

(3) Clause 4(4)(a) is deemed to have come into force on 14 December 2017.

(4) The rest of this determination is deemed to have come into force on 1 July 2017.

3 Principal determination

This determination amends the Local Government Members (2017/18) (Local Authorities) Determination 2017 (the **principal determination**).

4 Schedule amended

(1) In the Schedule, Part 1, item relating to Taranaki Regional Council, item relating to Chairperson, replace "98,059" with "97,425".

(2) In the Schedule, Part 2, item relating to Hastings District Council, item relating to Mayor, replace "131,712" with "131,714".

(3) In the Schedule, Part 2, item relating to Nelson City Council, replace the items relating to Committee Chairperson (4) and Deputy Committee Chairperson (4) with:

Committee Chairperson (5)	48,952
Deputy Committee Chairperson (3)	42,479

(4) In the Schedule, Part 2, item relating to Palmerston North City Council,—

(a) item relating to Mayor, replace "134,271" with "133,047":

(b) item relating to Deputy Mayor and Chair Hearings Committee and Chair CEO Performance Panel, replace "64,228" with "70,870":

(c) item relating to Chair Finance and Performance Committee and Deputy Chair Hearings Committee, replace "52,268" with "54,039":

(d) item relating to Chair Arts, Culture and Heritage Committee and Deputy Chair Community Development Committee, replace "48,946" with "50,052":

(e) item relating to Chair Economic Development Committee, replace "50,938" with "52,710":

(f) item relating to Chair Audit and Risk Committee, replace "47,617" with "48,723":

(g) item relating to Chair Sport and Recreation Committee and Deputy Chair Economic Development Committee, replace "50,939" with "52,045":

(h) item relating to Deputy Chair Finance and Performance and Arts Culture and Heritage Committees, after "Performance and", insert "Deputy Chair":

(i) item relating to Chair Planning and Strategy Committee and Deputy Chair Sport and Recreation Committee and CEO Performance Panel, replace "53,597" with "55,368":

(j) item relating to Chair Community Development Committee and Deputy Chair Planning and Strategy Committee, replace "50,939" with "52,045".

Dated at Wellington this 20th day of Feb 2018.

Chairperson.

Member.

Member.

Explanatory memorandum

This memorandum is not part of the determination, but is intended to indicate its general effect.

This determination amends the Local Government Members (2017/18) (Local Authorities) Determination 2017.

All the amendments are made at the request of the councils concerned.

Clause 4(2) of this determination (which relates to the remuneration of the Mayor of Hastings) is deemed to have come into force on 29 January 2018. *Clause 4(3)* of this determination (which relates to Nelson City Council) is deemed to have come into force on 21 September 2017. *Clause 4(4)(a)* of this determination (which relates to the remuneration of the Mayor of Palmerston North) is deemed to have come into force on 14 December 2017. The rest of this determination is deemed to have come into force on 1 July 2017.

Issued under the authority of the Legislation Act 2012.
Date of notification in *Gazette*:

ACCOUNTING POLICIES

REPORTING ENTITY

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

BASIS OF PREPARATION

These prospective statements of Nelson City Council are for the 10 years from 1 July 2018. The draft forecast information was authorised for issue by Council on 20 March 2018.
This prospective financial information is based upon the financial statements as published in the June 2017 Annual Report, and adjusted to incorporate updated assumptions and council decisions made for the purpose of this Annual Plan. Actual financial results are likely to be different from these Prospective Financial Statements, and that difference may be material.

Statement of compliance

This forecast information has been prepared in accordance with the requirements of the Local Government Act 2002. With the exception of the Funding Impact Statements this forecast information has also been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) as it relates to prospective financial information and PBE FRS 42 – prospective financial statements. They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS), and other applicable financial reporting standards, as appropriate for public benefit entities.
The prospective financial statements have been prepared in accordance with Tier 1 PBE standards.
The Funding Impact Statements (FIS) do not comply with GAAP as they do not recognise depreciation and movements in the valuation of assets and also they do not show capital income (Subsidies and Development Contributions) as operating income. A reconciliation is provided between the FIS surplus/(deficit) of operating funding and the Statement of Comprehensive Revenue.

Presentation currency and rounding

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The measurement base adopted is that of historical cost, modified by the revaluation of certain assets.
The following particular accounting policies, which materially affect the anticipated results, have been applied.

REVENUE

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

Exchange and non-exchange transactions

An exchange transaction is one in which Council receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange. Non-exchange transactions are where Council receives value from another entity without giving approximately equal value in exchange.

Rates revenue

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

Government grants

A1933613

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

Provision of commercially based services

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

Vested assets

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

Sales of goods

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

Traffic and parking infringements

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

Interest and dividends

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

Development contributions

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

EXPENDITURE

Borrowing costs

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

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the spot rate at the date of the transactions.
Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Grants

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.
Discretionary grants are those grants where Council has no obligation to award in receipt of the grant application and are recognised as expenditure when approved by Council and the approval has been communicated to the applicant. Council's grants awarded have no substantive conditions attached.

Operating leases

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

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.
Any lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.
Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

RECEIVABLES

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Council uses derivative financial instruments (interest rate swaps) to minimise its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and subsequently re-measured to fair value at balance date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The valuation at balance date is performed by Hedgebook Limited.
Swaps are entered into with the objective of reducing the risk of rising interest rates. Any gains or losses arising from the changes in fair value of derivatives are taken directly to the surplus or deficit for the year.
The fair value of interest rate swaps is determined by reference to market values for similar instruments. The net differential paid or received on interest rate swaps is recognised as a component of interest expense or interest revenue over the period of the agreement.
Swaps are classified as non-current if the remaining maturity is more than twelve months, and as current if the remaining maturity is less than twelve months.
Although some members of the Group do so, the Council (parent) does not apply hedge accounting for its derivative financial instruments.

FIXED ASSETS

Property, plant and equipment consist of the following categories:

- **Operational Assets** – these include land, buildings, improvements, motor vehicles, plant and equipment, library books, forestry and the marina.
- **Restricted Assets** – restricted assets are land, buildings and improvements, which are owned by Council but which benefit or service the community.
- **Heritage Assets** – Heritage Assets – include museum artefacts, collections and historical buildings and monuments.
- **Infrastructure Assets** – infrastructure assets are the fixed utility systems owned by Council. These include the roading, water, sewer and stormwater networks.

Revaluation

All asset classes are carried at depreciated historical cost with the exception of infrastructure assets (apart from land under roads and operational and restricted land classes). These are re-valued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value.
The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference then those asset classes are revalued.
Revaluations of property, plant and equipment are accounted for on a class of asset basis. The net revaluation results are credited or debited to other comprehensive revenue or expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expense.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and Group and the cost of the item can be measured reliably.
Work in progress is measured at cost less impairment and is not depreciated.
New Council assets that are added between valuations are recorded at cost except when acquired through a non-exchange transaction. Where an asset is acquired through a non-exchange transaction, such as vested assets, it is recognised at fair value as at the date of acquisition. Vested assets are infrastructural assets such as roads, sewers and water mains, paid for by subdividers and vested in the City on completion of the subdivision. The fair value is based on the actual quantities of infrastructure components and the current "in the ground" cost of providing identical services.

Disposals

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

Subsequent costs

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

Depreciation

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

ASSET	DEPRECIABLE LIFE (YEARS)
Operational	
Buildings	50 – 100
Improvements	Nil – 20
Motor vehicles	7
Plant and equipment	2 – 30
Library books	3 – 10
Marina	30 - 50
Restricted	
Buildings	50 – 100
Improvements	Nil – 20
Roading	
Roads formation	n/a
Sub-base	n/a
Basecourse	5 – 80

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ASSET	DEPRECIABLE LIFE (YEARS)
Surfacing (sealed)	1 – 50
Surfacing (unsealed)	n/a
Bridges	20 – 100
Retaining/sea walls	30 – 100
Box culverts	60 – 90
Footpaths	5 – 100
Streetlights	20 – 60
Signs	15
Water Supply	
Pipeline	55 – 120
Manholes	58 – 110
Reservoirs and tanks	100
Dams	10 – 200
Wastewater	
Pipeline	40 – 120
Manholes	80
Pump stations	10 – 50
Oxidation pond	15 – 151
Stormwater	
Pipeline	50 – 90
Bank protection	25 – 100
Manholes	90
Solid waste	
Pipes	60 – 90
Ponds and dam	100
Gas flare	20
Resource consents	24

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

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

Biological assets

Forestry assets are valued annually at fair value less estimated costs to sell for one growth cycle. The valuation methodology adopted is net present value based on the age and condition of the trees. The valuation was undertaken by PF Olsen on 30 June 2017. Changes in the valuation of the forestry assets are recognised in the surplus or deficit.

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

Intangible assets

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Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
Costs that are directly associated with the development of software for internal use by Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.
Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.
Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

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

Inventory

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

Work in progress

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

Investment property

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

Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.
Purchases and sales of financial assets are recognised on trade date, the date on which the Council and group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been transferred and the Council and group has transferred substantially all the risks and rewards of ownership.
For the purposes of measurement, financial assets of the Council and group are classified into the following categories:

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

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

Financial assets at fair value through surplus or deficit

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

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance date, which are included in non-current assets.

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

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

Held to maturity investments

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

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

Financial Assets at fair value through other comprehensive revenue and expense

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

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

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

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

Impairment of financial assets

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

Impairment of a loan or a receivable is established when there is objective evidence that Council will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, receivership, or liquidation and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account.

Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For term deposits, local authority stock, government stock and community loans, impairment losses are recognised directly against the instruments carrying amount.
Impairment of term deposits, local authority, government stock and related party and community loans is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the instruments. Significant financial difficulties of the issuer, probability the issuer will enter into bankruptcy, and default in payments are considered indicators that the instrument is impaired.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.
For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are objective indicators that the asset is impaired.
If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.
Equity instrument impairment losses recognised in the surplus or deficit are not reversed through surplus or deficit.
Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.
If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

BORROWINGS

Borrowings are initially recognised at their face value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.
Borrowings are classified as current liabilities unless the Council or group has an unconditional right to defer settlement of the liability for at least twelve months after balance date.

CREDITORS AND OTHER PAYABLES

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

EMPLOYEE ENTITLEMENTS

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

SUPERANNUATION SCHEMES

Defined contribution schemes

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

PROVISIONS

The Regional Landfill Business Unit (a joint activity with Tasman District Council) has a legal obligation to provide ongoing maintenance and monitoring services at landfill sites after closure. This provision is calculated on the basis of discounting closure and post-closure costs into present day values. The calculation assumes no change in resource consent conditions for closure and post-closure treatment. Nelson City Council has consolidated its 50% share of this provision.

INCOME TAX

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

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

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

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

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

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

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

GOODS AND SERVICES TAX (GST)

All items in the financial statements are stated exclusive of GST except for debtors and creditors which are presented on a GST inclusive basis. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

COST ALLOCATION

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

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

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

EQUITY

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

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

RESERVES

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

Restricted reserves

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

Council created reserves

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

Revaluation reserves

The results of revaluing land, infrastructural assets are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve for any class of asset, this is expensed in the surplus or deficit. To the extent that increases in value offset previous decreases debited to the surplus or deficit, the increase is credited to the surplus or deficit.

STATEMENT OF CASHFLOWS

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Council or group invests as part of its day-to-day cash management.
Operating activities include cash received from all income sources of the group and record the cash payments made of the supply of goods and services.
Investing activities are those activities relating to the acquisition and disposal of non-current assets.
Financing activities comprise activities that change the equity and debt capital structure of Council and group.

CHANGES IN ACCOUNTING POLICIES

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Landfill after care costs

The Regional Landfill Business Unit (a joint activity with Tasman District Council) has a legal obligation to provide ongoing maintenance and monitoring services at the landfill site after closure.
The landfill post closure provision is recognised in accordance with New Zealand PBE IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets. This provision is calculated on the basis of discounting closure and post closure costs into present day value.
The calculations assume no change in the legislative requirements for closure and post closure treatment. . Nelson City Council has consolidated its 50% share of this provision.

Infrastructural assets

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

- the physical deterioration and condition of an asset, for example Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets that are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- estimating any obsolescence or surplus capacity of an asset; and
- estimates are made when determining the remaining useful lives over which the asset will be depreciated.

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

• Experienced independent valuers perform Council's infrastructural asset revaluations.

Amendments to the Consultation Document for the Long Term Plan 2018-28

and Supporting Documents

Consultation Document

Infrastructure page 15

This is an investment in improving the resilience of our network but needs to be balanced against affordability for ratepayers. We can spend less if the community is prepared to accept a higher risk of problems occurring in the network and we can invest more to reduce that risk. We think we have that balance right but we want the community to consider the choice it has in balancing risk against cost.

Infrastructure Strategy Summary page 44

Most likely scenario for infrastructure costs for the next 30 years

This section shows the estimated financial implications of the most likely scenario resulting from addressing the key issues and maintaining planned service provision over the next 30 years. This includes the estimated costs for the projects and initiatives identified in the previous section. More detail about individual projects over the next 10 years is available in the 2018 asset management plans.

As described throughout the Infrastructure Strategy the objective of core network infrastructure is to support achievement of the desired outcomes for the community. Each specific infrastructure objective aligns with the outcomes and will contribute to the city's success.

The future brings uncertainty in many areas but Council has shown the ability to remain flexible and adapt to change. While this Strategy has identified the significant infrastructure issues over the next 30 years, it is based on existing information and thinking. It is understood that as new opportunities and challenges arise, future strategies will need to consider those changes.

The waters and transport networks will continue to grow to meet user demand and the existing network will be managed to provide the expected service levels. Based on current assessments this is manageable within the funding estimates.

Levels of service are expected to change over time but the extent and direction is not always clear so ongoing monitoring of customer needs and preferences and asset utilisation will continue. Regardless of what transpires, the focus remains on meeting the required levels of service in the most cost-effective manner.

Improving mechanisms to collect and analyse data on performance and condition is underway. This will help ensure whole of life costs are fully understood, assets life is maximised, and funding requirements are based on sound evidence.

Technological advancements are already showing signs that useful lives may be extended on certain assets and brings the potential to reduce maintenance and renewal costs (eg sleeving pipes). As confidence grows in these technologies, asset lives could be extended and costs of replacements could decrease. There will be more focus on understanding and seizing these opportunities in the next strategy.

Key to success is not only maintaining and understanding current community needs and how our assets meet those corresponding service levels but to also keep an eye on the horizon for changes that may require a response. There are many calls on rates funding and each decision requires a balance of whole of life benefit vs cost vs risk across all activities. The decision process needs to remain robust so trade-off implications are understood when future changes require a re-allocation of funding.

The preceding sections have demonstrated that our approach is to ensure that over the next 30 years Nelson's infrastructure assets are managed to continue to deliver expected levels of service. The networks will become more resilient and environmentally friendly. They seek to provide accessible and safe transport options which allow efficient travel around the city, quality water supply to households and businesses, wastewater disposal that remains in the network until treatment, and storm water disposal options that are right sized to protect properties from flooding.

Asset Condition

On average, Nelson's infrastructure assets are considered to be in good condition - they are able to deliver the expected levels of service and don't show significant signs of unexpected deterioration.

Where visual or formal assessments aren't readily accessible, evaluations are made based on other factors (eg staff knowledge, operational performance, frequency of failure, usage patterns, age, etc) to help predict deterioration and estimate remaining useful life.

The more critical assets are expected to meet a higher standard so their condition and performance is monitored more closely. As the criticality of the asset increase, the asset management activities also increase to reduce the risk of failure.

In general, the transport assets are performing as expected for most areas. Road pavements are starting to show some signs of age and a small renewal backlog is resulting. Budgets have been requested to address this back log over the next 10 years. Improving our understanding of pavement performance through appropriate analysis and modelling methods will help form the rehabilitation pavement forwards works plan.

The understanding of the performance of retaining walls is improving as effort and funding is directed to undertake more regular detailed condition assessments.

None of the water utilities have a significant backlog of deferred renewals but both the water supply and wastewater utilities have specific operational issues that can be improved by renewal of parts of the network.

In the water supply network Council has recognised the AC Black pipe (a bituminous coated asbestos cement pipe) is showing a larger number of failures than expected. These pipes are currently the focus of the renewal programme and have been funded to ensure replacement in the next 10years. As this material is known to be prone to failures the rate of failures will be closely monitored and renewal adjusted through future Long Term Plans if required.

As stated previously, the funding requested reflects the assessed need based on current information and Council will adjust are required to ensure LOS are met.

Supporting Documents

Financial Strategy

Page 4

- Some projects that have a lower priority, but were included in the previous Long Term Plan 2015 – 2025, have been removed. These are:
  - Wakapuaka Sandflats development $289,672
  - Saxton Field Football training ground drainage $270,328
  - Newmans walkway link $149,108

- Two projects have been removed as the services are expected to be provided through different methods. These are:
  - Renewal of Close Circuit Televisions (CCTVs $109,680 (these are proposed to be contracted out)
  - Development of the Recycling Process Building $342,911 (recycling is now being undertaken at the TDC facility in Richmond)

  Figures are from year four onwards of the 2015 Long Term.

Page 5

Council's Infrastructure Strategy shows operating expenditure of $710 million over the 20 years from 2029-2048, and capital expenditure of $935 million over the same period.

Page 6

According to what is proposed, average overall increase in rates required in the first three years, adjusted for the impact of growth, would be 3.2%, 3.9%, and 3.6%, respectively.

This increase includes an assumption of 1.00% growth in the rating base in each year of the long term plan.

The rates rises are greater than the predicted rate of inflation in some years, reflecting:

- Cost increases faced by Council, particularly for insurance and construction, which are projected to increase at a higher rate than the Consumer Price Index
- Depreciation and interest payments – an increased capital expenditure programme will mean that there will be a corresponding increase in depreciation and interest charges
- An increased work programme, including changes arising from new central government policies, e.g. Environmental Policy Statements, and community expectations.

While Council will continue to consider affordability issues when setting rate levels each year, it is required by the Local Government Act to 2002 to include a statement on

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quantified limits on rates and rates increases. Council will limit the increase in Council's 'Total Rate Requirement'[1] to no more than the forecast[2] percentage increase of the Local Government Cost Index (LGCI) plus 2% in each of the 10 years, including an assumption of a 1% rating base growth per year.

[1] *The 'Total Rate Requirement' includes both general and targeted rates such as water, wastewater, stormwater and flood protection.*
[2] *As provided by Business and Economic Research Limited (BERL).*

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