

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013





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Construction of the duplicate pipeline from the Maitai dam to the water treatment plant.



Since district funds are somewhat short  
No work was done of any sort,  
Except where needed to maintain  
A footpath, sewer or a drain.

The quarry has not crushed a stone  
But work upon the drainage loan  
Has brought the Port Road pumping station  
Down to its proper elevation.

The reclamation has progressed  
Across Scott's Paddock to the west  
Until it now extends to flank  
The mudflats on the river bank.

Water had been laid in for  
The picknickers on Haulashore  
And Mrs Tosswill's subdivision  
Has had a similar provision.

The gas complaints which still are low  
Are listed in the space below.

Works for other bodies are:  
The Rocks Road path is sealed with tar  
And such a work is now at hand  
Where the Suburban buses stand.

To Mayor and councillors and those  
Whose working hours these walls enclose,  
And every citizen and friend  
The Engineer and staff extend  
Glad Christmas greetings to combine  
With all the best for '49.

*Poem by Charles Kidson, City Engineer,  
in his report to Council's closing meeting of 1948.*

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## FOREWORD: MAYOR AND CHIEF EXECUTIVE

2012/13 has been another busy year for our city, which has recorded achievements while facing unexpected challenges.

As the city continued to recover from the devastating December 2011 extreme rain event, the sudden and unexpected deluge of April 2013 required another huge effort to help those affected in our community.

Such events bring home yet again the importance of projects like the duplicate Maitai pipeline to protect and secure the city's water supply. Stage 2 of this upgrade was finished in 2012 and Stage 3 is on track for completion before the end of this financial year. Our city's water supply continues to maintain its Ab grading.

With that same eye to the future, during 2012/13 Council completed Nelson 2060, Nelson's community-led strategy for developing our city over the next 50 years. The strategy provides a vision for Nelson in 2060 and sets out 10 goals that call upon the entire community to work together to achieve it.

In the current economic climate, obtaining a Standard and Poor's credit rating of AA- secures an excellent long term credit rating for Council. Such a credit rating is an indicator of financial strength and gives financial partners confidence in an organisation. This rating has a direct affect on the cost of borrowing.

While rates need to be affordable, essential work has to be done. A much reduced, more realistic and deliverable budget of \$35 million for the capital programme was the focus on Annual Plan deliberations for the 13/14 year. Council is also committed to working smarter. A new approach to our tender process introduced this year is earning praise from local contractors. The move to put tenders to market early, before the new financial year starts, is proving popular. Contractors say the system is refreshing, and it resulted in very competitive tenders being submitted with construction timeframes to suit both Council and Federation members.

Recreation facilities continued to develop at Saxton Field with the completion of the new hockey turf and the welcome addition of a new access road to help the heavy traffic flow at this nationally renowned facility.

Council is committed to continue to work with our residents to make Nelson a better place for us all.



Rachel Reese  
MAYOR OF NELSON



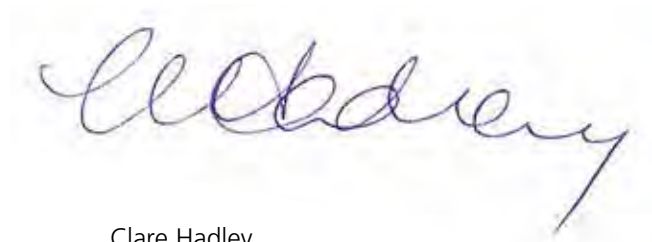
Clare Hadley  
CHIEF EXECUTIVE

## STATEMENT OF COMPLIANCE AND RESPONSIBILITY

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



Rachel Reese  
MAYOR OF NELSON



Clare Hadley  
CHIEF EXECUTIVE

## Independent Auditor's Report

### To the readers of Nelson City Council and group's annual report for the year ended 30 June 2013

The Auditor-General is the auditor of Nelson City Council (the City Council) and group. The Auditor-General has appointed me, Bede Kearney, using the staff and resources of Audit New Zealand to audit:

- the financial statements of the City Council and group that comprise:
  - the balance sheet as at 30 June 2013 on pages 84 and 85;
  - the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ending 30 June 2013 on pages 82, 83 and 86;
  - the funding impact statement of the City Council on page 87;
  - the statements about budgeted and actual capital expenditure in relation to each group of activities of the City Council on pages 18 to 80; and
  - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 88 to 148; and
- the statement of service provision (referred to as Council Activities: The Past Year) of each group of activities carried out by the City Council on pages 18 to 80 and the funding impact statements in relation to each group of activities of the City Council on pages 18 to 80.

In addition, the Auditor-General has appointed me to report on whether the City Council and group's annual report complies with the *Other Requirements* of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
  - internal borrowing on page 122;
  - councilcontrolled organisations on pages 149 to 161;
  - reserve funds on pages 125 and 126;
  - each group of activities carried out by the City Council on pages 18 to 80;
  - remuneration paid to the elected members and certain employees of the City Council on page 134;
  - employee staffing levels and remuneration on pages 134 and 135; and
  - severance payments on page 135;
- a report on the activities undertaken by the City Council and group to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decisionmaking processes on pages 16 and 17; and
- a statement of compliance signed by the mayor of the Council, and by the City Council and group's chief executive on page 5.



## Opinion

### AUDITED INFORMATION

In our opinion:

- the financial statements of the City Council and group on pages 82 to 86 and 88 to 148:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the City Council and group's financial position as at 30 June 2013; and
    - the results of its operations and cash flows for the year ended on that date.
- the funding impact statement of the City Council on page 87, fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's longterm plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the City Council on pages 18 to 80, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the City Council's long term plan.
- the statement of service performance information of the City Council on pages 18 to 80:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the City Council's levels of service for the year ended 30 June 2013, including:
    - the levels of service as measured against the intended levels of service adopted in the long term plan; and
    - the reasons for any significant variances between the actual service and the expected service.
- the funding impact statements in relation to each group of activities of the City Council on pages 18 to 80, fairly reflect by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's long term plan.

### Compliance with the *Other Requirements* of schedule 10

In our opinion, which is not an audit opinion, the City Council and group's annual report complies with the *Other Requirements* of schedule 10 that are applicable to the annual report.

Our audit was completed on 29 October 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

### Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making

those risk assessments, we consider internal control relevant to the City Council and group's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the information we audited;
- determining the appropriateness of the reported service performance information within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the *Other Requirements* of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*. As a result we do not express an audit opinion on the City Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

### Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and service performance information that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the City Council and group's financial position, financial performance and cash flows;
  - fairly reflect its service performance, including achievements compared to forecast;
- a funding impact statement that fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's long term plan;
- funding impact statements in relation to each group of activities that fairly reflects by each group of activities the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's long term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the City Council's long term plan; and

- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

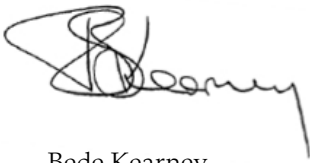
The Council's responsibilities arise under the Local Government Act 2002.

## Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and whether the Council has complied with the *Other Requirements* of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

## Independence

When carrying out this audit, which includes our report on the *Other Requirements*, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Other than this audit, which includes our report on the *Other Requirements*, we have no relationship with or interests in the City Council or any of its subsidiaries.



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



## COMMUNITY OUTCOMES AND COUNCIL PRIORITIES

The following six community outcomes are the long term goals that Nelson residents want for their city as expressed through extensive consultation carried out in 2005. Together, they provide an enduring vision of the sort of place we would like to live in now and in the future. The Nelson Long Term Plan 2012-22 provides detailed goal statements grouped under these themes.

Community outcomes:

- Healthy land, sea, air and water
- People-friendly places
- A strong economy
- Kind, healthy people
- A fun, creative culture
- Good leadership

These six inter-related goals guide Nelson City Council to align everything it does with what the community wants us to achieve. The Council's programme of work is Council's response to deliver on these outcomes. The individual activity sections of this report provide detail on how each activity contributes to the relevant community outcomes.

The Council has developed a number of priorities which form the key focus areas in its work towards the community outcomes. More details on these priorities can be found in the Nelson Long Term Plan 2012/22.

Council priorities:

- A leading lifestyle
- A rich diverse community
- Developing community hubs
- Easy access to an active lifestyle
- The Nelson edge
- The natural environment
- A creative city



## OVERVIEW OF THE YEAR: JULY 2012 TO JUNE 2013

### OVERALL PERFORMANCE

During 2012/13 there were some key developments for Council, including the appointment of a new Chief Executive Officer, a significant flooding event occurring in April 2013 and the introduction by Government of amendments to the Local Government Act 2002. In addition some significant staff resources were required to be diverted to the recovery effort following the December 2011 rainfall event.

### PROGRESS ON PROJECTS FOR THE CITY

Major capital projects that Council began, continued or completed over the year, included:

- Construction of the Queens Road shared zone and stormwater improvements
- Design of a new Maitai Walkway shared path and landscape improvements
- Construction of the second stage of the Maitai Pipeline Duplication to secure Nelson's water supply
- Completion of a new Rural Fire Station facility at Hira to meet rural fire management needs and projected growth in the area
- Construction of a public toilet block in 1903 Square, serving Nelson residents and visitors at the top of Trafalgar Street (also providing for small events held in 1903 Square)
- Construction of a new 200mm diameter high pressure water main on Russell Street to supply Port Nelson and conversion of the existing water main to low pressure residential service
- Installation of a gateway artwork on Kinzett Terrace to highlight the city's entrance
- Upgrade of Council's electronic document management system
- Construction of a playground for teenagers at the Lions Playground in Bisley Walk, Tahunanui
- Completion of a shared path linking Beach Road to Bisley Walk alongside Waikare Street and Hounsell Circle together with landscape plantings
- Improvements at the Nelson Wastewater Treatment Plant facility to reduce odours
- Completed layout improvements at the Pascoe Street Transfer Station to improve pedestrian and vehicular traffic safety
- Replacement of the Saxton hockey field's sand turf with a new water turf and upgrading the flood lights
- Construction of a new access road into Saxton Field from Main Road Stoke

## HEADLINES FOR 2012/13

### FINANCIAL PERFORMANCE

The net surplus before revaluations was \$10.3 million, which was \$5.3 million less than budget. Explanation of this variance can be found in Note 33 in the Notes to Accounts section.

Council borrowings totalled \$68.2 million, \$3 million more than the previous year, and \$25.5 million less than budget.

Council now participates in the Local Government Funding Agency Ltd (LGFA), allowing it to borrow for longer terms and at lower rates than previously.

### NELSON 2060

During 2012 and 2013 Council developed the Nelson 2060 strategy which aims to develop a healthy, prosperous and happy Nelson over the next 50 years. The strategy acknowledges the challenges Nelson will face in the years ahead such as climate change, rising energy costs, population growth and a growing proportion of older people.

### MAITAI DUPLICATE PIPELINE

In 2012/13 the second stage of the duplicate pipeline from the Maitai dam to the water treatment plant was completed. There is one more stage of this work to be undertaken in 2013/14. When complete, the pipeline will provide a more secure water supply line for the city, helping protect against loss of supply during storms and earthquakes.

### REDUCED WASTE

The amount of waste going to landfill has continued the downward trend observed over the last 8-9 years. Waste to landfill during 2012/13 was 42% less than at the peak in 2004/05. Over the same period recycling has increased by 10%.

### EXCELLENT CREDIT RATING RECEIVED

Nelson City Council has been given an excellent long term credit rating of AA- from international credit rating agency, Standard and Poor's (S&P). S&P rates organisations on a scale of AAA to D. A strong credit rating is an indicator of financial strength and gives wholesale investors confidence in an organisation.

### RAINFALL EVENT RECOVERY WORK

The storm events of December 2011 and April 2013 both required resources to be diverted from the planned work programme for 2012/13.

This year recovery works following the December 2011 rainfall event included the completion of remedial design work at more than 28 locations in the Cable Bay area. Construction is due to commence during the first week of September 2013. Work was also completed at Harbour Terrace where significant retaining and stabilisation work was required before Poynters Crescent could be re-opened. Recovery projects where Council reserve land poses a risk to adjacent private property were investigated, designed and constructed at Kakenga Road, Panorama Drive, The Grampians Reserve, Halifax Street East (Sir Stanley Whitehead Park) and Brook Street. Works are also due to commence on Airlie Street slip remediation to reinstate support to a Council water main and private property access, in conjunction with the adjacent residents. Works on the slip remediation at Hanby Park are nearing completion.

The 21 April 2013 event caused surface flooding in the Stoke area and damaged culverts in Ngawhatu Valley and Aniseed Valley. Numerous businesses, homes and facilities were hit hard by the deluge and severe flooding in the Orphanage Creek catchment. Saxton Stadium and Sports House both suffered extensive flood damage.

### **THE NELSON SCHOOL OF MUSIC AND THE NELSON HISTORIC THEATRE TRUST (THEATRE ROYAL)**

This year, a Heads of Agreement was signed between Council and the Trust Boards of Nelson School of Music and the Nelson Historic Theatre Trust which agreed in principle to the transfer of ownership of the venues to Council. Both buildings have long histories with our city and once finalised, Council would take over responsibility for maintaining the buildings. In addition, funding has been set aside towards the upgrade for earthquake strengthening and refurbishment of the Nelson School of Music and settling the debt of the Nelson Historic Theatre Trust.

### **EARTHQUAKE PRONE BUILDINGS**

Initial earthquake assessments on all of Council's 92 buildings have been completed. Thirty buildings had initial ratings of less than 33% of the New Building Standard (the percentage of standard required for a new building at the time of assessment) so require detailed assessments.

Detailed assessments have been undertaken on nine buildings and six Section 124 Building Act Notices have been received.

More information on earthquake prone buildings is provided in the Social activity section.

### **LIBRARY REFURBISHMENT**

The Elma Turner Library refurbishment brought new furnishings and a layout change, creating new spaces for customers and a simpler flow to the Library. New technology was introduced enabling customers to quickly and easily check out and return items, check their accounts and pay fees.

### **NEW DOG CONTROL POLICY INTRODUCED**

Following formal consultation, a new dog control policy and bylaw was introduced. This seeks to strike a balance between the wishes of dog owners and the wider public. In most places dog owners can choose to have their dogs on or off lead, provided their dogs are under control at all times. Stricter controls remain in place for sensitive areas such as children's playgrounds, shopping centres, and reserves with significant recreation and conservation values.

### **NAVIGATION SAFETY BYLAW (NO 218)**

In November 2012 Council adopted the Navigation Safety Bylaw 2012 which came into effect on 1 December 2012. The new Bylaw includes provisions relating to the marina and replaces the previous Navigation Safety and Recreational Marina Bylaws.

### **FORMALISATION OF HARBOUR SAFETY RESPONSIBILITIES**

Following the review of the Navigation Safety Bylaw, the agreement with Port Nelson Ltd to enforce the rules, promote navigation safety and take responsibility for a number of navigation aids was formalised through a delegation of powers to the Port. This was carried out through a transfer of power under s650J of the Local Government Act 1974.

### **SCHOOL SPEED ZONES**

In the prior year Council introduced 40km/h variable speed school zones around Nelson Central School, Victory School, Tahunanui School, Nayland College and Primary and Stoke School. This year consultation was initiated on a proposal to extend the Victory School and Tahunanui school zones as well as introduce new zones at St Josephs School, Hampden Street School, Nelson College, Nelson College for Girls and Nelson Intermediate School. Final decisions on the proposal are expected by the end of August and new zones would become operational in early 2014.

## **BUSES**

NBus, Nelson's new public transport service launched in 2012, exceeded expectations in terms of passenger uptake. Patronage increased throughout the year and income from users of the service was double the budgeted amount.

## **NEW CHIEF EXECUTIVE**

Following the departure of Chief Executive Keith Marshall in mid-April 2012, Richard Johnson (Executive Manager Regulatory) stepped in as acting Chief Executive. Mr Johnson continued in the Acting position until the appointment of Clare Hadley who took up the position in December 2012.

# WORKING WITH MĀORI

### OPPORTUNITIES FOR PARTICIPATION IN COUNCIL DECISION-MAKING

This year has seen settlement of the Te Tau Ihu (Top of the South) Treaty of Waitangi claims for Iwi and the introduction of new legislation into Parliament. The new legislation indicates the need for a more in-depth conversation with Iwi. This year, more than any other, Council is aware of the need to establish paths where Council and Iwi can work together for successful outcomes for the whole community.

Iwi representatives were appointed to the Joint Waste Working Party and the Compliance and Monitoring Liaison Group which relates to wastewater consents. Iwi chairs and Chief Executives have met with the Mayors and Chief Executives from Tasman District and Nelson City Councils to consider the most effective and efficient way that all parties can work together. It was agreed that these meetings should continue with a view to establishing a more formal relationship.

The wider community may not be aware of the legislative obligation that Council has to work with Iwi, or the aspirations of Iwi to exercise the inter-generational responsibility of Kaitiakitanga (caring for the people and environment) on behalf of the wider Whakatū hapori (Nelson community).

The Kotahitanga forum was established in 2005 as a means for a higher level conversation between Nelson City Council, the six Iwi associated with Whakatū Marae and mātāwaka (Māori from another rohe (area)). The Terms of Reference for this rōpū (group) is about to be reviewed to assess its effectiveness with the Treaty Settlement legislation. Ngāti Apa, Rangitāne and Tasman District Council have been invited to be part of the Forum in 2013, with Rangitāne and Tasman choosing to attend.

### ENVIRONMENTAL DECISION-MAKING

With the pending Treaty Settlement legislation, Local Government Act reforms and pending reforms to the Resource Management Act, significant discussion has been held on the best models of practice going forward.

The current support of Tiakina Te Taiao representing four of the Iwi associated with Whakatū Marae and the input of the two other Iwi have been an integral part of the success of Nelson City Council's capital projects.

The continued need to develop an effective and efficient working relationship with nine Iwi groups (this includes Ngāi Tahu) across Te Tau Ihu remains a priority of Council.

### CAPACITY BUILDING AND ECONOMIC DEVELOPMENT

Both Iwi and Council continue to appreciate potential Iwi economic contributions to the business community of Nelson. As a local and substantial investor in the region it is appropriate that Council has a relationship with Iwi that reflects their role as a ratepayer and employer in the Nelson City region.

Council, through the Economic Development Agency, partnered with Iwi and the business community to hold a Māori Economic summit. The summit took a macro level view of the Māori economy and explored what was needed to establish a strong Māori economy in Whakatū (Nelson). This could have flow on benefits for the wider community.

Staff continue to work with Iwi in the development of understanding Te Ao Māori (the Māori world) and Iwi continue to support Council initiatives where ever possible. This partnership allows the inclusion of tikanga, kawa me ōna kaitiakitanga o ngā taonga tuku iho (Māori processes, how this is delivered and guardianship of treasures of the ancestors) to be included in Council initiatives and projects.

The Council Kaumātua continues to support the Mayor and Councillors at civic events and provide support to outside groups who are involved with Council. Currently two citizenship ceremonies are held at the Marae each year and there is potential to offer this opportunity more often should new migrants desire this.



## **SUPPORT CONCEPT FOR TE AO MĀORI (THE MĀORI WORLD) AND CULTURAL CELEBRATIONS**

The Council, through Founders Park and in partnership with the Marae, enjoyed Waitangi Day celebrations in February 2013 and provided a free bus service to the local Marae. These celebrations included a range of national and international flavours for the Kai Festival and the opportunity for the wider Whakatū Community to be welcomed onto the marae and become part of the Marae whānau.

Matariki 2013 (Māori New Year) and Te Wiki o Te Reo Māori (Māori Language Week) were supported by Council with numerous activities and displays held throughout the region. This activity was led by staff at Elma Turner Library.

It is important for Council to provide opportunities for staff to learn pronunciation and basic Te Reo Māori and in 2012/13 three ten-week courses were held at Elma Turner Library (1 hour per week).

Council and Nelmac staff have worked with tohunga raranga (weaving experts) to ensure that appropriate taonga (treasures) species flaxes and raw materials are available for all those in the community who have an interest in raranga.

The Arts Festival team continue to work with experts in Māori Arts, rangatahi Māori (Māori youth) and the Nelson Marlborough Institute of Technology to provide opportunities for exposure to Toi Māori (Māori Arts).

Council and Iwi continue to partner in the pōwhiri process for national and international visitors.

# COUNCIL ACTIVITIES: THE PAST YEAR

## INTRODUCTION TO COUNCIL ACTIVITIES

The following sections cover everything that Council does, organised into financial activities for funding and accountability. For a full description of each Council activity including ten year estimates of spending, scope, assets, underlying assumptions, relevant policy documents, mitigation of any negative effects, service levels and more, refer to the Nelson Long Term Plan 2012-22. This is available in the Nelson Public Libraries, through the Council website at [www.nelsoncitycouncil.co.nz](http://www.nelsoncitycouncil.co.nz) or by calling in or contacting our customer service centre on 546 0200. A Summary of Capital Expenditure on page 78 provides a full list of capital expenditure projects over \$100,000.

The following 10 activity groups applied for the first time in 2012/13. These have been updated from a set of 17 activities used up until June 2012, partly in response to the TAFM (Transparency, Accountability and Financial Management) review of the Local Government Act 2002. Although the activity groups have changed, the work remains the same. The activity groups are:

- Transport\* . . . . . Page 20
- Water supply\* . . . . . Page 27
- Wastewater\* . . . . . Page 32
- Stormwater\* . . . . . Page 37
- Flood protection\* . . . . . Page 42
- Environment . . . . . Page 46
- Social including arts and heritage . . . . . Page 55
- Parks and active recreation . . . . . Page 62
- Economic . . . . . Page 68
- Corporate . . . . . Page 73

\* It is mandatory for Council to report on these activities following the amendments to the Local Government Act in 2010, this is to enable performance comparisons between councils.

The following table shows how the 17 old groups of council activities are incorporated into the 10 new groups.

## CHANGES TO GROUPS OF COUNCIL ACTIVITIES

2012/13 Activity/Group	Old Activity/Group (up to June 2012)
<b>Transport (roads and footpaths)</b>	Transport
<b>Water supply</b>	Water supply
<b>Wastewater</b>	Wastewater
<b>Stormwater</b>	Stormwater and flood protection
<b>Flood protection</b>	
<b>Environment</b>	Solid waste management
	Environmental management
	Regulatory compliance
	Managing emergencies and natural hazards
<b>Social</b>	Community facilities
	Social development
	Culture, heritage and arts
<b>Parks and active recreation</b>	Parks and open space
	Recreation and leisure
<b>Economic</b>	Economic and tourism support
<b>Corporate</b>	Democracy and administration
	Financial reserves

## TRANSPORT INCLUDING ROADS AND FOOTPATHS

### ABOUT COUNCIL TRANSPORT ACTIVITIES

Nelson City Council carries out the transport planning for Nelson and is responsible for maintenance, construction and renewal of all roads and other parts of the transport network including cycle ways, excluding State Highways.

Council's transport activities include:

- a road network including road safety, street cleaning, lighting, footpaths and cycle ways
- public transport including the NBus service and the Total Mobility Scheme to provide access for people with disabilities
- inner city parking regulation and Central Business District development
- management of properties on road reserve.

### HIGHLIGHTS FOR 2012/13

Nelson's public transport service 'NBus' exceeded expectations in terms of passenger uptake. Patronage increased throughout the year and income from the users of the service was up 108% on budget.

Two land transport studies were completed; namely a street light study to assist in identifying the highest priority streets to programme for renewal, and a high productivity motor vehicle (HPMV) study in Tahunanui to determine which roads can support increased loadings from HPMV vehicles.

A variety of community road safety activities were carried out aimed at reducing alcohol and drug impaired driving, encouraging safe walking and cycling, and increasing the safety of motorcycling. Promoting safe speeds was a focus for the year and stopping distance demonstrations were run at five different Nelson locations. Over one week 39 stopping distance demonstrations took place, viewed by over 5,000 people.

Nelson saw an increase in the number of serious injuries and fatalities on the City's roads with the number reported increasing to 26 compared to 14 the previous year.

Several minor improvement projects were completed as well as the following R-funded<sup>1</sup> Walk Cycle School Package works:

- Nayland Primary/Poormans Stream Bridge
- Vanguard Street shared path – Northesk Street to Toi Toi Street
- On-road cycle lanes to Muritai Street, and parts of The Ridgeway and Main Road Stoke
- School speed signs to five locations that serve seven schools
- Iwa Road Walkway upgrade.

A number of significant capital projects were completed, including December 2011 rainfall event recovery works at numerous locations, as well as upgrades to Tasman Street and Queens Road.

A number of planned studies and investigations were not started or not completed during the year. These included the Rocks Road Shared Use Path investigation study (delayed while the scope of the study was agreed with the NZTA), investigations into two intersections – Waimea Road/The Ridgeway and Waimea Road/Princes Drive (to be completed in 2013/14) and the joint investigation with Tasman District Council and NZTA into the three roundabouts near Saxton Field, delayed whilst the terms and scope was agreed (to be completed in 2013/14).

<sup>1</sup> Funds allocated by the New Zealand Transport Agency to proposed activities judged to have the highest priority in each region.

The following construction projects were not started or not completed in the year:

- Variable Speed School signs – implementation of the second package of signs was delayed. The bylaw was progressed and signs will be installed in 2013/14.
- Waimea Road/Motueka Street traffic signals. Design was completed and works procured. Physical works will be completed in 2013/14.
- The Bishopdale to the Ridgeway shared use path was designed but not built in 2012/13. It is scheduled for construction in 2014/15.
- Work on the pedestrian refuge on Rocks Road at the bottom of Days Track was deferred as a layout that accommodated all users could not be agreed with NZTA and the community. This is now programmed to be investigated and constructed in conjunction with the Rocks Road shared use path.
- The Princes Road upgrade was designed and the physical works procured. Construction will be completed in 2013/14.
- The Bridge Street enhancement was deferred as the construction estimate was significantly more than budgeted. A low cost linger node was installed as a trial. Re-design to match the available budget and construction will occur in 2013/14.
- The Maitai shared path was designed and procured and will be constructed in 2013/14.

## PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

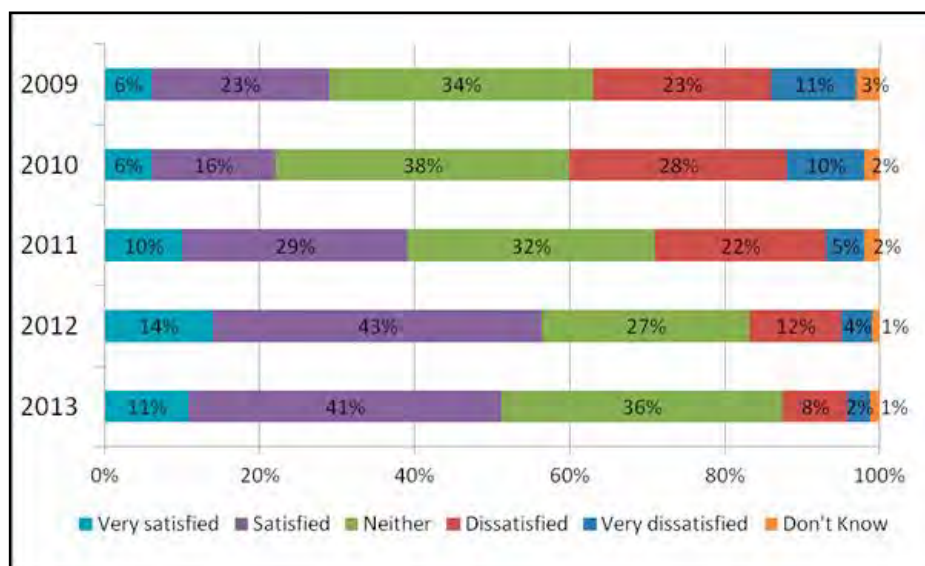
Community outcomes	Contribution
<b><i>Healthy land, sea, air and water</i></b>	The network provided a range of active travel modes that including those with minimal impact on the environment. Designs for upgrades and renewals endeavoured to limit environmental impact.
<b><i>People-friendly places</i></b>	Transport infrastructure was provided that took into account its impact on public spaces and accessibility, including a bylaw amendment to provide for additional variable speed school zones.
<b><i>A strong economy</i></b>	The transport network provided efficient movement of people and goods to meet the needs of residents, visitors and businesses.
<b><i>Kind, healthy people</i></b>	Improved designs and promotion increased safety for drivers, cyclists and pedestrians.

## WHAT RESIDENTS SAID

Respondents to the 2013 Residents' Survey were asked how satisfied they were with Nelson City Council in the area of Transport, which includes roads, cycleways, footpaths and public transport. Just over half (52%) were satisfied or very satisfied in 2013, compared with 57% in 2012. However, there was an increase in the proportion who were neutral and a decrease in the proportion who were dissatisfied or very dissatisfied.

It should also be noted that the new NBus network was introduced in the 2012 survey year, which saw a significant jump in the proportion that were satisfied or very satisfied (from 39% to 57%). The drop in 2013 could be something of a 'levelling out' after this success. Refer to Figure 1 for residents' survey results from 2009 through to 2013.





**Figure 1** Transport results from residents' surveys – 2009-2013

If respondents were dissatisfied or very dissatisfied, they were asked why.

There were 44 comments giving reasons for being dissatisfied or very dissatisfied with transport services with almost a third (14) saying it was because roads are in poor condition. There were 8 comments about there being too many roadworks and another 8 about public transport issues (routes, frequency, or reliability).

## SERVICE LEVELS AND PERFORMANCE

### Measures from Year 1 of the Nelson Long Term Plan 2012-22

What Council will provide	Performance measures	Targets	Results 2012/13	Comments																					
Walking and cycling are easy and attractive transport choices	Percentage of the community that travel to work by walking or cycling based on Annual Survey of Residents and/or national census	17%	Achieved	The 2013 Survey of Residents showed 18% travelled to work by walking or cycling. The 2011/12 result was also 18%.																					
An efficient transport system that enables people and freight to move efficiently	Average AM and PM peak hour travel times on Waimea Road and the State Highway between Annesbrook and Haven Road roundabout, based on the RLTS annual monitoring report	Average peak hour travel time delays are no greater than 5 minutes above uncongested travel times	Achieved	<div>Travel time delays ranged from 58 seconds on the Rocks Road route in the morning to 2 minutes and 28 seconds on the Rocks Road route in the evening.</div> <div><div>Travel time (minutes:seconds)<sup>2</sup></div><table><tr><td></td><td><b>Rocks Road</b></td><td><b>Waimea Road</b></td></tr><tr><td>Morning peak</td><td>8:40</td><td>8:28</td></tr><tr><td>Uncongested</td><td>7:42</td><td>6:22</td></tr><tr><td><b>Morning delay</b></td><td><b>0:58</b></td><td><b>2:06</b></td></tr><tr><td>Evening peak</td><td>10:43</td><td>7:53</td></tr><tr><td>Uncongested</td><td>8:15</td><td>6:24</td></tr><tr><td><b>Evening delay</b></td><td><b>2:28</b></td><td><b>1:29</b></td></tr></table></div>		<b>Rocks Road</b>	<b>Waimea Road</b>	Morning peak	8:40	8:28	Uncongested	7:42	6:22	<b>Morning delay</b>	<b>0:58</b>	<b>2:06</b>	Evening peak	10:43	7:53	Uncongested	8:15	6:24	<b>Evening delay</b>	<b>2:28</b>	<b>1:29</b>
	<b>Rocks Road</b>	<b>Waimea Road</b>																							
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Uncongested	8:15	6:24																							
<b>Evening delay</b>	<b>2:28</b>	<b>1:29</b>																							

<sup>2</sup> Data was gathered by external contractors using a floating car travel time survey in July, September, November, February, March and May. The car travels back and forth on the routes over one day and records the travel times in the peak hours of 7.30-9.30am and 4.30-6.00pm and the off peak hours between 10am and 2pm.

What Council will provide	Performance measures	Targets	Results 2012/13	Comments
<b>Minimised social and economic costs of crashes on the transport network</b>	Total five year average social cost of urban crashes (injury and non-injury) at the worst ten intersections	The annual total social cost is below the previous five year average	Not achieved	The social cost for 2012's worst ten intersections was \$6.7 million compared with an average of \$4.4 million for the previous five years (based on NZTA calculation of social costs). It should be noted that crashes are often random occurrences and we have a relatively small sample which can make this measure volatile.
<b>Public transport services that meet the transport needs of the community with an equitable sharing of costs</b>	The fare recovery ratio	30-35%	Achieved	The fare recovery ratio was 70% <sup>3</sup> . The new NBus service was launched in March 2012 so no data is available for the previous year.
<b>Supply and pricing of short stay parking managed to encourage commercial activity in the city centre</b>	Percentage of short stay parking spaces occupied in midweek peak in December	<95%	Achieved	81% of short stay parking spaces were occupied at the midweek peak in December 2012. Occupation of short stay parking was a new measure in 2012/13.
<b>Supply and pricing of long stay parking managed to incentivise greater use of transport options other than cars</b>	Availability of long stay parking spaces between peak travel times as a percentage of the total long stay spaces within a 20min walk of the central city, excluding CBD long stay spaces	No measure provided	Not measured	Long stay spaces within a 20 minute walk of the central city was not measured, however a survey of long stay parking spaces in the city fringe typically within a 5 minute walk of the central city showed 31% availability on average between peak travel times. Long stay spaces within a 20 minute walk of the central city will be investigated through the Parking Strategy project being carried out in the second half of 2013. Availability of long stay parking was a new measure in 2012/13.

<sup>3</sup> The Farebox Recovery Ratio (FRR) is calculated using a formula provided by NZTA. The formula specifies costs as fares, fare subsidies and contract payments to the service provider. The ratio would be 66% if all Council administration and marketing costs were included. NZTA are looking at refining the FRR formula in the future.

## FINANCIAL PERFORMANCE – TRANSPORT INCLUDING ROADS AND FOOTPATHS

## Cost of Service Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Revenue</b>			
Rating income	7,400	8,076	7,947
Operating income	5,745	7,821	6,452
Capital Income	1,403	3,457	2,068
Total revenue	14,548	19,354	16,467
<b>Expenses:</b>			
Payments to staff and suppliers	8,307	13,450	11,632
Finance Costs	1,279	1,141	1,004
Depreciation	4,394	4,793	4,777
Total operating expenses	13,980	19,384	17,413
<b>Net surplus/(deficit)</b>	<b>568</b>	<b>(30)</b>	<b>(946)</b>

## Statement of funding requirement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Funds required</b>			
Capital expenditure	8,519	10,193	7,058
Non Cash profits and write-ups	0	0	0
Increase (decrease) in reserves	(17)	(2,475)	(1,295)
Increase (decrease) in investments	0	0	0
<b>Total funds required</b>	<b>8,502</b>	<b>7,718</b>	<b>5,763</b>
<b>Source of funds:</b>			
Net surplus/(deficit)	568	(30)	(946)
Non cash expenditure	4,394	4,793	4,777
Increase (decrease) in debt	3,530	2,935	601
Gross proceeds from sales of assets	10	20	41
Non cash losses and write-downs	0	0	1,290
<b>Total source of funds</b>	<b>8,502</b>	<b>7,718</b>	<b>5,763</b>

## Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Sources of Operating Funding</b>			
General Rates, uniform annual general charges, rates penalties	7,400	8,076	7,947
Targeted rates (other than a targeted rate for water supply)	0	0	0
Subsidies and grants for operating purposes	2,034	3,740	2,349
Fees, charges, and targeted rates for water supply	0	0	0
Internal charges and overheads recovered	547	503	224
Local authorities fuel tax, fines, infringement fees, and other receipts	3,711	4,081	3,879
<b>Total Operating Funding</b>	<b>13,692</b>	<b>16,400</b>	<b>14,399</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	8,307	13,450	10,107
Finance costs	183	158	113
Internal charges and overheads applied *	1,643	1,486	1,126
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>10,133</b>	<b>15,094</b>	<b>11,346</b>
<b>Surplus (Deficit) of operating funding</b>	<b>3,559</b>	<b>1,306</b>	<b>3,053</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital	1,003	3,277	1,848
Development and financial contributions	400	180	220
Increase (decrease) in debt	3,530	2,935	601
Gross proceeds from sale of assets	10	20	41
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>4,943</b>	<b>6,412</b>	<b>2,710</b>
<b>Applications of capital funding</b>			
Capital Expenditure			
- to meet additional demand	2,285	1,389	1,095
- to improve level of service	3,765	5,464	2,524
- to replace existing assets	2,469	3,340	3,439
Increase (decrease) in reserves	(17)	(2,475)	(1,295)
Increase (decrease) in investments	0	0	0
<b>Total applications of capital funding</b>	<b>8,502</b>	<b>7,718</b>	<b>5,763</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(3,559)</b>	<b>(1,306)</b>	<b>(3,053)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Reconciliation between the Net Surplus (Deficit) in the Cost of Service Statement and Surplus (Deficit) of operating funding in the Funding Impact Statement**

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
Surplus/(Deficit) of operating funding from Funding Impact Statement	3,559	1,306	3,053
Subsidies and grants for capital expenditure	1,003	3,277	1,848
Development and financial contributions	400	180	220
Vested Assets	0	0	0
Gains/(losses) on disposal	0	0	(1,290)
Depreciation	(4,394)	(4,793)	(4,777)
Targeted Capital Rates	0	0	0
Non cash write ups and gains on revaluation	0	0	0
Non Cash Write downs and losses on revaluation	0	0	0
Net Surplus (Deficit) before taxation in Statement of Financial Performance	568	(30)	(946)

**Funding Impact Statement Variances against budget**

Operating income is \$2.0 million less than budgeted in the long term plan. The NZTA subsidy of \$1.4 million for the Cable Bay Rd remediation budgeted in operating income was not utilised as the project was transferred into the capital programme. Internal transfers between parking and public transport were less than budget by \$279,000 as ticketing income from public transport was \$340,000 higher than anticipated. Car parking income was \$489,000 less than budget.

Payments to staff and suppliers are less than budget by \$3.3 million. The expenditure budgeted for Cable Bay Rd remediation in the amount of \$3.3 million has not occurred as the project has been transferred into the capital programme. There was unbudgeted expenditure relating to the April 2013 floods of \$185,000. Expenditure relating to the December 2011 emergency event recovery was less than budgeted by \$265,000 in this activity. Internal charges are less than budget by \$360,000 relating mainly to the reduced need from public transport for funding from other activities.

Subsidies and grants for capital are \$1.4 million less than budgeted, due to changes in the phasing of the capital programme within the NZTA three-year cycle.

Capital expenditure is \$3.1 million under budget due to rephasing of the capital programme.

Losses on disposal relate to abandoned assets, impairments, and the write off of work in progress.

## WATER SUPPLY

### ABOUT COUNCIL WATER SUPPLY ACTIVITIES

Council supplies water to most Nelson households and businesses through a piped system. A number of rural properties provide their own water or use a privately owned water supply. Water is metered so it is used efficiently and supply costs are shared fairly.

In order to provide water for Nelson City, Council manages 320km of water pipes, two main water sources at the Maitai and Roding dams, the water treatment plant and associated pumping and storage facilities.

### HIGHLIGHTS FOR 2012/13

In 2012/13 the second stage of the duplicate pipeline from the Maitai dam to the water treatment plant was completed. There is one more stage of this work to be undertaken in 2013/14. When complete, the pipeline will provide a more secure water supply line for the City helping protect against loss of supply during storms and earthquakes.

Approximately \$1 million was spent replacing older asbestos cement pipes in the City. This is part of an ongoing renewals programme to replace pipes installed in the 1940's and 1950's that have not stood the test of time, with a record of multiple failures.

During the year more accurate chemical dosing equipment was installed at the water treatment plant. This should allow operators to use a minimum amount of chemicals and reduce chemical costs in the long term.

Backflow prevention devices were fitted to Council administered buildings through the year. These will help prevent accidental contamination of the water supply.

Council has a number of resource consents for the water activity. During this year an inventory was developed of those consents that require active monitoring. Further work is underway to improve the recording of compliance with all conditions of active consents. This will improve Council's consent monitoring performance.

### PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

Community outcomes	Contribution
<b><i>Healthy land, sea, air and water</i></b>	Ensures water resources are well managed and reduces the human impact on the environment. Council is required to comply with water consent conditions to protect the environment.
<b><i>A strong economy</i></b>	Supported economic development, business and tourism sector in Nelson with a quality and reliable water supply.
<b><i>Kind, healthy people</i></b>	Safe drinking water prevents disease, which improves public health. Water testing is carried out regularly. Water grading is expected to continue in 2013/14.



## SERVICE LEVELS AND PERFORMANCE

## Measures from Year 1 of the Nelson Long Term Plan 2012-22.

What Council will provide	Performance measures	Targets	Results 2012/13	Comments
<b>Good quality water</b>	Grading under Drinking Water Standards for NZ 2005/08 sampling and test standards	Maintain Ab grading	On track	Grading review not undertaken in 2012/13 as resources were put to storm recovery works and Council awaited the outcome of central government review of water grading procedure. The most recent grading was Ab in 2010/11 and the Council is confident this grading remains representative due to being scored at the higher end of the Ab banding and no significant concerns with water quality being identified subsequently.
<b>A reliable supply of water</b>	Day to day continuity of supply	1 in 60 year drought security for at least the next 50 years	Achieved	Maximum daily demand of 30,658m <sup>3</sup> was recorded in January 2013. Maximum daily supply capacity is approximately 40,000m <sup>3</sup> . Completion of the Maitai duplicate pipeline and treatment filters can lift supply capacity to close to 50,000m <sup>3</sup> per day, and improve security of supply. This target was also achieved in 2011/12.
<b>Acceptable water pressure</b>	Percentage of customers with acceptable pressure, defined as minimum 30m head, max 90m head and maximum fluctuation <35%	82% in 2012/13	Achieved	Computer model identifies 83% of properties have acceptable water pressure, compared to 79% in 2010/11 (no physical measure taken in 2012/13, however the computer modelling has been previously checked and confirmed as providing accurate results).
<b>Adequate flows of water</b>	Proportion of properties with NZ Fire Service fire minimum flows of 24 litre/s and therefore adequate domestic, commercial, industrial minimum flows	99.1% in 2012/13	Achieved	Computer modelling identifies 99.1% of properties have acceptable water flows, compared to 98.6% in 2011/12 and 2010/11.
<b>A prompt emergency response</b>	Meet response times for emergencies identified in external works contract	Maximum 24 hour outage (all)  Supply 99.6% available at any property	Achieved	In terms of outages which affected properties, there were two water mains outages greater than eight hours but less than 24 hours. There was an outage greater than 24 hours but this did not affect any properties. Overall, there were only three outages over eight hours out of a total of 582 in 2012/13. The maximum outage in 2011/12 was 9.5 hours (not including the December 2011 rainfall event).  Supply availability to customers exceeded 99.6%. Continuity of supply was 99.6% in 2011/12, apart from during the December 2011 rainfall event.
<b>A network that protects the natural environment</b>	Level of compliance with resource consents.	100% compliance	Not measured	Compliance reporting from contractor is for the 2011/12 financial year. Maitai River results showed winter minimum flow conditions were not met on six occasions and temperature conditions were not met on 30 occasions during the year. Roding river showed compliance with minimum flows. In 2010/11 all consent conditions were met for the Maitai and Roding Rivers.

## FINANCIAL PERFORMANCE – WATER SUPPLY

### Cost of Service Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Revenue</b>			
Rating income	0	0	0
Operating income	10,943	11,047	11,102
Capital Income	318	610	586
Total revenue	11,261	11,657	11,688
<b>Expenses:</b>			
Payments to staff and suppliers	5,554	6,093	5,546
Finance Costs	1,667	1,375	1,313
Depreciation	3,737	3,941	3,993
Total operating expenses	10,958	11,409	10,852
<b>Net surplus/(deficit)</b>	<b>303</b>	<b>248</b>	<b>836</b>

### Statement of funding requirement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Funds required</b>			
Capital expenditure	6,208	7,729	7,867
Non Cash profits and write-ups	0	0	0
Increase (decrease) in reserves	0	(393)	(106)
Increase (decrease) in investments	0	0	0
<b>Total funds required</b>	<b>6,208</b>	<b>7,336</b>	<b>7,761</b>
<b>Source of funds:</b>			
Net surplus/(deficit)	303	248	836
Non cash expenditure	3,737	3,941	3,993
Increase (decrease) in debt	2,168	3,147	2,771
Gross proceeds from sales of assets	0	0	0
Non cash losses and write-downs	0	0	161
<b>Total source of funds</b>	<b>6,208</b>	<b>7,336</b>	<b>7,761</b>

## Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Sources of Operating Funding</b>			
General Rates, uniform annual general charges, rates penalties	9	9	0
Targeted rates (other than a targeted rate for water supply)	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees, charges, and targeted rates for water supply	10,834	11,015	11,014
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	100	23	88
<b>Total Operating Funding</b>	<b>10,943</b>	<b>11,047</b>	<b>11,102</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	5,554	6,093	5,202
Finance costs	0	0	0
Internal charges and overheads applied *	1,667	1,375	1,496
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>7,221</b>	<b>7,468</b>	<b>6,698</b>
<b>Surplus (Deficit) of operating funding</b>	<b>3,722</b>	<b>3,579</b>	<b>4,404</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital	0	0	332
Development and financial contributions	318	610	254
Increase (decrease) in debt	2,168	3,147	2,771
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>2,486</b>	<b>3,757</b>	<b>3,357</b>
<b>Applications of capital funding</b>			
Capital Expenditure			
- to meet additional demand	617	98	67
- to improve level of service	4,468	6,258	6,453
- to replace existing assets	1,123	1,373	1,347
Increase (decrease) in reserves	0	(393)	(106)
Increase (decrease) in investments	0	0	0
<b>Total applications of capital funding</b>	<b>6,208</b>	<b>7,336</b>	<b>7,761</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(3,722)</b>	<b>(3,579)</b>	<b>(4,404)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Reconciliation between the Net Surplus (Deficit) in the Cost of Service Statement and Surplus (Deficit) of operating funding in the Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
Surplus/(Deficit) of operating funding from Funding Impact Statement	3,722	3,579	4,404
Subsidies and grants for capital expenditure	0	0	332
Development and financial contributions	318	610	254
Vested Assets	0	0	0
Gains/(losses) on disposal	0	0	(161)
Depreciation	(3,737)	(3,941)	(3,993)
Targeted Capital Rates	0	0	0
Non cash write ups and gains on revaluation	0	0	0
Non Cash Write downs and losses on revaluation	0	0	0
Net Surplus (Deficit) before taxation in Statement of Financial Performance	303	248	836

### Funding Impact Statement Variances against budget

Payments to staff and suppliers are \$891,000 less than budgeted in the long term plan. Unprogrammed maintenance is \$326,000 less than budget as expenditure is dependent on the incidence of unexpected events, and the expenditure relating to recovery from the December 2011 emergency event was \$285,000 less than anticipated in this activity.

Internal charges are greater than budget by \$121,000 due to transfers into the disaster recovery fund.

Unbudgeted subsidies and grants for capital of \$332,000 were received from Network Tasman and Chorus relating to work carried out on their behalf. Development and financial contributions are \$356,000 less than budget reflecting the level of development activity.

## WASTEWATER

### ABOUT COUNCIL WASTEWATER ACTIVITIES

Council's wastewater activity included the collection, treatment and disposal of sewage and other wastewater that is discharged into Nelson's sewers. Council manages 370 km of wastewater pipes, 26 pump stations and the Nelson Wastewater Treatment Plant, which serves the northern residential area of the City from Bishopdale, the Port Hills and the central city to Atawhai. For most of the rest of the City, wastewater is discharged to the Nelson Regional Sewerage Scheme (Bell Island) where Council has 50% ownership with Tasman District Council.

### HIGHLIGHTS FOR 2012/13

Ongoing odour issues at the Nelson Wastewater Treatment Plant led to the installation of pond aerators and detailed planning for the removal of sludge from the base of the ponds. Both of these initiatives will improve oxygen levels in the pond. The sludge will be removed during 2013/14.

The first section of an extensive trunk main construction for Marsden Valley was completed from Nayland Road to the bottom of Songer Street. Detailed design for the balance from Marsden Valley to Nayland Road was also completed. Construction of the next stage of the upgrade will begin in 2013/14.

Detailed design to upgrade the main from Arapiki Road to Songer Street was completed. Construction of stage one will be undertaken in 2013/14.

Work continued on the programme of pump station and sewer pipe renewals which replaces pumps, fittings and pipes as they reach the end of their service life. Work on Awatea Place, Beatson Road, Franklyn Street and Ngawhatu Valley sewers was deferred to allow Council to respond to the April 2013 storm event. A new large capacity pump was installed at the Neale Park Pump Station to provide additional capacity for high flows.

As part of the ongoing programme to control inflow and infiltration of stormwater into the sewers, areas of the network in Ngawhatu, Arapiki Road/Panorama Drive and Gracefield Street were tested. Further work to address the issues found will be carried out in 2013/14.

### PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

Community outcomes	Contribution
<b><i>Healthy land, sea, air and water</i></b>	Reticulated wastewater and treatment plants reduce the impact of the city on the environment.
<b><i>People-friendly places</i></b>	Controlling wastewater reduces harmful effects on people as well as the natural and built environment.
<b><i>A strong economy</i></b>	Controlling wastewater allows businesses to operate safely in Nelson and protects the tourism sector from negative impacts.
<b><i>Kind, healthy people</i></b>	Controlling wastewater minimises disease and health problems.

## SERVICE LEVELS AND PERFORMANCE

### Measures from Year 1 of the Nelson Long Term Plan 2012-22

What Council will provide	Performance measures	Targets	Results 2012/13	Comments
<b>A fully operational wastewater treatment plant</b>	Level of compliance of treatment plant with resource consent conditions	100% compliance	Not achieved	Odour problems and one high biochemical oxygen demand (BOD) reading were recorded during the year. Odour conditions were also breached during the previous year.
<b>Emergency response</b>	Time taken to respond and investigate emergencies	Respond and investigate emergency works within 30 minutes and repairs within eight hours	Not achieved	Two categories failed to meet the requirement: for overflowing manholes two of the 66 events did not meet the standard required; and for sewer main breaks one of the five events took longer than anticipated. In the previous year 99% of repairs were undertaken within eight hours.
<b>Environmental protection</b>	Level of compliance with resource consent conditions for accidental discharges from the network	100% compliance	Not achieved	Consent was granted in 2011/12 for accidental discharges from the wastewater network, and during the 2012/13 year the timeframe for initiating sampling of background water environment was not met in one instance.
	Number of confirmed odour complaints per annum associated with a pump station	No more than three confirmed odour complaints a year associated with a pump station	Achieved	Single odour complaints were recorded for three pump stations therefore, as in 2011/12, this target was achieved.

## FINANCIAL PERFORMANCE – WASTEWATER

## Cost of Service Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Revenue</b>			
Rating income	6,242	6,436	6,455
Operating income	3,396	3,658	3,980
Capital Income	265	540	448
Total revenue	9,903	10,634	10,883
<b>Expenses:</b>			
Payments to staff and suppliers	5,588	5,983	6,211
Finance Costs	687	605	381
Depreciation	3,364	3,730	3,812
Total operating expenses	9,639	10,318	10,404
<b>Net surplus/(deficit)</b>	<b>264</b>	<b>316</b>	<b>479</b>

## Statement of funding requirement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Funds required</b>			
Capital expenditure	6,838	5,884	3,077
Non Cash profits and write-ups	0	0	170
Increase (decrease) in reserves	0	(1,760)	743
Increase (decrease) in investments	0	0	0
<b>Total funds required</b>	<b>6,838</b>	<b>4,124</b>	<b>3,990</b>
<b>Source of funds:</b>			
Net surplus/(deficit)	264	316	479
Non cash expenditure	3,364	3,730	3,812
Increase (decrease) in debt	3,210	78	(325)
Gross proceeds from sales of assets	0	0	0
Non cash losses and write-downs	0	0	24
<b>Total source of funds</b>	<b>6,838</b>	<b>4,124</b>	<b>3,990</b>



## Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Sources of Operating Funding</b>			
General Rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates (other than a targeted rate for water supply)	6,242	6,436	6,455
Subsidies and grants for operating purposes	0	0	0
Fees, charges, and targeted rates for water supply	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	3,396	3,658	3,810
<b>Total Operating Funding</b>	<b>9,638</b>	<b>10,094</b>	<b>10,265</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	5,588	5,983	6,089
Finance costs	658	605	381
Internal charges and overheads applied *	29	0	98
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>6,275</b>	<b>6,588</b>	<b>6,568</b>
<b>Surplus (Deficit) of operating funding</b>	<b>3,363</b>	<b>3,506</b>	<b>3,697</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital	0	0	0
Development and financial contributions	265	540	448
Increase (decrease) in debt	3,210	78	(325)
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>3,475</b>	<b>618</b>	<b>123</b>
<b>Applications of capital funding</b>			
Capital Expenditure			
- to meet additional demand	5,651	1,616	1,499
- to improve level of service	207	2,927	891
- to replace existing assets	980	1,341	687
Increase (decrease) in reserves	0	(1,760)	743
Increase (decrease) in investments	0	0	0
<b>Total applications of capital funding</b>	<b>6,838</b>	<b>4,124</b>	<b>3,820</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(3,363)</b>	<b>(3,506)</b>	<b>(3,697)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Reconciliation between the Net Surplus (Deficit) in the Cost of Service Statement and Surplus (Deficit) of operating funding in the Funding Impact Statement**

	<b>Annual Plan</b>	<b>Long Term Plan</b>	<b>Actual</b>
	<b>2012</b>	<b>2013</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Surplus/(Deficit) of operating funding from Funding Impact Statement	3,363	3,506	3,697
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	265	540	448
Vested Assets	0	0	0
Gains/(losses) on disposal	0	0	(24)
Depreciation	(3,364)	(3,730)	(3,812)
Targeted Capital Rates	0	0	0
Non cash write ups and gains on revaluation	0	0	170
Non Cash Write downs and losses on revaluation	0	0	0
Net Surplus (Deficit) before taxation in Statement of Financial Performance	264	316	479

**Funding Impact Statement Variances against budget**

Finance costs are \$224,000 less than budgeted in the long term plan due to favourable interest rates along with changes to the capital programme.

Capital expenditure is \$2.8 million less than anticipated, largely related to the timing of capital works around the Nelson North Wastewater Treatment Plant.

## STORMWATER

### ABOUT COUNCIL STORMWATER ACTIVITIES

The Nelson stormwater system has two parts – the natural waterways and a constructed stormwater system. The natural rivers and streams support aquatic ecosystems, provide areas for recreation and public use and channel stormwater flows when it rains heavily. The constructed stormwater network includes channels to drain stormwater and rainfall from roads and properties in urban areas, pipes and overland flow paths that carry stormwater to waterways and the sea.

Pump stations and debris filters are also included. In large parts of the City a fully-piped system is not provided. Stormwater soaks into the ground or flows into road channels, which is often the primary drainage system.

Stormwater was part of a wider Stormwater and Flood Protection activity group in previous years, and has now been separated out as an individual activity.

### HIGHLIGHTS FOR 2012/13

Recovery efforts from December 2011 and April 2013 storm events required resources to be diverted from the planned 2012/13 work programme. Urgent issues with the stormwater network have been addressed and improvements to pipe intake structures are planned for 2013/14.

Design for the Haven Road culvert on Saltwater Creek was completed in 2012/13 and construction is planned for 2013/14. Repairs to the St Vincent Street stormwater culvert began in 2012/13 and will be ongoing until a replacement culvert is designed and constructed in approximately five years time.

New stormwater pipes were installed in Tasman Street and the Neale Avenue area in Stoke. Designs were completed for new stormwater systems in Northesk Street, Stanley Crescent and Seaview Road. Construction of these is programmed for 2013/14.

### PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

Community outcomes	Contribution
<b><i>Healthy land, sea, air and water</i></b>	Council reduces effects of excess rainfall on the environment by complying with resource consent conditions. New works have taken into account natural and recreational needs.
<b><i>People-friendly places</i></b>	Upgrade and remedial works have reduced the likelihood of excess rainfall damaging homes, businesses or essential infrastructure.
<b><i>A strong economy</i></b>	Programmed upgrading of streams will help to remove restrictions on developing land by ensuring adequate drainage is provided.
<b><i>Kind, healthy people</i></b>	Upgrade and remedial works have reduced the likelihood of people being affected by excess rainfall.

**SERVICE LEVELS AND PERFORMANCE****Measures from Year 1 of the Nelson Long Term Plan 2012-22**

What Council will provide	Performance measures	Targets	Results 2012/13	Comments
<b>Environmental Protection</b> <b>For the built and natural environment from flooding and stormwater discharges</b>	Level of compliance with resource consent conditions	100% compliance	On track	Ongoing monitoring of stormwater from six urban catchments was completed. Reports are required by 31 August 2013. 100% compliance was achieved for stormwater discharge consents, and all other resource consents are currently being reviewed. In the previous year this target was met for Wood and Centennial road pump stations.
	Ensure appropriate stormwater disposal options are available throughout the city	Planned work programme completed to improve network, targeting highest risk areas	Not achieved	The planned work programme was not completed this year. A number of projects were deferred to allow resources to be committed to storm recovery works. This target was not measured in 2011/12.
<b>Reliability</b> <b>An operational stormwater network</b>	Number of blockages per 100km of pipes on an annual basis	Less than 25 blockages per 100km of pipes on an annual basis	Achieved	Blockage complaints show 39 complaints for the 181km of pipes in the city. 22 blockages per 100km occurred. This target was not measured in 2011/12.
<b>Emergency response</b> <b>Provide a prompt, reliable and timely response to service requests and system failures</b>	Time that contractors take to respond to emergencies	Contractors respond to emergencies within 30 minutes	Not achieved	Response times for flooding and blocked inlets met the requirement. Other associated requests were met 98% of the time. 100% compliance was achieved in the previous year.

## FINANCIAL PERFORMANCE – STORMWATER

## Cost of Service Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Revenue</b>			
Rating income	4,057	3,814	3,636
Operating income	0	0	30
Capital Income	233	598	222
Total revenue	4,290	4,412	3,888
<b>Expenses:</b>			
Payments to staff and suppliers	1,001	1,079	2,307
Finance Costs	1,248	918	892
Depreciation	1,809	1,917	1,658
Total operating expenses	4,058	3,914	4,857
<b>Net surplus/(deficit)</b>	<b>232</b>	<b>498</b>	<b>(969)</b>

## Statement of funding requirement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Funds required</b>			
Capital expenditure	2,110	2,826	896
Non Cash profits and write-ups	0	0	0
Increase (decrease) in reserves	0	(100)	(1,218)
Increase (decrease) in investments	0	0	0
<b>Total funds required</b>	<b>2,110</b>	<b>2,726</b>	<b>(322)</b>
<b>Source of funds:</b>			
Net surplus/(deficit)	232	498	(969)
Non cash expenditure	1,809	1,917	1,658
Increase (decrease) in debt	69	311	(1,028)
Gross proceeds from sales of assets	0	0	0
Non cash losses and write-downs	0	0	17
<b>Total source of funds</b>	<b>2,110</b>	<b>2,726</b>	<b>(322)</b>

## Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Sources of Operating Funding</b>			
General Rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates (other than a targeted rate for water supply)	4,057	3,814	3,636
Subsidies and grants for operating purposes	0	0	0
Fees, charges, and targeted rates for water supply	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	30
<b>Total Operating Funding</b>	<b>4,057</b>	<b>3,814</b>	<b>3,666</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	1,001	1,079	2,199
Finance costs	0	0	0
Internal charges and overheads applied *	1,248	918	983
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>2,249</b>	<b>1,997</b>	<b>3,182</b>
<b>Surplus (Deficit) of operating funding</b>	<b>1,808</b>	<b>1,817</b>	<b>484</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital	0	0	0
Development and financial contributions	233	598	222
Increase (decrease) in debt	69	311	(1,028)
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>302</b>	<b>909</b>	<b>(806)</b>
<b>Applications of capital funding</b>			
Capital Expenditure			
- to meet additional demand	0	0	0
- to improve level of service	1,878	2,369	896
- to replace existing assets	232	457	0
Increase (decrease) in reserves	0	(100)	(1,218)
Increase (decrease) in investments	0	0	0
<b>Total applications of capital funding</b>	<b>2,110</b>	<b>2,726</b>	<b>(322)</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(1,808)</b>	<b>(1,817)</b>	<b>(484)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>



### Reconciliation between the Net Surplus (Deficit) in the Cost of Service Statement and Surplus (Deficit) of operating funding in the Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
Surplus/(Deficit) of operating funding from Funding Impact Statement	1,808	1,817	484
Subsidies and grants for capital expenditure			0
Development and financial contributions	233	598	222
Vested Assets	0	0	0
Gains/(losses) on disposal	0	0	(17)
Depreciation	(1,809)	(1,917)	(1,658)
Targeted Capital Rates	0	0	0
Non cash write ups and gains on revaluation	0	0	0
Non Cash Write downs and losses on revaluation	0	0	0
Net Surplus (Deficit) before taxation in Statement of Financial Performance	232	498	(969)

### Funding Impact Statement Variances against budget

Targeted rates are \$178,000 less than budgeted in the long term plan, as depreciation that was budgeted in this activity was actually incurred in the Flood Protection activity and the funding was adjusted accordingly.

Payments to staff and suppliers are \$1.1 million more than budget due to expenditure for recovery from the December 2011 emergency event. At the time of compiling the Long Term Plan, forecasting for the recovery was in its early stages and both the actual total expenditure and the split between activities have differed from the Long Term Plan.

Development and financial contributions are \$376,000 less than anticipated reflecting the level of development activity.

Capital expenditure is \$1.9 million less than budgeted due to delays in the capital programme resulting from resources being directed towards recovery from the December 2011 emergency event.

## FLOOD PROTECTION

### ABOUT COUNCIL FLOOD PROTECTION ACTIVITIES

Flood protection is reported as an activity of its own for the first time this year; previously it was included in a wider Stormwater and Flood Protection activity.

Council provides a flood protection system to prevent harm to people and property, protect the environment and contribute to community wellbeing.

### HIGHLIGHTS FOR 2012/13

The storm events of December 2011 and April 2013 required resources to be diverted from the planned programme for 2012/13. Gravel removal from most streams and rivers has been completed. Work is ongoing in Orphanage Stream and Saxton Stream in 2013/14. Council has programmed additional investigation work for these streams in 2013/14 to review options for upgrading. Saxton Creek development will be undertaken in conjunction with Tasman District Council.

Further progress was made with modelling flood flows in the Maitai River. This work is expected to help with long term planning of flood protection works and looking at the impacts of rising sea levels in the areas adjacent to the lower reaches of the Maitai River.

### PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

Community outcomes	Contribution
<i>Healthy land, sea, air and water</i>	Stream and river upgrade and remedial works will reduce the effects of floods on the environment. Stream remedial works take into account natural and recreational needs.
<i>People-friendly places</i>	Stream and river upgrade and remedial works reduced the likelihood of floods damaging homes, businesses or essential infrastructure.
<i>A strong economy</i>	Proposed capacity upgrades will reduce restrictions on developing land as adequate drainage capacity will be provided.
<i>Kind, healthy people</i>	Reduces the likelihood of people being affected by a flood.

### SERVICE LEVELS AND PERFORMANCE

#### Measures from Year 1 of the Nelson Long Term Plan 2012-22

What Council will provide	Performance measures	Targets	Results 2012/13	Comments
<b>Protection for the urban built and natural environment from Q50 floods</b>	Damage to urban property from stream flooding is minimised	Begin review of three urban streams Q50 capacity	Achieved	Saxton Creek capacity report commissioned, Brook Street flow monitoring equipment installed and upper York Stream capacity upgrade started. (New measure in 2012/13.)
	Damage to urban property from Maitai River flooding is minimised	Complete review of Maitai River Q50 capacity	On track	Draft report completed in 2012/13 for peer review in 2013/14. (New measure in 2012/13.)
<b>Integration of ecological and stormwater requirements in urban sections of streams and rivers</b>	Fish passage in streams is maximised and ecological impact of structures is minimised	Begin review of fish passage to Brook St channel, catchment management plan for the Maitai River and fresh water quality improvement initiatives	Not achieved	Fish passage in Brook Stream and fresh water quality improvement deferred due to resources being required for storm events. Data gathering for Catchment Management Plan underway. This target was not specifically measured in 2011/12.

## FINANCIAL PERFORMANCE – FLOOD PROTECTION

## Cost of Service Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Revenue</b>			
Rating income	100	122	311
Operating income	0	0	0
Capital Income	0	0	0
Total revenue	100	122	311
<b>Expenses:</b>			
Payments to staff and suppliers	100	112	186
Finance Costs	0	10	5
Depreciation	0	0	124
Total operating expenses	100	122	315
<b>Net surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>(4)</b>

## Statement of funding requirement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Funds required</b>			
Capital expenditure	95	399	210
Non Cash profits and write-ups	0	0	0
Increase (decrease) in reserves	0	0	(4)
Increase (decrease) in investments	0	0	0
<b>Total funds required</b>	<b>95</b>	<b>399</b>	<b>206</b>
<b>Source of funds:</b>			
Net surplus/(deficit)	0	0	(4)
Non cash expenditure	0	0	124
Increase (decrease) in debt	95	399	86
Gross proceeds from sales of assets	0	0	0
Non cash losses and write-downs	0	0	0
<b>Total source of funds</b>	<b>95</b>	<b>399</b>	<b>206</b>

## Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Sources of Operating Funding</b>			
General Rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates (other than a targeted rate for water supply)	100	122	311
Subsidies and grants for operating purposes	0	0	0
Fees, charges, and targeted rates for water supply	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0
<b>Total Operating Funding</b>	100	122	311
<b>Applications of operating funding</b>			
Payments to staff and suppliers	100	112	186
Finance costs	0	0	0
Internal charges and overheads applied *	0	10	5
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	100	122	191
<b>Surplus (Deficit) of operating funding</b>	0	0	120
<b>Sources of capital funding</b>			
Subsidies and grants for capital	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	95	399	86
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	95	399	86
<b>Applications of capital funding</b>			
Capital Expenditure			
- to meet additional demand	0	0	0
- to improve level of service	95	399	210
- to replace existing assets	0	0	0
Increase (decrease) in reserves	0	0	(4)
Increase (decrease) in investments	0	0	0
<b>Total applications of capital funding</b>	95	399	206
<b>Surplus (Deficit) of capital funding</b>	0	0	(120)
<b>Funding balance</b>	0	0	0

### Reconciliation between the Net Surplus (Deficit) in the Cost of Service Statement and Surplus (Deficit) of operating funding in the Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
Surplus/(Deficit) of operating funding from Funding Impact Statement	0	0	120
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Vested Assets	0	0	0
Gains/(losses) on disposal	0	0	0
Depreciation	0	0	(124)
Targeted Capital Rates	0	0	0
Non cash write ups and gains on revaluation	0	0	0
Non Cash Write downs and losses on revaluation	0	0	0
Net Surplus (Deficit) before taxation in Statement or Financial Performance	0	0	(4)

### Funding Impact Statement Variances against budget

Targeted rates are ahead of budget by \$189,000 mainly due to depreciation that was incurred in this activity but was budgeted in the Stormwater activity.

## ENVIRONMENT

### ABOUT COUNCIL'S ENVIRONMENT ACTIVITIES

The environment activities group includes solid waste management, environmental management, regulatory compliance and managing emergencies. These activities were previously reported individually but have now been included under the one Environment activity group. A summary of what's involved in each of these activities is included under each sub-heading below.

A noteworthy feature of the environment activity group's financial results this year was that payments to staff and suppliers were under budget by \$2.5 million. This is due to a number of factors including budgeted staff time of \$1 million not being required and savings of \$564,000 in landfill activities due to the depressed price of carbon credits along with the maintenance of the toe embankment being undertaken progressively. In addition no claims were made under the Riskpool claim provision which saved \$170,000, consultancy and legal costs relating to the development of the Nelson Resource Management Plan (NRMP) were less than budget by \$214,000 and the mechanism used to fund capital works for the Emergency Operations Centre has changed, resulting in a \$150,000 saving in operational expenditure.

### HIGHLIGHTS FOR 2012/13

#### ***Solid waste management***

Council's solid waste management activity included:

- Landfill at York Valley
- Transfer station at Pascoe St, Tahunanui
- Recycling
- Green waste
- Waste minimisation and environmental education.

The amount of waste going to landfill (residual waste) has continued the downward trend that was observed over the last 8-9 years. The residual waste going to landfill during 2012/13 was 42% less than at the peak in 2004/05. Over the same period recycling has increased by 10%.

Landfill income was significantly lower than budget. The decrease in income resulted when growth in residual waste did not return back to the tonnages, as used in projections, experienced before the financial crises in 2008. Residual waste creation in Nelson has not followed trends experienced in the North Island, where tonnages have increased significantly during the last few years.

This decrease in income was offset by a decrease in the carbon emissions liability of the landfill following a worldwide decline in the value of carbon credits.

Council will continue to lobby central government to set in place a product stewardship programme that will place responsibility to deal with electronic waste on the manufacturers and retailers of these products. In the absence of such programmes, Council resolved to continue supporting Nelson residents with the cost of recycling cathode ray tube monitors so that the cost to residents will be capped at \$10 per monitor.

#### ***Environmental management***

As one of the country's six unitary authorities, Nelson City Council manages both territorial authority functions like subdivisions and land use, and regional functions like air quality, fresh water, coastal management and biosecurity. Council's environmental functions include:

- monitoring the state of the environment
- pest management

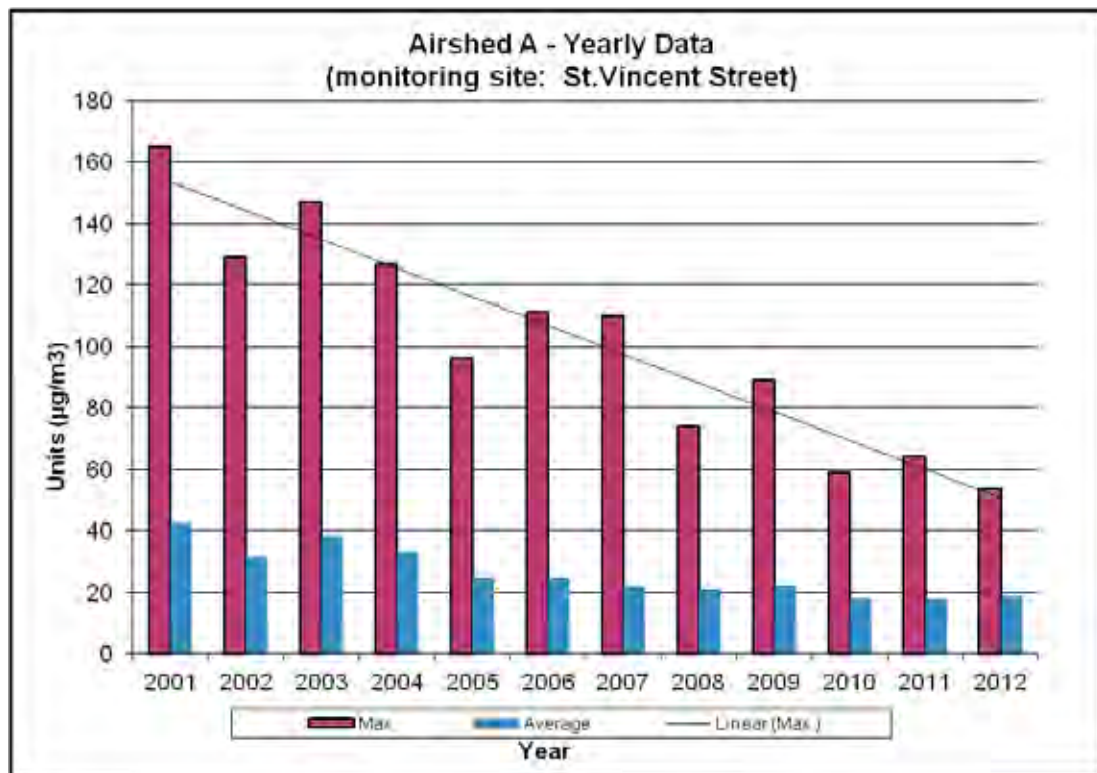


- environmental advocacy and education
- events and awards
- policy development, implementation and advice
- statutory and non statutory planning
- non-regulatory assistance
- implementation of the Clean Heat Warm Homes programme.

During 2012/13 Council completed Nelson 2060, Nelson's community-led strategy for developing Nelson over the next 50 years. The strategy provides a vision for Nelson in 2060 and sets out 10 goals that call upon the entire community to work together to achieve it. The vision is "Nelson 2060 is an inclusive city, with a diverse range of residents who connect easily to each other and to the beautiful place we call home. Our inclusive leadership style supports our unique approach to living, which is boldly creative, ecologically exemplary, socially balanced and economically prosperous".

The Council progressed work towards a number of resource management plan changes including responses to three National Policy Statements. In November 2012 Council approved the majority of a significant plan change that introduced a district-wide policy framework for better urban design. A change to the Nelson Air Quality Plan to align it with the National Environmental Standards for Air Quality target dates<sup>4</sup> became operative in July 2012.

The 2012/13 year saw an improvement in air quality with a reduction in the number of times the national air quality standards were exceeded in Nelson's most polluted airshed (Airshed A) from 13 in 2011/12 to seven in 2012/13. The maximum PM<sub>10</sub> concentration for 2012/13 was 62µg/m<sup>3</sup>, compared with 2011/12 levels of 64µg/m<sup>3</sup>. Data recorded by calendar year shows good progress towards improving air quality (see Figure 2).



**Figure 2** Annual air quality data 2001 – 2012

<sup>4</sup> The PM<sub>10</sub> level targets in 2013 and 2016 were replaced with 2016 and 2020 respectively.

## ENVIRONMENT

The two year Stoke Streams Rescue project was largely completed in 2012/13. A final residents' survey was delayed until September 2013 due to flooding in April 2013 which impacted severely on two of the four streams in the area. A report focusing on inanga habitat enhancement and including a catchment improvement plan for each of the four streams was prepared which identified areas of concern and recommendations.

The Council has provided over 7,700 plants to more than 40 rural land holders for planting over the winter of 2013, with the value of planting and maintenance provided by each landowner at a similar or higher value to the cost of each plant. In the winter of 2012, Council facilitated the community planting of 2,300 sand-binding plants at Delaware Spit for the purpose of restoring the sand-dunes.

Ecofest 2012 marked its thirteenth year with a sustainable transport theme and approximately 5,000 people attended which was similar to 2011. In addition the Council was involved with two mini-Ecofest outreach events – one in Golden Bay and the other at the Victory Community in Nelson. Ecofest continues to be an excellent vehicle for demonstrating Council priorities and practices.

### ***Regulatory compliance***

Regulatory compliance activities include:

- Dog and animal control
- Liquor licensing
- Swimming pool compliance
- Food premises monitoring
- Storing and providing land information
- Processing and inspection of resource and building consents
- Controlling subdivision of land
- Land information memoranda
- Harbour and coastal safety and navigation
- Pollution management
- Investigating complaints about noise, bylaws, private drains and illegal building works.

The Navigation Safety Bylaw and Control of Dogs Bylaw were adopted in November 2012 and February 2013 respectively. Council is in the process of getting the infringement regulations supporting the Navigation Safety Bylaw promulgated by Central Government.

The Sale and Supply of Alcohol Act 2012 is being applied in stages according to the legislation, including the establishment of a District Licensing Committee to grant or refuse all liquor licences and certificates from 18 December 2013. Progress of other proposed legislation changes continues to be monitored.

Resource consent applications increased by 17% compared to the previous year, and land information memorandums increased by 20%. Building consent applications however eased around 14% against previous years, primarily due to previous years having major weather events and legislation changes.

Some local building owners have commenced proactive steps under the Earthquake-Prone, Dangerous and Insanitary Buildings Policy 2006, with some owners going the extra step and rebuilding. There have also been increased consent numbers relating to strengthening works.

International Accreditation New Zealand (IANZ) recently assessed the Nelson City Council Building Consent Authority. Council has completed submission on corrective actions identified and IANZ are expected to recommend reaccreditation shortly.

### Managing emergencies

Councils have key civil defence responsibilities under the Civil Defence Emergency Management Act 2002, partly because of the essential infrastructure and services they provide. This also includes improving community awareness of how to prepare for a disaster and how to recover afterwards. Key council staff are trained to operate an emergency operations centre (EOC) with Tasman District Council staff in the event of a disaster.

The main focus, as usual, has been responding to emergencies. This has included significant regional flood events in April and June 2013, and a Tsunami alert in February 2013. A major South Island exercise was held in May 2013, from which the Nelson Tasman Civil Defence Emergency Management Group received a very positive evaluation. A project to establish a new regional EOC was advanced further and is due for completion in December 2013.

Council is also responsible for rural fire management. It contracts this activity to the Waimea Rural Fire Committee, which is primarily responsible for rural fire prevention and suppression. The region experienced an extremely dry season with a number of fire incidents, several of which occurred within Nelson City including on Botanical Hill and Cable Bay (9.6 ha).

The Waimea Rural Fire Authority, as part of its funding agreement with the National Rural Fire Authority, has completed a wildfire threat analysis for the Nelson/Tasman region. This will form the basis for future tactical and resource planning as well as funding contributions between Nelson City Council, Tasman District Council, Department of Conservation and forestry companies.

### PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

Community outcomes	Contribution
<b><i>Healthy land, sea, air and water</i></b>	Regulatory controls through consents and enforcement helped protect the environment. Minimised waste and ensured it was disposed of safely, encouraging reduction, re-use and recycling.
<b><i>People-friendly places</i></b>	Policies and bylaws controlled threats to public safety caused by negative effects of dogs, noise or alcohol use. City and surroundings protected from damaging disposal of waste, which ensured Nelson continued to be a safe and attractive place to live in and visit.
<b><i>A strong economy</i></b>	Policies and bylaws were implemented to keep residents and visitors safe from harm caused by dogs, noise or alcohol use. A reliable, comprehensive and cost-effective waste disposal service was provided for residents, the tourism service sector and businesses.

## SERVICE LEVELS AND PERFORMANCE

## Measures from Year 1 of the Nelson Long Term Plan 2012-22

What Council will provide	Performance measures	Targets	Results 2012/13	Comments
<b>Cleaner water</b>	Health of Nelson's freshwater environments measured by water body classification	Maintain class A and B water bodies in current state	Not achieved	Five A class water bodies in 2012 compared to nine in 2011 <sup>5</sup> . Eleven sites worse than grade C in 2012 compared to nine sites in 2011. The degraded urban streams are recovering from the December 2011 rainfall event and subsequent gravel extraction. The Stoke Stream Rescue Project has developed four catchment plans that target actions for improvements in water quality.
		Decrease number of water bodies classified as D or E by Year 3 <sup>6</sup>	Not achieved	
	Level of compliance with swimming water quality standards	Increase the number of monitored swimming areas that meet the swimming quality standards	Not achieved	Wakapuaka River at Paremata Reserve and Maitai River at Collingwood Street continue to not meet national standards, as in 2011/12. Working with landowners to fence and prevent livestock from accessing waterways utilised for domestic uses and contact recreation. Investigations of stormwater and sewer pipes to fix damaged services.
<b>Cleaner air</b>	Level of compliance with national standard for air quality	Continue to comply with the national standard in Airshed B & C Airshed A breaches will decline from prior year	Airshed C: achieved Airshed B: on track Airshed A: achieved	Airshed C complies with the national standard. Airshed B breached the national standard twice 2012/13. After September 2016, Airshed B must not breach the standard more than once in any year. There were 7 breaches in Airshed A in the 2012/13 year, down from 13 in the 2011/12 year. Airshed A must achieve not more than 3 breaches by Sept 2016, and after 2020 have no more than a single breach per year. A similar measure in 2011/12 recorded that Council was on track to meet national standard by the due date of 2020.
<b>A well-planned city that meets communities' current and future needs and responds to national policy direction</b>	Resource management plans updated to implement national policy changes and Council's strategic direction	Complete existing plan changes and respond to national policy changes	Achieved	Plan Change A2 was completed which aligned the Nelson Air Quality Plan with the NES on Air Quality. Plan Change 14 became operative in part and progress was well underway into resolving the appeal. Research was commissioned to inform Council's response to the NPS for Renewable Electricity Generation; and the NRMP was considered to already give effect to NPS for Electricity Transmission. A programme was adopted to implement the NPS Freshwater, and hazards research was undertaken. Community consultation was undertaken on Heritage and Inner City Noise plan changes. A review of the efficiency and effectiveness of Nelson's RMA plans was adopted and Council lodged a submission on the RMA reforms. A similar target in 2011/12 was not achieved as Council was behind on its plan change work programme.

<sup>5</sup> For freshwater the grading is for the calendar year.<sup>6</sup> This is likely to take three years to achieve and Council needs to first establish a long term trend before starting to measure on an annual basis.

What Council will provide	Performance measures	Targets	Results 2012/13	Comments
<b>Reduced waste to landfill</b>	The amount (in tonnes) of waste per resident disposed of at landfill	Continue each year to decrease the per capita amount of waste from the Nelson City Council area disposed of at landfill, in tonnes	Achieved	The amount of waste to landfill has decreased for the eighth year in a row and is now estimated at 0.62 tonne per person. This is a decrease of 2% from last year, when the corresponding target was also achieved.
<b>An effective and timely CDEM response to support our community following emergency events</b>	Ability to operate an effective Emergency Operations Centre (EOC) for Nelson Tasman	New EOC operational	Not achieved	Agreement signed and new facility due for completion in Dec 2013. (New measure in 2012/13.)
<b>Buildings are a safe and healthy environment for current and future building users</b>	Building consents and code compliance certificates issued within 20 working days	100% of building consents and code compliance certificates issued within 20 working days	Not achieved	89% of building consents were completed on time compared to 93% in 2011/12. It is planned that 100% will be achieved and maintained in 2013/14. The time for code compliance certificates was unable to be recorded this year due to an internal computer issue (99% were issued on time in 2011/12).
	Implementation of the Earthquake Prone and Dangerous Building Policy	Review and implementation of the Earthquake Prone and Dangerous Building Policy meets deadlines specified in the Policy	Generally on track for Priority 1 and 2 buildings by December 2014; all remaining by 2015	Priority 1 is tracking well. Priority 2 will need some close monitoring to meet this deadline. All remaining will also need close monitoring due to the volume of work. The implementation of Earthquake Prone Building Policy was not achieved in 2011/12.
	Level of customer satisfaction as measured by a survey of building and resource consent customers	60% of customers are satisfied or very satisfied with the building and resource consent services	Achieved for resource consents services, not measured for building consent services	72% of resource consent customers were satisfied with services (surveys were sent to parties of all consent applications at the end of each quarter). Building consent customer satisfaction was not measured due to the increased focus on recruiting the new Building Manager as well as the IANZ accreditation. This is planned to be initiated in 2013/14. (This target was not measured in 2011/12.)
<b>Resource consents processing service</b>	Level of compliance with statutory timeframes for processing resource consents	100% of non-notified resource consents processed within 20 working days, 100% of notified/limited notified consents processed within 75 working days (or less as required by the RMA)	Not achieved	86% of non-notified resource consents were processed on time and 67% of notified or limited notified were on time. Staff numbers fell by a quarter in line with a lower number of applications received last year. When application numbers increased the staff recruitment lag contributed to slower processing times. This is expected to be resolved early in the 2013/14 year. This result compares to 100% for notified or limited notified and 87% for non-notified consents on time in 2011/12.

## FINANCIAL PERFORMANCE – ENVIRONMENT

## Cost of Service Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Revenue</b>			
Rating income	5,718	6,749	4,767
Operating income	9,140	9,590	9,276
Capital Income	26	12	19
Total revenue	14,884	16,351	14,062
<b>Expenses:</b>			
Payments to staff and suppliers	13,835	15,178	12,844
Finance Costs	376	243	256
Depreciation	352	346	459
Total operating expenses	14,563	15,767	13,559
<b>Net surplus/(deficit)</b>	<b>321</b>	<b>584</b>	<b>503</b>

## Statement of funding requirement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Funds required</b>			
Capital expenditure	468	382	341
Non Cash profits and write-ups	0	0	267
Increase (decrease) in reserves	(90)	(117)	449
Increase (decrease) in investments	2,543	287	(940)
<b>Total funds required</b>	<b>2,921</b>	<b>552</b>	<b>117</b>
<b>Source of funds:</b>			
Net surplus/(deficit)	321	584	503
Non cash expenditure	352	346	459
Increase (decrease) in debt	2,248	(378)	(846)
Gross proceeds from sales of assets	0	0	0
Non cash losses and write-downs	0	0	1
<b>Total source of funds</b>	<b>2,921</b>	<b>552</b>	<b>117</b>

## Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Sources of Operating Funding</b>			
General Rates, uniform annual general charges, rates penalties	5,108	6,136	4,693
Targeted rates (other than a targeted rate for water supply)	610	613	74
Subsidies and grants for operating purposes	1,062	300	365
Fees, charges, and targeted rates for water supply	0	0	0
Internal charges and overheads recovered	1,582	2,053	2,224
Local authorities fuel tax, fines, infringement fees, and other receipts	6,496	7,237	6,420
<b>Total Operating Funding</b>	<b>14,858</b>	<b>16,339</b>	<b>13,776</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	12,253	13,125	10,620
Finance costs	0	0	0
Internal charges and overheads applied *	1,957	2,296	2,480
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>14,210</b>	<b>15,421</b>	<b>13,100</b>
<b>Surplus (Deficit) of operating funding</b>	<b>648</b>	<b>918</b>	<b>676</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital	0	0	15
Development and financial contributions	26	12	4
Increase (decrease) in debt	2,248	(378)	(845)
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>2,274</b>	<b>(366)</b>	<b>(826)</b>
<b>Applications of capital funding</b>			
Capital Expenditure			
- to meet additional demand	154	89	57
- to improve level of service	73	98	62
- to replace existing assets	241	195	222
Increase (decrease) in reserves	(89)	(117)	449
Increase (decrease) in investments	2,543	287	(940)
<b>Total applications of capital funding</b>	<b>2,922</b>	<b>552</b>	<b>(150)</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(648)</b>	<b>(918)</b>	<b>(676)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Reconciliation between the Net Surplus (Deficit) in the Cost of Service Statement and Surplus (Deficit) of operating funding in the Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
Surplus/(Deficit) of operating funding from Funding Impact Statement	648	918	676
Subsidies and grants for capital expenditure	0	0	15
Development and financial contributions	25	12	4
Vested Assets	0	0	0
Gains/(losses) on disposal	0	0	0
Depreciation	(352)	(346)	(459)
Targeted Capital Rates	0	0	0
Non cash write ups and gains on revaluation	0	0	267
Non Cash Write downs and losses on revaluation	0	0	0
Net Surplus (Deficit) before taxation in Statement of Financial Performance	321	584	503

#### Funding Impact Statement Variances against budget

Targeted rates are less than budgeted in the LTP by \$539,000 as a result of recategorising the capital income associated with the Solar Saver and Clean Heat Warm Homes schemes as an increase in investment.

Internal income and expenditure are both over budget relating to the cross charging within the Solid Waste group of activities.

Other receipts \$769k less than budget. Solid waste fees and levies are \$583k under budget, \$113,000 for transfer Station, \$459,000 for landfill fees, and \$11,000 for green waste. The LTP budgeted for some recovery in tonnages after a downturn driven by economic issues late last decade, but this hasn't happened partly as a result of successful waste minimisation initiatives. Regulatory income is under budget mainly from building services job sales \$408,000 under budget offset by resource consents \$153,000 over budget. Both of these accounts are demand driven.

Payments to staff and suppliers are under budget by \$2.5 million. Savings in staff time of \$1.0 million were due to vacancies particularly in the building unit, and changes to priorities and work plans have meant that less staff time than anticipated has been required in this activity particularly in environmental advocacy and district and regional planning. There are savings of \$564,000 in the landfill activity due to the depressed price of carbon credits along with the maintenance of the toe embankment being undertaken progressively. No claims have been made under the Riskpool claim provision, saving \$170,000. Consultancy and legal costs relating to the development of the Resource Management Plan were less than budget by \$214,000. The mechanism used to fund capital works for the Emergency Operations Centre has changed, resulting in a \$150,000 saving in operational expenditure.



## SOCIAL INCLUDING ARTS AND HERITAGE

### ABOUT COUNCIL'S SOCIAL ACTIVITIES

Council provides many facilities and services that support the quality of life and wellbeing of Nelson residents. Collectively these activities are now grouped under the heading 'social' and include community facilities, social development, heritage and arts. These activities were previously reported individually.

### HIGHLIGHTS FOR 2012/13

#### ***Community facilities***

Council's community facilities activities include:

- Public libraries
- Marsden cemetery and crematorium
- Public toilets
- Marina
- Community properties
- Motor camps in Tahunanui, the Brook and Maitai Valley
- Community housing
- Regional community facilities at Saxton Field.

Completion of the refurbishment of Elma Turner Library saw new furnishings and a change to layout creating new spaces for customers and simpler flow to the Library. The Library introduced radio frequency technology (RFID) that enables customers to quickly and simply take out their own items, check their accounts, pay fees and automatically return their items when they come back to the Library.

Work continued on the renewals programme at the Nelson Marina including the replacement of torsion bars on some pontoons. The Marina Management contract was tendered and awarded to Nelmac.

A new entrance road was completed into Saxton Field from Main Road Stoke, and planning continued towards the cycle velodrome. An extreme flood event in April caused considerable flood damage to the Stadium and surrounding areas.

Initial Earthquake Assessments on all of Council's 92 buildings have now been completed<sup>7</sup>. Thirty buildings were found to have initial ratings of less than 33% New Building Standard (NBS) and require detailed assessments; to date detailed assessments have been undertaken on nine buildings. The outcome of these assessments, once completed, will be reported back to Council for a decision on how to proceed with respect to either strengthening, demolition, holding or selling. The nine buildings that have been completed were rated as follows against the New Building Standard:

- State Advances: 17% NBS
- Savings Bank: 22% NBS (percentage lower due to its use as an Emergency Operations Centre; would otherwise be >33% and not prone)
- Riverside Pool Façade: <33% NBS
- 23 Halifax Street (ex Mediterranean Food Warehouse): 25% NBS
- Bata building: 20% NBS
- Refinery Building: 11% NBS

<sup>7</sup> Does not include toilet blocks, sheds, garages, shelters, bus stops, gazebos, footbridges, jetties or other miscellaneous items, however all of these structures have since been assessed (residential dwellings or units are not required to be assessed).

## SOCIAL INCLUDING ARTS & HERITAGE

- Zumo: 27% NBS
- Plant and Food: 32% NBS
- Trafalgar Centre:
  - Northern – 15% NBS
  - Main Hall – 20 to 25% NBS
  - Southern – 25 to 30% NBS

The Council, as property owner, is in receipt of six Section 124 Building Act Notices which require the hazard to be reduced or removed by a specified date. These buildings are State Advances, Savings Bank, Riverside Pool Façade, 23 Halifax Street (ex Mediterranean Food Warehouse), the Bata building and the Refinery Building.

During the year Council hosted two 'place making' workshops facilitated by David Engwicht of Creative Communities. This resulted in Council resolving in June to formally engage Creative Communities to oversee the Buxton Toilet upgrade. The proposal seeks community involvement in both design and construction and reduced the overall budget from around \$330,000 to \$75,000. Another place making initiative was the temporary installation of a relocatable deck and seating area which occupies a car parking space on Bridge Street.

### ***Social development***

Council's social development activities include:

- Community liaison and support
- Community assistance funding
- Employment initiatives, including the Connections Youth Transition Service
- Youth development
- Settlement Support, funded by the Ministry of Business, Innovation and Employment
- Safer City Nelson Project, funded by the Ministry of Justice.

Community Assistance Funding administered by Council provided \$480,685 through 34 contracts and 28 one-off grants for community organisations to provide services in the Nelson community.

The Ministry of Youth Development funded 'Tomorrow's Leaders Today' project provided leadership training for young people involved in community organisations, and assisted them to follow up the training with specified projects. Support was provided for the Nelson Youth Council, Youth Nelson, The Youth and Community Trust (previously The New Hub), Youth Volunteer Recognition, and the Connections Youth Transition service.

This year the local 'Settlement Support' programme celebrated five years' delivery of the service. The programme, funded by the Ministry of Business, Innovation and Employment, provides information and support for migrants, refugees and their prospective employers.

The final year of a three year contract to deliver the Safer City Nelson project (funded by the Ministry of Justice) saw all outcomes met which included Street Ambassadors in the central city between November and March, presentations to residents on how to keep their properties safe and parenting forums on youth resiliency. In addition a strong partnership with the local Alcohol Accord saw joint funding of a new campaign around reducing intoxication and alcohol related harm.

### ***Heritage and arts***

Council's heritage and arts activities include:

- Heritage and arts planning
- Support for the Tasman Bay Heritage Trust, which manages the Provincial Museum

- Suter Art Gallery
- Historic buildings and facilities such as Broadgreen House, Isel and Melrose historic houses
- Founders Heritage Park
- Historic cemeteries including Hallowell, Wakapuaka, Hira, Seaview and others
- Festivals, events and street decorations.

Founders Heritage Park saw an 8% increase in visitor numbers with more than 108,000 guests over the year. The Founders Book Fair, run by volunteers, successfully raised a record of over \$120,000 which will be used to improve facilities at Founders.

The Council's 4th Heritage Week was held in April 2013 and celebrated Nelson's rich and varied harvest. Highlights of the week included two community-driven heritage precinct celebrations (South Street and Elliot Street), the Heritage Hero awards to celebrate recipients of the Council's contestable Heritage Project Fund, and a series of guided tours and walks.

The Nelson Arts Festival was a great success with a record number of shows sold out in the 2012 year and income higher than projected. 17% of those attending were new to the festival. The Masked Parade and Carnivale had record participation and attendance, and more people attended the Council's New Years Eve celebrations. Opera in the Park was also well attended.

A new gateway public art work, Terry Stringer's 'Dance to the Music of Time', was installed at Kinsett Terrace in November 2012. Urban art walls at Tahunanui Beach Reserve and a drinking fountain sculpture to be installed at the Maitai River was commissioned and completed in 2012/13, ready for installation. Two community artworks were completed: a Youth Council mural on the Collingwood Street bridge and a mural in Emano Street.

The Council proposed to take ownership of the Nelson School of Music and the Theatre Royal land and assets during this year, however due to legal issues around the process for transfer this has not happened. Therefore the capital expenditure tables show a shortfall of \$2.4m and \$6.6m respectively where this gifting and additional capital expenditure on these buildings were budgeted.

## PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

Community outcomes	Contribution
<b><i>People-friendly places</i></b>	Funded and/or provided a range of community services and inspiring arts and heritage events that have involved a number of residents and visitors and promoted community cohesion.
<b><i>A strong economy</i></b>	Supported a range of organisations, e.g. through the Community Assistance Fund, and provided venues for the delivery of community services that contribute to the wellbeing of the community and provide employment
<b><i>Kind, healthy people</i></b>	Council funded community services and arts and heritage events have supported the development of community cohesion and encouraged the development and enjoyment of healthy lifestyles.
<b><i>A fun, creative culture</i></b>	Worked with and funded community organisations that support cultural diversity, events and festivals.
<b><i>Good leadership</i></b>	Provided leadership in the development of Nelson's arts, culture and heritage through events such as the Arts Festival, Opera in the Park and Heritage Week and funding and facilitating community arts projects.

**SERVICE LEVELS AND PERFORMANCE****Measures from Year 1 of the Nelson Long Term Plan 2012-22**

What Council will provide	Performance measures	Targets	Results 2012/13	Comments
<b>Work with the community to secure the future of the City's significant arts infrastructure</b>	Assuming Council takes ownership of the Nelson School of Music and Theatre Royal measures will be building condition assessments and delivery of community outcomes	Transfer ownership of Theatre Royal and Nelson School of Music land and assets to Council  Establish joint governance model  Agree leases and contracts for community outcomes	Not achieved	Negotiations with the Trust Boards have continued throughout the year and a Heads of Agreement has been signed. No formal agreement was reached, largely due to legal obstacles (complications relating to transferring assets from a charitable trust). An application to the High Court is currently in preparation and if this is successful the transfer should be able to occur during the 2013/14 year. Council has been supporting the Theatre Royal and the School of Music in their discussions on a joint governance model and made available professional assistance for the recruitment of trustees for the new joint entity. However this work is currently on hold while the legal issues relating to the transfer of assets are resolved.
<b>Libraries that are well used, welcoming and safe environments</b>	The level of satisfaction with the libraries as determined by residents' survey	Maintain at least 80% of customers satisfied or very satisfied with libraries and 75% of population are library members	Achieved	94% of library customers rated the service as 7 or more out of 10 in a customer satisfaction survey in June 2013. This is an increase from 85% in May 2011. 79% of population are library members compared to 78.2% in 2011/12.
	Trends in membership, door counts	Door counts continue to increase each year	Not achieved	Door counts trended down 3.25% compared to the 2011/12 year, however membership increased 7.4%. The lower door counts are attributed to the July 2012 renovations and the boost in the previous two years from Rugby World Cup visitors. 2012/13 compares well to earlier years.
<b>A regional art gallery that engages, educates and entertains the regional community</b>	The level of satisfaction of customers with the Suter Art Gallery as measured by a residents' survey	80% of users satisfied or very satisfied with the Suter Art Gallery	Not measured	This survey was last carried out in September 2011 where 76% of users were satisfied or very satisfied). The survey was not repeated during the 2012/13 year but will be undertaken during 2013/14.

## FINANCIAL PERFORMANCE – SOCIAL

### Cost of Service Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Revenue</b>			
Rating income	9,054	9,994	9,573
Operating income	2,681	2,803	3,022
Capital Income	0	6,876	130
Total revenue	11,735	19,673	12,725
<b>Expenses:</b>			
Payments to staff and suppliers	10,979	11,755	12,039
Finance Costs	348	381	944
Depreciation	924	1,156	1,121
Total operating expenses	12,251	13,292	14,104
<b>Net surplus/(deficit)</b>	<b>(516)</b>	<b>6,381</b>	<b>(1,379)</b>

### Statement of funding requirement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Funds required</b>			
Capital expenditure	2,152	11,111	1,538
Non Cash profits and write-ups	0	0	3
Increase (decrease) in reserves	27	(183)	(528)
Increase (decrease) in investments	0	(1,513)	(13)
<b>Total funds required</b>	<b>2,179</b>	<b>9,415</b>	<b>1,000</b>
<b>Source of funds:</b>			
Net surplus/(deficit)	(516)	6,381	(1,379)
Non cash expenditure	924	1,156	1,121
Increase (decrease) in debt	1,769	1,878	586
Gross proceeds from sales of assets	2	0	4
Non cash losses and write-downs	0	0	668
<b>Total source of funds</b>	<b>2,179</b>	<b>9,415</b>	<b>1,000</b>

**Funding Impact Statement**

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Sources of Operating Funding</b>			
General Rates, uniform annual general charges, rates penalties	9,054	9,994	9,573
Targeted rates (other than a targeted rate for water supply)	0	0	0
Subsidies and grants for operating purposes	564	485	561
Fees, charges, and targeted rates for water supply	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	2,023	2,318	2,458
<b>Total Operating Funding</b>	<b>11,641</b>	<b>12,797</b>	<b>12,592</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	10,979	11,755	11,371
Finance costs	0	0	667
Internal charges and overheads applied *	348	381	277
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>11,327</b>	<b>12,136</b>	<b>12,315</b>
<b>Surplus (Deficit) of operating funding</b>	<b>314</b>	<b>661</b>	<b>277</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital	0	6,876	21
Development and financial contributions	0	0	0
Increase (decrease) in debt	1,763	1,877	586
Gross proceeds from sale of assets	2	1	4
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>1,765</b>	<b>8,754</b>	<b>611</b>
<b>Applications of capital funding</b>			
Capital Expenditure			
- to meet additional demand	447	539	533
- to improve level of service	410	9,795	595
- to replace existing assets	1,295	777	301
Increase (decrease) in reserves	(73)	(183)	(528)
Increase (decrease) in investments	0	(1,513)	(13)
<b>Total applications of capital funding</b>	<b>2,079</b>	<b>9,415</b>	<b>888</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(314)</b>	<b>(661)</b>	<b>(277)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Reconciliation between the Net Surplus (Deficit) in the Cost of Service Statement and Surplus (Deficit) of operating funding in the Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
Surplus/(Deficit) of operating funding from Funding Impact Statement	314	661	277
Subsidies and grants for capital expenditure	0	6,876	21
Development and financial contributions	0	0	0
Vested Assets	0	0	109
Gains/(losses) on disposal	0	0	0
Depreciation	(924)	(1,156)	(1,121)
Targeted Capital Rates	94	0	0
Non cash write ups and gains on revaluation	0	0	3
Non Cash Write downs and losses on revaluation	0	0	(668)
Net Surplus (Deficit) before taxation in Statement of Financial Performance	(516)	6,381	(1,379)

### Funding Impact Statement Variances against budget

Other receipts are more than budgeted in the long term plan by \$140,000. Extra income from festivals, the Brook and Tahuna holiday camps and the Founder's Book Fair all contributed to this figure.

Payments to staff and suppliers were less than budget by \$384,000. Maintenance costs were under budget by \$320,000, being a combination of contract savings and the delay in acquiring the Theatre Royal and Nelson School of Music assets which means that Council is not yet responsible for the buildings' upkeep.

Finance costs are over budget by \$667,000. An agreement has now been reached with the Tasman Bays Heritage Trust in respect of the repayment of its \$1.175 million loan from Council. The loan is at nil interest, and a repayment term of 30 years at a discount rate of 6.25% produces a revaluation loss of \$667,000.

Subsidies and grants for capital are under budget by \$6.9 million. This is due to the delay in vesting with the Council the assets of the Theatre Royal and the Nelson School of Music, which is also the cause of capital expenditure being under budget by \$9.2 million. The variances in debt movement (\$1.3 million) and investment movement (\$1.5 million) were also driven by this delay. Part of the arrangement around the Theatre Royal is that Council will take over the outstanding debt, \$1.5 million of which is an existing debt to Council.

## PARKS AND ACTIVE RECREATION

### ABOUT COUNCIL'S PARKS AND ACTIVE RECREATION ACTIVITIES

Council manages a range of parks and open spaces to help protect Nelson's biodiversity, heritage, rivers and coast. It also provides active recreation opportunities through provision of infrastructure such as walkways and cycle ways, sports and recreation facilities, parks, services and events. 'Parks and open space' and 'recreation and leisure' were previously reported as individual activities.

### HIGHLIGHTS FOR 2012/13

#### ***Parks and open space***

Council's parks and open space activities include:

- Horticultural parks
- Neighbourhood parks
- Conservation reserves
- Landscape reserves
- Sports field reserves
- Esplanade and foreshore reserves
- Heritage and park trees
- Other walkways not in these parks or reserves.

Further enhancement of the Tahunanui Reserve was completed including enhancement of the Hounsell Circle entrance and the development of further paths through the reserve. Connecting paths to Miyazu Garden from the QEII Cycleway and along Orchard Stream from the Railway Reserve were also completed during the year. The heritage cellar building was upgraded and returned to its original location at Isel Park from Broadgreen and the Saxton Oval Cricket Wicket was relaid and improved. Landscaping and carpark renewal at Kinzett Terrace was completed as part of the Heart of Nelson project with a new sculpture also installed on the site from Arts Strategy funding.

Good progress was made on the second year's programme of storm recovery on reserves damaged by the December 2011 rainfall event including significant works in the Grampians Reserve, Bolwell Reserve, Sir Stanley Whitehead Park and Hanby Park. Unfortunately a tornado in late 2012 and a flood in April 2013 resulted in damage to Isel Park, Saxton Field and the Orphanage Stream Esplanade Reserve, most of which has since been repaired.

Partnerships with the community continue to grow, with over 1,600 school children involved in planting projects around the City, including a significant project at Pipers Park. Further development of mountainbike opportunities in the Brook St area has also occurred in conjunction with the Nelson Mountainbike Club. Improvement work on the Dun Mountain Trail also occurred with over 10,000 users now recorded since its opening in late 2011.

#### ***Recreation and leisure***

Council's recreation and leisure activities include:

- Trafalgar Centre
- Natureland Zoo in Tahunanui
- Waahi Taakaro golf course
- play facilities
- two swimming pools, Riverside and Nayland.



Further work was undertaken in ascertaining the extent of earthquake risk for Council buildings including the Trafalgar Centre as well as strengthening works for the Riverside Pool building. More information on earthquake assessments is included in the Community Facilities section of the Social activity chapter.

A youth park was developed at Tahunanui Reserve and a playground designed and completed in the Hockey Reserve in upper Brook St.

Unprogrammed work also commenced to find a new operator for the Natureland Zoo after the Orana Wildlife Trust signalled its intention to exit the facility.

## PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

Community outcomes	Contribution
<b>Healthy land, sea, air and water</b>	Planting, restoration and weed and pest control programmes continue to make steady progress on protecting and enhancing Nelson's special places.
<b>People-friendly places</b>	The reserves network provides a great range of opportunities and experiences for Nelson residents.
<b>Kind, healthy people</b>	Well developed public parks, reserves and recreation facilities provide for an enhanced social wellbeing for members of the community.
<b>A fun, creative culture</b>	Where possible parks and reserves are developed in a way to maximise enjoyment and creativity, for example the Hockey Reserve Playground and Tahunanui Youth Park.

## SERVICE LEVELS AND PERFORMANCE

### Measures from Year 1 of the Nelson Long Term Plan 2012-22

What Council will provide	Performance measures	Targets	Results 2012/13	Comments
<b>A connected network of parks and reserves throughout the city to protect and enhance the natural environment, provide enjoyment and a range of leisure and recreation opportunities for residents and visitors</b>	Area in hectares of parks and reserves per 1000 residents	Maintain current levels of parks and reserves provision, at least 245 hectares per 1000 residents, not be reduced except where divestment offers clear net benefits to the community	Not achieved	The area of parks and reserves per 1,000 residents dropped from 245ha in 2011-12 to 239ha in 2012-13. This was most likely due to population increase over the period (based on estimates). This information will be considered through the asset management planning process.
	Level of resident satisfaction	Maintain levels of resident satisfaction, at least 80%	Not measured	Resident satisfaction was not measured during the 2012/13 year however the May 2012 residents' survey showed that 83% of respondents were satisfied with parks and open spaces. This target was not a performance measure in the 2011/12 Annual Plan.
<b>Sustainably managed parks and reserves</b>	Level of improvement in key species and habitats in priority reserve areas	Establish council-wide system for monitoring key species and habitats, with baseline data collected in 2012/13 and demonstrate improvement in key species and habitats in priority reserve areas by 2015	Achieved	Vegetation monitoring and base line data has been established. Further measurements will be required to demonstrate improvement.
	Level of use of electricity, diesel/oil, water and toxic substances per hectare across parks and reserves	Current use of electricity, diesel/oil, water and toxic substances reduced by 5% per hectare by 2015	Not measured	This target relates to a reduction in resource use by 2015. An interim measure is expected in 2013/14 year. (This target was not specifically measured in the previous year.)

## PARKS & ACTIVE RECREATION

What Council will provide	Performance measures	Targets	Results 2012/13	Comments
<b>Neighbourhood parks within walking distance of all homes, providing play opportunities, open space and amenity values</b>	Level of neighbourhood park distribution	One neighbourhood park within reasonable walking distance (500m radius or ten minute walk) of urban residential properties, easily accessible, ideally from more than one road frontage	Not achieved	99% of dwellings are within 500m of a neighbourhood park. This measure was also not achieved in 2011/12, due to no suitable land being available in the Wood area (in 2011/12 the measure related to a neighbourhood park being within 400m of homes).
<b>Maximised use of the Trafalgar Centre across a range of users</b>	Number of people using the Trafalgar Centre and total hours used	At least maintain annual number of users  Annual use hours exceeds 2,500/year	Not achieved	Number of users increased from 78,969 in 2011/12 to 79,590 in 2012/13. However, number of hours used decreased from 3,530 in 2011/12 to 2,146 in 2012/13.
<b>Swimming pools that meet the needs of users and provide opportunity for aquatic based recreation activities and learn to swim programmes</b>	Level of accessibility of public swimming pools	Provision of a swimming pool that is within 10km driving/ cycling distance of 80% of Nelson's population	Achieved	97% of dwellings are within 10km of a public swimming pool (not including the ASB Aquatic Centre, which is owned by Tasman District Council). (Note that no targets relating to swimming pools were measured in 2011/12.)
	Annual user satisfaction surveys	60% of customers satisfied or very satisfied with the swimming pools	Not measured	Question not specifically asked this year but will be asked as part of next year's survey. Of the questions asked, 78% responded 'agree' or 'strongly agree' that entrance fees were reasonable, 89% that staff are friendly and approachable and 65% that customer service processes and follow-up are good.
	Yardstick benchmarking comparison	Admissions per m <sup>2</sup> per annum above average of peer group as measured by Yardstick	Achieved for Riverside  Not achieved for Nayland	Average for full-year pools' peer group was 109 admissions m <sup>2</sup> per annum <sup>8</sup> and Riverside Pool was 134. Average for seasonal pools' peer group was 28 admissions m <sup>2</sup> per annum <sup>9</sup> , and Nayland Pool was 25.
<b>Financially sustainable marina facility</b>	Level of self funding of the marina	No cost to rates to operate the marina - fees and charges cover the maintenance and renewal of marina facilities	Achieved	There was no cost to rates to operate the marina. All maintenance was funded from a closed account that made a surplus generated from fees.

<sup>8</sup> Assumes peer group consists of Levin Aquatic Centre, Gore Multisport Centre, Stokes Valley Pool, Raumati Pool, Otaki Pool, Riverside Pool and Nayland Pool (as advised by Yardstick Global).

<sup>9</sup> Assumes peer group consists of all seasonal facilities except Waikanae Pool, Arrowtown Pool, Ennaville Swim Centre and Mātaura Pool (as advised by Yardstick Global).

## FINANCIAL PERFORMANCE – PARKS AND ACTIVE RECREATION

### Cost of Service Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Revenue</b>			
Rating income	11,049	12,207	11,085
Operating income	3,071	2,777	2,963
Capital Income	1,555	700	959
Total revenue	15,675	15,684	15,007
<b>Expenses:</b>			
Payments to staff and suppliers	7,707	10,202	9,568
Finance Costs	3,159	2,646	2,379
Depreciation	2,504	3,270	2,567
Total operating expenses	13,370	16,118	14,514
<b>Net surplus/(deficit)</b>	<b>2,305</b>	<b>(434)</b>	<b>493</b>

### Statement of funding requirement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Funds required</b>			
Capital expenditure	13,542	14,943	6,425
Non Cash profits and write-ups	0	0	47
Increase (decrease) in reserves	(4,315)	(2,384)	(2,046)
Increase (decrease) in investments	(13)	0	0
<b>Total funds required</b>	<b>9,214</b>	<b>12,559</b>	<b>4,426</b>
<b>Source of funds:</b>			
Net surplus/(deficit)	2,305	(434)	493
Non cash expenditure	2,504	3,270	2,567
Increase (decrease) in debt	4,033	9,723	698
Gross proceeds from sales of assets	372	0	4
Non cash losses and write-downs	0	0	664
<b>Total source of funds</b>	<b>9,214</b>	<b>12,559</b>	<b>4,426</b>

## Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Sources of Operating Funding</b>			
General Rates, uniform annual general charges, rates penalties	11,049	12,207	11,085
Targeted rates (other than a targeted rate for water supply)	0	0	0
Subsidies and grants for operating purposes	0	0	3
Fees, charges, and targeted rates for water supply	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	3,071	2,777	2,913
<b>Total Operating Funding</b>	<b>14,120</b>	<b>14,984</b>	<b>14,001</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	7,707	10,202	8,904
Finance costs	0	0	67
Internal charges and overheads applied *	3,159	2,646	2,312
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>10,866</b>	<b>12,848</b>	<b>11,283</b>
<b>Surplus (Deficit) of operating funding</b>	<b>3,254</b>	<b>2,136</b>	<b>2,718</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital	1,555	700	941
Development and financial contributions	0	0	0
Increase (decrease) in debt	4,033	9,723	698
Gross proceeds from sale of assets	372	0	4
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>5,960</b>	<b>10,423</b>	<b>1,643</b>
<b>Applications of capital funding</b>			
Capital Expenditure			
- to meet additional demand	12,615	9,312	3,066
- to improve level of service	152	2,859	1,083
- to replace existing assets	775	2,772	2,258
Increase (decrease) in reserves	(4,315)	(2,384)	(2,046)
Increase (decrease) in investments	(13)	0	0
<b>Total applications of capital funding</b>	<b>9,214</b>	<b>12,559</b>	<b>4,361</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(3,254)</b>	<b>(2,136)</b>	<b>(2,718)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Reconciliation between the Net Surplus (Deficit) in the Cost of Service Statement and Surplus (Deficit) of operating funding in the Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
Surplus/(Deficit) of operating funding from Funding Impact Statement	3,254	2,136	2,718
Subsidies and grants for capital expenditure	1,555	700	941
Development and financial contributions	0	0	0
Vested Assets	0	0	18
Gains/(losses) on disposal	0	0	(664)
Depreciation	(2,504)	(3,270)	(2,567)
Targeted Capital Rates	0	0	0
Non cash write ups and gains on revaluation	0	0	47
Non Cash Write downs and losses on revaluation	0	0	0
Net Surplus (Deficit) before taxation in Statement or Financial Performance	2,305	(434)	493

### Funding Impact Statement Variances against budget

Other receipts are ahead of the budget in the long term plan by \$136,000 due mainly to Marina fees and expenditure recoveries.

Payments to staff and suppliers are \$1.3 million under budget. Staff and overhead costs are \$430,000 less than budget, there has been \$205,000 savings in maintenance contracts and general expenses, and the expected grant of \$855,000 to Tasman District Council for the construction of the velodrome at Saxton Field has been delayed until 2013/14. Expenditure for the December 2011 emergency event was \$416,000 over budget and the subsequent flooding in April 2013 generated unbudgeted expenditure of \$75,000.

Internal charges (relating to internal interest) are \$334,000 under budget due to favourable interest rates and changes and delays in the capital programme.

Subsidies and grants for capital are \$259,000 ahead of budget relating to funding from Tasman District Council for work done at Saxton Field.

Capital expenditure is under budget by \$8.5 million. Projects delayed or cancelled include land purchases, marina development, playgrounds and parks development and upgrades, and the Trafalgar Centre upgrade. Refer to the capital expenditure schedule on page 78 for more detailed information.

Losses on disposal relate to abandoned assets, impairments, and the write off of work in progress.

## ECONOMIC

### ABOUT COUNCIL ECONOMIC ACTIVITIES

Council has a key role in creating a successful, sustainable city and achieves this largely through providing the underlying city infrastructure, and fostering economic development through the work of the Economic Development Agency and Tourism Nelson Tasman Ltd, which trades as Nelson Tasman Tourism. Both are based in Millers Acre Centre, Taha o te Awa.

### HIGHLIGHTS FOR 2012/13

The Regional Economic Development Agency (EDA) continued its work on behalf of Council to assist enterprises, allocate events funding, provide economic advice and manage programmes funded by third parties that support economic development in the local economy. Several reports and resources were published during the year by the EDA including the six-monthly 'Tracking the Nelson Regional Economy' report, Stage 1 of the Nelson Tasman Regional Economic Development Strategy and an Economic Impact Assessment on Cricket World Cup.

The EDA managed the successful hosting bid for the 2015 Cricket World Cup (an unsuccessful bid was also submitted to the FIFA under 20s Soccer World Cup 2015) and managed contractors for programmes funded by third party Nelson Tasman Connections. These contracts included the provision of a monitoring and advisory service for all 15-19 year old school leavers in the Nelson Tasman region and the Regional Business Partner Network, who provide business services, programmes and funding. The EDA holds this contract for the Nelson/Tasman/Marlborough area and, in partnership with the Nelson Tasman and Marlborough Chambers of Commerce, \$362,296 was made available to businesses in the region in the 2012/13 year.

Two trips to Nelson's Sister City of Huangshi, in Hubei province and its new Friendly City, Yangjiang of Guangdong Province, as well as to our Japanese sister city, Miyazu, were led by the Chief Executive of the EDA. The EDA Chief Executive also visited our USA sister city, Eureka, California. A number of Chinese and other international delegations to Nelson were hosted. These visits are undertaken with a view to creating mutually beneficial economic opportunities.

The EDA administers the Nelson Events and Marketing Fund on behalf of Council. The Events Strategy continued to be implemented, with funds allocated during the year to six promising events to a total value of \$132,540, compared to funding of \$247,340 for ten events in 2011/12 (many of which supported the Rugby World Cup 2011 festivities).

The total number of tourism guest nights in Nelson during the 2012/13 year decreased by 5.1% from the 2011/12 year, with the number of off-peak season guest nights decreasing by 7.6%. Results for the wider Nelson-Tasman region showed less of a decline: a 2.3% drop in the total number of guest nights and a 6.1% drop in off-peak numbers. This decline is attributed to the Rugby World Cup 2011 being held in the previous financial year, the ongoing decline in visits associated with the Canterbury earthquakes and a decline in the conference and corporate traveller market.

Council has been working with Te Tau Ihu Iwi as a significant Treaty settlement claim has been addressed which will have a significant positive impact on the region. Work will continue as the settlement process unfolds.

## PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

Community outcomes	Contribution
<b>A strong economy</b>	Continued ownership and part-funding of the Nelson Regional Economic Development Agency (EDA) and, with TDC, joint ownership and funding of Nelson Tasman Tourism supported the local economy, with reliable infrastructure on which local businesses depend.
<b>Good leadership</b>	Monitored and facilitated economic activity and advocated for the Nelson economy with central government.

## SERVICE LEVELS AND PERFORMANCE

### Measures from Year 1 of the Nelson Long Term Plan 2012-22

What Council will provide	Performance measures	Targets	Results 2012/13	Comments
<b>Infrastructure to provide for a sustainable local and regional economy</b>	Council investment in infrastructure networks as measured by total value of network assets (transport, water supply, wastewater and storm water) at net present value (\$)	Total value of Council's network assets is maintained or increased	Not measured	The net present value calculation included in the performance measure has not been done, however the value of network assets recognised in the financial statements has increased by \$9.4 million (1%).
	Value of capital projects completed each year	Total value of capital projects is maintained or increased compared to previous year	Achieved	Value of capital projects increased from \$20.5m to \$22.1m.
<b>Facilitate economic development for the benefit of the community</b>	Amount of government business support funding accessed for the region	Government business support funding is maintained or increased and budgeted grants for research and development, and capability development are fully allocated to businesses	Achieved	Council accessed \$550,928 of government funding for the region compared to \$464,742 in 2011/12. All funds allocated were spent.
<b>Promotion of Nelson to increase the economic value of tourism</b>	Number of tourism guest nights annually	Increase the number of tourism guest nights annually	Not achieved	The total number of guest nights decreased by 5.1% from 594,121 in 2011/12 to 563,940 in 2012/13.
	Number of tourism guest nights in the off-peak months	Increase the number of tourism guest nights in the off-peak months	Not achieved	The number of tourism guest nights in the off-peak season decreased from 310,969 in 2011/12 to 287,314 in 2012/13, a change of 7.6%.

## FINANCIAL PERFORMANCE – ECONOMIC

## Cost of Service Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Revenue</b>			
Rating income	2,809	1,453	1,036
Operating income	20	0	0
Capital Income	0	0	0
Total revenue	2,829	1,453	1,036
<b>Expenses:</b>			
Payments to staff and suppliers	2,816	1,441	1,024
Finance Costs	13	12	12
Depreciation	0	0	0
Total operating expenses	2,829	1,453	1,036
<b>Net surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Statement of funding requirement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Funds required</b>			
Capital expenditure	0	0	0
Non Cash profits and write-ups	0	0	0
Increase (decrease) in reserves	0	0	0
Increase (decrease) in investments	0	0	0
<b>Total funds required</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Source of funds:</b>			
Net surplus/(deficit)	0	0	0
Non cash expenditure	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sales of assets	0	0	0
Non cash losses and write-downs	0	0	0
<b>Total source of funds</b>	<b>0</b>	<b>0</b>	<b>0</b>



## Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Sources of Operating Funding</b>			
General Rates, uniform annual general charges, rates penalties	2,809	1,453	1,036
Targeted rates (other than a targeted rate for water supply)	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees, charges, and targeted rates for water supply	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	20	0	0
<b>Total Operating Funding</b>	<b>2,829</b>	<b>1,453</b>	<b>1,036</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	2,816	1,441	1,024
Finance costs	0	0	0
Internal charges and overheads applied *	13	12	12
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>2,829</b>	<b>1,453</b>	<b>1,036</b>
<b>Surplus (Deficit) of operating funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Applications of capital funding</b>			
Capital Expenditure			
- to meet additional demand	0	0	0
- to improve level of service	0	0	0
- to replace existing assets	0	0	0
Increase (decrease) in reserves	0	0	0
Increase (decrease) in investments	0	0	0
<b>Total applications of capital funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Surplus (Deficit) of capital funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Reconciliation between the Net Surplus (Deficit) in the Cost of Service Statement and Surplus (Deficit) of operating funding in the Funding Impact Statement**

	<b>Annual Plan</b>	<b>Long Term Plan</b>	<b>Actual</b>
	<b>2012</b>	<b>2013</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Surplus/(Deficit) of operating funding from Funding Impact Statement	0	0	0
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Vested Assets	0	0	0
Gains/(losses) on disposal	0	0	0
Depreciation	0	0	0
Targeted Capital Rates	0	0	0
Non cash write ups and gains on revaluation	0	0	0
Non Cash Write downs and losses on revaluation	0	0	0
Net Surplus (Deficit) before taxation in Statement or Financial Performance	0	0	0

**Funding Impact Statement Variances against budget**

Payments to staff and suppliers are \$417,000 less than budgeted in the long term plan. The unused events contestable fund has not been paid across to the Nelson Regional Economic Development Agency, and smaller budgets for initiatives falling outside of the events contestable fund have not been utilised.

## CORPORATE

### ABOUT COUNCIL CORPORATE ACTIVITIES

Council's corporate activity involves running Council's governance services, including Council elections, and behind the scenes support services to ensure the smooth running of the Council organisation. The corporate group of activities is comprised of the democracy and administration and financial reserves activities, which were previously reported on individually.

Council's corporate activities include:

- Cost of democracy including meetings, publicity, councillor costs and elections
- Management of investments including rental properties, forestry, Civic House, the Port Company
- The Ridgeway subdivision
- Long-term planning, strategy development and internal monitoring.
- Financial reserves

### HIGHLIGHTS FOR 2012/13

As at 30 June 2013 Council employed 257 people, compared with 260 at the same time last year. This includes full and part time staff in 227.2 full time equivalent positions, compared to 229.5 full time equivalents as at 30 June 2012.

The Council has an Equal Employment Opportunity programme of positive action based on adopting policies and practices for equal opportunities in all aspects of employment. Council regards the provision of equal opportunities, the elimination of any discrimination and selection based on merit as essential principles in managing staff resources. It is Council policy that no employee or potential employee shall gain advantage, or suffer any disadvantage, by reason of their gender (including the effects of pregnancy and childbirth), marital status, religious beliefs, ethical belief, colour, race, ethnic or national origin, age, political opinion, employment status, family status or sexual orientation, involvement in union activities, and personal disabilities where they are not related to the person's ability to carry out the job.

The Council used four key indicators to measure its performance across the whole organisation over the year. These tracked statutory performance, economic performance, staff satisfaction and customer satisfaction.

Statutory performance is to be reviewed at least annually, and progress against the top five risks to be identified and reported to Council.

The Council prioritises sound financial management and tracks performance over the year, including operating budgets, significant individual capital projects and total capital budget. This is reported in a range of forms including annual reports and to the Council's Audit, Risk and Finance Committee meetings. Of the financial measures that were set out as key indicators, all were met this year with the exception of individual capital projects over \$750,000 being achieved within  $\pm 5\%$  (however only around three of the projects listed had actual physical works completed, with the remainder relating to design work).

Staff satisfaction measures were carried out through Council's participation in the Kenexa Best Workplaces Survey. The 2012 results saw Council announced as a finalist in October for the Kenexa Best Workplaces Award 2012 in the medium-large workplace category (which includes organisations from all sectors), however results for 30 June 2013 scored lower than in the 2012 year's survey.

Customer satisfaction was measured through the annual survey of residents and interviews with counter customers. Both perception of Council service and value for money dropped this year, but the percentage of surveyed customers rating the level of service as 7/10 or more at the counter was still no less than 95%. Customer complaints dropped significantly this year, with just 41 received in 2012/12 compared to 76 in 2011/12.

The Office of the Ombudsman was contacted 27 times in relation to Nelson City Council during the year. This related to eight requests under the Local Government Official Information and Meetings Act 1987 (LGOIMA), 13 complaints under the Ombudsman Act 1975 and six other undefined contacts.

The Office of the Ombudsman completed 24 matters relating to the Council during the year (some of which were received during the previous year). Five of these related to LGOIMA requests, of which four were resolved without requiring an investigation. Thirteen of the 24 were complaints made under the Ombudsman Act 1975 and all were resolved without investigation. The remaining six were other contacts not requiring investigation.

## PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

Community outcomes	Contribution
<b>Good leadership</b>	These services provide a range of key functions and support to enable Council to meet all Community Outcomes and requirements of the Local Government Act (2002).

## SERVICE LEVELS AND PERFORMANCE

### Measures from Year 1 of the Nelson Long Term Plan 2012-22

What Council will provide	Performance measures	Targets	Results 2012/13	Comments
<b>Effective and impartial election administration service that meets or exceeds legislative requirements</b>	Completion of election processes in 2013, 2016 and 2019	n/a	n/a	No election in the 2012/13 year. Election falls in 2013/14 year.
<b>Effective engagement and consultation</b>	Proportion of residents satisfied with opportunities to take part and amount of information provided by Council – measured every three years	Maintain or improve on 2011 results	Achieved	The May 2012 Residents Survey showed that 61% were satisfied or very satisfied with the opportunities that are available to provide feedback and take part in Council's decision-making, compared with 52% in 2011.
<b>Opportunities for participation in Council decisions – a Council organisation that listens and understands</b>	Evaluation by participants taking part in range of processes – documented evaluation across focus groups, web based consultation, workshops and other techniques	At least 50% satisfied or better	Not measured	This measure was introduced in the LTP 2012/22 and no consistent organisational data has been recorded to date, largely due to there not having been enough broad based consultation for an evaluation. This will be explored further in the 2013/14 year.
<b>Participation of Māori in decision making</b>	Level of Iwi/Māori representatives <sup>10</sup> satisfaction with participation opportunities	At least 75% satisfied or very satisfied	Not measured	Data for this measure was not collected during 2012/13 but a survey will be established in 2013/14 to assess satisfaction.
<b>Council Controlled Organisations that deliver net benefit to the community</b>	Refer to CCO section for specific measures for each CCO	Council satisfied with attainment of six monthly SOI targets for all	On track	Council is satisfied with the performance results received from CCOs. (This is a new measure in 2012/13.)

<sup>10</sup> Kotahitanga Hui participants

## FINANCIAL PERFORMANCE – CORPORATE

## Cost of Service Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Revenue</b>			
Rating income	(2,558)	(1,509)	148
Operating income	14,051	12,689	17,465
Capital Income	6,790	9,078	3,853
Total revenue	18,283	20,258	21,466
<b>Expenses:</b>			
Payments to staff and suppliers	6,651	6,850	7,253
Finance Costs	5,745	4,260	4,030
Depreciation	983	1,032	1,187
Total operating expenses	13,379	12,142	12,470
<b>Net surplus/(deficit)</b>	<b>4,904</b>	<b>8,116</b>	<b>8,996</b>

## Statement of funding requirement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Funds required</b>			
Capital expenditure	7,626	12,633	4,329
Non Cash profits and write-ups	0	0	3,450
Increase (decrease) in reserves	619	3,550	(197)
Increase (decrease) in investments	15,245	24,447	3,616
<b>Total funds required</b>	<b>23,490</b>	<b>40,630</b>	<b>11,198</b>
<b>Source of funds:</b>			
Net surplus/(deficit)	4,904	8,116	8,996
Non cash expenditure	983	1,032	1,187
Increase (decrease) in debt	17,603	31,462	989
Gross proceeds from sales of assets	0	20	26
Non cash losses and write-downs	0	0	0
<b>Total source of funds</b>	<b>23,490</b>	<b>40,630</b>	<b>11,198</b>

## Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
<b>Sources of Operating Funding</b>			
General Rates, uniform annual general charges, rates penalties	(2,378)	(1,329)	148
Targeted rates (other than a targeted rate for water supply)	0	0	0
Subsidies and grants for operating purposes	2	2	1,555
Fees, charges, and targeted rates for water supply	0	0	0
Internal charges and overheads recovered	9,982	8,088	7,939
Local authorities fuel tax, fines, infringement fees, and other receipts	3,887	4,419	4,521
<b>Total Operating Funding</b>	<b>11,493</b>	<b>11,180</b>	<b>14,163</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	6,651	6,850	7,243
Finance costs	5,040	3,337	3,060
Internal charges and overheads applied *	705	923	980
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>12,396</b>	<b>11,110</b>	<b>11,283</b>
<b>Surplus (Deficit) of operating funding</b>	<b>(903)</b>	<b>70</b>	<b>2,880</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital	1,000	1,500	0
Development and financial contributions	1,021	0	807
Increase (decrease) in debt	17,603	31,462	989
Gross proceeds from sale of assets	0	20	26
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>19,624</b>	<b>32,982</b>	<b>1,822</b>
<b>Applications of capital funding</b>			
Capital Expenditure			
- to meet additional demand	1,756	895	181
- to improve level of service	150	2,806	97
- to replace existing assets	951	1,354	1,005
Increase (decrease) in reserves	619	3,550	(197)
Increase (decrease) in investments	15,245	24,447	3,616
<b>Total applications of capital funding</b>	<b>18,721</b>	<b>33,052</b>	<b>4,702</b>
<b>Surplus (Deficit) of capital funding</b>	<b>903</b>	<b>(70)</b>	<b>(2,880)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Reconciliation between the Net Surplus (Deficit) in the Cost of Service Statement and Surplus (Deficit) of operating funding in the Funding Impact Statement

	Annual Plan	Long Term Plan	Actual
	2012	2013	2013
	\$000	\$000	\$000
Surplus/(Deficit) of operating funding from Funding Impact Statement	(903)	70	2,880
Subsidies and grants for capital expenditure	1,000	1,500	0
Development and financial contributions	1,021	0	807
Vested Assets	4,769	7,578	3,046
Gains/(losses) on disposal	0	0	0
Depreciation	(983)	(1,032)	(1,187)
Targeted Capital Rates	0	0	0
Non cash write ups and gains on revaluation	0	0	3,450
Non Cash Write downs and losses on revaluation	0	0	0
Net Surplus (Deficit) before taxation in Statement of Financial Performance	4,904	8,116	8,996

#### Funding Impact Statement Variances against budget

Subsidies and grants for operating purposes are greater than budgeted in the long term plan by \$1.6 million representing income from central government relating to the December 2011 emergency event. \$574,000 was budgeted for this in other receipts.

Internal charges and overheads recovered are \$776,000 less than budget due largely to the changes to the capital programme and its effect on internal interest.

Payments to staff and suppliers are \$648,000 more than budget. Staff time and overhead is more than budget by \$744,000, particularly in administration and meeting support. Savings against contingency and maintenance budgets offset this.

Variances of \$1.5 million in subsidies and grants for capital and \$807,000 in development and financial contributions offset each other as the development and financial contributions in the long term plan were incorrectly classified. The variance between the two of \$693,000 along with the \$4.5 million variance in vested assets are related to less than anticipated development activity.

Capital expenditure is under budget by \$3.8 million. Of that sum, \$2.6 million was earmarked for possible strategic property purchases that did not eventuate with the remainder due to the reassessment of the capital programme.

Unbudgeted gains on revaluation relate to the revaluation of Council's interest rate swap portfolio of \$2.4 million, and increases in valuations of investment property and forestry assets.

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

	Carry over 2011/12 \$000	Estimate 2012/13 \$000	Available 2012/13 \$000	Actual 2012/13 \$000
<b>Water Supply</b>				
Renewals: 50 & 100 AC	(37)	778	742	804
Renewals: Misc pipes & fittings		116	116	
Renewals: commercial meters		287	287	149
Pressure reduction		395	395	441
Ridermains		179	179	131
System improvements		123	123	21
Maitai pipeline duplication	34	5,098	5,132	5,455
Wolfe St - Montcalm St				108
Sundry	97	752	849	758
<b>Total Water Supply</b>	94	7,728	7,823	7,867
<b>Wastewater</b>				
Franklyn St renewal		170	170	
Kawai St renewal		190	190	72
Beatson Rd renewal		120	120	
Rising/swallows renewals		134	134	36
Renewals pump stations		215	215	220
Marsden Valley trunk main	(6)	584	578	992
Neale Park pump station	5	226	230	
Corder Park pump station		78	78	256
Nelson North wastewater plant		2,251	2,251	462
Sundry	108	807	915	542
	107	4,774	4,881	2,580
Nelson Regional Sewerage Scheme (50%)	0	1,110	1,110	497
<b>Total Wastewater</b>	107	5,884	5,991	3,078
<b>Stormwater</b>				
Stormwater renewals		417	417	(1)
Queens Rd		236	236	236
Vanguard St		131	131	
Marlowe St		147	147	
Neale/Kea/Kaka/Railway Reserve		245	245	149
Private/Public Drains	(51)	126	75	37
Piping ditches	(8)	175	167	11
Salt Water Creek/Haven Rd culvert		140	140	57
St Vincent/Hastings St culvert	15	140	155	114
Sundry	26	1,068	1,094	293
<b>Total Stormwater</b>	(18)	2,826	2,808	896
<b>Flood Protection</b>				
York Stream channel	20	79	98	140
Todds Valley stream		141	141	
Sundry	0	180	180	70
<b>Total Flood Protection</b>	20	399	419	210
<b>Environment</b>				
New rural fire building - Hira		85	85	114
Sundry	0	298	299	227
<b>Total Environment</b>	1	383	384	341
<b>Transport</b>				
<b>Subsidised</b>				
Renewals: road resurfacing		602	602	748



	Carry over 2011/12 \$000	Estimate 2012/13 \$000	Available 2012/13 \$000	Actual 2012/13 \$000
Renewals: friction course replacement		989	989	825
Renewals: traffic services		130	130	129
Emergency 2011 response renewals		725	725	
Emergency 2011 Cable Bay Rd				663
Minor Improvements programme		413	413	243
Integration activities		300	300	
Variable speed signs		360	360	
R Fund: Waimea/Motueka junction	(30)	1,224	1,194	44
Minor safety Toi Toi/North Esk Streets				211
School speed signs				155
Rocks Rd shared path		110	110	0
Streetlight upgrade programme		250	250	43
Bishopdale to The Ridgeway shared path	(23)	350	328	32
Cable Bay Rd preventative maintenance				116
<b>Unsubsidised</b>				
Renewals: street lights		125	125	125
Renewals: footpaths		550	550	503
Sundry land purchases		220	220	187
Tasman St (Halifax-Grove)	136	176	312	299
Council share development contributions	110		110	58
Land purchase				561
Queens Rd	364	321	685	598
Princes Dr	1	1,074	1,076	30
School speed signs	78	120	198	
<b>Car Parks</b>				
Bridge St enhancement	6	262	268	30
Maitai shared path (Akersten St to Trafalgar St)	69	450	519	5
Sundry	37	1,442	1,479	1,454
<b>Total Transport</b>	<b>749</b>	<b>10,194</b>	<b>10,943</b>	<b>7,058</b>
<b>Social - Including Arts and Heritage</b>				
<b>Culture, Heritage and Arts</b>				
Heart of Nelson artwork & sculptures		145	145	154
QEII gateway Art	(61)	157	97	78
Land - Nelson School of Music		885	885	
Buildings - Nelson School of Music		1,521	1,521	22
Land		590	590	
Theatre Royal building		6,000	6,000	34
<b>Libraries</b>				
Book purchases	(4)	371	367	342
RFID circulation (Radio Frequency ID)		360	360	323
Nightingale roof repair		153	153	33
<b>Public Toilets, Free</b>				
Buxton toilet refurbishment	25	314	339	45
<b>Tahuna Camp</b>				
Building development				109
Sundry	(9)	615	606	399
<b>Total Social - Including Arts and Heritage</b>	<b>(48)</b>	<b>11,112</b>	<b>11,063</b>	<b>1,539</b>
<b>Parks and Active Recreation</b>				
<b>Horticultural Parks</b>				
Church steps toilet (1903 site)	(14)	137	123	130
<b>Neighbourhood Parks</b>				
Branford Park		106	106	57
Land Purchase: general reserve		1,189	1,189	
Reserve development		501	501	87
<b>Landscape Reserves</b>				
Fringed Hill revegetation	9	150	159	148
<b>Esplanade and Foreshore Reserves</b>				
Planting	(1)	138	137	134

## SUMMARY OF CAPITAL EXPENDITURE

	Carry over 2011/12 \$000	Estimate 2012/13 \$000	Available 2012/13 \$000	Actual 2012/13 \$000
General artworks	(10)	133	123	
Acessway/carparks		168	168	166
Tahuna Reserve Management Plan implementation		294	294	274
Wakefield Quay		694	694	68
Wakapuaka Sandflats		200	200	
<b>Sportsfields</b>				
Renewals: access/carparks	(3)	94	91	119
Rutherford Park tennis lights				4
Rutherford Park tennis courts resurfacing				185
Maitai Walkway (Akersten St to Trafalgar St)				171
Rutherford/Trafalgar Park Development Plan	162	109	271	
Greenmeadows toilet/changing facilities		200	200	
<b>Trafalgar Centre</b>				
Trafalgar Centre north upgrade	438	1,000	1,438	529
<b>Pools</b>				
Riverside seismic evaluaition/strengthening		180	180	173
<b>Play Facilities</b>				
Playground development programme		405	405	214
Skatepark		567	567	5
Tahuna youth park	(16)	369	353	281
<b>Marina</b>				
Pontoon renewal programme	(5)	259	254	146
Hardstand		2,400	2,400	29
Akersten St development	(12)	456	444	12
<b>Saxton Field</b>				
Replace hockey turf		950	950	962
Land purchase (Daelyn)		500	500	
Walkways/cycleways		200	200	2
General development	(7)	245	238	238
Road entrance Main Rd Stoke	215	168	383	475
Relocate overhead power		300	300	
Sundry	(162)	2,832	2,875	1,818
<b>Total Parks and Active Recreation</b>	595	14,943	15,743	6,424
<b>Corporate</b>				
<b>Council Publicity</b>				
Major signage		112	112	53
<b>Civic House</b>				
Buildings		250	250	0
Plant & equipment		200	200	74
Earthquake prone buildings remediation		140	140	
<b>Rental Properties</b>				
Reliance building demolition		180	180	0
Strategic land purchases		1,775	1,775	3
Strategic building purchases		625	625	
<b>Administration</b>				
Computer Rollout	(3)	1,580	1,577	993
Sundry	0	192	192	159
<b>Total Democracy and Administration</b>	(3)	5,054	5,052	1,283
<b>Financial Reserves and Trusts</b>				
Vested assets		7,500	7,500	3,046
<b>Total Financial Reserves and Trusts</b>	0	7,500	7,500	3,046
<b>Total Capital Expenditure</b>	1,496	66,023	67,725	31,744



# STATEMENT OF COMPREHENSIVE INCOME

	Note	Council			Group	
		Long Term			Actual 2013	Actual 2012
		Actual 2013	Plan 2013	Actual 2012		
		\$000	\$000	\$000	\$000	\$000
<b>Revenue</b>						
Rates other than targeted rates for water supply	2	46,853	47,346	43,291	46,853	43,291
Fees, charges, and targeted rates for water supply	2	11,014	11,015	10,409	11,014	10,409
Development and financial contributions	3	1,955	1,940	2,879	1,955	2,879
Grants, donations and subsidies	3	7,988	15,380	6,989	7,662	7,645
Vested assets	3	3,173	7,578	3,646	3,351	3,990
Interest received	3	79	36	126	161	205
Dividend received	3	2,803	2,610	6,853	0	0
Other revenue	3	22,085	24,151	21,343	29,141	26,512
Other gains	4	3,936	0	406	3,966	442
<b>Total Operating Revenue</b>		<b>99,886</b>	<b>110,056</b>	<b>95,942</b>	<b>104,103</b>	<b>95,373</b>
<b>Expenditure</b>						
Employee benefit expenses	5	16,618	17,442	16,093	25,106	23,930
Depreciation and amortisation	13,14	19,699	20,185	18,762	20,510	19,500
Other expenses	6	48,981	52,651	50,953	44,222	46,894
Finance costs	7	4,288	4,099	4,006	4,292	4,009
<b>Total Operating Expenditure</b>		<b>89,586</b>	<b>94,377</b>	<b>89,814</b>	<b>94,129</b>	<b>94,333</b>
		10,301	15,679	6,128	9,974	1,040
Share of associate's surplus/(deficit)	17	0	0	0	5,262	6,129
<b>Operating surplus before taxation</b>		<b>10,301</b>	<b>15,679</b>	<b>6,128</b>	<b>15,235</b>	<b>7,169</b>
Taxation	8	24	84	(8)	363	383
<b>Net Surplus</b>		<b>10,277</b>	<b>15,595</b>	<b>6,136</b>	<b>14,872</b>	<b>6,786</b>
Gains/(Losses) on property revaluation	13	2,582	43,473	24,619	2,297	24,619
Share of associates revalued movements	17	0	0	0	2,082	(540)
<b>Total comprehensive income for year</b>		<b>12,859</b>	<b>59,068</b>	<b>30,755</b>	<b>19,251</b>	<b>30,865</b>

The accompanying notes form part of these Financial Statements.

Explanations of significant variances against budget are detailed in Note 33.

## STATEMENT OF CHANGES IN EQUITY

	Note	Council			Group	
		Long Term				
		Actual	Plan	Actual	Actual	Actual
		2013	2013	2012	2013	2012
		\$000	\$000	\$000	\$000	\$000
<b>Balance as 1 July</b>		1,176,428	1,185,251	1,145,673	1,249,677	1,218,812
Total comprehensive income		12,859	59,068	30,755	19,251	30,865
<b>Equity at end of year</b>	24	1,189,287	1,244,319	1,176,428	1,268,928	1,249,677

The accompanying notes form part of these Financial Statements.  
 Explanations of significant variances against budget are detailed in Note 33.

## BALANCE SHEET

	Note	Council			Group	
		Long Term			Actual	Actual
		Actual	Plan	Actual		
		2013	2013	2012	2013	2012
		\$000	\$000	\$000	\$000	\$000
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	9	408	98	2,413	1,350	3,780
Trade and other receivables	10	16,527	12,138	12,011	17,466	13,140
Inventories	11	186	91	224	823	761
Other financial assets	12	0	271	0	1,381	364
Taxation	10	33	0	76	0	0
Total current assets		17,154	12,598	14,724	21,020	18,045
<b>Non-current assets</b>						
Trade and other receivables	10	5,470	6,831	7,127	5,470	7,127
Property, plant and equipment	13	1,224,471	1,311,429	1,212,190	1,240,504	1,226,652
Intangible assets	14	1,652	1,249	1,350	1,772	1,420
Forestry assets	15	5,165	4,114	4,235	5,165	4,235
Investment properties	16	940	883	840	940	840
Investments in associates & subsidiaries	17	21,183	22,310	21,183	82,595	77,564
Other financial assets	12	300	140	140	715	418
Deferred Taxation	8	0	0	0	215	188
Total non-current assets		1,259,181	1,346,956	1,247,065	1,337,376	1,318,444
<b>Total assets</b>		<b>1,276,335</b>	<b>1,359,554</b>	<b>1,261,789</b>	<b>1,358,396</b>	<b>1,336,489</b>

The accompanying notes form part of these Financial Statements.

Explanations of significant variances against budget are detailed in Note 33.

		Council			Group	
		Long Term				
		Actual	Plan	Actual	Actual	Actual
		2013	2013	2012	2013	2012
		\$000	\$000	\$000	\$000	\$000
<b>Current liabilities</b>						
Bank overdraft	9	0	3,087	410	0	410
Trade and other payables	19	14,518	15,010	13,078	15,118	13,257
Taxation payable	19	0	0	0	136	93
Provisions	20	0	0	0	15	15
Employee benefit liabilities	21	1,683	1,364	1,417	2,669	2,334
Borrowings	22	58,183	12,136	39,717	58,242	39,774
Derivative Financial Instruments	23	20	0	16	20	16
Total current liabilities		74,404	31,597	54,638	76,200	55,899
<b>Non-current liabilities</b>						
Provisions	20	1,010	608	972	1,010	972
Employee benefit liabilities	21	344	321	326	404	393
Borrowings	22	10,000	81,562	25,540	10,563	25,663
Derivative Financial Instruments	23	1,291	1,147	3,885	1,291	3,885
Total non-current liabilities		12,645	83,638	30,723	13,268	30,913
<b>Total liabilities</b>		87,049	115,235	85,361	89,468	86,812
<b>Total net assets</b>		1,189,287	1,244,319	1,176,428	1,268,928	1,249,677
<b>Equity</b>						
Retained earnings	24	342,455	374,297	331,034	376,249	360,078
Other reserves	24	846,832	870,022	845,394	892,679	889,599
<b>Total equity</b>		1,189,287	1,244,319	1,176,428	1,268,928	1,249,677

The accompanying notes form part of these Financial Statements.

Explanations of significant variances against budget are detailed in Note 33.

## STATEMENT OF CASHFLOWS

Note	Council			Group	
	Long Term			Actual	Actual
	Actual	Plan	Actual		
	2013	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000
<b>Cash Flows From Operating Activities</b>					
Rates and Other Revenue	86,005	93,111	85,380	94,763	91,783
Interest received	79	36	131	161	221
Dividends received	2,803	2,610	6,853	2,358	6,513
Payments to suppliers and employees	(62,556)	(70,005)	(61,256)	(67,715)	(66,160)
Interest paid	(3,586)	(4,099)	(3,662)	(3,590)	(3,666)
Taxation (paid)/refunded	19	(84)	36	(349)	(298)
Net GST movement	(769)	0	1,177	(836)	1,321
Net cash inflows from operating activities	25	21,995	21,569	28,659	24,792
<b>Cash Flows From Investing Activities</b>					
Sale of fixed assets	84	41	240	96	294
Sale of investments	1,001	0	570	742	570
Repayment of loans/advances	0	326	0	0	0
Goodwill on sale of business	0	0	0	0	0
Purchase of fixed assets	(26,756)	(50,166)	(32,608)	(29,228)	(33,808)
Purchase of intangibles	(685)	0	(414)	(754)	(1,050)
Purchase of investments	(160)	(271)	(1,029)	(1,036)	(472)
Loans and advances	0	(300)	0	0	0
Net cash outflow from investing activities	(26,516)	(50,370)	(33,241)	(30,180)	(34,466)
<b>Cash Flows From Financing Activities</b>					
Cash was provided from loans raised	25,749	25,793	45,590	26,251	45,590
Cash was applied to repayment of loans	(22,823)	(775)	(38,931)	(22,883)	(38,988)
Net cash inflows/outflows from financing activities	2,926	25,018	6,659	3,368	6,602
Net increase/(decrease) in cash held	(1,595)	(3,783)	2,077	(2,020)	1,850
Plus opening cash balance	2,003	794	(74)	3,370	1,520
Closing Balance	408	(2,989)	2,003	1,350	3,370
<b>Represented by:</b>					
Cash and cash equivalents	9	408	0	2,413	1,350
Bank Overdraft	9	0	(2,989)	(410)	0
		408	(2,989)	2,003	1,350

The accompanying notes form part of these Financial Statements.

Explanations of significant variances against budget are detailed in Note 33.



## FUNDING IMPACT STATEMENT

	Annual Plan 2011/12	Annual Report 2011/12	Long Term Plan 2012/13	Annual Report 2012/13
	\$000	\$000	\$000	\$000
<b>Sources of Operating Funding</b>				
General Rates, uniform annual general charges, rates penalties	33,050	32,859	36,545	36,377
Targeted rates (other than a targeted rate for water supply)	11,010	10,432	10,986	10,476
Subsidies and grants for operating purposes	3,682	3,666	4,527	4,833
Fees, charges, and targeted rates for water supply	10,834	10,409	11,015	11,014
Interest and dividends from investments	2,722	6,979	2,646	2,882
Local authorities fuel tax, fines, infringement fees, and other receipts	21,872	21,656	22,465	22,084
<b>Total Operating Funding</b>	<b>83,170</b>	<b>86,001</b>	<b>88,184</b>	<b>87,666</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	61,016	62,649	70,093	62,773
Finance costs	6,388	4,006	4,099	4,288
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding</b>	<b>67,404</b>	<b>66,655</b>	<b>74,192</b>	<b>67,061</b>
<b>Surplus (Deficit) of operating funding</b>	<b>15,766</b>	<b>19,346</b>	<b>13,992</b>	<b>20,605</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital	3,537	3,323	12,354	3,155
Development and financial contributions	2,263	2,879	1,940	1,955
Increase (decrease) in debt	18,752	6,659	24,943	2,926
Gross proceeds from sale of assets	384	240	41	84
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding</b>	<b>24,936</b>	<b>13,101</b>	<b>39,278</b>	<b>8,120</b>
<b>Applications of capital funding</b>				
Capital Expenditure				
- to meet additional demand	23,563	11,600	13,938	6,498
- to improve level of service	11,160	12,429	32,975	12,811
- to replace existing assets	8,066	6,314	11,609	9,261
Increase (decrease) in reserves	(3,896)	1,038	(3,861)	1,382
Increase (decrease) in investments	1,809	1,066	(1,391)	(1,227)
<b>Total applications of capital funding</b>	<b>40,702</b>	<b>32,447</b>	<b>53,270</b>	<b>28,725</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(15,766)</b>	<b>(19,346)</b>	<b>(13,992)</b>	<b>(20,605)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The accompanying notes form part of these Financial Statements.

Explanations of significant variances against budget are detailed in Note 33.

**Reconciliation between the Net Surplus (Deficit) in the Statement of Financial Performance and Surplus (Deficit) of operating funding in the Funding Impact Statement**

	<b>Annual Plan 2011/12 (\$000)</b>	<b>Annual Report 2011/12 (\$000)</b>	<b>Annual Plan 2012/13 (\$000)</b>	<b>Annual Report 2012/13 (\$000)</b>
Surplus/(Deficit) of operating funding from Funding Impact Statement	<b>15,766</b>	<b>19,346</b>	<b>13,992</b>	<b>20,605</b>
Subsidies and grants for capital expenditure	3,537	3,323	12,354	3,155
Development and financial contributions	2,263	2,879	1,940	1,955
Vested Assets	5,259	3,646	7,578	3,173
Gain/(Loss) on Disposal of assets	0	(1,448)	0	(2,158)
Revaluation of Derivatives	0	(2,754)	0	2,590
Investment write-up	0	93	0	1,347
Investment write-down	0	(195)	0	(668)
Depreciation	(18,168)	(18,762)	(20,185)	(19,699)
Net Surplus (Deficit) before taxation in Statement of Comprehensive Income	<b>8,657</b>	<b>6,128</b>	<b>15,679</b>	<b>10,301</b>

The accompanying notes form part of these Financial Statements.

Explanations of significant variances against budget are detailed in Note 33.

# NOTES TO ACCOUNTS

## including policies, assets, investments, explanation of variances and more (notes 1-35)

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## NOTES TO ACCOUNTS

### Note 1 – Accounting Policies

#### STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

##### *Entity Statement*

Since 1 July 1992, the Council has been constituted as a unitary authority assuming the responsibilities of the former Nelson Marlborough Regional Council and City Council.

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

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

##### *Accounting policies*

These financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and Standards issued by the Institute of Chartered Accountants of New Zealand.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable financial reporting standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

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

The financial statements of Nelson City Council are for the year ended 30 June 2013. The financial statements were authorised for issue by Council on 29 October 2013.

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 reported results, have been applied.

##### *Changes in accounting policies*

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

##### *Standards, amendments and interpretations issued that are not yet effective and have not been early adopted*

Standards, amendments and interpretations issued but not yet effective and that have not been early adopted, relevant to the Council and group, are:

- NZ International Financial Reporting Standard (IFRS) 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ International Accounting Standard (IAS) 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the

new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised rate or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

- The Minister of Commerce has approved a new Accounting Standards Framework, incorporating a Tier Strategy, developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Council expects to transition to the new standards in preparing its 30 June 2015 financial statements. The Council has not assessed the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public entities from their scope.

### **Consolidation**

Subsidiaries in which the Council has a controlling interest are consolidated by separate line-by-line aggregations of like items of assets, liabilities, equity, revenue, expense and cash flows into the consolidated financial statements. All significant inter-entity transactions are eliminated upon consolidation. Nelmac Limited is a fully owned subsidiary and has been consolidated on a line-by-line basis.

The City of Nelson Civic Trust (Inc), The Bishop Suter Trust and the Nelson Regional Economic Development Agency (REDA) are controlled by Council via the appointment of a majority of the trustees. The Trusts and REDA have been consolidated on a line-by-line basis.

### **Associate entities**

Associate organisations are accounted for the Group by the equity method, which records the Council's share of surpluses and deficits for the period in the Surplus or Deficit and shows the amount of equity held in Investments in the Statement of Financial Position. An associate organisation is one in which the Council has an equity interest of between 20% and 50% and the capacity to significantly influence the policies of that organisation. As the Council does not have a controlling interest in any of the following, they have been accounted for using the equity method:

- Port Nelson Limited (PNL)
- Nelson Airport Limited
- Tasman Bays Heritage Trust
- Tourism Nelson Tasman Limited (trading as Nelson Tasman Tourism)

### **Joint ventures**

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

### **Revenue**

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

### **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. Rates revenue is recognised when payable. Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year-end, is accrued on an average usage basis.

### **Government grants**

The City Council receives government grants from the NZ Transport Authority, which subsidises part of the City 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.

### **Provision of 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.

### **Vested assets**

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

### **Sales of goods**

Revenue from sales of goods is recognised when a product is sold to a customer.

### **Traffic and parking infringements**

Traffic and parking infringements are recognised when tickets are issued.

### **Interest and dividends**

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

### **Development contributions**

Development/financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise development/financial contributions are not recognised as liabilities until such time the Council provides, or is able to provide, the service.

### **Borrowing costs**

The Council and group has elected to defer the adoption of NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities.

Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

### **Income tax**

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

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

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

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

### **Leases**

Finance leases are leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset are transferred to the Council. The leased assets are recognised as non-current assets in the Statement of Financial Position and are depreciated over the period the company is expected to benefit from their use. The corresponding liability is also recognised in the Statement of Financial Position.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the period in which they are incurred.

### **Cash and cash equivalents**

Cash and cash equivalents included 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.

### **Trade and other receivables**

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.

Impairment of a loan or a receivable is established when there is objective evidence that the Council or group will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows,

## NOTES TO ACCOUNTS

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 or group 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.

### ***Properties intended for sale***

Properties intended for sale are valued at the lower of cost and net realisable value.

### ***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.

### ***Other financial instruments***

All other financial instruments, including cash, and bank and accounts payable, are recognised at their fair value.

Loans are recorded at cost.

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

At each balance sheet date Nelson City 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.

### ***Property, plant and equipment***

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 the Council but which benefit or service the community
- Heritage assets consist of museum artefacts, collections and historical buildings and monuments.
- Infrastructural Assets – infrastructural assets are the fixed utility systems owned by the Council. These include the roading, water, sewer, and stormwater networks.

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

- Land – operational and restricted land, and infrastructure land with a title has been valued at net current value by Quotable Value NZ as at 30 June 2010.
- Land under Roads – land under roads has been valued at net current value by Telfer Young registered valuers as at 30 June 2006. This is now considered to be deemed cost. Subsequent additions are valued at cost.
- Infrastructural Assets – excluding specialised Infrastructural assets and infrastructure land with a title have been valued internally at depreciated replacement cost with assets optimised using least



cost alternative by Council engineers as at 30 June 2013. The valuation methodology has been peer reviewed by Opus International Consultants Ltd. Revaluations are updated annually.

- Specialist infrastructural assets – include dams, water reservoirs and wastewater treatment plants have been valued internally at depreciated replacement cost with assets optimised using least cost alternative by Council engineers as at 30 June 2013. The valuation methodology has been peer reviewed by Opus International Consultants Ltd. Revaluations are updated annually.
- Nelson Regional Sewerage Business Unit – land is valued at market valuation as at 1 September 2009 by Quotable Value and is reviewed every five years or if there is a material movement. Infrastructure assets are valued at depreciated replacement cost with assets optimised using least cost alternative by an Council engineers as at 30 June 2013. The valuation methodology has been peer reviewed by MWH Limited. Revaluations are updated annually.
- Heritage Assets – museum assets have been valued on the basis of what a willing buyer would be prepared to pay a willing seller. The valuation was undertaken by Dunbar Sloane registered valuer as at 30 June 1999. The Cawthron Steps and Broadgreen House have been valued on the basis of depreciated replacement cost by Quotable Value at 30 June 2002. Founders Park has been valued on the basis of depreciated replacement cost by Telfer Young at 30 June 2002. The Cawthron Steps, Broadgreen House and Founders Park were included in 2002 for the first time and are deemed to be at cost.
- New Council assets that are added between valuations are recorded at cost except for vested assets.
- 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. These have been valued based on the actual quantities of infrastructure components and the current “in the ground” cost of providing identical services.

## REVALUATION

All asset classes are carried at depreciated historical cost with the exception of infrastructure assets apart from land under roads and land (operational and restricted). These are re-valued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value. The carrying values of infrastructure assets are assessed annually, and land assets (including infrastructure land with a title, but excluding land under roads) at least every five years, to ensure that the values do not differ materially from the assets' fair values. If there is a material difference, then land assets may be revalued mid-cycle.

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 income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive income.

## 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 recognised at cost less impairment and is not depreciated.

Property, plant and equipment are initially recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

## NOTES TO ACCOUNTS

### 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, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

### 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)
<b>Operational</b>	
Buildings . . . . .	50 - 100
Improvements . . . . .	Nil - 20
Motor vehicles . . . . .	7
Plant and equipment . . . . .	2 - 30
Library books . . . . .	3 - 10
Marina . . . . .	30 - 50
<b>Restricted</b>	
Buildings . . . . .	50 - 100
Improvements . . . . .	Nil - indefinite
<b>Roading</b>	
Roads formation . . . . .	n/a
Sub-base . . . . .	n/a
Basecourse . . . . .	5 - 80
Surfacing (sealed) . . . . .	2 - 50
Surfacing (unsealed) . . . . .	n/a
Bridges . . . . .	20 - 100
Retaining/sea walls . . . . .	75 - 150
Box culverts . . . . .	60 - 90
Footpaths . . . . .	5 - 100
Carparks . . . . .	10 - 100
Streetlights . . . . .	30 - 60
Signs . . . . .	15
<b>Water Supply</b>	
Pipeline . . . . .	55 - 120
Manholes . . . . .	55 - 120
Reservoirs and tanks . . . . .	45 - 100
Dams . . . . .	16 - 200
<b>Wastewater</b>	
Pipeline . . . . .	40 - 120
Manholes . . . . .	80
Pump stations . . . . .	10 - 50
Oxidation pond . . . . .	22 - 139
<b>Stormwater</b>	
Pipeline . . . . .	50 - 80
Bank protection . . . . .	25 - 100
Manholes . . . . .	90
<b>Solid waste</b>	
Pipes . . . . .	60 - 90
Ponds and dam . . . . .	100
Gas Flare . . . . .	20
Resource consents . . . . .	24

### **Work in progress**

Profits on contracts are recognised progressively over the period of each contract. The contract amount included in the Surplus or Deficit, and the value of work in progress, are established by assessment of individual contracts taking into account the proportion of work completed, cost analysis and estimated final results. Foreseeable losses on contracts are recognised immediately.

### **INTANGIBLE ASSETS**

#### **Software acquisition and development**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use by Nelson City 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.

#### **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 (yr)	Amortisation Rate %
Computer software	3 - 10	10 - 33

#### **Forestry Assets**

Forestry – forestry assets are valued annually. 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 2013.

Changes in the valuation of the forestry assets are recognised in the Surplus or Deficit.

#### **Investment property**

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

#### **Investments**

The activities of associated entities have been included in the parent financial statements at cost on acquisition.

Other investments are stated at cost, except the shares in the Local Government Insurance Corporation, which are recorded at their net asset value.

#### **Trade and other payables**

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

### ***Borrowings***

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

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

### ***Financial instruments***

The Council and group is party to financial instrument arrangements as part of its everyday operations. These financial instruments include cash and cash equivalents, accounts receivable and payable, investments, and loans which have all been recognised in the financial statements.

Revenues and expenses in relation to all financial instruments are recognised in the Surplus or Deficit.

### ***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. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The valuation was performed by Hedgebook Limited.

Swaps are entered into with the objective of reducing the risk of rising interest rates. Any gains or losses arising from the changes in fair value of derivatives are taken directly to the Surplus or Deficit for the year. The fair value of interest rate swaps is determined by reference to market values for similar instruments. The net differential paid or received on interest rate swaps is recognised as a component of interest expense or interest revenue over the period of the agreement.

The Council does not apply hedge accounting for its derivative financial instruments in its parent financial statements.

### ***Employee entitlements***

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

### ***Landfill***

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

### **Financial 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** – subject to specific conditions accepted as binding by the Council, and which may not be revised by the 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 the Council. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

**Revaluation reserves** – The results of revaluing land, infrastructural assets and derivative instruments are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve for any class of asset, this is expensed in the Surplus or Deficit. To the extent that increases in value offset previous decreases debited to the Surplus or Deficit, the increase is credited to the Surplus or Deficit.

### **Good and services tax (GST)**

All amounts in the accounts are exclusive of GST except for debtors and creditors which are shown inclusive of GST.

### **Allocation of overheads – significant activities**

All overheads by way of the job costing system have been allocated to the Council's significant activities. This allocation has been mainly on the basis of time spent, but where items of expenditure clearly relate to particular activities, then they are allocated on that basis.

### **Statement of cashflows**

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the 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 the Council and group.

### ***Critical accounting estimates and assumptions***

In preparing these financial statements Nelson City Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### **Landfill aftercare provision**

Note 20 presents an analysis of the exposure of the City Council in relation to the estimates and uncertainties surrounding the landfill aftercare 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 the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets that are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating the annual depreciation charge recognised as an expense in the Surplus or Deficit. To minimise this risk Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives Council further assurance over its useful life estimates.
- The revaluation of infrastructural assets is carried out in-house by council engineering staff, and is then peer-reviewed by experienced independent valuers.

## Note 2 - Rates revenue

	Actual 2013	Actual 2012
	\$000	\$000
<b>General rates</b>	36,377	32,859
<b>Targeted rates:</b>		
Water	11,014	10,409
Sewerage	6,455	6,263
Stormwater	3,636	4,169
Flood Protection	311	0
Solar Saver	74	0
Total revenue from rates	57,867	53,700

### Rates remissions

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

Community, sporting and other organisations to facilitate the ongoing provision of non-commercial community services and recreational opportunities.

Rates penalties where payment has not been received due to circumstances outside the ratepayers control.

Rates for residential properties in commercial/industrial areas.

Rates on land protected for natural, historic or cultural conservation purposes.

Excess water rates.

Rates on cemeteries.

Rates on golf practice greens.

Rates for underground utilities.

Rates on low value properties.

Land affected by natural calamity

Households with dependant relatives in an additional unit

Heating appliance replacement (qualifying ratepayers)

Maintenance and protection of heritage buildings

	Actual 2013	Actual 2012
	\$000	\$000
<b>Total rates revenue</b>	58,112	53,969
<b>Rates remissions</b>	0	0
Community, sporting and other organisations	74	67
Rates penalties	48	40
Rates for residential properties in commercial/industrial areas.	11	10
Rates on land protected for natural, historic or cultural conservation purposes.	0	0
Rates on cemeteries.	22	20
Rates on low value properties.	1	1
Heritage	64	66
Clean heat warm homes	0	47
Dependent relative	1	2
Land affected by natural calamity	24	16
Total remissions	245	269
Rates revenue net of remissions	57,867	53,700

Section 23(2)(b) of the Local Government (Rating) Act 2002 requires Council to set its rates in accordance with the relevant provisions of Council's long-term plan and funding impact statement for that financial year. In the process of setting rates for the 2012/13 financial year, Council has not fully complied with this requirement with respect to its Waste Water Charge targeted rate, and the Separate General Charge – Stormwater/flood protection targeted rate. The wording used as a basis for these rates in Council's annual Rates Resolution, passed on 19 July 2012, was inadvertently at variance with that used in its funding impact statement for the 2012/13 financial year. Despite this, Council considers that there is no material impact on ratepayers, and that the risk of challenge or potential liability arising is very low.

**Note 3 - Other revenue**

	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
User charges	10,335	9,486	10,551	9,681
NZ Transport Authority grants	4,129	3,646	4,129	3,646
Regulatory revenue	3,164	2,762	3,164	2,762
Rental income and investment properties	5,737	5,797	5,796	5,857
Infringements and fines	838	741	838	741
Petrol tax	329	331	329	331
Vested assets	3,173	3,646	3,351	3,990
Interest income	79	126	161	205
Dividend income	2,803	6,853	0	0
Development/Financial contributions	1,955	2,879	1,955	2,879
Grants/donations	2,304	3,343	3,533	3,999
Grants/insurance proceeds for 2011 emergency	1,705	0	1,705	0
Rugby World Cup cost recovery	0	783	0	783
Other	1,532	1,444	6,758	6,357
	<b>38,083</b>	<b>41,837</b>	<b>42,270</b>	<b>41,231</b>

*1 - Grants/Donations*

Includes contributions from Tasman District Council and others for Saxton Field and other regional developments of \$0.9 million (\$1.0 million in 2012).

**Note 4 - Other gains**

	Note	Council		Group	
		2013	2012	2013	2012
		\$000	\$000	\$000	\$000
Gain on changes in fair value of forestry assets	15	930	93	930	93
Gain on revaluation of financial derivatives	23	2,590	0	2,590	0
Gain on disposal of property, plant and equipment	13	19	24	30	60
Gain on sale of investments		0	0	0	0
Gain in fair value of investments		0	0	19	0
Provision discount unwinding		297	288	297	288
Gain on changes in fair value of investment property	16	100	0	100	0
<b>Total gains</b>		<b>3,936</b>	<b>406</b>	<b>3,966</b>	<b>442</b>



## Note 5 - Employee benefit expenses

	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
Salaries and wages	16,618	16,093	25,106	23,930
Employer contributions to multi-employer defined benefit plans	0	0	0	0
<b>Total employee benefit expenses</b>	<b>16,618</b>	<b>16,093</b>	<b>25,106</b>	<b>23,930</b>

## Note 6 - Other expenses

Note	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
Payments to auditors for financial statement audit	125	121	181	177
Payments to auditors for other services	0	4	0	4
Payments to auditors for Long Term Plan and amendments	0	81	0	81
Consultants	614	493	614	493
Maintenance	19,279	18,739	19,357	18,811
Minimum lease payments under operating leases	257	207	257	207
Impairments of receivables	2	18	2	18
Loss on disposal of property, plant and equipment	13	2,158	2,158	1,457
Loss on changes in fair value of forestry assets	15	0	0	0
Loss on changes in fair value of financial derivatives	23	0	0	2,754
Decrease in value of investments	0	0	0	15
Other Operating Expenses	26,546	27,088	21,653	22,877
<b>Total other expenses</b>	<b>48,981</b>	<b>50,953</b>	<b>44,222</b>	<b>46,894</b>

Audit fees of \$10,530 paid by the Bishop Suter Trust for 2013 were paid separately to their auditors Crowe Horwath.

## Note 7 - Finance costs

	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
Interest costs	3,620	3,811	3,624	3,814
Write down interest free loans	668	195	668	195
<b>Total finance costs</b>	<b>4,288</b>	<b>4,006</b>	<b>4,292</b>	<b>4,009</b>

**Note 8 - Taxation**

	<b>Council</b>		<b>Group</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Components of tax expense</b>				
Current tax expense	24	(8)	388	411
Deferred tax expense	0	0	(25)	(27)
<b>Income tax expense</b>	<b>24</b>	<b>(8)</b>	<b>363</b>	<b>384</b>

**Relationship between tax expense and accounting profit**

Surplus/(deficit) before tax	10,301	6,130	15,235	7,170
Tax at 28%	2,884	1,716	4,266	2,008
Non taxable income/adjustments	(2,860)	(1,724)	3,903	(1,624)
<b>Tax expense</b>	<b>24</b>	<b>(8)</b>	<b>363</b>	<b>384</b>

**Deferred tax assets/(liabilities)**

Balance 1 July	0	0	188	180
Opening Balance Adjustment	0	0	2	(19)
Charged to profit and loss	0	0	25	27
<b>Balance 30 June</b>	<b>0</b>	<b>0</b>	<b>215</b>	<b>188</b>

**Deferred taxation movements statement - Group**

	Property, Plant & Equipment	Provisions	Employee Entitlements	Other	Total
Balance as at 1 July 2011	22	17	176	(35)	180
Opening Balance Adjustment	(19)	0	0	0	(19)
Current year charge	8	(2)	15	6	27
Closing balance 30 June 2012	11	15	191	(29)	187
Balance as at 1 July 2012	11	15	191	(29)	187
Opening Balance Adjustment	1	1	0	0	2
Current year charge	10	2	(5)	19	26
Closing balance 30 June 2013	22	18	186	(10)	215

## Note 9 - Cash and cash equivalents

	<b>Council</b>		<b>Group</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash at bank and in hand	408	213	1,350	1,180
Short term deposits maturing three months or less from date of acquisition (Note 13)	0	2,200	0	2,600
<b>Total cash and cash equivalents</b>	<b>408</b>	<b>2,413</b>	<b>1,350</b>	<b>3,780</b>
Bank overdraft	0	(410)	0	(410)

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value

Cash and bank overdrafts include the following for the purpose of the cash flow statement.

	<b>Council</b>		<b>Group</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash at bank and in hand	408	213	1,350	1,180
Short term bank deposits maturing within three months	0	0	0	0
Bank overdrafts	0	2,200	0	2,600
	0	(410)	0	(410)
<b>Total cash and cash equivalents</b>	<b>408</b>	<b>2,003</b>	<b>1,350</b>	<b>3,370</b>

**Note 10 - Trade and other receivables**

Note	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
Rates receivables	2,850	2,510	2,850	2,510
Other receivables	7,615	4,314	8,503	5,401
Dividend receivable	1,600	1,600	1,600	1,600
Sundry debtors	2,789	2,566	2,836	2,612
	14,854	10,990	15,789	12,123
Less provision for impairment of receivables	0	0	4	4
	14,854	10,990	15,785	12,119
Prepayments	881	374	889	374
Community loans	5,755	6,574	5,755	6,574
Loans to related parties	507	1,200	507	1,200
	21,997	19,138	22,936	20,267
Less non-current portion:				
Loans to related parties	482	1,200	482	1,200
Community loans	4,988	5,927	4,988	5,927
<b>Total non-current portion</b>	<b>5,470</b>	<b>7,127</b>	<b>5,470</b>	<b>7,127</b>
<b>Current portion</b>	<b>16,527</b>	<b>12,011</b>	<b>17,466</b>	<b>13,140</b>
<b>Current Taxation Asset</b>	<b>33</b>	<b>76</b>	<b>0</b>	<b>0</b>

The loan to related parties is a loan of \$1.2 million to Tasman Bays Heritage Trust at zero interest rate.

Community loans include the following:

- Solar Saver \$0.9m (2012: \$1.0m). Term 10 yrs, interest rates of 7.8% and 6.9%
- Clean Heat Warm Homes, Face value \$3.3m (2012: \$4.1m), term 10 yrs, zero interest rate. The loan has been written down based on a discounted interest rate of 6.25% (2012: 6.25%)
- Theatre Royal. Face value \$1.5m (2012: \$1.5m), term 25 years, zero interest rate. The loan has been written down based on a discounted interest rate of 6.25% (2012: 6.25%)
- Others \$1.3m (2012: \$1.5m), various repayment terms and interest rates.

*Fair value*

Debtors and other receivables are non-interest bearing and receipt is normally on 30 day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

*Impairment*

Nelson City Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances.

These powers allow Nelson City Council to commence legal proceedings to recover any rates that remain unpaid 4 months after the due date for payment. If payment has not been made within 3 months of the Court's judgement, then Nelson City Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

The status of receivables as at 30 June 2013 and 2012 are detailed below:

	2013			2012		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Council</b>						
Not past due	12,201		12,201	8,439		8,439
Past due 1 - 60 days	2,040		2,040	1,565		1,565
Past due 61 - 120 days	518		518	530		530
Past due > 120 days	95		95	456		456
<b>Total</b>	<u>14,854</u>	<u>0</u>	<u>14,854</u>	<u>10,990</u>	<u>0</u>	<u>10,990</u>
<b>Group</b>						
Not past due	12,901		12,901	9,281		9,281
Past due 1 - 60 days	2,237		2,237	1,813	(3)	1,810
Past due 61 - 120 days	550		550	566		566
Past due > 120 days	101	(4)	97	463	(1)	462
<b>Total</b>	<u>15,789</u>	<u>(4)</u>	<u>15,785</u>	<u>12,123</u>	<u>(4)</u>	<u>12,119</u>

## Note 11 - Inventories

	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
Ridgeways properties	184	222	184	222
Civil Defence Inventories	2	2	2	2
Civic Trust - flag stocks	0	0	7	8
The Bishop Suter Gallery Stocks	0	0	21	25
Nelmac - stocks	0	0	498	348
Nelmac - work in progress	0	0	111	156
<b>Total inventories</b>	<b>186</b>	<b>224</b>	<b>823</b>	<b>761</b>

## Note 12 - Other financial assets

	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
<b>Current portion</b>				
<i>Loans and receivables</i>				
Short term deposits with maturities of 4-12 months	0	0	1,381	364
Total current portion	0	0	1,381	364
<b>Non-current portion</b>				
Unlisted shares -NZ LG Insurance Corp Ltd	140	140	140	140
Local Government Funding Agency borrower notes	160	0	160	0
Civic Trust - 1st NZ Securities	0	0	415	278
Total non current portion	300	140	715	418

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

Civic Trust investments include shares in public listed companies and fixed interest securities. These are valued at fair value.

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

**Note 13 - Property, plant and equipment**

<b>2013</b>	<b>Cost/ revaluation 30 June 2012 \$000</b>	<b>Accumulated depreciation and impairment charges 1 July 2012 \$000</b>	<b>Carrying amount 30 June 2012 \$000</b>	<b>Current year additions \$000</b>	<b>Current Yr net disposals/ transfers \$000</b>
<b>Council operational assets</b>					
Land	69,002	0	69,002	110	
Buildings	29,131	(8,662)	20,469	580	1,589
Other improvements	1,710	(350)	1,360	325	1,849
Landfill post closure	853	(397)	456		
Library books	5,731	(4,003)	1,728	423	(3)
Plant and equipment	16,884	(12,974)	3,910	872	2
Motor vehicles	1,072	(553)	519	126	(14)
Marina	9,544	(847)	8,697	284	
<b>Total operational assets</b>	<b>133,927</b>	<b>(27,786)</b>	<b>106,141</b>	<b>2,720</b>	<b>3,423</b>
<b>Council infrastructural assets</b>					
Sewerage system	145,970	0	145,970	3,346	89
Water system	130,179	0	130,179	8,218	
Drainage network	110,948	0	110,948	1,721	(9,942)
Flood Protection	0	0	0	0	9,942
Solid waste	5,918	0	5,918	219	
Road network	250,587	0	250,587	7,160	
Road land	277,514	0	277,514	1,427	(41)
<b>Total infrastructural assets</b>	<b>921,116</b>	<b>0</b>	<b>921,116</b>	<b>22,091</b>	<b>48</b>
<b>Council restricted assets</b>					
Land	93,229	0	93,229	1	(14)
Buildings	51,025	(5,566)	45,459	621	(1,577)
Other improvements	54,749	(8,504)	46,245	5,674	(1,834)
<b>Total restricted assets</b>	<b>199,003</b>	<b>(14,070)</b>	<b>184,933</b>	<b>6,296</b>	<b>(3,425)</b>
<b>Total NCC property, plant and equipment</b>	<b>1,254,046</b>	<b>(41,856)</b>	<b>1,212,190</b>	<b>31,107</b>	<b>46</b>
<b>Subsidiaries property, plant and equipment</b>					
Land	1,408	0	1,408	0	0
Buildings	4,076	(869)	3,207	11	0
Leasehold improvements	22	(15)	7	0	0
Plant and equipment	5,884	(3,736)	2,148	1,614	0
Motor vehicles	1,508	(805)	703	300	(1)
Art Collection	6,927	0	6,927	178	0
Capitalised work in progress	62	0	62	609	(62)
<b>Total subsidiaries</b>	<b>19,887</b>	<b>(5,425)</b>	<b>14,462</b>	<b>2,712</b>	<b>(63)</b>
<b>Total Group property, plant and equipment</b>	<b>1,273,933</b>	<b>(47,281)</b>	<b>1,226,652</b>	<b>33,819</b>	<b>(17)</b>

The above cost includes \$18.6 million work in progress, (\$12.4 million in 2011/12).

Nelson City Council is required to undertake seismic assessments of some of its buildings in accordance with the Building Act and its own Policy for Earthquake Prone, Dangerous and Insanitary Buildings. These assessments are being undertaken by independent consultants. Initial assessments of all Council's 92 buildings have been completed, and 30 of those require detailed assessments as their initial ratings were less than 33% of the New Building Standard. Nine detailed assessments have been completed and six section 124 Building Act notices have been received.



Current year profit on disposal \$000	Current year Loss on disposal \$000	Current year depreciation \$000	Revaluation surplus \$000	Cost/ revaluation 30 June 2013 \$000	Accumulated depreciation and impairment charges 30 June 2013 \$000	Carrying amount 30 June 2013 \$000
				69,112		69,112
	(236)	(725)		31,029	(9,351)	21,678
	(33)	(99)		3,910	(508)	3,402
		(28)		853	(425)	428
3		(378)		6,128	(4,355)	1,773
2	0	(784)		17,735	(13,733)	4,002
14		(107)		1,145	(607)	538
		(195)		9,828	(1,042)	8,786
19	(269)	(2,316)	0	139,740	(30,021)	109,719
	(24)	(3,770)	(789)	144,822		144,822
	(161)	(3,985)	630	134,881		134,881
	(18)	(1,656)	497	101,550		101,550
		(124)	49	9,867		9,867
	(1)	(326)	66	5,876		5,876
	(683)	(4,538)	2,267	254,793		254,793
		0	(138)	278,762		278,762
0	(887)	(14,399)	2,582	930,551	0	930,551
				93,216		93,216
	(632)	(914)		49,651	(6,694)	42,957
	(370)	(1,687)		58,244	(10,216)	48,028
0	(1,002)	(2,601)	0	201,111	(16,910)	184,201
19	(2,158)	(19,316)	2,582	1,271,402	(46,931)	1,224,471
		0	(285)	1,123	0	1,123
		(109)		4,087	(978)	3,109
		(2)		22	(17)	5
		(544)		7,439	(4,222)	3,217
		(137)		1,781	(916)	865
		0		7,105	0	7,105
		0		609	0	609
0	0	(792)	(285)	22,166	(6,133)	16,033
19	(2,158)	(20,108)	2,297	1,293,568	(53,064)	1,240,504

Buildings assessed as earthquake prone will either require seismic strengthening or demolition in the longer term. Council agreed to demolish one of the buildings concerned, and an impairment to that effect has been recorded. Nelson City Council expects that these seismic assessments may lead to impairment of further buildings in coming years. Nelson City Council expects that the programme to complete all of the required assessments will extend over a number of years.

	Cost/ revaluation	Accumulated depreciation and impairment charges	Carrying amount	Current year additions	Current Yr net disposals/ transfers
2012	30 June 2011 \$000	1 July 2011 \$000	30 June 2011 \$000	\$000	\$000
<b>Council operational assets</b>					
Land	66,607		66,607	1,170	1,225
Buildings	28,562	(7,997)	20,565	1,789	(1,225)
Other improvements	1,411	(297)	1,114	299	
Landfill post closure	1,074	(481)	593		(128)
Library books	5,326	(3,644)	1,682	430	(3)
Plant and equipment	16,123	(12,197)	3,925	767	
Motor vehicles	1,077	(543)	534	80	(24)
Marina	8,767	(658)	8,109	777	
Total operational assets	128,947	(25,817)	103,129	5,312	(155)
<b>Council infrastructural assets</b>					
Sewerage system	127,646		127,646	4,557	(23)
Water system	126,414		126,414	5,085	
Drainage network	116,386		116,386	2,596	
Solid waste	5,076		5,076	159	
Roading network	239,246		239,246	7,074	
Roading land	276,472		276,472	1,054	(36)
Total infrastructural assets	891,240	0	891,240	20,525	(59)
<b>Council restricted assets</b>					
Land	92,397		92,397	832	
Buildings	48,206	(4,754)	43,453	2,819	
Other improvements	50,648	(6,806)	43,843	4,101	
Total restricted assets	191,251	(11,560)	179,693	7,752	0
<b>Total NCC property, plant and equipment</b>	<b>1,211,438</b>	<b>(37,377)</b>	<b>1,174,062</b>	<b>33,589</b>	<b>(214)</b>
<b>Subsidiaries property, plant and equipment</b>					
Land	1,408		1,408		
Buildings	4,027	(760)	3,267	49	
Leasehold improvements	22	(13)	9		
Plant and equipment	5,575	(3,592)	1,983	696	(26)
Motor vehicles	1,335	(841)	494	331	
Art Collection	6,499		6,499	428	
Capitalised work in progress	25		25	62	(25)
Total subsidiaries	18,891	(5,206)	13,685	1,566	(51)
<b>Total Group property, plant and equipment</b>	<b>1,230,329</b>	<b>(42,583)</b>	<b>1,187,747</b>	<b>35,155</b>	<b>(265)</b>

Current year profit on disposal \$000	Current year Loss on disposal \$000	Current year depreciation \$000	Revaluation surplus \$000	Cost/ revaluation 30 June 2012 \$000	Accumulated depreciation and impairment charges 30 June 2012 \$000	Carrying amount 30 June 2012 \$000
				69,002		69,002
		(660)		29,131	(8,662)	20,469
		(53)		1,710	(350)	1,360
		(10)		853	(397)	456
		(382)		5,731	(4,003)	1,728
		(783)		16,884	(12,974)	3,910
		(72)		1,072	(553)	519
		(189)		9,544	(847)	8,697
0	0	(2,149)	0	133,927	(27,786)	106,141
	(177)	(3,515)	17,481	145,970		145,970
	(226)	(3,857)	2,762	130,179		130,179
	(163)	(1,854)	(6,017)	110,948		110,948
		(231)	913	5,918		5,918
	(882)	(4,331)	9,480	250,587		250,587
24				277,514		277,514
24	(1,448)	(13,788)	24,619	921,116	0	921,116
		0		93,229		93,229
		(813)		51,025	(5,566)	45,459
		(1,698)		54,749	(8,504)	46,245
0	0	(2,511)	0	199,003	(14,070)	184,933
24	(1,448)	(18,448)	24,619	1,254,046	(41,856)	1,212,190
				1,408		1,408
		(109)		4,076	(869)	3,207
		(2)		22	(15)	7
		(506)		5,884	(3,736)	2,148
		(122)		1,508	(805)	703
				6,927		6,927
				62		62
0	0	(739)	0	19,887	(5,425)	14,462
24	(1,448)	(19,187)	24,619	1,273,933	(47,281)	1,226,652

**Note 14 - Intangible assets**

	<b>Council Computer Software \$000</b>	<b>Council Total \$000</b>	<b>Group Computer Software \$000</b>	<b>Group Total \$000</b>
<b>Balance 1 July 2012</b>				
Cost	2,960	2,960	206	3,166
Accumulated amortisation and impairment	(1,610)	(1,610)	(136)	(1,746)
Opening carrying amount	1,350	1,350	70	1,420
Additions	685	685	98	783
Disposals	0	0	(29)	(29)
Amortisation charge	(383)	(383)	(19)	(402)
Closing carrying amount	1,652	1,652	120	1,772
<b>Balance at 30 June 2013</b>				
Cost	3,645	3,645	275	3,920
Accumulated amortisation and impairment	(1,993)	(1,993)	(155)	(2,148)
Closing carrying amount	1,652	1,652	120	1,772
	<b>Council Computer Software \$000</b>	<b>Council Total \$000</b>	<b>Group Computer Software \$000</b>	<b>Group Total \$000</b>
<b>Balance 1 July 2011</b>				
Cost	2,545	2,545	160	2,705
Accumulated amortisation and impairment	(1,296)	(1,296)	(137)	(1,433)
Opening carrying amount	1,249	1,249	23	1,272
Additions	414	414	57	471
Disposals	0	0	(11)	(11)
Amortisation charge	(314)	(314)	1	(313)
Closing carrying amount	1,350	1,350	70	1,420
<b>Balance at 30 June 2012</b>				
Cost	2,960	2,960	206	3,166
Accumulated amortisation and impairment	(1,610)	(1,610)	(136)	(1,746)
Closing carrying amount	1,350	1,350	70	1,420

## Note 15 - Forestry assets

	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
Balance at 1 July	4,235	4,142	4,235	4,142
Increases due to purchases	0	0	0	0
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributable to physical changes and price changes	949	110	949	110
Decreases due to sales	0	0	0	0
Decrease due to harvest	(19)	(17)	(19)	(17)
<b>Balance 30 June</b>	<b>5,165</b>	<b>4,235</b>	<b>5,165</b>	<b>4,235</b>

The Nelson City Council owns 613 hectares, (615 at 30 June 2012), of Radiata Pine, Douglas Fir and Cupressus Macrocarpa planted between 1976 and 2012. Stands of other species totalling 8.6 hectares, (8.6 at 30 June 2012), were considered to have no commercial value. Independent registered valuers PF Olsen have valued the forestry assets as at 30 June 2013. A discount rate of 7%, (7% in 2011/12), has been used in discounting the present value of expected after tax cash flows.

## Note 16 - Investment properties

Note	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
<b>Balance at 1 July</b>	840	840	840	840
Additions from acquisitions	0	0	0	0
Disposals	0	0	0	0
Fair value gains/(losses) on valuation	100	0	100	0
<b>Balance at 30 June</b>	<b>940</b>	<b>840</b>	<b>940</b>	<b>840</b>

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

**Note 17 - Investments in associates and subsidiaries****Council**

	<b>Proportion of ownership</b>	<b>2013</b>	<b>2012</b>
		<b>\$000</b>	<b>\$000</b>
Investment at cost in:			
Port Nelson Limited	50%	12,708	12,708
Tasman Bays Heritage Trust	50%	4,922	4,922
Nelson Airport Limited	50%	1,200	1,200
Tourism Nelson Tasman Limited	50%	0	0
Nelson Regional Economic Development Agency	100%	0	0
Nelmac	100%	2,353	2,353
The Bishop Suter Trust	100%	0	0
The Civic Trust	100%	0	0
<b>Council total</b>		<b>21,183</b>	<b>21,183</b>

**Group**

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Share of net equity:		
Port Nelson Limited	69,840	65,938
Tasman Bays Heritage Trust	7,973	7,363
Nelson Airport Limited	4,717	4,223
Tourism Nelson Tasman Limited	66	40
<b>Total Group Investment</b>	<b>82,595</b>	<b>77,564</b>

Nelmac, The Bishop Suter Trust, Nelson Regional Economic Development Agency, and the Civic Trust are fully controlled subsidiaries and have been consolidated line by line. Port Nelson Ltd, Tasman Bays Heritage Trust, Nelson Airport Ltd and Tourism Nelson Tasman Ltd are all 50% owned associates and only the equity value is consolidated.

**Movements in the carrying amount of investments in associates:**

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Opening balance	77,564	78,489
Prior period adjustment	13	0
New investment	0	25
	<u>77,577</u>	<u>78,514</u>
Disposals	0	0
	<u>77,577</u>	<u>78,514</u>
Share of recognised revenues and expenses	5,262	6,130
Share of revaluations	2,108	(568)
	<u>84,946</u>	<u>84,077</u>
Share of dividend	2,351	6,513
	<u>82,595</u>	<u>77,564</u>
<b>Balance as at 30 June 2013</b>		

**The total assets and liabilities of the associates are as follows:**

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Assets	225,965	221,212
Liabilities	60,776	66,087
Equity	165,189	155,125
Revenues	50,245	50,011
Surplus/(deficit)	10,525	12,258

## Note 18 - Joint Ventures

The Council's interest in the Regional Sewerage Scheme, Ridgeways and Civil Defence joint ventures is accounted for as a jointly controlled operation. The Council's interests in the jointly controlled operation are as follows:

	<b>Regional Sewerage Scheme \$000</b>	<b>Ridgeways JV \$000</b>	<b>Civil Defence \$000</b>	<b>Total \$000</b>
<b>2013</b>				
Current assets	125	277	222	624
Non-current assets	27,527	0	130	27,657
Current liabilities	9,487	11	2	9,500
Non-current liabilities	0	0	0	0
Income	4,132	281	361	4,774
Expenses	3,096	95	266	3,457

	<b>Regional Sewerage Scheme \$000</b>	<b>Ridgeways JV \$000</b>	<b>Civil Defence \$000</b>	<b>Total \$000</b>
<b>2012</b>				
Current assets	67	395	166	629
Non-current assets	29,068	0	90	29,158
Current liabilities	1,314	15	2	1,330
Non-current liabilities	8,563	0	0	8,563
Income	3,780	187	291	4,258
Expenses	3,129	86	204	3,418

	<b>Regional Sewerage Scheme \$000</b>	<b>Ridgeways JV \$000</b>	<b>Civil Defence \$000</b>	<b>Total \$000</b>
<b>2011</b>				
Current assets	211	292	47	550
Non-current assets	24,117	0	98	24,215
Current liabilities	1,938	12	1	1,951
Non-current liabilities	6,500	0	0	6,500
Income	3,622	171	226	4,019
Expenses	2,738	73	195	3,005

The Ridgeways Joint Venture has a balance date of 31 March, whereas the rest of the joint ventures and joint committees have dates of 30 June.



The Ridgeways Joint Venture is a 50/50 venture with Homedale Holdings Limited to develop the Ridgeway' subdivision.

The Regional Sewerage Scheme is a 50/50 joint venture with Tasman District Council that provides sewerage disposal services to South Nelson, Richmond and surrounding areas.

The Civil Defence Organisation is a 50/50 joint committee with Tasman District Council to coordinate services in the event of an emergency.

## Note 19 - Trade and other payables

	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
Trade payables	9,762	9,069	9,935	8,876
Deposits and bonds	710	416	710	416
Accrued expenses	1,322	1,089	1,345	1,127
Income in advance	2,194	1,982	2,452	2,316
Trust accounts	80	130	80	130
Amounts due to customers for contract work	78	112	78	112
Other	372	280	518	280
<b>Total trade and other payables</b>	<b>14,518</b>	<b>13,078</b>	<b>15,118</b>	<b>13,257</b>
Taxation	0	0	136	93

Trade payables in general will be settled in 30 days and are shown at fair value.

**Note 20 - Provisions**

	<b>Council</b>		<b>Group</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Current provisions are represented by:</b>				
Warranty provisions	0	0	15	15
<b>Total current provisions</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>15</b>
<b>Non-current provisions are represented by:</b>				
Landfill redemption	1,010	972	1,010	972
<b>Total non current provisions</b>	<b>1,010</b>	<b>972</b>	<b>1,010</b>	<b>972</b>
Balance 1 July	972	588	972	588
Reassessment of liability	(65)	363	(65)	363
Provision for year based on consumption	51	6	51	6
Interest	52	15	52	15
<b>Balance 30 June</b>	<b>1,010</b>	<b>972</b>	<b>1,010</b>	<b>972</b>

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

The remaining capacity of the site is 1.400 million cubic metre (refuse, clean fill and cover).

The estimated remaining life is 27 years.

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

The cash outflows for landfill post closure are expected to occur in twenty eight to fifty eight years time, (between 2041 and 2071). The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and using a discount rate of 6.5% (6.5% in 2011/12), and an inflation rate of 2.5% (2.5% in 2011/12)

**Note 21 - Employee Benefit Liabilities**

	<b>Council</b>		<b>Group</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Accrued pay	506	305	748	508
Annual leave	1,034	977	1,763	1,643
Long service leave	263	254	288	295
Retirement gratuities	184	171	234	246
Sick leave	40	36	40	36
<b>Total employee benefit liabilities</b>	<b>2,027</b>	<b>1,743</b>	<b>3,073</b>	<b>2,728</b>
Comprising:				
Current	1,683	1,417	2,669	2,334
Non-current	344	326	404	393
<b>Total employee benefit liabilities</b>	<b>2,027</b>	<b>1,743</b>	<b>3,073</b>	<b>2,728</b>

## Note 22 - Borrowings

	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
<b>Current</b>				
Secured loans	18,460	0	18,460	0
Commercial Paper	39,718	39,687	39,718	39,687
EECA loan	5	30	5	30
The Bishop Suter Gallery loans	0	0	59	57
<b>Total current borrowings</b>	<b>58,183</b>	<b>39,717</b>	<b>58,242</b>	<b>39,774</b>
<b>Non-current</b>				
Secured loans	0	25,535	0	25,535
Local Government Funding Agency floating rate notes	10,000	0	10,000	0
EECA loan	0	5	0	5
Nelmac loans	0	0	500	0
The Bishop Suter Gallery loans	0	0	63	123
<b>Total non-current borrowings</b>	<b>10,000</b>	<b>25,540</b>	<b>10,563</b>	<b>25,663</b>

The Council's and Regional Sewerage secured loans, Commercial Paper and LGFA bonds are secured over the city's rates.

As at 30 June 2013 the Council had borrowing facilities of \$62.5 million with Westpac Banking Corporation and \$15m with ANZ National Limited. At balance date \$18.4 million of the total \$77.5m facility was drawn down.

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

The interest rates on the Council and Regional Sewerage borrowings range from 2.62% to 3.8%. The weighted average interest rate on the above loans was 3.14%, (3.34% in 2011/12).

## Internal borrowings and interest

Internal borrowings and interest are charged to activities then eliminated on consolidation in the Council's financial statements.

Activity	01 July \$000	Loans Drawn \$000	Loans Repaid \$000	30 June \$000	Interest \$000
<b>2013</b>					
Transport	16,628	1,744	(1,142)	17,230	891
Water Supply	25,139	2,801	0	27,940	1,313
Wastewater	0	0	0	0	0
Stormwater	18,114	0	(1,054)	17,060	892
Flood Protection	0	112	0	112	5
Environmental Management	5,305	112	(957)	4,460	256
Social	5,334	1,095	(509)	5,920	278
Parks and Active Recreation	46,484	2,091	(1,393)	47,182	2,379
Economic	238	0	0	238	12
Corporate	14,327	1,336	(348)	15,315	792
<b>Total Internal Loans</b>	<b>131,569</b>	<b>9,291</b>	<b>(5,403)</b>	<b>135,457</b>	<b>6,818</b>
<b>2012</b>					
Transport	13,022	3,606	0	16,628	899
Water Supply	24,549	590	0	25,139	1,515
Wastewater	(17)	17	0	0	0
Stormwater	18,491	26	(403)	18,114	1,181
Flood Protection	0	0	0	0	
Environmental Management	4,584	1,329	(608)	5,305	306
Social	4,386	1,054	(106)	5,334	308
Parks and Active Recreation	45,210	1,780	(506)	46,484	3,013
Economic	146	92	0	238	12
Corporate	10,103	6,085	(1,861)	14,327	738
<b>Total Internal Loans</b>	<b>120,474</b>	<b>14,579</b>	<b>(3,484)</b>	<b>131,569</b>	<b>7,972</b>

## Note 23 - Derivative Financial Instruments

	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
<b>Current Liability</b>				
Interest Rate Swaps	20	16	20	16
<b>Total current liability</b>	<b>20</b>	<b>16</b>	<b>20</b>	<b>16</b>
<b>Non-current Liability</b>				
Interest Rate Swaps	1,291	3,885	1,291	3,885
<b>Total non-current liability</b>	<b>1,291</b>	<b>3,885</b>	<b>1,291</b>	<b>3,885</b>
<b>Total derivative financial instrument liabilities</b>	<b>1,311</b>	<b>3,901</b>	<b>1,311</b>	<b>3,901</b>

The Council has \$82.5m notional principal of interest rate swaps (2012: \$75m), with maturity dates between December 2014 and June 2022. Fixed interest rates range from 2.62% to 5.365% and the weighted average interest rate of the swap portfolio is 4.23% (2012: 4.51%).

\$6m (2012 \$18m) of that notional principal are forward start swaps, with start dates between Mar 2014 and May 2015.

## Note 24 - Equity

	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
<b>Retained earnings</b>				
As at 1 July	331,034	324,956	360,078	352,802
Transfers to:				
Restricted reserves	(1,084)	(1,918)	(1,084)	(1,918)
Transfers from:				
Asset revaluation reserve on disposal of property, plant and equipment	0	0	155	529
Restricted reserves	2,228	1,860	2,228	1,860
Surplus/(deficit) for the year	10,277	6,136	14,872	6,786
Associates revaluation	0	0	0	19
<b>As at 30 June</b>	<b>342,455</b>	<b>331,034</b>	<b>376,249</b>	<b>360,078</b>
<b>Restricted reserves</b>				
As at 1 July	2,496	2,438	2,496	2,438
Transfers to:				
Retained earnings	(2,228)	(1,860)	(2,228)	(1,860)
Transfers from:				
Retained earnings	1,084	1,918	1,084	1,918
<b>As at 30 June</b>	<b>1,352</b>	<b>2,496</b>	<b>1,352</b>	<b>2,496</b>
<b>Hedging Reserve</b>				
Port Nelson Limited:				
As at 1 July	0	0	(1,186)	(679)
Fair value movement	0	0	593	(677)
Deferred tax movement	0	0	(166)	170
<b>As at 30 June</b>	<b>0</b>	<b>0</b>	<b>(759)</b>	<b>(1,186)</b>
<b>Contingency reserve</b>				
Regional Sewerage Scheme:				
As at 1 July	50	50	50	50
Fair value movement	0	0	0	0
<b>As at 30 June</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>

## NOTES TO ACCOUNTS

	<b>Council</b>		<b>Group</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Retained earnings</b>				
As at 1 July	842,848	818,229	888,239	864,201
Revaluation gains/(losses)	2,582	24,619	3,873	24,619
Share of associates revaluation			0	(52)
Transfer of revaluation reserve to retained earnings on disposal of property, plant and equipment	0	0	(76)	(529)
<b>As at 30 June</b>	<b>845,430</b>	<b>842,848</b>	<b>892,036</b>	<b>888,239</b>
Asset revaluation reserve consists of:				
<b>Nelson City Council:</b>				
Land	146,628	146,628	146,628	146,628
Sewerage infrastructure	101,426	100,956	101,426	100,956
Water infrastructure	108,958	108,328	108,958	108,328
Drainage infrastructure	79,457	78,960	79,457	78,960
Flood protection infrastructure	49	0	49	0
Solid waste infrastructure	5,500	5,434	5,500	5,434
Road infrastructure	393,467	391,338	393,467	391,338
<b>Regional Sewerage Scheme</b>				
Land	840	840	840	840
Forestry	16	16	16	16
Plant and equipment	3	3	3	3
Sewerage infrastructure	9,086	10,345	9,086	10,345
<b>Port Nelson:</b>				
Land	0	0	39,384	38,658
Wharves	0	0	6,070	5,123
Buildings	0	0	456	456
Associate's revaluation reserve	0	0	0	76
<b>Tasman Bays Heritage Trust - land</b>	<b>0</b>	<b>0</b>	<b>481</b>	<b>511</b>
<b>Nelmac - land</b>	<b>0</b>	<b>0</b>	<b>215</b>	<b>567</b>
Total asset revaluation reserve	845,430	842,848	892,036	888,239
<b>Total Other Reserves</b>	<b>846,832</b>	<b>845,394</b>	<b>892,679</b>	<b>889,599</b>
<b>Total Equity</b>	<b>1,189,287</b>	<b>1,176,428</b>	<b>1,268,928</b>	<b>1,249,677</b>

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

Name	Activity	Purpose	Balance 1 July \$000	Deposited to fund \$000	Withdrawn from fund \$000	Balance June 30 \$000
<b>2013</b>						
Aldinga Park Donation	Parks and active recreation	Aldinga park neighbourhood reserve	25	0	(25)	0
Art Council Loan Fund	Parks and active recreation	Fund Sport & recreation grants	10	0	0	10
Bartell Bequest	Social	Nelson Library	4	0	(4)	0
Cafe asset	Corporate	Asset replacement	41	0	(41)	0
Children's Library Donations	Social	Nelson Library	1	0	(1)	0
City Library Donations	Social	Nelson Library	54	0	(54)	0
Dog Control Reserve	Environmental	Dog Control	125	73	0	198
FM Knight Bequest	Parks and active recreation	Ornamental shrubs & trees	21	0	(21)	0
Founders Park Reserve	Social	Development projects	98	106	(70)	134
Hamilton Bequest	Parks and active recreation	City beautification	60	2	(62)	0
Kain Bequest	Social	Library services for elderly	19	0	(19)	0
L C Voller Bequest	Social	Nelson Library	17	1	0	18
Maitai Valley Trust	Parks and active recreation	Maitai Valley / Branford park neighbourhood and esplanade reserves	6	0	(6)	0
Marsden Recreation Trust	Parks and active recreation	Marsden Recreation reserve	3	0	(3)	0
Marsden Valley Cemetery Trust	Social	Marsden Cemetery	261	0	(261)	0
Millar Bequest	Social	Stoke Library	38	0	(38)	0
Nayland Rd Sewerage	Sewerage	Meet development commitments	91	5	0	95
Nayland Rd Stormwater	Stormwater	Meet development commitments	238	13	0	251
Nellie Nightingale Bequest	Social	Tahuna Library	154	6	(36)	124
Nelson 2000 Trust	Parks and active recreation	Esplanade Reserves	190	0	0	190
Nelson Institute Funds	Social	Nelson Library	0	4	0	8
Nelson Library Donations	Social	Tahuna Library	7	0	(7)	0
RB Jackson Bequest	Parks and active recreation	Facilities for youth of Nelson	16	0	(16)	0
Roading Contributions	Transport	Meet development commitments	296	0	(209)	87
Rudman Bequest	Parks and active recreation	City beautification	305	12	(317)	0
Saxton Sewer	Sewerage	Meet development commitments	15	1	0	16
Saxton/Suffolk Stormwater	Stormwater	Meet development commitments	90	5	0	95
Sport & Recreation Grants	Parks and active recreation	Fund Sport & recreation grants	103	3	(96)	10
Stoke Library Donations	Social	Stoke Library	86	0	(86)	0
Subdivisions Reserve	Parks and active recreation	Reserve Contributions	0	818	(818)	0
Tui Endowment (Library)	Social	Nelson Institute Funds	4	(4)	0	0
Wakapuaka Cemetery Trust	Social	Wakapuaka Cemetery Trust	3	0	(3)	0
Walker Bequest	Parks and active recreation	Parks in southern Stoke	59	3	0	62
Wastney Terrace Stormwater Reserve	Stormwater	Meet development commitments	51	3	0	54
<b>Total restricted reserves 2013</b>			<b>2,491</b>	<b>1,051</b>	<b>(2,193)</b>	<b>1,352</b>

# NOTES TO ACCOUNTS

Name	Activity	Purpose	Balance 1 July \$000	Deposited to fund \$000	Withdrawn from fund \$000	Balance June 30 \$000
<b>2012</b>						
Aldinga Park Donation	Parks and active recreation	Aldinga park neighbourhood reserve	25	0	0	25
Art Council Loan Fund	Parks and active recreation	Fund Sport & recreation grants	10	0	0	10
Bartell Bequest	Social	Nelson Library	4	0	0	4
Cafe asset	Corporate	Asset replacement	40	1	0	41
Children's Library Donations	Social	Nelson Library	1	0	0	1
City Library Donations	Social	Nelson Library	53	1	0	54
Dog Control Reserve	Environmental	Dog Control	191	0	(66)	125
FM Knight Bequest	Parks and active recreation	Ornamental shrubs & trees	20	1	0	21
Founders Park Reserve	Social	Development projects	102	94	(98)	98
Hamilton Bequest	Parks and active recreation	City beautification	58	2	0	60
Kain Bequest	Social	Library services for elderly	18	1	0	19
L C Voller Bequest	Social	Nelson Library	17	0	0	17
Maitai Valley Trust	Parks and active recreation	Maitai Valley / Branford park neighbourhood and esplanade reserves	6	0	0	6
Marsden Recreation Trust	Parks and active recreation	Marsden Recreation reserve	3	0	0	3
Marsden Valley Cemetery Trust	Social	Marsden Cemetery	255	6	0	261
Microfilm Trust Fund	Social	Library and museum	3	6	(9)	0
Millar Bequest	Social	Stoke Library	37	1	0	38
Nayland Rd Sewerage	Sewerage	Meet development commitments	88	3	0	91
Nayland Rd Stormwater	Stormwater	Meet development commitments	232	6	0	238
Nellie Nightingale Bequest	Social	Tahuna Library	153	1	0	154
Nelson 2000 Trust	Parks and active recreation	Esplanade Reserves	190	0	0	190
Nelson Library Donations	Social	Tahuna Library	7	0	0	7
RB Jackson Bequest	Parks and active recreation	Facilities for youth of Nelson	16	0	0	16
Roading Contributions	Transport	Meet development commitments	177	119	0	296
Rudman Bequest	Parks and active recreation	City beautification	297	8	0	305
Saxton Sewer	Sewerage	Meet development commitments	15	0	0	15
Saxton/Suffolk Stormwater	Stormwater	Meet development commitments	88	2	0	90
Sport & Recreation Grants	Parks and active recreation	Fund Sport & recreation grants	146	4	(47)	103
Stoke Library Donations	Social	Stoke Library	84	2	0	86
Subdivisions Reserve	Parks and active recreation	Reserve Contributions	6	1,604	(1,610)	0
Tui Endowment	Social	Nelson Institute Funds	4	0	0	4
Wakapuaka Cemetery Trust	Social	Wakapuaka Cemetery Trust	3	0	0	3
Walker Bequest	Parks and active recreation	Parks in southern Stoke	58	1	0	59
Wastney Terrace Stormwater Reserve	Stormwater	Meet development commitments	50	1	0	51
<b>Total restricted reserves 2012</b>			<b>2,457</b>	<b>1,864</b>	<b>(1,830)</b>	<b>2,491</b>



## Note 25 - Reconciliation of net surplus/(deficit) after tax to net cash flows from operating activities

	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
<b>Surplus/(deficit) after tax</b>	10,277	6,136	14,872	6,786
<b>Add non-cash items:</b>				
Depreciation and amortisation	19,699	18,760	20,510	19,499
Write down interest free loan	668	195	668	195
Revaluation of derivative Instruments	(2,590)	2,754	(2,590)	2,754
Impairment charges	0	0	0	0
Provision for discount unwinding	(297)	(288)	(297)	(288)
Increase in deferred tax	0	0	(27)	(8)
Vested assets	(3,173)	(3,646)	(3,351)	(3,990)
Non cash donations/grants	0	0	0	0
Associated (surplus) ex dividends	0	0	(2,946)	384
(Gains)/losses in fair value of forestry assets	(930)	(93)	(930)	(93)
(Gains)/losses in fair value of investments	(100)	0	(119)	15
Movement in landfill liability	38	384	38	384
<b>Add/(less) items classified as investing or financial activities:</b>				
(Gains)/losses on disposal of property, plant and equipment	2,139	1,424	2,128	1,397
(Gains)/losses on disposal of investments classified as fair value through equity	0	0	0	0
(Gains)/losses on fair value of investments	0	0	0	0
Movement in non current provisions	0	0	(8)	0
Movement in capital creditors	(1,309)	2,639	(1,309)	2,696
Movement in borrowings related accrual	0	0	0	0
Movement in investment related accounts receivable	(1,372)	551	(1,372)	551
<b>Add /(less) movements in working capital items:</b>				
Accounts receivable	(2,859)	1,449	(2,669)	1,145
Inventories	38	13	(62)	(73)
Accounts payable	1,440	(1,746)	1,867	(1,889)
Income tax payable	43	28	43	93
Employee benefits	284	98	346	156
<b>Net cash inflow/(outflow) from operating activities</b>	<b>21,995</b>	<b>28,659</b>	<b>24,792</b>	<b>29,714</b>

**Note 26 - Capital commitments and operating leases**

	<b>Council</b>		<b>Group</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Capital commitments</b>				
Capital expenditure commitments contracted for at balance date but not yet incurred for property, plant and equipment:				
Nelson City Council	2,925	3,291	2,925	3,291
Civic Trust	0	0	6	13
Nelmac	0	0	153	0
Nelson Regional Economic Development Agency	0	0	0	0
The Bishop Suter Trust	0	0	0	0
Tasman Bay Heritage Trust	0	0	16	0
Tourism Nelson Tasman Ltd	0	0	0	2
Port Nelson Ltd	0	0	21	4
Nelson Airport Ltd	0	0	0	0
	<u>2,925</u>	<u>3,291</u>	<u>3,121</u>	<u>3,310</u>
<b>Operating leases as leasee</b>				
Less than one year	182	172	273	289
One to five years	710	662	741	758
Over five years	1,265	1,227	1,265	1,227
	<u>2,157</u>	<u>2,061</u>	<u>2,279</u>	<u>2,274</u>
<b>Operating lease as lessor</b>				
Nelson City Council	9,596	10,316	9,596	10,316
Nelson Airport Limited	0	0	3,607	795
Port Nelson Limited	0	0	10,811	13,892
	<u>9,596</u>	<u>10,316</u>	<u>24,014</u>	<u>25,003</u>

## Note 27 - Contingencies

### Contingent liabilities:

	2013	2012
	\$000	\$000
<b>Council</b>		
New Zealand Local Government Funding Agency Ltd guarantee	0	0
Weather tight homes	0	344
Celtic Rugby Football Club	145	145
Housing NZ Loan for Orchard Flats refurbishment	1,170	1,170
	0	0
	1,315	1,659
Nelson Regional Sewerage Business Unit	0	0
Combined Civil Defence Organisation	0	0
Ridgeways Joint Venture (see below)	0	0
<b>Total Council</b>	1,315	1,659
Port Nelson Limited (see below)	0	0
Nelson Airport Limited	0	0
Tasman Bays Heritage Trust	0	0
Tourism Nelson Tasman Limited	0	0
Nelmac Limited	0	0
Nelson Regional Economic Development Agency	0	0
City of Nelson Civic Trust	0	0
The Bishop Suter Trust	127	111
<b>Total Group</b>	1,442	1,770

### Local Government Funding agency guarantee:

Nelson City Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). This entity was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. Standard and Poor's have given the entity a credit rating of AA+ which is equal to New Zealand Government sovereign rating. Nelson City Council is a guarantor of all of LGFA borrowings in the event of default. At balance date LGFA had borrowings totalling \$2,485 million (2012: \$835 million). In such an event, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each guarantor is set in relation to each guarantor's rates income. The likelihood of a local authority borrower defaulting is extremely low and all of the borrowings by a local authority from the LGFA are secured by a rates charge. The Council has been unable to determine a sufficiently reliable fair value for the guarantee and has therefore not recognised a liability. The Council believes the risk of the guarantee being called on and any financial loss arising from the guarantee is remote.

### Local Authority Asset Protection Programme (LAPP):

Council's underground pipe assets are insured through a fund jointly with the majority of other Local Authorities. This fund was mostly eliminated through the two Christchurch earthquakes. Subsequently, in order to keep contributions at a more affordable level, the fund has incorporated a risk sharing scheme. This means that the City Council may have to contribute up to a maximum of \$2.5m if there are two Christchurch type events in the next financial year.

### Weather Tight Homes:

During the 2010, 2011 and 2012 financial years the Board of RiskPool made calls for \$172,454 in each year. When initially invoicing the \$172,454 in 2010 the Board noted that there were likely to be similar calls in each of the two subsequent years, but pointed out that the actual calls would "... depend upon the evolution of the liability environment and the flow-on effect on open claim provisions." Both of these calls have subsequently occurred and were expensed in June 2011 and June 2012. Riskpool advised in November 2012 that, after finalising the accounts to 30 June 2012, they would not be making a further call at this stage, but would continue to monitor the situation pending the outcome of the Supreme Court decision on Spencer on Byron. The Supreme Court has subsequently referred the case back to the High Court, further deferring any decision on further calls.

### **Celtic Rugby Football Club**

Nelson City Council acts as guarantor for an overdraft facility for the club.

### **Housing NZ Loan for Orchard Flats Refurbishment**

The City Council provides affordable housing for people on low incomes, for the elderly and people with disabilities. The refurbishment is funded by a suspensory loan on a contingency basis. If the Housing NZ loan is not spent on social housing then the amount is to be paid back, with interest calculated under the terms of the contract.

### **Port Nelson:**

2013: The Calwell Slipway basin contains contaminated seabed sediments. Port Nelson has title to this area of seabed. While the marine engineering and vessel coating industries in and around the slipway area are now controlled the historical contamination still persists in the sediments. The on-going sedimentation of the basin now requires dredging to allow for the on-going operation of the slipway. Port Nelson, together with Nelson City Council, has obtained funding from the Ministry for the Environment (MFE) to undertake Remediation Planning (Phase Three) work to establish a preferred approach for the remediation of the contaminated sediments. The work required under Phase Three was not completed during the 2013 financial year and is now expected to be completed in the 2014 financial year. At that stage Port Nelson hopes to be able to quantify any liability associated with the eventual remediation works.

2012: The Calwell Slipway basin contains contaminated seabed sediments. Port Nelson has title to this area of seabed. While the marine engineering and vessel coating industries in and around the slipway area are now controlled the historical contamination still persists in the sediments. The on-going sedimentation of the basin now requires dredging to allow for the on-going operation of the slipway. Port Nelson, together with Nelson City Council, has obtained funding from the Ministry for the Environment (MFE) to undertake Remediation Planning (Phase Three) work to establish a preferred approach for the remediation of the contaminated sediments. It is hoped that once Phase Three is successfully completed funding from MFE for Site Remediation (Phase Four) will also be obtained. Phase Three is scheduled to be completed in the 2013 financial year and at that stage Port Nelson hopes to be able to quantify any liability associated with the eventual remediation works.

### **Ridgeways Joint Venture**

2013: The joint venture has no contingencies at balance date.

2012: The joint venture has received an insurance claim for damage to an adjacent property, which has been claimed was caused as a result of earthworks undertaken by the joint venture. The joint venture will defend the claim.

### **The Bishop Suter Trust**

2013: The Trust has a contingent liability with the Nelson Suter Art Society, as per a Deed of Agreement made in 1978. This liability comes into effect only if the Trust breaches the term of the deed. The current agreed value of the liability is \$126,601. There is an addition to the contingent liability of \$15,500 in this financial period (2012: \$111,101).

2012: The Trust has a contingent liability with the Nelson Suter Art Society, as per a Deed of Agreement made in 1978. This liability comes into effect only if the Trust breaches the term of the deed.

### **Contingent assets:**

#### **Tasman Bays Heritage Trust**

The Elms Street property was damaged by flooding in April 2013. As at balance date an insurance claim has been lodged, but the actual value has not been determined.

## Note 28 - Related party transactions

Nelson City Council is the ultimate parent of the group and controls four entities:

Nelmac Limited  
 Nelson Regional Economic Development Agency  
 City of Nelson Civic Trust  
 The Bishop Suter Trust

It also has five associates:

Port Nelson Limited  
 Port Nelson Trust  
 Nelson Airport Limited  
 Tasman Bays Heritage Trust  
 Tourism Nelson Tasman Limited

and three joint ventures:

Nelson Regional Sewerage Business Unit  
 Nelson Tasman Combined Civil Defence Organisation  
 Ridgeways Joint Venture

The following matters are therefore disclosed:

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>Nelmac Limited</b>		
Amounts paid by Nelson City Council	12,541	12,042
Amounts paid to Nelson City Council	552	482
Dividend paid to Nelson City Council	453	340
Amount payable by Nelson City Council	1,830	1,600
Amount payable to Nelson City Council	40	43
<b>City of Nelson Civic Trust</b>		
Amounts paid by Nelson City Council	384	0
Amounts paid to Nelson City Council	8	0
Amount payable by Nelson City Council	0	0
<b>Nelson Regional Economic Development Agency</b>		
Amounts paid by Nelson City Council	555	714
Amounts paid to Nelson City Council	39	34
Amount payable by Nelson City Council	17	35
Amount payable to Nelson City Council	2	1
<b>The Bishop Suter Trust</b>		
Amounts paid by Nelson City Council	567	549
Amounts paid to Nelson City Council	0	0

## NOTES TO ACCOUNTS

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>Port Nelson Limited</b>		
Amounts paid by Nelson City Council	97	45
Amounts paid to Nelson City Council	486	398
Dividend paid/payable to Nelson City Council	2,100	6,100
Amount payable by Nelson City Council	35	3
Amount payable to Nelson City Council	7	12
<b>Nelson Airport Limited</b>		
Amounts paid to Nelson City Council	311	286
Dividend paid/payable to Nelson City Council	250	413
Amount payable to Nelson City Council	0	11
Nelson Airport Limited leases the airport land from the Nelson City Council under a 60 year evergreen lease for a peppercorn rental.		
<b>Tasman Bays Heritage Trust</b>		
Amounts paid by Nelson City Council	875	860
Loan from Nelson City Council	1,175	1,200
<b>Tourism Nelson Tasman Limited</b>		
Amounts paid by Nelson City Council	434	427
Amounts paid to Nelson City Council	56	58
Amount payable by Nelson City Council	0	0
Amount payable to Nelson City Council	6	0
<b>Nelson Regional Sewerage Business Unit</b>		
Amounts paid by Nelson City Council	3,184	2,780
Amounts paid to Nelson City Council	246	154
Amounts paid to Nelson City Council as return on investment	868	560
Amount payable by Nelson City Council	0	0
Amount payable to Nelson City Council	1,836	1,437
<b>Nelson Tasman combined Civil Defence Organisation</b>		
Amounts paid by Nelson City Council	314	273
Amounts paid to Nelson City Council	13	12
Computer equipment rental payable to Nelson City Council	10	3
Amount payable by Nelson City Council	440	288
<b>Ridgeways Joint Venture</b>		
Amounts paid to Nelson City Council	326	23

### Key management personnel

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Nelson City Council (such as rates, purchase of rubbish bags etc).

### Councillors

Councillor Boswijk's partner Eelco Boswijk is a 50% owner of Marchfest Ltd and during 2012/13 the Council paid the company \$9,650 (\$205 in 2011/12)

Councillor Rainey is a director of Eventiac Limited and during 2012/13 the Council paid the company \$5,000 (\$nil in 2011/12)

Councillor Copeland provided design services through her company, Divine Design and during 2012/13 the Council paid Divine Design \$1,250 (\$1,250 in 2011/12)

Councillor Copeland's partner Huup Waagen provides event production services to council and during 2012/13 the Council paid him \$18,438 (\$21,721 in 2011/12).

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2011/12 \$Nil).

### Key management personnel compensation:

	2013	2012
	\$000	\$000
Salaries and other short term employee benefits	2,157	2,239
Post employment benefits	0	0
Other long term benefits	0	0
Termination benefits	0	0

Key management personnel include the Mayor, Councillors, Chief Executive and Executive Team.

## Note 29 - Remuneration

### Chief Executive

The Chief Executive of Nelson City Council is appointed under section 42 of the Local Government Act 2002. Until 17/12/12 Nelson City Council had an Acting Chief Executive pending the appointment of the current Chief Executive.

Chief Executive remuneration for the year to 30 June 2013 was:

1/7/12 to 16/12/12	116,579
17/12/12 to 30/6/13	<u>127,589</u>
	<u>244,168</u> (\$355,343 in 2011/12).

### Elected representatives

Total remuneration:

	Council		Group	
	2013	2012	2013	2012
Mayor Miccio	111,968	106,219	111,968	106,219
Councillor Barker	34,071	37,925	34,071	37,925
Councillor Boswijk	40,790	37,792	40,790	37,792
Councillor Collingwood	33,952	37,792	33,952	37,792
Councillor Rainey	33,452	37,792	33,452	37,792
Councillor Reese	35,996	37,926	35,996	37,926
Councillor Shaw	35,242	31,173	35,242	31,173
Councillor Copeland	33,311	30,333	33,311	30,333
Councillor Davy	34,071	30,333	34,071	30,333
Councillor Fulton	33,311	30,333	33,311	30,333
Councillor Matheson	33,311	30,333	33,311	30,333
Councillor Rackley	33,311	30,333	33,311	30,333
Councillor Ward	33,452	31,173	33,452	31,173
	<u>526,238</u>	<u>509,457</u>	<u>526,238</u>	<u>509,457</u>

The total remuneration figures include the following payments for commissioner hearings:

	2013	2012
Councillor Barker	760	974
Councillor Collingwood	500	0
Councillor Davy	760	0
Councillor Reese	2,685	974
Councillor Shaw	<u>1,790</u>	<u>0</u>
	<u>6,495</u>	<u>1,948</u>

### Council employees

On 30 June 2013, Nelson City Council employed 257 staff (260 30 June 2012). Those staff are represented by the following full time equivalents (FTEs):

	2013	2012
Full time employees	180.0	181.0
All other employees	<u>47.2</u>	<u>48.5</u>
Total FTE	<u>227.2</u>	<u>229.5</u>



The total remuneration paid to the 257 staff during the year ended 30 June 2013 (260 staff 30 June 2012) in bands of \$20,000 and over \$60,000 are as follows:

	2013	2012
Range of earnings for year	No.	No.
\$200,000 to \$279,999 *	4	1
\$120,000 to \$199,999	6	8
\$100,000 to \$119,999	15	13
\$80,000 to \$99,999	36	29
\$60,000 to \$79,999	72	81
Under \$60,000	124	128
	257	260

\* The 2012 band was from \$200,000 to \$239,999.

## Note 30 - Severance payments

For the year ended 30 June 2013 Nelson City Council made 2 (4 in 2011/12) severance payments to employees of \$41,879 (\$34,432 in 2011/12).

The value of each of the severance pays was \$39,600 and \$2,279 .

## Note 31 – Events after balance date

On 31 July 2013 a reorganisation was announced which will take effect from 14 October 2013. The reorganisation has mainly impacted the Strategy and Planning division. There are likely to be 18 redundancies at an estimated cost of \$578,000. Ongoing salary savings of approximately \$1,000,000 per annum are expected to be realised. No impact of the reorganisation is recognised in the 2013 financial results.

**Note 32 - Financial instruments****A. Financial instrument categories**

	<b>Council</b>		<b>Group</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial Assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	408	2,413	1,350	3,780
Trade and other receivables	14,854	10,990	15,789	12,123
Other financial assets				
- term deposits	0	0	1,381	364
- community loans	5,755	6,574	5,755	6,574
- loans to related parties	507	1,200	507	1,200
Total loans and receivables	21,524	21,177	24,782	24,041
<b>Fair value through surplus or deficit that are not hedge accounted</b>				
Derivative financial instruments	0	0	0	0
Civic Trust - Investments	0	0	415	278
<b>Held to maturity</b>				
Other financial assets				
- Local Government Funding Agency borrower notes	160	0	160	0
<b>Fair value through other comprehensive income</b>				
Shares in NZ Local Govt Insurance Corp Ltd	140	140	140	140
	21,824	21,317	25,497	24,459

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

Civic Trust investments include shares in public listed companies and fixed interest securities. These are valued at fair value.

**Financial Liabilities****Financial liabilities at amortised cost**

Creditors and other payables	14,518	13,078	15,118	13,257
Bishop Suter Gallery loans	0	0	122	180
Nelmac Loans	0	0	500	0
Bank overdraft	0	410	0	410
EECA loan	5	35	5	35
Local Government Funding Agency Floating rate notes	10,000	0	10,000	0
Commercial paper	39,718	39,687	39,718	39,687
Secured loans	18,460	25,535	18,460	25,535
Total financial liabilities at amortised cost	82,701	78,745	83,923	79,104
<b>Fair value through surplus or deficit that are not hedge accounted</b>				
Derivative financial instruments	1,311	3,901	1,311	3,901
Total fair value through profit and loss	1,311	3,901	1,311	3,901

**B. Fair value hierarchy disclosures**

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

Level 1 - quoted market price - financial instruments with quoted prices for identical instruments in active markets

Level 2 - Valuation technique using observable inputs - financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 - Valuation techniques with significant non-observable inputs - financial instruments valued using models where one or more significant inputs are not observable.

**2013 Council**

	<b>Total</b>	<b>Quoted market price</b>	<b>Valuation technique observable inputs</b>	<b>Significant non- observable inputs</b>
<b>Financial Assets</b>				
Derivative financial instruments	0	0	0	0
shares in NZ Local Govt Insurance Corp Ltd	140	0	0	140

**Financial Liabilities**

Derivative financial instruments	1,311	0	1,311	0
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**2013 Group**

	<b>Total</b>	<b>Quoted market price</b>	<b>Valuation technique observable inputs</b>	<b>Significant non- observable inputs</b>
<b>Financial Assets</b>				
Derivative financial instruments	0	0	0	0
shares in NZ Local Govt Insurance Corp Ltd	140	0	0	140
Civic Trust - 1st NZ Securities	415	0	0	415

**Financial Liabilities**

Derivative financial instruments	1,311	0	1,311	0
----------------------------------	-------	---	-------	---

## NOTES TO ACCOUNTS

### 2012 Council

	Total	Quoted market price	Valuation technique observable inputs	Significant non- observable inputs
<b>Financial Assets</b>				
Derivative financial instruments	0	0	0	0
shares in NZ Local Govt Insurance Corp Ltd	140	0	0	140

### Financial Liabilities

Derivative financial instruments	3,901	0	3,901	0
----------------------------------	-------	---	-------	---

### 2012 Group

	Total	Quoted market price	Valuation technique observable inputs	Significant non- observable inputs
<b>Financial Assets</b>				
Derivative financial instruments	0	0	0	0
shares in NZ Local Govt Insurance Corp Ltd	140	0	0	140
Civic Trust - 1st NZ Securities	278	0	0	278

### Financial Liabilities

Derivative financial instruments	3,901	0	3,901	0
----------------------------------	-------	---	-------	---

### C. Financial instrument risks

Nelson City council has a series of policies to manage the risks associated with financial instruments. Nelson City Council is risk averse and seeks to minimise exposure from its treasury activities. Nelson City Council has established Council approved Liability and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

#### Market risk

##### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Nelson City Council only holds short term investments with the major banks, and holds no listed equity instruments.

##### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Nelson City Council is not exposed to currency risk, as it does not enter into foreign currency transactions.

**Interest rate risk**

Council is exposed to interest rate risk and seeks to minimise this exposure through adopted treasury policies. This includes entering into rate options or interest rate swap agreements. As at 30 June 2013 the Council had entered into interest swap agreements to a value of \$ 76.5 million at interest rates between 2.62% and 5.365%, (\$75m in 2011/12).

The weighted average effective interest rate on Nelson City Council deposits of less than 3 months is 3.10%.

The interest rates on Nelson City Council borrowings are disclosed in note 23.

**Fair values**

The fair value of financial instruments is their carrying amount as stated in the statement of Balance Sheet.

**Credit risk**

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

The details of the \$14 million debtors are outlined in Note 11.

Details of the investments are outlined in Notes 10 and 18. There are no investments held with the major banks (nil in 2011/12).

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

The council is exposed to credit risk as a guarantor of all the LGFA's borrowings. Information about this exposure is contained in note 27.

**Community Loans**

Nelson City Council has \$5.8 million of community loans and there is a risk that some of these could be defaulted on. Nelson City Council has no collateral or other credit enhancements for financial instruments that give rise to credit risk, except for a mortgage securing a community loan with a face value of \$1.5 million, (\$1.5 million in 2011/12).

**Maximum exposure to credit risk**

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

	<b>Council</b>		<b>Group</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash at bank and term deposits	408	2,413	2,731	4,144
Trade and other receivables	14,854	10,990	15,789	12,123
Community and related party loans	6,262	7,774	6,262	7,774
Financial guarantees and possible claims	1,315	1,659	1,315	1,659
Local Government Funding Agency borrower notes	160	0	160	0
Derivative financial instruments	0	0	0	0
	<b>22,999</b>	<b>22,836</b>	<b>26,257</b>	<b>25,700</b>

## NOTES TO ACCOUNTS

### **Credit quality of financial assets**

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

	<b>Council</b>		<b>Group</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Counterparties with Credit Ratings				
Cash and cash equivalents:				
AA-	408	2,413	1,350	3,780
Other financial assets - LGFA borrower notes				
AA+	160	0	160	0
Other financial assets - Loans and receivables				
AA-	0	0	1,381	364
Derivative financial assets				
AA-	0	0	0	0
Counterparties without credit ratings				
Community Loans:				
Existing counterparty with no defaults in the past	5,755	6,574	5,755	6,574
Loans to related parties:				
Existing counterparty defaulted at 30 June 2012, loan arrangements reviewed and complied with.	507	1,200	507	1,200
Unlisted shares:				
Existing counterparty with no defaults in the past	140	140	140	140
Investments:				
Existing counterparty with no defaults in the past	0	0	415	278

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit rating or to historical information about counterparty default rates. All cash investments are with the major banks.

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

**Liquidity risk****Management of liquidity risk**

Liquidity risk is the risk that Nelson City Council will encounter difficulty raising funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient availability of funding through an adequate amount of committed credit facility to close out market positions. Nelson City Council aims to maintain its flexibility in funding by keeping committed credit lines available with Westpac and ANZ National Bank Limited.

Council provide security via a Debenture Trust Deed signed 10 December 2010 and as at 30 June 2013 had security stock issued of \$134m and debenture stock issued of \$40m. These stock amounts provide security for bank facilities, swap facilities, Local Government Funding Agency floating rate notes and commercial paper. Nelson City Council manages its borrowing in accordance with its funding and financial policies, which include a Liability Management policy.

The Council is exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 27.

Nelson City Council has an overdraft facility of \$200,000, against which \$nil was drawn at balance date (2012: \$410,000).

<b>2013 Council</b>	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Contractual maturity analysis of financial assets</b>					
Cash and cash equivalents	408	408			
Trade and other receivables	14,854	14,854			
Other financial assets					
- term deposits					
- community loans	5,755	766	736	1,777	2,475
- loans to related parties	507		507		
- Local Government Funding Agency borrower notes	160				160
Derivative financial instruments					
	<u>21,684</u>	<u>16,028</u>	<u>1,243</u>	<u>1,777</u>	<u>2,635</u>
<b>Contractual maturity analysis of financial liabilities</b>					
Creditors and other payables	14,518	14,518			
Bank overdraft					
EECA loan	5	5			
Local Government Funding Agency Floating rate notes	10,000				10,000
Commercial paper	39,718	39,718			
Secured loans	18,460	18,460			
Derivative financial instruments	1,311	20	69	592	630
	<u>84,012</u>	<u>72,721</u>	<u>69</u>	<u>592</u>	<u>10,630</u>
<b>2013 Group</b>					
	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Contractual maturity analysis of financial assets</b>					
Cash and cash equivalents	1,350	1,350			
Trade and other receivables	15,789	15,789			
Other financial assets					
- term deposits	1,381	1,381			
- community loans	5,755	766	736	1,777	2,475
- loans to related parties	507		507		
- Local Government Funding Agency borrower notes	160				160
Derivative financial instruments					
	<u>24,942</u>	<u>19,286</u>	<u>1,243</u>	<u>1,777</u>	<u>2,635</u>

## NOTES TO ACCOUNTS

### Contractual maturity analysis of financial liabilities

Creditors and other payables	15,118	15,118			
Bank overdraft	0	0			
EECA loan	5	30	(25)		
Local Government Funding Agency Floating rate notes	10,000				10,000
Commercial paper	39,718	39,718			
Secured loans	18,460	18,460			
Suter Loans	122	59	63		
Derivative financial instruments	1,311	20	69	592	630
	<u>84,734</u>	<u>73,405</u>	<u>107</u>	<u>592</u>	<u>10,630</u>

### Sensitivity analysis

The table below illustrates the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on Nelson City Council's financial instrument exposures at the balance date.

#### Council

	2013 \$000				2012 \$000			
	-100bps		+100bps		-100bps		+100bps	
	Profit	Other equity	Profit	Other equity	Profit	Other equity	Profit	Other equity
<b>Interest Rate Risk</b>								
<b>Financial assets</b>								
Cash and cash equivalents	0	0	0	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0	0	0
Other financial assets:								
- Local Government Funding Agency Floating rate notes	0	0	0	0	0	0	0	0
<b>Financial liabilities</b>								
Borrowings:								
- bank overdraft	0	0	0	0	0	0	0	0
Derivative financial instruments	(3,377)	0	3,165	0	(3,088)	0	2,926	0
<b>Total sensitivity to interest rate risk</b>	<u>(3,377)</u>	<u>0</u>	<u>3,165</u>	<u>0</u>	<u>(3,088)</u>	<u>0</u>	<u>2,926</u>	<u>0</u>

#### Group

	2013 \$000				2012 \$000			
	-100bps		+100bps		-100bps		+100bps	
	Profit	Other equity	Profit	Other equity	Profit	Other equity	Profit	Other equity
<b>Interest Rate Risk</b>								
<b>Financial assets</b>								
Cash and cash equivalents	0	0	0	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0	0	0
Other financial assets:								
- Local Government Funding Agency Floating rate notes	0	0	0	0	0	0	0	0
<b>Financial liabilities</b>								
Borrowings:								
- bank overdraft	0	0	0	0	0	0	0	0
Derivative financial instruments	(3,377)	0	3,165	0	(3,088)	0	2,926	0
<b>Total sensitivity to interest rate risk</b>	<u>(3,377)</u>	<u>0</u>	<u>3,165</u>	<u>0</u>	<u>(3,088)</u>	<u>0</u>	<u>2,926</u>	<u>0</u>

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



### Note 33 – Explanation of major variances against budget

Explanations for major variations from Nelson City Council's estimated 2012/13 figures are as follows:

#### Statement of comprehensive income

Total operating revenue \$10.2 million less than budget:

Grants, donations, and subsidies were \$9.2 million less than budgeted, \$6.9 million attributable to the delay in the transfer of the Theatre Royal and Nelson School of Music assets, \$1.4 million to the delay in the Cable Bay Road remediation works, and \$1.5m relating to timing changes for other subsidised roading assets.

Vested assets were \$4.4 million under budget reflecting the level of development activity.

Dividend received was \$0.2 million above budget, including a special dividend from Nelmac which was credited to the Disaster Recovery Fund.

Unbudgeted other gains of \$3.9 million were due to accounting revaluations of derivatives (\$2.5 million), investments (\$0.1 million), and other assets including forestry (\$1.2 million).

Total operating expenditure was \$4.8 million under budget:

Employee costs were \$0.8 million lower due to a number of staff vacancies during the year.

Depreciation was \$0.5 million unfavourable to budget mainly due to both the 30 June 2012 asset revaluations which are difficult to predict and were lower than budgeted, and changes to the capital programme which affects when assets are completed and start depreciating.

Finance costs were \$0.2 million unfavourable to budget including the \$0.7 million accounting write-down of the Tasman Bays Heritage Trust interest free loan (see Social activity, below). Overall interest costs were well within budget reflecting lower overall borrowings and the favourable interest rate environment.

The other expenses are \$3.7 million favourable to budget. Detail of this can be seen in the activities below, the most significant drivers being:

- \$1.8 million savings in maintenance expenditure (not including emergency response and remediation).
- \$1.9 million savings in emergency response and remediation – the expenditure budgeted for Cable Bay Road remediation of \$3.3 million was largely delayed, but also reclassified as capital expenditure, resulting in an operational expenditure saving against budget. Offsetting this, there was unbudgeted expenditure of \$0.4 million for response and remediation costs relating to the April 2013 flood, and other remediation works from the December 2011 emergency event were \$0.9 million over budget, mainly in Stormwater and Parks.

The infrastructure assets are re-valued every year to smooth out the large fluctuations. The revaluation as at 30 June 2013 resulted in an increase in asset value of \$2.6 million, less than budget by \$41 million. Differences of 3.3 to 3.8% in revaluation indices (depending on asset class), lower asset values brought forward than had been predicted, and no material movement in land valuation combined to create this variance. The revaluation indices were lower than anticipated due to the late start of the Christchurch rebuild.

#### Balance Sheet

The most significant variation was in property, plant and equipment, which was \$87 million below budget due to asset revaluations being \$41 million less than budget, capital additions \$29.4 million less than budget, vested assets \$4.4 million less than budget, and the balance at 01 July 2012 being \$13 million less than budgeted.

Borrowings, including derivative financial instruments and net of cash and cash equivalents, were \$28.1 million below budget, mainly due to many of the capital expenditure projects not proceeding as planned.

## NOTES TO ACCOUNTS

Reserves are \$23.6 million less than budgeted. This is largely accounted for by the asset revaluation being \$41 million less than budget and a \$15 million offset to retained earnings.

Retained earnings are \$32 million less than budget. The surplus for the year is \$5.3 million less than budget, the 01 July 2012 balance was \$12.7 million more than budgeted, and there is a \$15 million offset to reserves.

### ACTIVITY SUMMARIES

The following variances refer to the funding impact statements at the end of each activity section.

#### **Transport**

Operating income is \$2.0 million less than budgeted in the long term plan. The NZTA subsidy of \$1.4 million for the Cable Bay Rd remediation budgeted in operating income was not utilised as the project was transferred into the capital programme. Car parking income was \$489,000 less than budget.

Payments to staff and suppliers are less than budget by \$3.3 million. The expenditure budgeted for Cable Bay Rd remediation in the amount of \$3.3 million has not occurred as the project has been transferred into the capital programme. There was unbudgeted expenditure relating to the April 2013 floods of \$185,000. Expenditure relating to the December 2011 emergency event recovery was less than budgeted by \$265,000 in this activity.

Subsidies and grants for capital are \$1.4 million less than budgeted, due to changes in the phasing of the capital programme within the NZTA three-year cycle.

Capital expenditure is \$3.1 million under budget due to re-phasing of the capital programme.

Losses on disposal of \$1.3 million relate to abandoned assets, impairments, and the write off of work in progress.

#### **Water supply**

Payments to staff and suppliers are \$891,000 less than budgeted in the long term plan. Unprogrammed maintenance is \$326,000 less than budget as expenditure is dependent on the incidence of unexpected events, and the expenditure relating to recovery from the December 2011 emergency event was \$285,000 less than anticipated in this activity. Internal charges are greater than budget by \$121,000 due to transfers into the disaster recovery fund.

Unbudgeted subsidies and grants for capital of \$332,000 were received from Network Tasman and Chorus relating to work carried out on their behalf. Development and financial contributions are \$356,000 less than budget reflecting the level of development activity.

#### **Wastewater**

This account is a consolidation of the Nelson City's sewerage operation plus the city's share of the Nelson Regional Sewerage Scheme.

Finance costs are \$224,000 less than budgeted in the long term plan due to favourable interest rates along with changes to the capital programme.

Capital expenditure is \$2.8 million less than anticipated, largely related to the timing of capital works around the Nelson North Wastewater Treatment Plant. This has resulted in \$403,000 less debt and \$2.5 million more reserves than anticipated.

Unbudgeted gains on revaluation of \$170,000 were recorded for forestry assets and financial derivatives held by the Nelson Regional Sewerage Scheme.

#### **Stormwater**

Targeted rates are \$178,000 less than budgeted in the long term plan, as depreciation that was budgeted in this activity was actually incurred in the Flood Protection activity and the funding was adjusted accordingly.

Payments to staff and suppliers are \$1.1 million more than budget due to expenditure for recovery from the December 2011 emergency event. At the time of compiling the Long Term Plan, forecasting for the recovery was in its early stages and both the actual total expenditure and the split between activities have differed from the Long Term Plan.

Development and financial contributions are \$376,000 less than anticipated reflecting the level of development activity.

Capital expenditure is \$1.9 million less than budgeted due to delays in the capital programme resulting from resources being directed towards recovery from the December 2011 emergency event. This was the major driver for \$1.1 million more reserves and \$1.3 million less debt than anticipated.

### **Flood protection**

Targeted rates are ahead of budget by \$189,000 mainly due to depreciation that was incurred in this activity was budgeted in the Flood Protection activity.

### **Environmental management**

Targeted rates are less than budgeted in the LTP by \$539,000 as a result of re-categorising the capital income associated with the Solar Saver and Clean Heat Warm Homes schemes as an increase in investment.

Other receipts \$769k less than budget. Solid waste fees and levies are \$583k under budget, \$113,000 for transfer Station, \$459,000 for landfill fees, and \$11,000 for green waste. The LTP budgeted for some recovery in tonnages after a downturn driven by economic issues late last decade, but this hasn't happened partly as a result of successful waste minimisation initiatives. Regulatory income is under budget mainly from building services job sales \$408,000 under budget offset by resource consents \$153,000 over budget. Both of these accounts are demand driven.

Payments to staff and suppliers are under budget by \$2.5 million. Savings in staff time of \$1.0 million were due to vacancies particularly in the building unit, and changes to priorities and work plans have meant that less staff time than anticipated has been required in this activity particularly in environmental advocacy and district and regional planning. There are savings of \$564,000 in the landfill activity due to the depressed price of carbon along with the maintenance of the toe embankment being undertaken progressively. No claims have been made under the Riskpool claim provision, saving \$170,000. Consultancy and legal costs relating to the development of the Resource Management Plan were less than budget by \$214,000. The mechanism used to fund capital works for the Emergency Operations Centre has changed, resulting in a \$150,000 saving in operational expenditure.

### **Social**

Other receipts are more than budgeted in the long term plan by \$140,000. Extra income from festivals, the Brook and Tahuna holiday camps and the Founder's Book Fair all contributed to this figure.

Payments to staff and suppliers were less than budget by \$384,000. Maintenance costs were under budget by \$320,000, being a combination of contract savings and the delay in acquiring the Theatre Royal and Nelson School of Music assets which means that Council is not yet responsible for the buildings' upkeep.

Finance costs are over budget by \$667,000. An agreement has now been reached with the Tasman Bays Heritage Trust in respect of the repayment of its \$1.175 million loan from Council. The loan is at nil interest, and a repayment term of 30 years at a discount rate of 6.25% produces the revaluation loss.

Subsidies and grants for capital are under budget by \$6.9 million. This is due to the delay in acquiring the assets of the Theatre Royal and the Nelson School of Music, which is also the cause of capital expenditure being under budget by \$9.2 million. The variances in debt movement (\$1.3 million) and investment movement (\$1.5 million) were also driven by this delay. Part of the arrangement around the

## NOTES TO ACCOUNTS

Theatre Royal is that Council will take over the outstanding debt, \$1.5 million of which is an existing debt to Council.

### ***Parks and active recreation***

Other receipts are ahead of the budget in the long term plan by \$136,000 due mainly to Marina fees and expenditure recoveries.

Payments to staff and suppliers are \$1.3 million under budget. Staff and overhead costs are \$430,000 less than budget, there has been \$205,000 savings in maintenance contracts and general expenses, and the expected grant of \$855,000 to Tasman District Council for the construction of the velodrome at Saxton Field has been delayed until 2013/14. Expenditure for the December 2011 emergency event was \$416,000 over budget and the subsequent flooding in April 2013 generated unbudgeted expenditure of \$75,000.

Internal charges (relating to internal interest) are \$334,000 under budget due to favourable interest rates and changes and delays in the capital programme.

Subsidies and grants for capital are \$259,000 ahead of budget relating to funding from Tasman District Council for work done at Saxton Field.

Capital expenditure is under budget by \$8.5 million. Projects delayed or cancelled include land purchases, marina development, playgrounds and parks development and upgrades, and the Trafalgar Centre upgrade. Refer to the capital expenditure schedule on page 78 for more detailed information. Losses on disposal relate to abandoned assets, impairments, and the write off of work in progress.

### ***Economic***

Payments to staff and suppliers are \$417,000 less than budgeted in the long term plan. The unused events contestable fund has not been paid across to the Nelson Regional Economic Development Agency, and smaller budgets for initiatives falling outside of the events contestable fund have not been utilised.

### ***Corporate***

Subsidies and grants for operating purposes are greater than budgeted in the long term plan by \$1.6 million representing income from central government relating to the December 2011 emergency event.

Internal charges and overheads recovered are \$776,000 less than budget due largely to the changes in the capital programme and its effect on internal interest.

Payments to staff and suppliers are \$648,000 more than budget. Staff time and overhead is more than budget by \$744,000, particularly in administration and meeting support. Savings against contingency and maintenance budgets offset this.

Variances of \$1.5 million in subsidies and grants for capital and \$807,000 in development and financial contributions offset each other as the development and financial contributions in the long term plan were incorrectly classified. The variance between the two of \$693,000 along with the \$4.5 million variance in vested assets are related to less than anticipated development activity.

Capital expenditure is under budget by \$3.8 million. Of that sum, \$2.6 million was earmarked for possible strategic property purchases that did not eventuate with the remainder due to the reassessment of the capital programme.

Unbudgeted gains on revaluation of \$3.5 million relate to the revaluation of Council's interest rate swap portfolio of \$2.4 million, and increases in valuations of investment property and forestry assets.

## Note 34 – Capital Management

The Council's capital is its equity or ratepayers' funds, which comprise accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the LGA) requires the Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and does not expect them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA requires the Council to make adequate and effective provision in its Long Term Plan and in its annual plan where applicable to meet the expenditure needs identified in those plans. The LGA also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the current Long Term Plan.

The Council has the following Council-created reserves:

- Reserves for different areas of benefit
- Self-insurance reserves
- Trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds can generally be approved only by the Council.

Trust and bequest reserves are set up where the Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

**Note 35 - Reclassification and restatement**

The Council and group has changed the presentation of items within income to comply with the new presentation requirements of the Local Government (Financial Reporting) Regulations 2011.

The effect of the changes to income are shown in the table below:

<b>Actual 2012</b>			
	<b>Before Reclassification</b>	<b>Reclassification</b>	<b>After Reclassification</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Council</b>			
<b>Income</b>			
Rates	53,700	(53,700)	0
Rates other than targeted rates for water supply	0	43,291	43,291
Fees, charges, and targeted rates for water supply	0	10,409	10,409
Development and financial contributions	0	2,879	2,879
Grants, donations and subsidies	0	6,989	6,989
Vested assets	0	3,646	3,646
Interest received	0	126	126
Dividend received	0	6,853	6,853
Other revenue	41,836	(20,493)	21,343
Gains	406	0	406
<b>Total Income</b>	<b>95,942</b>	<b>0</b>	<b>95,942</b>
<b>Group</b>			
<b>Income</b>			
Rates	53,700	(53,700)	0
Rates other than targeted rates for water supply	0	43,291	43,291
Fees, charges, and targeted rates for water supply	0	10,409	10,409
Development and financial contributions	0	2,879	2,879
Grants, donations and subsidies	0	7,645	7,645
Vested assets	0	3,990	3,990
Interest received	0	205	205
Dividend received	0	0	0
Other revenue	41,231	(14,719)	26,512
Gains	442	0	442
<b>Total Income</b>	<b>95,373</b>	<b>0</b>	<b>95,373</b>

## FINANCIAL INVOLVEMENT IN CCTOS, OTHER COMPANIES OR ORGANISATIONS

This section covers Council's involvement in Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs).

Some CCOs/CCTOs are owned fully by the Nelson City Council, while others are in shared ownership with Tasman District Council (TDC) or are a joint venture. Full details are available for each organisation in their respective Annual Reports. The organisations whose performance is summarised in this section are:

**CCTOs** Port Nelson Ltd (50% with TDC), Nelmac Ltd, Nelson Airport Ltd (50% with TDC), Tourism Nelson Tasman Ltd (Nelson Tasman Tourism, 50% with TDC), Stoke Heights (Ridgeways, 50% ownership in the joint venture)

**CCOs** Nelson Regional Economic Development Agency, the Tasman Bays Heritage Trust (Nelson Provincial Museum – 50% with TDC) and the Bishop Suter Trust.

### PORT NELSON LTD

The Council owns 50% of Port Nelson Ltd with Tasman District Council owning the other half. The company provides port services for the Nelson region including the provision of berths, leasing of land and the warehousing and storage of goods.

Port Nelson Ltd is covered by the Port Companies Act 1988 which imposes obligations on the Port almost identical to those imposed on CCTOs by the Local Government Act 2002, including the provision of an annual Statement of Corporate Intent.

#### *Performance targets – Port Nelson Ltd*

Measures/ Targets	Result for 2012/13	Comment
Lost time injury frequency rate (lost time injuries divided by hours worked in period multiplied by 100,000): <2.5	<b>Not achieved</b>	Actual rate 4.95.
Net debt / equity ratio: < 45.0%	<b>Achieved</b>	Actual ratio 23.8%.
Dividends declared: \$4.2M	<b>Achieved</b>	Actual dividends \$4.2M.
Cargo throughput (cargo tonnes): 2.62M	<b>Achieved</b>	Actual cargo throughput 2.62M.
Shipping tonnes (gross registered Tonnes): 7.5M	<b>Achieved</b>	Actual 7.8M tonnes.
Ship visits: 699	<b>Achieved</b>	Actual 730 visits.
Revenue: \$39.5M	<b>Achieved</b>	Actual \$39.6M.
Return on Average Shareholders' Funds (based on the net surplus earnings figure prior to Other Comprehensive Income): 4.6%	<b>Achieved</b>	Actual return 5.6%.
Return on funds employed: 6.5%	<b>Achieved</b>	Actual return 7.4%.
Capital expenditure: < \$3.4M	<b>Not achieved</b>	Actual expenditure \$5.2M.
Incidents leading to pollution of harbour: nil	<b>Achieved</b>	No incidents.
Full compliance with all resource consent conditions	<b>Achieved</b>	Fully compliant.
Full compliance with NZ Maritime safety standards	<b>Achieved</b>	Fully compliant.

## **Financial performance – Port Nelson Ltd**

Port Nelson Limited is 50% owned by the Nelson City Council and is self administered.

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Revenue	40,198	41,018
Expenses	30,607	29,078
Net Surplus Before Taxation	9,591	11,940
Provision for Taxation	(2,508)	(1,573)
Net Surplus for Year after Taxation	7,083	10,367
Other comprehensive income	6,562	(1,042)
Total comprehensive Income	13,645	9,325
Shareholder's funds brought forward	133,873	136,751
Dividend	(4,200)	(12,200)
Deferred tax adjustment	-	(3)
<b>Shareholder's funds carried forward</b>	<b>143,318</b>	<b>133,873</b>



## NELMAC LTD

Nelmac was established in 1995 and is 100% owned by the Nelson City Council. The main activity and objective of the company is to provide the City with high quality management, maintenance and construction of its natural and built environment including key facilities, key infrastructure such as water and waste, parks/reserves and sportsfields.

### Performance targets – Nelmac Ltd

Measures/ Targets	Result for 2012/13	Comment
<b>Non-shareholder business</b>		
Ensure that all non-Nelson City Council work contributes to the profitability of the company	<b>Achieved</b>	Non-Nelson City Council work contributed to profitability.
<b>Equity ratio</b>		
Financial risk limited by maintaining a ratio of shareholders' funds to total assets of no less than 65%, as defined in the Statement of Intent section 6	<b>Not achieved</b>	Ratio for 2012/13 was 60%, largely due to significant investment in assets.
<b>Quality of Service</b>		
Company will maintain its AS /NZS ISO 9001:2000 accreditation	<b>Achieved</b>	Maintained.
Achieve compliance with Nelson City Council contract key performance measures for the year ending 30 June, to be monitored monthly	<b>Achieved</b>	Complied.
Nelmac will maintain a record of the number of complaints and congratulations received each year and the results will be reviewed regularly by the Board	<b>Achieved</b>	Maintained.
<b>Staff</b>		
Staff morale/turnover excluding retirement, redundancy and internal transfers to be within range of 5-15% for the year ending 30 June	<b>Achieved</b>	Actual turnover 14.6%.
Staff health and safety – continue to actively promote health and safety in the workplace with the aim of achieving less than 1% workday losses to accidents, Nelmac to maintain the tertiary level of ACC workplace safety management practice	<b>Achieved</b>	Actual workday losses 0.12%.
<b>Sustainability</b>		
Environmentally responsible business, fully compliant with all relevant statutory and contractual obligations and responsibilities	<b>Achieved</b>	As far as known, compliant with all relevant legislation.
Ensure that the Nelmac sustainability policy is implemented and utilised as a compass for guiding company decisions	<b>Achieved</b>	Sustainability policy implemented and utilised.
Implement further training and development for all Nelmac staff in sustainability issues and how to apply the company's Sustainability Policy	<b>Achieved</b>	Further training and development implemented for all Nelmac staff.
Each department to regularly review its use of resources, especially non-renewable resources, with a view to reducing waste in delivering services	<b>Achieved</b>	Resource use reviewed.

## COUNCIL CONTROLLED ORGANISATIONS

### **Financial performance – Nelmac Ltd**

Nelson Maintenance & Construction Limited (Nelmac) commenced operations on 1 July 1995 following the corporatisation of the Operations Business Unit. The company is fully owned by the Nelson City Council.

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Revenue	18,232	17,417
Expenses	16,962	16,166
Net Surplus Before Taxation	1,270	1,251
Provision for Taxation	(357)	(346)
Net Surplus for Year after Taxation	913	905
Retained Earnings Brought Forward	5,056	4,491
Dividend	(452)	(340)
<b>Retained earnings carried forward</b>	<b>5,517</b>	<b>5,056</b>

## NELSON AIRPORT LTD

Council owns 50% of Nelson Airport Ltd with Tasman District Council owning the other half. The main objective of the company is to operate a successful airport business that meets the needs of the Nelson Tasman region.

### Performance targets – Nelson Airport Ltd

Measures/ Targets	Result for 2012/13	Comment
To pass all Civil Aviation certification audits at a satisfactory standard	<b>Achieved</b>	All audits were passed with no findings. The continuous improvement model was achieved.
To achieve financial performance targets as represented in the Statement of Intent	<b>Achieved</b>	Income and expenditure targets were met.
To review emergency preparedness for customer safety and infrastructure assets	<b>Achieved</b>	Ongoing review and testing is being undertaken with our insurers and customers.
To redesign terminal traffic access in a manner that takes account of and reduces both security and safety issues and improves the customer experience by July 2012 and to progressively implement the changes	<b>Achieved</b>	A long term strategy and plan for terminal access has been developed and stages towards implementation have been identified. A new terminal access plan and has been provided to airport users for comment. Stage 1 of the finalised plan is due for implementation in the 2013/14 financial year.
To continue to support the expansion of the aviation service industry in Nelson through the Nelson Aviation Cluster and the Top of the South Aviation Strategy (TOTS)	<b>Achieved</b>	Full participation in TOTS; opportunity identification and strategic planning is continuing.
To encourage growth of airline passengers and related services in the region	<b>Achieved</b>	The company continues to promote travel to Nelson and the Nelson Tasman region in general.
To ensure long term airport development requirements are identified as much as possible and advise shareholders of such plans and implementation timetables	<b>Achieved</b>	A 5 year projection of major development and maintenance expectations has been provided to shareholders.
To hold regular meetings of the Nelson Airport Noise Environment Advisory Committee and provide this Committee with the appropriate monitoring information	<b>Achieved</b>	Regular meetings of the Nelson Airport Noise Environment Advisory Committee have been held and appropriate monitoring information has been recorded and provided.
To ensure the Company complies with all employment related legislation	<b>Achieved</b>	The company continues to monitor employment legislation and reviews its contracts accordingly (no breaches have been identified).
Take positive steps to continue to manage and where practicable to reduce our carbon footprint and to promote environmentally friendly initiatives	<b>Achieved</b>	Nelson Airport Ltd measures and records carbon emissions utilising Carbon Conscious structure and has made positive steps in a number of areas towards reducing carbon emissions. During the financial year a 11kW solar photovoltaic array was mounted on the departures walkway which has reduced the Airport's energy consumption.

## COUNCIL CONTROLLED ORGANISATIONS

### Financial performance – Nelson Airport Ltd

On 31 March 1999 Nelson Airport Limited purchased the airport assets and commenced operating the airport. The company is 50% owned by the Nelson City Council, and is currently administered by the Council.

	2013	2012
	\$000	\$000
Revenue	5,030	5,060
Expenses	2,960	2,807
Net Surplus Before Taxation	2,070	2,253
Provision for Taxation	(580)	(489)
Net Income for Year after Taxation	1,490	1,764
Retained Earnings Brought Forward	6,044	5,105
Dividend	(500)	(825)
<b>Retained earnings carried forward</b>	<b>7,034</b>	<b>6,044</b>

### NELSON TASMAN TOURISM LTD (Tourism Nelson Tasman Ltd)

The Council owns 50% of Tourism Nelson Tasman Limited (NTT), with the Tasman District Council owning the other half. The company undertakes destination marketing, destination management and provision of visitor information services. It coordinates the marketing and promotion of the Nelson Tasman region as a visitor destination, provides tourism education and product development and manages the visitor information centres throughout the region.

### Performance targets – Nelson Tasman Tourism Ltd

Measures/ Targets	Result for 2012/13	Comment
Destination marketing		
Visitor length of stay extended from 2.16 to 2.17 nights (over six months)	<b>Achieved</b>	Length of stay increased to 2.17 nights.
Destination management and development		
Nelson Tasman region is a leader in environmentally sustainable tourism practices, with a growing reputation as an environmentally friendly destination	<b>On track</b>	Tourism businesses encouraged to adopt sustainable, environmentally friendly best practice in daily operations and support the nationally recognisable Qualmark Enviro Award accreditation process. No specific data recorded about reputation as an environmentally friendly destination.
Visitor information services		
Nelson Tasman Tourism visitor centres achieve satisfaction ratings in top quartile of all NZ centres (i-SITE performance measured in bi-annual independent Deloitte survey)	<b>Achieved</b>	Golden Bay i-SITE surveyed November 2012: 74% Nelson i-SITE surveyed April 2013: 65%.
Organisation management and strategic direction: ensure the company operates within sound financial parameters		
Net profit exceeds budget by 2%	<b>Achieved</b>	Net profit \$51,784 against a budget of \$24,759
Increase working capital by at least \$50,000 per annum	<b>Achieved</b>	Working capital \$174,797, compared to \$(178,649) in 2011/12.
Achieve equity level of \$120,000 by June 2013	<b>Not achieved</b>	Equity level \$131,236.

### Financial performance – Nelson Tasman Tourism Ltd

	2013	2012
	\$000	\$000
Revenue	1,784	1,814
Expenses	1,732	1,824
Net Surplus Before Taxation	52	(10)
Shares called	0	50
Retained Earnings Brought Forward	80	40
<b>Retained earnings carried forward</b>	<b>132</b>	<b>80</b>

### STOKE HEIGHTS (RIDGEWAYS) JOINT VENTURE

The Council owns and controls 50% of the Ridgeways joint venture, with Homedale Holdings Ltd owning the other half. The joint venture is responsible for developing, subdividing and marketing sections on Council-owned land in Stoke. The joint venture is a Council-controlled Trading Organisation (CCTO) set up for the purpose of making a profit.

The subdivision and development work was completed several years ago and the sale of as yet unsold sections is the only stage to be completed. The current expectation is that the last sections will not be sold until 31 March 2017, given the current economic climate.

In 2009/10, two of the 21 available sections were sold. In 2010/11, two of the remaining 19 sold. In the 2011/12 year it was forecast that five of the remaining sections would be sold, but again only two sold leaving 17 available.

During the 2012/13 year (April to March) three sections sold of a forecasted four and two were withdrawn for earthworks, leaving 12 available for sale.

### Performance – Stoke Heights (Ridgeways) Joint Venture

Measures/ Targets	Results
Number of sections sold compared to forecast and previous two years' performance	2010/ 11 = 2 2011/12 = 2 2012/13 = 3 (forecasted 4)
Number of serviced sections available for sale but not unconditionally sold compared with previous two years	2010/ 11 = 19 2011/12 = 17 2012/13 = 12 (includes two withdrawn for earthworks)
Ratio of actual sale prices of total section sales to total listed selling price	2011/12 = 100% 2012/13 = 100%
Documentation of any issues or complaints received by the joint venture or Council relating to activities covered by the joint venture agreement	Any complaints received were documented. An insurance claim for damage to an adjacent property is scheduled to be heard by the Disputes Tribunal in September 2013.
Forecast completion date: 31 March 2017	Forecast completion date remains at 31 March 2017.

**Financial performance – Stoke Heights (Ridgeways) Joint Venture**

The Ridgeways Joint Venture is 50% owned by the Nelson City Council and is self administered.

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Revenue	562	374
Expenses	190	172
Net Surplus Before Taxation	372	202
Retained Earnings Brought Forward	761	559
Distribution	(600)	0
<b>Retained earnings carried forward</b>	<b>533</b>	<b>761</b>

**NELSON REGIONAL ECONOMIC DEVELOPMENT AGENCY (EDA)**

The Nelson Regional Economic Development Agency (EDA) is a Nelson City Council CCO. The EDA mission statement is to 'facilitate sustainable development of the region that enhances economic vitality, taking into account the region's cultural and environmental values'. The EDA is funded by both the Nelson and Tasman Councils.

This agency led the development of the Nelson-Tasman Regional Economic Development Strategy (REDS), which was updated in 2010. The EDA Board stated its intent to continue to pursue its three operational strategic objectives, which were stated in the previous 2009 Nelson Community Plan:

1. Facilitate economic development projects that build national and international competitiveness
2. Provide economic advice to the region
3. Provide ongoing assessment of the region's performance.

The performance of the EDA is linked to and measured against these three objectives.

Refer to the Economic activity section of this report for more information on the EDA's wider contribution to Nelson's economy.

**Performance targets – Nelson Regional Economic Development Agency**

Measures/ Targets	Result for 2012/13	Comment
<b>Primary facilitator of economic development projects</b>		
Review the REDS document for 2012 and the REDS recommendations identified for action by EDA/other parties: stage 1 REDS to be completed 30 June 2013, recommendations implemented	<b>Achieved</b>	Contractor engaged and project completed.
Facilitate the Nelson Events Strategy: identify and assist with development of suitable events that will contribute to the Nelson economy	<b>Achieved</b>	Six events funded.
Regional Business Partner Network: regional companies supported to take advantage of NZTE and Callaghan Innovation's capability development and research and development funding programmes	<b>Achieved</b>	The EDA manages the Regional Business Partnership Contract for Te Tau Ihu including provision of resource for Callaghan Innovation.

Measures/ Targets	Result for 2012/13	Comment
<b>Primary Provider of Economic Development Advice</b>		
Ensure the region's Councils are given the most appropriate information to enable them to make informed decisions on issues that affect the retention of existing business and the capacity for business growth	<b>Ongoing</b>	The REDS document is being updated in two stages. The data component has been completed. The aspirational component to be completed in the 2013-14 year.
Annual Economic Summit organised and held with good attendance; other workshops as opportunities arise	<b>Achieved</b>	Successful economic summit held June 2013. Assisted facilitation of Māori Economic Event.
Support approval of Lee Valley Water Augmentation project	<b>Ongoing</b>	The EDA continues to support the Waimea Water Augmentation committee. EDA has also facilitated higher level discussions with TDC and interested parties on investment.
Completion of study to investigate options for an Economic Development Fund: to cover annual funding requirement, administrative overheads, potential source of funds, basis of allocation, and allocation process	<b>Not achieved</b>	Proposals received, however after discussion with Nelson City Council Executive agreement reached to put project on hold.
<b>Primary Provider of Ongoing Assessment</b>		
Tracking the economy: provide six monthly report on key statistical information to Councils and the community on relevant performance measures	<b>Achieved</b>	Six monthly reports delivered.

### Financial performance – Nelson Regional Economic Development Agency

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Revenue	1,187	1,343
Expenses	1,191	1,266
Net Surplus Before Taxation	(4)	77
Provision for Taxation	18	(45)
Net Surplus for Year after Taxation	14	32
Retained Earnings Brought Forward	354	322
<b>Retained earnings carried forward</b>	<b>368</b>	<b>354</b>

**TASMAN BAYS HERITAGE TRUST (Nelson Provincial Museum)**

The Tasman Bays Heritage Trust (TBHT) was established in 2000 as a CCO owned 50% by Nelson City Council and 50% by Tasman District Council. It is responsible for providing museum services and protecting the collections of historic treasures held on behalf of the Nelson Tasman region. The museum exhibition facility on the corner of Trafalgar and Hardy Streets was opened in late 2005 providing a combination of permanent and temporary exhibitions. It is well used by schools for part of their learning experiences outside the classroom (LEOTC) programmes.

**Performance targets – Tasman Bays Heritage Trust**

Measures/ Targets	Result for 2012/13	Comment
<b>Museum Collections – Care and Development</b>		
Within available budgets enhance facilities at the Isel Park Research Facility for staff, volunteers, researchers, and visitors	<b>Limited achievement possible</b>	Physical access to the facility has not been possible since January 2013. The building itself has been strengthened to preserve its use in the short to medium term.
Continue to seek advice from Te Tai Ao Komiti in relation to taonga in the care of the Museum reporting to the Iwi komiti prior to Collections Committee meetings	<b>Achieved and ongoing</b>	All potential acquisitions are considered by the Komiti prior to consideration by staff. All new donations of taonga and special items are blessed on arrival.
Continue the Glass Plate Relocation and Digitisation Project (5,000 images relocated and digitised per quarter) progressively making data available online	<b>Achieved</b>	As of 31 December 2012 the total number of glass plate negatives rehoused and digitised was 66,053; of these 30,000 are available online. 5,400 people accessed our collections online this year and viewed almost 150,000 pages. In addition almost 50,000 people have made use of PhotoNews online.
Maintain the care and preservation of collection objects held in storage and on public display following currently accepted museum standards and practices; research and develop the Museum collections	<b>Achieved</b>	The Inventory work has enabled a number of objects to be closely examined, cleaned, photographed, re-housed and condition-reported as well as location and existence confirmed. This is ongoing work. A flood at Elm Street store resulted in a lot of collection material being repacked and stored more securely. The impact of that event on the collection was minimal.
<b>Museum Exhibitions, Education and the Visitor Experience</b>		
Develop an integrated plan including the Forward Exhibition Programme of changing exhibitions in the upstairs gallery and other spaces, refreshment of the permanent exhibition gallery; report quarterly on progress.	<b>Ongoing</b>	The first iteration of this plan goes to the Exhibitions advisory group of the Board each quarter. Permanent gallery changes will be added to the mix but was delayed due to work generated by the flood event and earthquake strengthening. The changing exhibition schedule is almost planned for the next three years.
Extend the trial of subsidised bus transport for schools on the main SBL bus routes between Richmond and Nelson	<b>Not achieved</b>	Contractual requirements evidently preclude this kind of support in the first year of NBus. We intend to follow this up again to see if it is possible.
Seek input from the manawhenua Iwi of Te Tai Ihu with the intent of continuing to update the six Iwi cases. Coordinate input into the Taranaki Wars exhibition	<b>Achieved</b>	The opening events for the Taranaki exhibition involved terrific support from local Iwi who did a tremendous job of welcoming and supporting the visit by more than 50 elders from Taranaki. The tikanga and manaakitanga were both very much appreciated by everyone present. Restricted access to collection store areas has precluded work on the Iwi cases. We have established an important link with the new Kura Kaupapa Māori.



Measures/ Targets	Result for 2012/13	Comment
<b>Museum Public Information and Access</b>		
Seek to maximize promotional opportunities by developing a joint marketing strategy with other regional institutions, particularly those supported by our two regional Council stakeholders	<b>Achieved</b>	2012-13 is the second year in which a group of cultural assets supported by Nelson City Council and Tasman District Council have banded together to promote themselves in the Holiday Liftout Guide published in the Nelson Mail and in the Summer Guide with the encouragement and support of the Nelson City Council Arts & Heritage Advisor. A much wider group are coordinating efforts related to the Centenary of World War 1.
Undertake development of the Vernon CMS web browser module to increase its accessibility and usability as part of a longer term strategy to increase and enhance the Museum's online presence	<b>Ongoing</b>	DigitalNZ have undertaken to index the content of our Collections Online during the next 6 months. This will improve the visibility and accessibility of our collection data.
Continue to add content to the Museum's electronic public access catalogue – Collections Online (500 images and records per quarter). Make this information available through a public kiosk in both venues and on the worldwide web.	<b>Achieved</b>	The Glass Plate Negative Project has added over 30,000 images to our online catalogue in the last two years which is an enviable record by any measure. The number of online access searches is now a significant part of our web presence. The kiosks are both well used by researchers with many people coming in to the Museum specifically to spend time at that kiosk with the paper copies nearby as backup. Orders for images continue to be placed both for research and publication.

### Financial performance – Tasman Bays Heritage Trust

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Revenue	3,233	2,119
Expenses	2,055	1,982
Net Surplus Before Taxation	1,178	137
Other comprehensive income	(55)	743
	1,123	880
Equity brought forward	17,454	16,574
<b>Equity carried forward</b>	<b>18,577</b>	<b>17,454</b>

## THE BISHOP SUTER TRUST (Suter Gallery)

The Council established The Bishop Suter Trust in 2008 as a CCO to govern The Suter Art Gallery. The Trust is responsible for providing public art gallery services and protecting a significant collection of artworks on behalf of the Nelson Tasman region. The Suter complex comprises exhibition galleries, as well as a shop, café and theatre. It is also the home of the Nelson Suter Art Society, on its own site adjacent to the Queen's Gardens and Albion Square which it has occupied since 1898. It provides a programme of regularly changing exhibitions and activities and is well used by schools for part of their Learning Experiences Outside the Classroom (LEOTC) programmes.

### **Performance targets – The Bishop Suter Trust (Suter Gallery)**

The Suter's collection continued to grow with the addition of seven paintings (including artworks by Nelson artists), as well as ceramics, a large portfolio of drawings and significant archival material, all donated.

The exhibitions' programme was enhanced with 29 floor talks, lectures and other activities, eight held in conjunction with other organisations. The Suter's education service is highly regarded with over 5,000 school students participating in programmes.

The Bishop Suter Trust, in partnership with Nelson City Council, has made significant progress towards redevelopment of The Suter. The Trust embarked on a successful community fundraising campaign. The Canterbury Community Trust has announced a \$400,000 donation toward refurbishment of The Suter Theatre and a resource consent has been granted for the project.

Measures/ Targets	Result for 2012/13	Comment
<b>Operate a well managed successful visual arts centre and public art gallery</b>		
Total number of visits to all parts of The Suter complex greater than 80,000	<b>Achieved</b>	Number recorded at reception including data supplied from theatre usage was 96,073 (does not include all after-hours activity in the theatre, NSAS (Nelson Suter Art Society) activities or people who enter via the café's exterior door).
Prepare strategic, annual plans and budgets that meet set deadlines	<b>Achieved</b>	Strategic, annual plans and budgets prepared to deadlines.
Achieve objectives within agreed budget	<b>Achieved</b>	Objectives achieved.
Generate at least 20% of the revenue needed to operate	<b>Achieved</b>	32% revenue generated (\$313,330).
Asset Register and Asset Management Plan reviewed annually	<b>Achieved</b>	Risks reviewed as part of Internal Audit process, and strategies implemented.
Risk Management Plan reviewed annually and the mitigation strategies identified implemented	<b>Achieved</b>	Risk assessment reviewed as part of Internal Audit process. Strategies implemented.
The Suter rates 80% 'good' and 'very good' in a Nelson City Council Customer Satisfaction Residents' Survey	<b>On track</b>	Council's survey did not include the Suter this year however The Suter participated in Museums Aotearoa Visitor Survey 2013 and respondents rated their visit as "good 21%/very good 25%/excellent 43% (total 89%).
<b>Engage, educate and entertain the regional community and visitors through a diverse and stimulating programme of visual arts' exhibitions</b>		
Minimum 15 exhibitions installed a year	<b>Achieved</b>	Fifteen Suter organised exhibitions, of which nine were curated in house. These exhibitions included two versions of the Jane Evans Commemorative Survey exhibition and two NSAS (Nelson Suter Art Society) Spring & Autumn exhibitions. There were six touring exhibitions.
Minimum of 30,000 visits to exhibition galleries a year	<b>Achieved</b>	30,658 visits.

Measures/ Targets	Result for 2012/13	Comment
<b>Collect, record, interpret and preserve the artistic heritage of the Nelson/Tasman region and New Zealand (with collection maintained in optimal conditions for its long term preservation)</b>		
The environmental conditions for Collection storage are in line with accepted museum practice	<b>Not achieved</b>	80-90% compliant in collection store room due to the HVAC (heating, ventilation and air conditioning) system not functioning optimally. Galleries presently do not meet standards in summer months. To be addressed with building redevelopment project.
<b>Develop partnerships that sustain the Suter including a strong relationship with Iwi and Māori</b>		
The Memorandum of Understanding with Ko Te Pouaranga is honoured	<b>Achieved</b>	All openings supported. Iwi Komiti meetings attended. Representation on Suter Trust Board.

### **Financial performance – The Bishop Suter Trust (Suter Gallery)**

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Revenue	1,702	1,313
Expenses	1,025	879
Net Surplus Before Taxation	677	434
Retained Earnings Brought Forward	10,514	10,080
<b>Retained earnings carried forward</b>	<b>11,191</b>	<b>10,514</b>

## SUMMARY OF INDIVIDUAL RATES AND UNIFORM ANNUAL CHARGES

	General Account \$000	Water Account \$000	Sewerage Account \$000	Stormwater Account \$000	Flood Protection Account \$000	Solar Saver Account \$000	Total \$000
Balance 1 July 2012	1,831	0	0	0	0	0	1,831
Rate Take/Water charges 2012/13	36,622	11,014	6,455	3,636	311	74	58,112
	38,453	11,014	6,455	3,636	311	74	59,943
Net Expenditure 2012/13	34,724	11,014	6,455	3,636	311	74	56,214
<b>Balance 30 June 2013</b>	<b>3,730</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,730</b>

The 2013/14 Annual Plan and Estimates forecast a brought forward balance at 30 June 2013 of \$3,520,000 and so there is a surplus of \$210,000 in the funds available in 2013/14.

## CONTACT US

### COUNCIL CUSTOMER SERVICE CENTRE

Open from 8.30am to 5.00pm weekdays except Thursdays (open 9.00am to 5.00pm on Thursdays).  
Located in Civic House, corner Halifax and Trafalgar St, 110 Trafalgar Street, PO Box 645, Nelson.  
Telephone 546 0200 (24 hour, 7 day service). Fax 546 0239.

### WEBSITE AND EMAIL

Visit [www.nelsoncitycouncil.co.nz](http://www.nelsoncitycouncil.co.nz) or email [enquiry@ncc.govt.nz](mailto:enquiry@ncc.govt.nz).

### CORRESPONDENCE

Address written correspondence to the Council to:  
Chief Executive, PO Box 645, Nelson 7040 or fax to 546 0239.

### ATTENDING A COUNCIL MEETING

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

### PUBLIC FORUMS

There is a public forum at the beginning of most ordinary Council meeting where up to five minutes will be available for members of the public to speak to Councillors. Book a time before the meeting by contacting a Council Administration Adviser on 546 0200.

### DEPUTATIONS

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

### PETITIONS

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



**Nelson City Council**  
te kaunihera o whakatū

PO Box 645 Nelson 7040 • 03 546 0200 • [www.nelsoncitycouncil.co.nz](http://www.nelsoncitycouncil.co.nz)