

OPEN ATTACHMENTS

Ordinary meeting of the

Audit and Risk Subcommittee

**Thursday 17 September 2020
Commencing at 9.00a.m.
Council Chamber
Civic House
110 Trafalgar Street, Nelson**

ATTACHMENTS UNDER SEPARATE COVER

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Draft Annual Report 2019/20

For the financial year ending 30 June 2020

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Mayor's Foreword

TBA

Ngā mihi nui

Rachel Reese

Mayor of Nelson

Statement of compliance and responsibility

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

Rachel Reese

Mayor of Nelson

Pat Dougherty

Chief Executive

Audit Report

TBA

INTRODUCTION

The Impact of COVID-19 on Council in 2019/20

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Iwi and Council Partnership

The Impact of COVID-19 on Council in 2019/20

On 25 March 2020, New Zealand moved into COVID-19 Alert Level 2. Four days after that the country was in Level 4. While Nelson has been fortunate to have experienced relatively few infections, the social and economic consequences have been, and will continue to be, immense.

For Council, as an essential services provider, much of our work continued during the lockdown – rubbish and recycling was still collected, clean water, wastewater, roading maintenance, and public transport services were provided, but there were delays to key capital works projects, and revenue streams were severely impacted. Lockdown meant a big change to how Council operated, but the organisation adapted quickly to continue seamless delivery of essential services, with over 270 staff immediately transitioning to working from home.

To support its decision-making through the lockdown period, Council established an Emergency Committee, comprised of the Mayor, Deputy Mayor, and Committee Chairs as required. However, a temporary law change by central government enabled elected members to meet and make decisions using audio-visual links.

Council is acutely aware of the financial toll the COVID-19 lockdown has had and will continue to have on so many of our residents and businesses. Our support package in 2019/20 included a range of responses such as:

- Access to payment plans for ratepayers struggling to pay rates
- Rental relief for Council lease and licence holders in the tourism, hospitality and community sectors
- The establishment of a \$200,000 Emergency Fund for community organisations
- Central city parking charges were suspended until the end of June 2020 to support city centre businesses

The emergency necessitated a rethink of the Annual Plan 2020/21, after the adoption of the Consultation Document. The public consultation period was extended to 6 May, with the many submitters presenting at hearings remotely, using Zoom videoconferencing. The major change to the Annual Plan was the setting of a net rates rise of 0% for 2020/21. Council put this proposal to the community midway through the consultation period as the financial burden of the emergency became clearer, and the submissions received were overwhelmingly in support. To deliver a net 0% rates rise in 2020/21, Council made savings in many areas but has not chosen austerity measures which would reduce economic activity in the region.

The 2019/20 Annual Plan provided for a capital works programme of \$46.7 million. This was revised to a \$29.3 million forecast spend in light of disruptions caused by COVID-19. The transport and water activities were most significantly impacted, with major delays to several projects. Council's work programme for 2020/21 has been increased to compensate for delays to the work planned for 2019/20, and to provide much needed jobs and economic stimulus. Council has committed to delivering a \$54.1 million capital works programme for 2020/21, which is \$7.1 million higher than the Long Term Plan forecast. Council's sound financial position enables Council to continue to invest in projects that will support the economy.

The achievement of Council's performance measure targets for 2019/20 was also impacted by COVID-19. Of the 80 measures, 53 (66.3%) were 'achieved', 22 (27.5%) 'not achieved', and 5 (6.25%) were 'not measured'. (71% of the 80 measures were

achieved in 2018/19). Removing the 15 measures disrupted by the COVID-19 lockdown, 81.5% of 65 targets were achieved.

Infometrics (an independent economic consultancy firm) predicts that the Nelson region's unemployment rate will rise to 8.6% in 2021. The COVID-19 pandemic will continue to have social and economic impacts on our region, particularly given the significant employment and income that tourism provides.

Council is committed to supporting the economic recovery of the region, and the wellbeing of the people of Whakatū, as the impacts from the emergency continue to unfold. Council contributed to the development of Project Kōkiri in 2019/20, the region's economic recovery and regeneration plan. This included developing a list of 'Shovel Ready' projects (together with Tasman District Council, Nelson Regional Development Agency (NRDA), and the Chamber of Commerce), for central government consideration. Applications were also put together for several Council projects associated with roading, environment focused jobs and the Stoke Hall upgrade to support job creation and provide much needed stimulus to the economy. Some of these have been successfully funded, while others are still awaiting decisions.

With targeted economic recovery initiatives and cooperation with the business sector, Council will continue to do everything within its power to mitigate the impacts of the COVID-19 recession, support the wellbeing and resilience of the Whakatū community, and work towards economic recovery in the longer term.

Vision and Mission

Council developed a vision and mission statement for the 2018-28 Long Term Plan, which link to the community outcomes. We have four overarching priorities for the 10 year work programme. These express the aspirations we have for our city, guide our decision making and help us better direct our resources.

Vision

Nelson is The Smart Little City:

Nelson is a vibrant place where we are deeply connected with, and committed to, our natural, social and cultural environment. Clever business and innovation help us thrive. We enjoy living fulfilled lives in smart, sustainable communities.

Mission

We leverage our resources to shape an exceptional place to live, work and play.

Our Top Four Priorities for 2018-28

E wha ngā whakaarotau

In implementing the following priorities set out in the Long Term Plan 2018-28, Council has been paying particular attention to projects that deliver multiple benefits. Projects in one area can bring significant gains for another priority. For example, the accelerated programme to reduce inflow and infiltration into the wastewater system aims to reduce the risk of wastewater overflows into our waterways and Tasman Bay. Fewer overflows mean significant benefits for our environment and contribute to the smart development of our city.

Infrastructure – Ko ngā Tūāpapa

Our city, community and environment all depend on our core infrastructure networks to provide safe and smart transport, water, wastewater, stormwater, and flood protection. Key city assets need ongoing maintenance and replacement so we can depend on these essential utilities. This work also enables and protects investment in our city and removes constraints on our growth. Council is putting essential infrastructure at the forefront to future-proof our city.

Environment – Ko te Taiao

Kia whakatū tika te tai ao me te tai ao tiaki te tai ao - if the environment is kept well and strong it will look after itself and us. Council recognises investing in the environment is essential for our future. A healthy environment underpins the health of our community, the way people enjoy Nelson, supports the economy and means we have functioning ecosystems to support our treasured species. Responding to climate change and growing our community's resilience to the more extreme weather events it will bring is a top priority.

CBD development – Whakahou taone

Our aim for Nelson's central business district is for it to be attractive to businesses, residents and visitors, with an exceptional mix of events, civic facilities and retail. We are working to build an environment that supports commerce, encourages inner city living and is a catalyst for private sector investment. The top of the South, Te Tau Ihu, needs a strong commercial centre to thrive. We want our city centre to enrich and build our local culture - the bustling meeting place for everyone who lives, works and visits here.

Lift Council Performance – Whakapikinga pukenga

To achieve our vision of a Smart Little City, we need a Council team that enables things to happen. It needs to provide solutions to cut through the red tape so that real value can be delivered to our community. Nelson deserves a Council that is strategic, achieves excellence in delivery and asset management, is business-friendly and has a strong culture of engagement with its community. Our projects seek to follow best practice principles, while always seeking to improve how we partner with our community.

Community outcomes

It is a requirement of the Local Government Act 2002 that Council develops a set of outcomes that will guide the delivery of services in a way that promotes the social, economic, environmental, and cultural well-being of communities in the present and for the future. This Annual Report reflects these outcomes and priorities, and reports on how well Council is doing in meeting these. Although the legislation defines the outcomes as 'community outcomes', they are in fact the outcomes that Council aims to achieve to meet the current and future needs of Nelson for good-quality local infrastructure, local public services, and performance of regulatory functions.

The outcomes were reviewed through the Long Term Plan process. The individual activity sections of this report provide detail on how each activity contributes to the relevant community outcomes.

Community outcomes:

Our unique natural environment is healthy and protected

Nelson is a place of stunning natural beauty and we treasure, protect and restore our special places, landscapes, native species and natural ecosystems. Our open spaces are valued for recreation and we welcome the many visitors who want to experience our extraordinary natural environment. We recognise the kaitiakitanga (guardianship) role of tangata whenua iwi.

Our urban and rural environments are people friendly, well planned and sustainably managed

Nelson is a well-planned district with carefully managed urban intensification and a clear urban/rural boundary. The buoyant city centre is celebrated for its distinctive boutique character. Our easy city to sea access provides locals and visitors with a world-class waterfront experience. We work with our partners to support the development of a range of affordable, healthy and energy-efficient housing in our residential areas. Good urban design and thoughtful planning create safe, accessible public spaces for people of all ages, abilities and interests.

Our infrastructure is efficient, cost effective and meets current and future needs

Nelson City relies on its good quality, sustainable, affordable and resilient infrastructure network which supports a growing population and strong regional economy. The community is proud of the many active transport options available and the effective public transport system. We invest in waste water, storm water, solid waste and flood protection networks to keep our people safe and healthy, the environment protected and the economy flourishing.

Our communities are healthy, safe, inclusive and resilient

Nelson is a city of strong and connected people and communities who live, work and play together. We support each other to build individual and community resilience. Our community works in partnership to understand, prepare for and respond to the impacts of natural hazards. We take pride in the warm welcome we give to our visitors and new arrivals and work together to see that our people are safe, and their diversity supported.

Our communities have opportunities to celebrate and explore their heritage, identity and creativity

We are proud of and celebrate our history and heritage and how that contributes to our identity. We have a strong sense of community, enhanced by the wide range of arts, cultural and sporting opportunities on offer.

Our communities have access to a range of social, educational and recreational facilities and activities

Nelson has developed high quality sports and recreation facilities for all ages. There are educational and leisure opportunities for the whole community to enjoy. We protect, enhance and celebrate Nelson's human heritage and historic sites.

Our Council provides leadership and fosters partnerships, a regional perspective and community engagement

Our leaders understand our community, are confident in our future, know how to drive success and to work with others to tackle the big issues facing Nelson. Council leaders are strongly connected to our people and mindful of the full range of community views and of the generations that follow. Residents have the opportunity to participate in major decisions and information is easy to access. We support and mentor our young people to be our leaders of the future.

Our region is supported by an innovative and sustainable economy

Nelson is a business-friendly city and the commercial centre of Te Tau Ihu, the top of the South Island. Economic activity is sensitive to the environment, heritage and people of Nelson. We are skilled and adaptable and we see the benefits of high-value industries and businesses. We enjoy a range of employment, education and training opportunities and take pride in being a city where youth can live, learn and work. Innovation and achievement are recognised and celebrated by our community.

Council's Actions on Climate Change in 2019/20

Climate change presents major challenges for our region. Council is committed to walking the talk, advocating for climate issues, and showing good leadership.

Council is undertaking work to reduce its emissions as an organisation, and we are looking for opportunities to work more sustainably. We are prioritising work to support climate change mitigation, and are thinking smarter to help the city adapt to this global reality, encouraging a whole of community response. Addressing climate change now gives us the greatest potential to manage risks, and also to harness the opportunities of a climate conscious society.

In 2019/20 Council:

- Created a Climate Change Reserve of \$500,000 to fund new climate initiatives. Since its establishment in May 2019, \$120,000 has been allocated from the Reserve for the 2019/20 year. This was mainly distributed across two projects - the City Centre Spatial Plan (\$100,000, of which approximately half was spent in 2019/20), and project management of a proposed visit by Danish climate change experts in 2020 (which was cancelled due to the impacts of COVID-19). Council has also provided funding through the Reserve for an e-bike which is used to support food waste composting services. During development of the Long Term Plan 2021-31 climate change funding for the next decade will be considered and allocated across Council activities, to recognise that all areas of Council have a contribution to make in addressing climate change.
- Approved a Principles of Collaboration agreement to sign with our counterparts in Lemvig, Denmark, and locally with Wakatū Incorporation. The Danish are world leaders in climate change adaptation and emissions reduction - we aim to build a strong relationship with them and exchange valuable knowledge.
- In February 2020 Council joined the Nelson Tasman Climate Forum, a community-led initiative that is the first of its kind in New Zealand. The launch event was a great success, and the Forum will continue to meet on a monthly basis. A current focus is drafting the first Nelson Tasman Climate Strategy. Everyone is welcome to join the Forum – find out more on their website nelsontasmanclimateforum.org
- Created a new position of Climate Change Champion to work collaboratively with a range of partners to ensure that tangible and effective climate change action occurs.
- Carried out flood modelling, to examine the possible impacts of sea level rise, tidal conditions, and extreme rainfall events on our waterways and infrastructure. This will help us to explore options for adaptation.
- Continued work to develop a City Centre Spatial Plan. It will consider a range of opportunities to build resilience and capacity for the City Centre, against the effects and risks of climate change.
- Began developing a Council emissions reduction action plan - considering how to reduce emissions from areas such as landfill and use of electricity.
- Represented Nelson in national level discussions – our Mayor represents Local Government New Zealand on a whole of Government project on Community Resilience. A senior staff member co-leads a project that supports the work of local government to collectively respond to climate change.
- Joined the New Zealand Green Building Council, a voluntary organisation that promotes the development and adoption of green building practices.
- Initiated a review of opportunities for offsetting Emissions Trading Scheme liabilities through earning carbon credits from our own forestry and reserves.

- Increased the number of electric vehicles (EVs) in our fleet, and committed to replacing outgoing Council vehicles with EVs when practical.
- Proposed a kerbside food waste collection trial, which received substantial community support and was confirmed through the 2020/21 Annual Plan. Organic matter contributes significantly to emissions from landfills - keeping food waste out of our landfill with collections for composting is a smart and accessible way to reduce waste. It is an exciting opportunity for people to try a new sustainable action - 220 households in Nelson are taking part in the trial, which commences in November 2020. The success of the trial will guide future Council decisions. It has been funded from the Climate Reserve at a cost of \$120,000 (2020/21 budgets).

Planning and Reporting

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

The Long Term Plan (LTP), updated every three years, is a long-term strategic planning document that forecasts Council's budgets and project priorities over a ten year period. This Annual Report relates to year two of the 2018-28 Long Term Plan.

The Annual Plan is developed each year to update the Long Term Plan budgets and work programme forecasts with any exceptions from what was included in the Long Term Plan for that year.

The Annual Report is produced each year to evaluate how Council performed against its budget and work programme set out in the relevant Long Term Plan and Annual Plan and report any variations.

Financial overview: Year ended 30 June 2020

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

Council must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses (break-even). This Annual Report shows that Council recorded a net surplus before revaluations (for the year ended 30 June 2020) of \$7.5 million, which was \$8.4 million less than budget. An explanation of this variance can be found in note 40 in the Notes to Accounts section.

The surplus was \$5.2 million in the 2018/19 financial year. It should be noted that the word 'surplus' is an accounting term, and is different from the rating surplus. The accounting surplus includes capital items such as road subsidies and grants relating to capital projects, revaluations and vested assets which are required to be treated as income for accounting purposes.

As of 30 June 2020, Council's borrowings, net of deposits and cash, were \$86.3 million, compared to the budget of \$91.7 million. This full Annual Report 2019/20 was prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and complied with International Public Sector Accounting Standards, and other applicable financial reporting standards, as appropriate for public benefit entities.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land, certain infrastructural assets, investment property and biological assets. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of Nelson City Council is New Zealand dollars.

The financial statements of Nelson City Council are for the year ended 30 June 2020. The financial statements were authorised for issue by Council on 27 October 2020.

Working with Māori and Iwi

COUNCIL AND IWI ARE COMMITTED TO WORKING TOGETHER

A key objective for our work together is to strengthen the relationship between iwi and Council, support communication, and implement an active partnership. More information about how Council does this is included in the Māori contribution to decision-making processes section in the Long Term Plan 2018-28.

During 2019/20, the following actions were undertaken to establish and maintain processes to provide opportunities for Māori to contribute to the decision-making processes of Council:

- The appointment of a Council Kaumātua who provides cultural advice to the Mayor and Council and provides cultural support at official occasions, including citizenship ceremonies, civic events, and welcoming dignitaries.
- The Mayor continues to sit on the Whakatū Marae Committee.
- The Iwi-Council Partnership Group met on a regular basis. The Group includes the Mayor, Deputy Mayor, two elected members (chairs of the Community Services and Governance and Finance committees), and iwi chairs from each of the eight Te Tau Ihu (Top of the south) iwi (Ngāti Toa Rangatira, Ngāti Rārua, Ngāti Koata, Te Ātiawa, Ngāti Tama, Ngāti Kuia, Rangitāne and Ngāti Apa ki te Rā Tō).
- Council and iwi have agreed on some general principles of engagement, and four engagement forums at governance, management and operational levels. We will continue to develop the strategic framework in 2020/21.
- The Nelson City Council and Iwi Managers Group met quarterly to discuss management matters. This involves the Chief Executive and eight iwi General Managers.
- In 2019/20, opportunities for Māori participation and involvement in decision making were progressed through appointments to the Environmental Committee, the Nelson Regional Sewerage Business Unit, and Nelson Tasman Regional Landfill Business Unit. The Nelson Regional Development Agency appointed two Māori representatives to its Board in 2019/20. There is also a Māori representative on Council's Planning and Regulatory Committee. Representatives provide a unique perspective embedded in a Te Ao Māori worldview.
- The Draft Nelson Plan (Whakamahere Whakatū) is well underway. The iwi Working Group continues to meet and contribute to the development of the Nelson Plan.
- Over 200 He Waka Kuaka Te Reo Māori course places were filled by Council employees during 2019/20.
- Te Kāhui Whiria, Māori Partnerships Team, provided cultural support, leadership and guidance alongside iwi for the following events:
 - Te Huihui o Matariki 2019
 - Te Wiki o Te Reo Māori 2019
 - Bay Dreams ceremonial events

- Opera in the Park
- Waitangi whanau film night

Representation of Māori in Council decision-making is continuing to be progressed in 2020/21.

COUNCIL ACTIVITIES: Year ended 30 June 2020

The following sections are organised by activity for funding and accountability and cover everything that Council does.

For a full description of Council activities, including ten year estimates of spending, scope, assets, underlying assumptions, relevant policy documents, mitigation of any negative effects and service levels, refer to Nelson's Long Term Plan 2018-28. This is available at Nelson Public Libraries, on Council's website at nelson.govt.nz or by contacting our Customer Service Centre on 546 0200. Long Term Plans are prepared every three years, and the latest plan is the Long Term Plan 2018-28. It was developed in 2017/18 and outlines Council's activities and planned programme of work for 2018/19 to 2027/28.

The activity groups of Council are:

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

Performance Measures

The Long Term Plan sets non-financial performance measures for each activity. There are 80 performance measures in total set by the Long Term Plan 2018-28. Excluding adjustments as a result of COVID-19 Council achieved 66.3% of its performance measures for 2019/20, compared with 71% in 2018/19.

Disruptions from the COVID-19 pandemic had a significant impact on target achievement this year – if the services that could not be undertaken as a consequence of COVID-19 are removed, then the achievement level increases to 81.5%. See 'Impact of COVID-19 on Council' on page XX and activity sections for more detail.

Transport

ABOUT COUNCIL'S TRANSPORT ACTIVITIES

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

Council's transport activities include:

- A road network including roading, structures such as bridges and retaining walls, footpaths, cycleways, road safety, street cleaning, and lighting
- Public transport including the NBus service and the Total Mobility Scheme
- Inner city parking
- Management of encroachment on road reserve

HIGHLIGHTS FOR 2019/20

The capital expenditure in the transport activity for 2019/20 was approximately \$8.4 million (including subsidised and unsubsidised roading projects).

Key renewal and maintenance activities that occurred on the existing transport network, roads and footpaths include:

- Under road maintenance and drainage and footpath improvements work was carried out on Arapiki Road between Main Road Stoke and The Ridgeway.
- 15.1 kilometres of road were resurfaced in chip seal and 1.2 kilometres in asphalt in the 2019/20 year. This included resurfacing the Trafalgar Street Bridge, adding 30 years to its expected life. The resealing program was interrupted during COVID-19 so not all streets were able to be resurfaced as planned
- Footpath work was extensive during 2019/20, with 706 metres of footpath renewed, and 426 metres were added to the network.
- A 40 metre length of guard rail on Waimea Road near Quarantine Road was upgraded and accompanied by streetlight improvements, following repeated crashes in the area.

In addition to provision of supporting infrastructure for walking and cycling, Council encouraged active modes of transport through a variety of initiatives including:

- Provision of 'bike ready' skills and scooter skills training to more than 1800 school students
- Workplace and school travel planning

Public Transport

The NBus service continued during all COVID-19 lockdown levels, with necessary restrictions applied. This allowed other essential services workers to continue using public transport.

Preparation for the electronic bus ticketing launch

A great deal of planning, testing and communications work occurred in 2019/20, culminating in the launch of the Bee Card system on 3 August 2020. Bee Card is an easier and smarter way to pay for bus services, and users paying a lower fare than by using cash. Council has worked with the current NBus operator, the Regional

Consortium, and the Waka Kotahi New Zealand Transport Agency over a number of years to bring this project to fruition and modernise our bus service.

Bus shelters

In addition to the upgraded shelters installed as part of the Tahunanui/Annesbrook Drive cycle path, two new shelters were erected outside Countdown on Main Road Stoke, and another was repurposed and installed near the Black Cat store on Annesbrook Drive.

Parking meter renewal

In 2019/20 Nelson's parking meters were replaced with new machines using PaybyPlate technology, which became operational on 29 June. Users can now pay for parking using coins, direct debit, paywave, or a parking app, and no paper tickets are generated. The new meters have been well received by retailers, who have commented on the effect of freeing up parking for customers. The ticketless system eliminates paper waste, and will save an estimated \$100,000 per year on the cost of paper tickets.

Tahunanui Pathway project

Stage 1 of the project, alongside Annesbrook Drive from the roundabout to Parkers Road, was completed in July 2019 in conjunction with Waka Kotahi New Zealand Transport Agency. Stage 2 of the project along Muritai Street and Waikare Street to Beach Road is underway and nearing completion.

Hampden Terrace/Waimea Road intersection closure

This intersection was closed in October 2019 as a trial, to improve safety for road users, particularly cyclists. Monitoring of traffic was interrupted by the COVID-19 lockdown, but has resumed. Updates on the project have been provided on Shape Nelson for the purpose of gathering ongoing feedback.

Waimea Road Speed Limit Change

Council reduced the speed limit on Waimea Road to 50km/h in August 2019.

Princes Drive Underpass

Construction of the Princes Drive Underpass near the intersection with Waimea Road began in 2019/20. With the new extension of Princes Drive crossing the Railway Reserve, Council wanted to provide the safest possible option for people to continue using this well-loved route to travel. It will be a shared pathway underpass for cyclists and walkers. Work is continuing in 2020/21.

LED streetlight conversion

The installation of new LED streetlights has been a very successful change across our network. The bulk of the roll out occurred in 2018/19 but some continued in 2019/20, including installations on Waimea Road. The overall project is expected to provide annual cost savings through less power consumption of approximately \$100,000. Waka Kotahi New Zealand Transport Agency funded 85% of the total cost of the upgrade.

Seafeld Terrace

A resource consent was granted in 2019/20 for the reinstatement of the road at Seafeld Terrace. Physical works are scheduled to commence in 2020/21.

Saltwater Creek Bridge

The replacement bridge over Saltwater Creek opened in September 2019, and has had very positive feedback. It was commissioned as part of the City to Sea cycleway project, connecting the Maitai Pathway through to the Marina and Haven Road. The budget for the project was \$986,000, with \$500,000 funded by Council, and \$486,000 from central government through the Urban Cycleways Fund. The bridge was prefabricated offsite to minimise the impact on the creek ecology. Designers JTB Architects won the Exterior Structure Design award at the 2020 New Zealand Wood Timber Design Awards for their detailing and use of wood in the design.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

| Community Outcome | Contribution |
|--|--|
| Our unique natural environment is healthy and protected | Through providing a range of transport modes that minimise the impact on the environment, and encouraging the use of active transport |
| Our urban and rural environments are people-friendly, well planned and sustainably managed | Through taking into account the impact on public spaces when providing transport infrastructure |
| Our infrastructure is efficient, cost effective and meets current and future needs | Optimisation of both maintenance and renewal expenditure is undertaken to ensure the least cost for the whole of the assets life. Through providing an effective and efficient transport system that meets the needs of residents and businesses |
| Our communities are healthy, safe, inclusive and resilient | Through providing a safe and resilient transport network that provides for all modes |
| Our communities have opportunities to celebrate and explore their heritage, identity and creativity | The transport asset provides the space and means to allow our community to interact |
| Our communities have access to a range of social, educational and recreational facilities and activities. | The transport asset provides the space and means to allow our community to interact |
| Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement | Through providing a transport network that takes account of our regional placement. Through engaging with our community and regional partners as the transport network is developed |
| Our region is supported by an innovative and sustainable economy | Through providing an effective and efficient transport system that meets the needs of residents and businesses |

TRANSPORT SERVICE LEVELS AND PERFORMANCE

Measures from Year Two of the Long Term Plan 2018-28

| What Council will provide | Performance measure | Target 2019/20 | 2019/20 (Full Year) | End of year result |
|----------------------------|--|--|---|---------------------------------|
| | | | End of year comment (2019/20) | Achieved/Not achieved (2019/20) |
| A safe road network | Change from the previous financial year in the number of fatalities and serious injury crashes on the local road network | Fewer fatality and serious injury crashes on the local road network compared to previous year (2018/19 year total was 16) | There were 19 death and serious injury (DSI) crash events in 2019/20. The 19 events were made up of 2 fatal crashes and 17 crashes resulting in serious injury, totalling 21 events. There were 16 DSI crash events in 2018/19, so this target has not been met for 2019/20. | Not achieved |
| Smooth sealed road network | Average quality of ride on a sealed local road network, measured by smooth travel exposure by One Network Road Classification (information on this classification system is at https://www.nzta.govt.nz/roads-and-rail/road-efficiency-group/projects/onrc) | The following Smooth Travel Exposure targets are maintained or exceeded in each year: One Network Smooth Travel Exposure Target by road classification: Regional: 90% Arterial: 85% Primary Collector: 80% Secondary Collector: 80% Access: 75% Low Volume: 75% | One Network Smooth Travel Exposure results by road classification for 2019/20 are: Regional: 94.2% Arterial: 94.1% Primary Collector: 82.3% Secondary Collector: 80.7% Access: 78.9% Low Volume: 74.4% In addition, the Department of Internal | Achieved |

| | | | | |
|--|--|---|--|----------|
| | | (The Long Term Plan 2018-28 and Annual Report 2017/18 incorrectly included the words 'not exceeded' in this target, where 'maintained or exceeded' is correct. This has been altered here for clarity and will be amended officially in the next Long Term Plan). | Affairs smooth travel exposure measure for all roads was 88% of all journeys were on smooth roads. 197km of roads (77% of the network) were surveyed for roughness in 2019/20 to update this measure. | |
| Maintenance of sealed local road network | Percentage of the sealed local road network resurfaced | Not less than 3% and not more than 8.5% (in length) is resurfaced, in each year | 3.2% of the network was resurfaced in 2019/20. This is less than planned because the opportunity to chip seal was lost due to the COVID-19 lockdown period, but is within target. Council took the opportunity to resurface some normally more challenging sites during the lockdown (due to reduced traffic volumes). 7% of the network was resealed in 2018/19. | Achieved |

| | | | | |
|--|--|---|---|--------------|
| Good quality smooth footpath surface | Percentage of footpaths that fall within the level of service standard for condition of footpath, as in Asset Management Plan (i.e. has a condition rating of no greater than 3) | 95% or more of the footpath network by length has a condition rating between 1 and 3 (1-excellent/3-good/5-very poor) | Footpath condition surveys were not undertaken for 2019/20 due to the COVID-19 lockdown. The 2018/19 survey showed the performance measure was achieved (96% of the network had a condition rating of no more than 3) and ongoing improvements have been made since. | Not measured |
| Accessibility - Providing transport choices via public transport and, Efficiency – Maximise movement of people via public transport | NBus patronage | An increase to at least match a 4% increasing trend over time, from a baseline of 2017/18 | The target was not achieved due to the COVID-19 lockdown period. In 2019/20 there was a -13.7% reduction in patronage compared with 2018/19 (which was up 5.1% on the previous year). When the reduced bus services during this time are considered, the result is -6.8%. | Not achieved |
| Efficiency – Maximise movement of people via walk and cycle modes | Percentage of the community that travel to work by walking or cycling as measured in the Residents' Survey | Year 2 – 20% combined of all journeys to work by walking or cycling | 16% of respondents indicated that they journeyed to work by walking or cycling in the 2020 Nelson Resident's Survey, compared with 19% in the 2019 Residents' Survey. | Not achieved |

| | | | | |
|------------------------------------|--|---|---|----------|
| Responsiveness to service requests | Percentage of customer service requests relating to roads and footpaths to which Council responds within five working days | 80% of service requests responded to within five working days | 3,357 service requests were received, of which 81% were processed within 5 working days. In 2018/19 that figure was 83.7%. | Achieved |
|------------------------------------|--|---|---|----------|

TRANSPORT FUNDING IMPACT STATEMENT

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Sources of operating funding | | | | |
| General Rates, uniform annual general charges, rates penalties | 11,025 | 11,304 | 10,444 | 9,736 |
| Targeted rates | 0 | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 3,345 | 3,129 | 3,394 | 3,608 |
| Fees and charges | 1,432 | 1,456 | 1,397 | 429 |
| Internal charges and overheads recovered | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 1,829 | 1,852 | 1,800 | 1,915 |
| Total operating funding | 17,631 | 17,741 | 17,035 | 15,688 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 12,120 | 12,091 | 12,983 | 11,387 |
| Finance costs | 0 | 0 | 78 | 54 |
| Internal charges and overheads applied * | 824 | 799 | 609 | 535 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 12,944 | 12,890 | 13,670 | 11,976 |
| Surplus (Deficit) of operating funding | 4,687 | 4,851 | 3,365 | 3,712 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital | 3,985 | 3,938 | 5,181 | 3,719 |
| Development and financial contributions | 313 | 318 | 318 | 214 |
| Increase (decrease) in debt | (249) | (176) | 3,733 | (78) |
| Gross proceeds from sale of assets | 25 | 26 | 26 | 805 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 4,074 | 4,106 | 9,258 | 4,660 |
| Applications of capital funding | | | | |
| Capital Expenditure | | | | |
| - to meet additional demand | 602 | 300 | 1,178 | 594 |
| - to improve level of service | 4,112 | 4,300 | 6,437 | 3,773 |
| - to replace existing assets | 4,047 | 4,357 | 5,008 | 4,005 |
| Increase (decrease) in reserves | 0 | 0 | 0 | 0 |
| Increase (decrease) in investments | 0 | 0 | 0 | 0 |
| Total applications of capital funding | 8,761 | 8,957 | 12,623 | 8,372 |
| Surplus (Deficit) of capital funding | (4,687) | (4,851) | (3,365) | (3,712) |
| Funding balance | 0 | 0 | 0 | 0 |

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

Funding Impact Statement variances against budget

Fees and charges are less than budget by \$968,000. Public Transport ticket revenue is less than budget by \$717,000, which reflects a delay in transferring to a gross contract with NBus. Public Transport expenditure is also less than budget by \$679,000. Parking meter income is \$241,000 less than budget, mostly due to free parking in response to COVID-19.

Payments to staff and suppliers are less than budget by \$1.6 million. This reflects the aforementioned delay in transferring to a gross contract with NBus, as well as deferral and reduction of the Champion Road Roundabout grant (\$470,000).

The debt movement is \$3.8 million less than budget due to capital expenditure being lower than budgeted. Detail relating to variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

Subsidies and grants for capital are less than budget by \$1.5 million due to capital expenditure being lower than budgeted.

Gross proceeds from sale of assets are \$779,000 over budget due to an unbudgeted land sale.

The receipt of vested assets is dependent on the development cycle of individual developers and the timing is difficult to predict.

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

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Surplus/(Deficit) of operating funding from Funding Impact Statement | 4,687 | 4,851 | 3,365 | 3,712 |
| Subsidies and grants for capital expenditure | 3,985 | 3,938 | 5,181 | 3,719 |
| Development and financial contributions | 313 | 318 | 318 | 214 |
| Vested Assets | 4,120 | 4,895 | 4,895 | 1,407 |
| Depreciation | (7,018) | (7,303) | (7,361) | (7,425) |
| Other non-cash income | 0 | 0 | 0 | 363 |
| Other non-cash expenditure | 0 | 0 | 0 | (227) |
| Net Surplus (Deficit) before taxation in Cost of Service Statement | 6,087 | 6,699 | 6,128 | 1,763 |

Water Supply

ABOUT COUNCIL'S WATER SUPPLY ACTIVITIES

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

The Nelson area water supply systems include:

- The Nelson system, from Saxton Road to the Glen, (covering most of Nelson city) takes raw water from the Maitai Dam, Maitai South Branch, and Roding River that is then treated at the ultra-filtration treatment plant at the Tantragee Saddle.
- A small number of Nelson city properties at the Wakatu Industrial Estate and between Saxton Road and Champion Road are served by Tasman District Council.
- Several private supplies in Nelson North that take water from a variety of sources.
- An increasing number of subdivisions that take Council-supplied water, but operate private pumping and storage systems for properties that are above the height that Council's supply can service.

HIGHLIGHTS FOR 2019/20

In 2019/20, the capital expenditure in the water supply activity was approximately \$4.5 million. Key projects that were undertaken in the 2019/20 year include:

Residential Water Meter Replacement

Residential water meters are being upgraded around the city, to make sure we can accurately measure our water usage. During 2019/20, approximately 4,800 meters were installed in Tahunanui, Stoke and Annesbrook and follows the 1,200 meters installed in 2018/19. Completion of this programme is planned for the end of June 2022.

Watermain Upgrades and Renewals

The watermain in Tui Glen Road was upgraded, at a cost of \$360,000, to improve fire-fighting flows. The watermain in Hardy Street (Collingwood Street to Trafalgar Street) and Annesbrook Drive (from the roundabout to the Black Cat Dairy) were renewed at a cost of \$358,000 and \$885,000 respectively.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

| Community Outcome | Contribution |
|--|---|
| Our unique natural environment is healthy and protected | Nelson's environment is protected by an efficiently managed water supply network that respects the natural, recreational and heritage values that are present in the rivers that supply the network and works to protect ecosystem health |
| Our infrastructure is efficient, cost effective and meets current and future needs | A good quality, sustainable and affordable water supply network meets the needs of our current and future community |

| | |
|--|---|
| | Sufficient and appropriate water supply is provided to ensure residential and business growth projections are achieved |
| Our region is supported by an innovative and sustainable economy | Water resources have an important role in supporting a range of businesses that rely on clean and reliable water supplies |
| Our communities are healthy, safe, inclusive and resilient | Safe and well managed water resources deliver critical health outcomes for the community |

WATER SUPPLY SERVICE LEVELS AND PERFORMANCE

Measures from Year Two of the Long Term Plan 2018-28

| What Council will provide | Performance measure | Target 2019/20 | 2019/20 (Full Year) | End of year result |
|---------------------------|---|--|---|---------------------------------|
| | | | End of year comment (2019/20) | Achieved/Not achieved (2019/20) |
| Good quality water | The extent to which drinking water supply complies with: a) part 4 of the drinking water standards# (bacterial compliance criteria), and b) part 5 of the drinking water standards# (protozoal compliance criteria) | 100% compliance with parts 4 and 5 of the drinking water standards | <p>This is assessed annually by the Ministry of Health and will be published sometime between August and October 2020. While we are still awaiting confirmation, test results throughout the year indicate this measure will be achieved.</p> <p>The measure was achieved in 2018/19.</p> | Achieved |
| Good quality water | c) part 8 of the drinking water standards (chemical compliance criteria) | 100% compliance with part 8 of the drinking water standards | <p>This is assessed annually by the Ministry of Health and will be published sometime between August and October 2020. While we are still awaiting confirmation, test results throughout the year indicate this measure will be achieved.</p> <p>The measure was achieved in 2018/19.</p> | Achieved |
| Good quality water | Total number of complaints per 1,000 connections about any of the following: - drinking water clarity - drinking water taste | No more than 50 valid complaints per 1000 connections | There were 18 valid complaints per 1000 connections - a reduction from 23 in 2018/19. | Achieved |

| | | | | |
|------------------------------------|--|--|--|----------|
| | <ul style="list-style-type: none"> - drinking water odour - drinking water pressure or flow - continuity of supply - Council's response to any of these issues | | | |
| Reliable supply of water | Average drinking water standard consumption per day per resident | Normal demand less than 500L per person per day. This includes both domestic and commercial-industrial | <p>This calculation requires water meter reading results from the last reading round that are not yet available. Whilst we are still awaiting data, we expect this measure to be achieved.</p> <p>Demand for drinking water was 286 litres per person in 2018/19.</p> | Achieved |
| Reliable supply of water | % real water loss from the system | Real (unaccountable) water loss less than 25% | <p>Final unaccountable water loss calculations require water meter reading results from the last reading round which are not yet available. Whilst we are still awaiting data, we expect this measure to be achieved.</p> <p>Unaccountable water loss was 25.7% in 2018/19.</p> | Achieved |
| Customer service – prompt response | a) attendance for urgent call-outs: from the time notification is received to the time service personnel reach the site | a) Contractor to attend urgent call-outs in a median time of 30 minutes or less | <p>Median attendance to urgent call-outs was 21 minutes.</p> <p>This was 20 minutes in 2018/19.</p> | Achieved |

| | | | | |
|------------------------------------|---|---|---|----------|
| Customer service – prompt response | b) resolution of urgent call-outs: from the time notification is received to the time service personnel confirm resolution of the fault or interruption | b) Contractor to resolve urgent call-outs in a median time of 480 minutes or less | Median resolution to urgent call-outs was 191 minutes. This was 284 minutes in 2018/19. | Achieved |
| Customer service – prompt response | c) attendance for non-urgent call-outs: from the time notification is received to the time service personnel reach the site | c) Contractor to attend non-urgent callouts in a median time of 120 minutes or less | Median attendance to non-urgent call-outs was 76 minutes. This was 78 minutes in 2018/19. | Achieved |
| Customer service – prompt response | d) resolution of non-urgent call-outs: from the time notification is received to the time service personnel confirm resolution of the fault or interruption | d) Contractor to resolve non-urgent call outs in a median time of 1440 minutes (24 hours) or less | Median resolution to non-urgent call-outs was 1164 minutes. This was 449 minutes in 2018/19. | Achieved |

WATER FUNDING IMPACT STATEMENT

| | Long Term Plan 2018/19 | Long Term Plan 2018/19 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Sources of operating funding | | | | |
| General Rates, uniform annual general charges, rates penalties | 0 | 0 | 0 | 0 |
| Targeted rates | 12,096 | 12,526 | 12,350 | 12,751 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 | 0 |
| Fees and charges | 33 | 33 | 45 | 42 |
| Internal charges and overheads recovered | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 8 | 9 | 40 | 28 |
| Total operating funding | 12,137 | 12,568 | 12,435 | 12,822 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 6,445 | 6,692 | 6,634 | 6,873 |
| Finance costs | 0 | 0 | 0 | 0 |
| Internal charges and overheads applied * | 1,461 | 1,541 | 1,418 | 1,399 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 7,906 | 8,233 | 8,052 | 8,272 |
| Surplus (Deficit) of operating funding | 4,231 | 4,335 | 4,383 | 4,550 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital | 0 | 0 | 0 | 24 |
| Development and financial contributions | 398 | 407 | 407 | 321 |
| Increase (decrease) in debt | 3,772 | 300 | (64) | (415) |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 4,170 | 707 | 343 | (70) |
| Applications of capital funding | | | | |
| Capital Expenditure | | | | |
| - to meet additional demand | 0 | 0 | 0 | 229 |
| - to improve level of service | 917 | 1,164 | 1,344 | 922 |
| - to replace existing assets | 7,484 | 3,878 | 3,382 | 3,329 |
| Increase (decrease) in reserves | 0 | 0 | 0 | 0 |
| Increase (decrease) in investments | 0 | 0 | 0 | 0 |
| Total applications of capital funding | 8,401 | 5,042 | 4,726 | 4,480 |
| Surplus (Deficit) of capital funding | (4,231) | (4,335) | (4,383) | (4,550) |
| Funding balance | 0 | 0 | 0 | 0 |

* Internal charges and overheads include finance costs

Funding Impact Statement variances against budget

Targeted rates include water meter income, which was over budget by \$401,000.

Payments to staff and suppliers are over budget by \$239,000. This includes staff costs being over budget by \$106,000 with offsets seen in other activities.

The debt movement was \$351,000 less than budget due to capital expenditure being lower than budgeted. Detail relating to variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

The receipt of vested assets is dependent on the development cycle of individual developers and the timing is difficult to predict.

Unbudgeted non-cash expenditure includes abandoned assets.

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

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Surplus/(Deficit) of operating funding from Funding Impact Statement | 4,231 | 4,335 | 4,383 | 4,550 |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 24 |
| Development and financial contributions | 398 | 407 | 407 | 321 |
| Vested Assets | 778 | 1,306 | 1,306 | 2,095 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Depreciation | (4,231) | (4,335) | (4,383) | (4,361) |
| Other non-cash income | 0 | 0 | 0 | 0 |
| Other non-cash expenditure | 0 | 0 | 0 | (203) |
| Net Surplus (Deficit) before taxation in Cost of Service Statement | 1,176 | 1,713 | 1,713 | 2,427 |

Wastewater

ABOUT COUNCIL'S WASTEWATER ACTIVITIES

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

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

HIGHLIGHTS FOR 2019/20

In 2019/20, the capital expenditure in the wastewater activity was approximately \$6.3 million.

St Vincent Street Sewer Upgrade

To improve network capacity for future development, the sewer pipeline in St Vincent Street (between Parere Street and Gloucester Street) was upgraded at a cost of \$800,000. Construction was completed in July 2020 due to the COVID-19 lockdown.

Gracefield Sewer Diversion

This project is key for reducing sewer overflows during wet weather events and catering for future development. Detail design for the new pipeline was completed in 2019/20, as well as the design of a new wider footpath along Annesbrook Drive from Stafford Avenue. This project is running one year ahead of the long term plan and construction is proposed to start at the end of September 2020.

Awatea Pump Station Design

This project involves the construction of a large pump station off Awatea Place, new gravity trunk main, pumping main and an additional storage tank facility in Beach Road. The detailed design process for this major project was advanced in 2019/20, and construction of the Beach Road storage tank facility is planned to commence at the beginning of September 2020 and the pump station later in the year. The new pump station will replace two separate pump stations in Parkers Road and will improve the resilience of the wastewater system during heavy rainfall events, significantly reduce operating and maintenance costs, and allow for the installation of modern odour control equipment.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

| Community Outcome | Contribution |
|--|--|
| Our unique natural environment is healthy and protected | The wastewater network is managed to minimise impacts on the natural environment and provide a healthy living environment for residents and visitors |
| Our infrastructure is efficient, cost effective and meets current and future needs | A good quality, sustainable and affordable wastewater network that meets the needs of our current and future community |

| | |
|--|--|
| Our region is supported by an innovative and sustainable economy | A well-managed wastewater network is essential to the functioning of our regional economy |
| Our urban and rural environments are people-friendly, well planned and sustainably managed | Appropriate wastewater disposal options are important for both urban and rural environments |
| Our communities are healthy, safe, inclusive and resilient | An efficient wastewater network is essential for the prevention of waterborne disease and the health and productivity of the wider community |

WASTEWATER SERVICE LEVELS AND PERFORMANCE

Measures from Year Two of the Long Term Plan 2018-28

| What Council will provide | Performance measure | Target 2019/20 | 2019/20 (Full Year) | End of year result |
|---|---|---|--|---------------------------------|
| | | | End of year comment (2019/20) | Achieved/Not achieved (2019/20) |
| A fully operational wastewater treatment system | Level of compliance of treatment plant with resource consent conditions | 100% compliance | 100% compliance was achieved. In 2018/19 12 odour complaints were received about the Nelson Wastewater Treatment Plant, so this measure was not achieved. | Achieved |
| A fully operational wastewater treatment system | Number of dry weather overflows from sewerage system, per 1000 connections | Fewer than 15 dry weather overflows per 1000 connections | There were 3 dry weather overflows per 1000 connections in 2019/20 – the same as in 2018/19. | Achieved |
| Response – appropriate to reported network issues These median response times are measured for overflows resulting from a blockage or other fault in the sewerage system | a) attendance time: from when notification is received to the time service staff reach the site | Contractor to attend in median time of 60 minutes or less | Median attendance to overflows was 24 minutes (25 minutes in 2018/19). | Achieved |
| Response – appropriate to reported network issues | b) resolution time: from the time notification is received to the time service staff | Contractor to resolve issue in median time of | Median resolution to overflows was 195 minutes (194 minutes in 2018/19). | Achieved |

| | | | | |
|--|--|--|--|----------|
| These median response times are measured for overflows resulting from a blockage or other fault in the sewerage system | confirm resolution of the blockage or fault | 480 minutes or less | | |
| Environmental protection | Compliance with territorial authority's resource consents for discharge from the sewerage system measured by number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions in relation to those resource consents | 100% compliance | 100% compliance was achieved. This was also the case in the previous year. | Achieved |
| Environmental protection | The total number of complaints received about any of the following: a) sewage odour b) sewerage system faults c) sewerage system blockages, and d) Council's response to issues with the sewerage system | No more than 20 valid complaints a year per 1000 connections | 17 valid complaints per 1000 connections were received. There were 16 in 2018/19. | Achieved |

WASTEWATER FUNDING IMPACT STATEMENT

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Sources of operating funding | | | | |
| General Rates, uniform annual general charges, rates penalties | 0 | 0 | 0 | 0 |
| Targeted rates | 7,794 | 8,313 | 8,719 | 8,767 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 | 0 |
| Fees and charges | 2,337 | 2,403 | 2,610 | 2,601 |
| Internal charges and overheads recovered | 0 | 0 | (49) | 0 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 1,379 | 1,458 | 1,289 | 1,400 |
| Total operating funding | 11,510 | 12,174 | 12,569 | 12,768 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 7,021 | 7,476 | 7,026 | 7,687 |
| Finance costs | 310 | 399 | 0 | 0 |
| Internal charges and overheads applied * | 126 | 147 | 402 | 104 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 7,457 | 8,022 | 7,428 | 7,791 |
| Surplus (Deficit) of operating funding | 4,053 | 4,152 | 5,141 | 4,977 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital | 0 | 0 | 0 | 0 |
| Development and financial contributions | 664 | 679 | 679 | 775 |
| Increase (decrease) in debt | 2,356 | 1,707 | 103 | 586 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 3,020 | 2,386 | 782 | 1,361 |
| Applications of capital funding | | | | |
| Capital Expenditure | | | | |
| - to meet additional demand | 111 | 687 | 220 | 301 |
| - to improve level of service | 4,765 | 4,084 | 3,547 | 2,906 |
| - to replace existing assets | 2,197 | 1,767 | 2,156 | 3,131 |
| Increase (decrease) in reserves | 0 | 0 | 0 | 0 |
| Increase (decrease) in investments | 0 | 0 | 0 | 0 |
| Total applications of capital funding | 7,073 | 6,538 | 5,923 | 6,338 |
| Surplus (Deficit) of capital funding | (4,053) | (4,152) | (5,141) | (4,977) |
| Funding balance | 0 | 0 | 0 | 0 |

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

Funding Impact Statement variances against budget

Payments to staff and suppliers are over budget by \$661,000. Nelson Regional Sewerage Business Unit costs were higher than anticipated.

The debt movement was \$483,000 greater than budget due to capital expenditure being greater than budgeted. Detail relating to variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

The receipt of vested assets is dependent on the development cycle of individual developers and the timing is difficult to predict.

Unbudgeted non-cash expenditure includes abandoned assets and asset impairments.

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

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Surplus/(Deficit) of operating funding from Funding Impact Statement | 4,053 | 4,152 | 5,141 | 4,977 |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 0 |
| Development and financial contributions | 664 | 679 | 679 | 775 |
| Vested Assets | 807 | 1,004 | 1,004 | 413 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Depreciation | (4,605) | (4,716) | (5,066) | (4,940) |
| Other non-cash income | 0 | 0 | 0 | 12 |
| Other non-cash expenditure | 0 | 0 | 0 | (223) |
| Net Surplus (Deficit) before taxation in Cost of Service Statement | 919 | 1,119 | 1,758 | 1,015 |

Stormwater

ABOUT COUNCIL'S STORMWATER ACTIVITIES

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

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

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

HIGHLIGHTS FOR 2019/20

In 2019/20, the capital expenditure in the stormwater activity was approximately \$2.2 million. The focus for the year was on designing projects for implementation over the next three years.

Nayland Road at Galway Street

This project involved increasing the stormwater capacity of approximately 150m of the stormwater network within Nayland Road (near Galway Street) at a cost of \$686,000.

Stoke Stormwater Strategy

The draft Stoke Stormwater Strategy was completed in 2019/20. It provides Council with a risk-based framework for addressing stormwater issues affecting the Stoke community's wellbeing and property. A stormwater network model was developed to understand the existing capacity constraints and as a tool to support assessment of proposed flood mitigation projects.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

| Community Outcome | Contribution |
|--|---|
| Our unique natural environment is healthy and protected | Nelson's environment is protected by an efficiently managed stormwater and flood protection network that minimises damage to the urban environment from rainfall events. Works to support the stormwater and flood protection assets are managed as far as possible to respect the natural, recreational and heritage values that might be present and to protect ecosystem health as required by the National Policy Statement for Freshwater Management |
| Our urban and rural environments are people-friendly, well planned and sustainably managed | Homes, facilities and people are protected from the adverse effects of rainfall events by a well-managed stormwater and flood protection network |

| | |
|--|--|
| | Sufficient and appropriate stormwater infrastructure is provided to ensure the network does not present a barrier to residential or business growth |
| Our infrastructure is efficient, cost effective and meets current and future needs | A good quality, sustainable and affordable stormwater and flood protection network meets the needs of our current and future community |
| Our region is supported by an innovative and sustainable economy | Impact on businesses and economic activity is minimised by understanding and managing the stormwater and flood protection network to protect people and property |

STORMWATER SERVICE LEVELS AND PERFORMANCE

Measures from Year Two of the Long Term Plan 2018-28

| What Council will provide | Performance measure | Target 2019/20 | 2019/20 (Full Year) | End of year result |
|--------------------------------------|---|--|--|---------------------------------|
| | | | End of year comment (2019/20) | Achieved/Not achieved (2019/20) |
| Environmental Protection | Compliance with resource consents for discharge from the stormwater system, measured by number of: a) abatement notices b) infringement notices c) enforcement orders, and d) successful prosecutions received in relation to those resource consents | 100% compliance with resource consents for discharge | 100% compliance was achieved, this was also the case in the previous year. | Achieved |
| Protection from damage to property | a) The number of flooding events that occur b) For each flooding event, the number of habitable floors affected per 1000 properties connected to the stormwater network | No damage from flood events of a level that have a 50% probability of occurring in any one year No more than 10 per 1000 properties with habitable floor damage from events that have a 5% probability of occurring in any one year | No flooding events occurred in 2019/20, or 2018/19. | Achieved |
| Response to stormwater system issues | Median response time to attend a flooding event, measured from the time that notification is received to the time service personnel reach the site | Median response time less than 60 minutes | The median attendance time to stormwater related service requests for 2019/20 was 20 minutes. This is an improvement from the median of 42 minutes in 2018/19. | Achieved |

| | | | | |
|---|---|--|---|----------|
| Customer satisfaction – minimise valid complaints | Number of complaints received about the performance of the stormwater system, per 1000 properties connected to the stormwater network | No more than 20 complaints per 1000 connections per year | There were 7 complaints per 1000 connections for 2019/20, a reduction from 11 in 2018/19. | Achieved |
|---|---|--|---|----------|

STORMWATER FUNDING IMPACT STATEMENT

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Sources of operating funding | | | | |
| General Rates, uniform annual general charges, rates penalties | 0 | 0 | 0 | 0 |
| Targeted rates | 4,151 | 4,370 | 4,435 | 4,442 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 | 0 |
| Fees and charges | 0 | 0 | 0 | 5 |
| Internal charges and overheads recovered | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 0 | 0 | 0 | 0 |
| Total operating funding | 4,151 | 4,370 | 4,435 | 4,447 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 1,344 | 1,479 | 1,483 | 1,541 |
| Finance costs | 0 | 0 | 0 | 0 |
| Internal charges and overheads applied * | 579 | 581 | 477 | 434 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 1,923 | 2,060 | 1,960 | 1,975 |
| Surplus (Deficit) of operating funding | 2,228 | 2,310 | 2,475 | 2,472 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital | 0 | 0 | 0 | 0 |
| Development and financial contributions | 372 | 380 | 380 | 568 |
| Increase (decrease) in debt | (18) | 1,787 | (413) | (800) |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 354 | 2,167 | (33) | (232) |
| Applications of capital funding | | | | |
| Capital Expenditure | | | | |
| - to meet additional demand | 0 | 58 | 60 | 216 |
| - to improve level of service | 2,504 | 4,350 | 2,276 | 1,939 |
| - to replace existing assets | 78 | 69 | 106 | 85 |
| Increase (decrease) in reserves | 0 | 0 | 0 | 0 |
| Increase (decrease) in investments | 0 | 0 | 0 | 0 |
| Total applications of capital funding | 2,582 | 4,477 | 2,442 | 2,240 |
| Surplus (Deficit) of capital funding | (2,228) | (2,310) | (2,475) | (2,472) |
| Funding balance | 0 | 0 | 0 | 0 |

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

Funding Impact Statement variances against budget

The debt movement is \$386,000 less than budget due to capital expenditure being less than budgeted and to the variance in development and financial contributions. Detail relating to variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

Development contributions are greater than budget by \$188,000. The receipt of development contributions reflects the development cycle of individual developers and the timing is difficult to predict.

Conversely, vested assets are under budget by \$1.4 million. The timing of vested asset receipts is similarly dependent on the development cycle of individual developers.

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

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Surplus/(Deficit) of operating funding from Funding Impact Statement | 2,228 | 2,310 | 2,475 | 2,472 |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 0 |
| Development and financial contributions | 372 | 380 | 380 | 568 |
| Vested Assets | 1,129 | 1,399 | 1,399 | 0 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Depreciation | (2,228) | (2,310) | (2,474) | (2,410) |
| Other non-cash expenditure | 0 | 0 | 0 | (61) |
| Net Surplus (Deficit) before taxation in Cost of Service Statement | 1,501 | 1,779 | 1,780 | 569 |

Flood Protection

ABOUT COUNCIL'S FLOOD PROTECTION ACTIVITIES

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

Operation and maintenance of Council's flood protection activity centres on the rivers and streams in the urban area of Nelson. Interventions will depend on the risk profile for each river or stream identified as part of flood modelling of the larger streams and rivers in the Nelson area. While Council has carried out a programme of upgrading works over the past 20 years, ongoing maintenance is required to keep the streams clear. Future upgrading works are expected to be required as a result of climate change and will follow a risk-based approach.

HIGHLIGHTS FOR 2019/20

In 2019/20, the capital expenditure in the flood protection activity was approximately \$3.1 million.

Saxton Creek Upgrade

Extreme rainfall weather events in December 2011 and April 2013 caused significant flooding to both commercial and residential properties in the Saxton area. This major project is being done in four stages, with Stages 1 to 3 being Main Road Stoke to Champion Road and the fourth stage being Main Road Stoke to the sea. Stages 1 and 2 were completed in previous years. Stage 3 commenced in 2019/20 but was severely delayed as a result of the COVID-19 lockdown and will be completed in 2020/21. The cost for Stage 3 in 2019/20 was \$1.7 million.

Poormans Valley Stream Culvert Upgrade

Stormwater upgrades at Poormans Valley Stream Culvert on Main Road Stoke were undertaken 2019/20. This upgrade improves the area's resilience to heavy rain events.

Flood Modelling

All eight river flood models were updated, incorporating the latest rainfall data from the National Institute of Water and Atmospheric Research (NIWA). This information will be included within the draft Nelson Plan. The project will continue into 2020/21.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

| Community Outcome | Contribution |
|---|--|
| Our unique natural environment is healthy and protected | Nelson's environment is protected by an efficiently managed stormwater and flood protection network that minimises damage to the urban environment from rainfall events. Works to support the stormwater and flood protection assets are managed as far as possible to respect the natural, recreational and heritage values that might be present and to protect ecosystem health, as required by |

| | |
|--|--|
| | the National Policy Statement for Freshwater Management |
| Our urban and rural environments are people-friendly, well planned and sustainably managed | <p>Homes, facilities and people are protected from the adverse effects of rainfall events by a well-managed stormwater and flood protection network</p> <p>Sufficient and appropriate stormwater infrastructure is provided to ensure the network does not present a barrier to residential or business growth</p> |
| Our infrastructure is efficient, cost effective and meets current and future needs | A good quality, sustainable and affordable stormwater and flood protection network meets the needs of our current and future community |
| Our region is supported by an innovative and sustainable economy | Impact on businesses and economic activity is minimised by understanding and managing the stormwater and flood protection network to protect people and property |

FLOOD PROTECTION SERVICE LEVELS AND PERFORMANCE

Measures from Year Two of the Long Term Plan 2018-28

| What Council will provide | Performance measure | Target 2019/20 | 2019/20 (Full Year) | End of year result |
|--|---|--|--|---------------------------------|
| | | | End of year comment (2019/20) | Achieved/Not achieved (2019/20) |
| Environmental protection, damage to people and property minimised, and a reliable flood protection network | The major flood protection and control works that are maintained, repaired and renewed to the key standards defined in the Flood Protection Asset Management Plan | Network maintained to current service potential | <p>The Maitai River channel survey was completed for the section through the urban area, and a comparison was made of channel profiles of 2020 and 2018 aerial surveys. These showed no significant overall decrease in channel capacity.</p> <p>Comparison was also undertaken for Poorman Valley Stream cross sections, showing no loss of channel capacity to 2020.</p> | Achieved |
| | | Flood event damage identified, prioritised, and repair programme agreed with community | <p>No flood events occurred in 2019/20 or 2018/19.</p> <p>The maximum flow recorded on the Maitai River during 2019/20 was 78m³ per second, on 16 July 2019. (This is less than the average annual maximum flow of 124m³ per second).</p> | Achieved |

| | | | | |
|--|--|---|--|----------|
| | | High priority work completed as soon as practicable | No flood events occurred in 2019/20 or 2018/19. Flood protection upgrade works were undertaken in several areas, including the Poormans Stream/Main Road Stoke culvert, and Saxton Creek (Stage 3). | Achieved |
| | | Network components renewed to continue provision of original design service potential | A resource consent application was lodged for use of more environmentally sensitive stream bank protection options than rock armouring. This is proposed to be trialled on Poormans Valley Stream at Isel Park. | Achieved |
| | Develop risk based Maitai flood response options | Response options identified | The 'Maitai Flood Management Options' report was completed in June 2020. This report identified 22 flood mitigation options to manage flood risk for the Maitai River and coastal storm surges. | Achieved |
| | Develop city wide flood protection strategies | Prioritise flood response based on results of risk based analysis | Catchments prioritised for flood response actions based on flood model outputs and urban stream length as follows: 1st: Maitai (including York and Brook Stream) 2nd: Jenkins/ Arapiki/ Poormans Stream 3rd: Oldham Creek 4th: Todd Valley / Wakapuaka Flats | Achieved |

| | | | | |
|--|--|--|--|--|
| | | | 5th: Orphanage Stream 6th: Orchard Stream | |
|--|--|--|--|--|

FLOOD PROTECTION FUNDING IMPACT STATEMENT

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Sources of operating funding | | | | |
| General Rates, uniform annual general charges, rates penalties | 0 | 0 | 0 | 0 |
| Targeted rates | 1,654 | 1,863 | 1,661 | 1,663 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 | 0 |
| Fees and charges | 0 | 0 | 0 | 0 |
| Internal charges and overheads recovered | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 0 | 0 | 0 | 0 |
| Total operating funding | 1,654 | 1,863 | 1,661 | 1,663 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 289 | 279 | 412 | 462 |
| Finance costs | 0 | 0 | 0 | 0 |
| Internal charges and overheads applied * | 767 | 924 | 753 | 731 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 1,056 | 1,203 | 1,165 | 1,193 |
| Surplus (Deficit) of operating funding | 598 | 660 | 496 | 470 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital | 0 | 0 | 0 | 113 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Increase (decrease) in debt | 4,133 | 4,795 | 3,690 | 2,494 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 4,133 | 4,795 | 3,690 | 2,607 |
| Applications of capital funding | | | | |
| Capital Expenditure | | | | |
| - to meet additional demand | 0 | 0 | 0 | 0 |
| - to improve level of service | 4,731 | 5,455 | 4,186 | 3,077 |
| - to replace existing assets | 0 | 0 | 0 | 0 |
| Increase (decrease) in reserves | 0 | 0 | 0 | 0 |
| Increase (decrease) in investments | 0 | 0 | 0 | 0 |
| Total applications of capital funding | 4,731 | 5,455 | 4,186 | 3,077 |
| Surplus (Deficit) of capital funding | (598) | (660) | (496) | (470) |
| Funding balance | 0 | 0 | 0 | 0 |

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

Funding Impact Statement variances against budget

The debt movement is \$1.2 million less than budget due to capital expenditure being greater than budgeted. Detail relating to variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

Vested assets are under budget by \$170,000. The timing of vested asset receipts is dependent on the development cycle of individual developers.

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

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Surplus/(Deficit) of operating funding from Funding Impact Statement | 598 | 660 | 496 | 470 |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Vested Assets | 166 | 170 | 170 | 0 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Depreciation | (598) | (660) | (497) | (563) |
| Other non-cash expenditure | 0 | 0 | 0 | 0 |
| Net Surplus (Deficit) before taxation in Cost of Service Statement | 166 | 170 | 169 | (93) |

Solid Waste

ABOUT COUNCIL'S SOLID WASTE ACTIVITIES

Good public health and wellbeing depend on the safe disposal of waste. Environmental protection also depends on promoting the reduction, reuse, recycling, and recovery of potential solid waste and compostable material. Council provides waste management and minimisation services to avoid or reduce the creation of waste, improve the efficiency of resource use, and to reduce the harmful effects of waste on people and the environment.

HIGHLIGHTS FOR 2019/20

Nelson City Council's solid waste activities are operated through a closed, self-funding group of accounts.

Preparation for changes in kerbside recycling

Kerbside recycling collection changes commenced on 1 July 2020, with plastics 3, 4, 6 and 7 no longer being accepted in kerbside recycling collections in Nelson. This involved developing a comprehensive engagement and communication programme to prepare the public for the change. Council now only collects plastic containers types 1, 2 and 5, as they can be recycled within New Zealand in a sustainable manner.

Joint Waste Management and Minimisation Plan

Council adopted the Joint Waste Management and Minimisation Plan (JWMMP) with Tasman District Council in September 2019, and a target of 10% waste reduction per capita by 2030.

Waste Minimisation.

A new waste minimisation work programme was developed in 2019/20. The initial focus considered food waste, electronic waste and opportunities such as avoiding or reducing waste at events to support behaviour change. As part of this programme a range of waste minimisation activities were undertaken in 2019/20, including continuing the promotion of home composting, promoting reuse through activities such as Secondhand Sunday, and campaigns focusing on reducing single-use items, such as the Cup Bond Subsidy programme, and RefillINZ. The COVID-19 lockdown required some activities to be suspended, particularly in recognition of the strain hospitality businesses are under. However, this period provided an opportunity to start developing resources on deconstruction for the building sector, including supporting a preliminary investigation into the possibility of deconstructing the Halifax building, as opposed to demolition. Encouraging waste avoidance to be seen as an opportunity as well as a problem was initiated through the development of the Rethink Waste programme.

Regional Landfill

The Nelson City Council and Tasman District Council Regional Landfill started as a joint operation from 1 July 2017. Each Council has a 50% share of the joint landfill. The regional landfill is managed through a Terms of Reference for the Nelson Tasman Regional Landfill Business Unit.

The calculation for the amount of waste per resident has been revised to bring it in line with the Joint Waste Management and Minimisation Plan. This now excludes material such as contaminated soils and water treatment sludge. Nelson and Tasman councils both utilise the same calculation which provides region wide accuracy. Under the new calculation the 2018/19 year total was 578kg of waste per capita and in 2019/20 it was

565kg per capita. This is a 2.3% reduction, which is reflective of better waste diversion and recycling.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

| Community Outcome | Contribution |
|--|--|
| Our unique natural environment is healthy and protected | Provides services and strategies to minimise the negative effect of waste management on the environment |
| Our urban and rural environments are people-friendly, well planned and sustainably managed | High quality services and consistent strategic direction provides a stable environment for business development and growth |
| Our urban and rural environments are people-friendly, well planned and sustainably managed | Provides services and direction for the management and minimisation of waste |

SOLID WASTE SERVICE LEVELS AND PERFORMANCE

Measures from Year Two of the Long Term Plan 2018-28

| What Council will provide | Performance measure | Target 2019/20 | 2019/20 (Full Year) | End of year result |
|---|--|---|--|---------------------------------|
| | | | End of year comment (2019/20) | Achieved/Not achieved (2019/20) |
| Measures to encourage the community to reduce waste to landfill | Quantity (kg) per capita, annually, excluding bio-solids, material from H.A.I.L sites (contaminated land) and out of region waste e.g. Buller District | Maintain or decrease the amount of waste (kg) per capita to landfill, per year | The calculation for the amount of waste per resident has been revised to bring it in line with the Joint Waste Management and Minimisation Plan. This now excludes material such as contaminated soils and water treatment sludge. Nelson and Tasman councils both utilise the same calculation which provides region wide accuracy. Under the new calculation the 2018/19 year total was 578kg of waste per capita and in 2019/20 it was 565kg per capita. This is a 2.3% reduction, which is reflective of better waste diversion and recycling. | Achieved |
| Measures to encourage the community to increase composting of food and garden waste | Proportion of households composting food waste and garden waste, from Survey of Residents | Maintain or increase the % of households that compost food and garden waste compared to previous survey results | The Nelson Residents' Survey showed that 72% of Nelson households composted either food or garden waste in 2019/20. 63% of respondents composted food waste (up from 60% in 2018/19), and 62% composted garden waste (up from 61% in 2018/19). This is an average of 62.8% for both types of composting. | Achieved |

| | | | | |
|---|---|---|--|----------|
| Support for the collection and recycling of e-waste | Uptake of available subsidies for recycling e-waste | Consistent or increasing uptake of available e-waste subsidies compared to the previous year (in dollars) | <p>The uptake of e-waste subsidies increased from 2018/19 to 2019/20.</p> <p>This indicator is being reviewed, as re-use is increasing over recycling as an option for electronic waste.</p> | Achieved |
|---|---|---|--|----------|

SOLID WASTE FUNDING IMPACT STATEMENT

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Sources of operating funding | | | | |
| General Rates, uniform annual general charges, rates penalties | 0 | 0 | 0 | 0 |
| Targeted rates | 0 | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 193 | 198 | 198 | 187 |
| Fees and charges | 3,795 | 3,628 | 3,106 | 3,208 |
| Internal charges and overheads recovered | 2,250 | 2,269 | 2,330 | 2,388 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 2,271 | 2,403 | 2,424 | 2,416 |
| Total operating funding | 8,509 | 8,498 | 8,058 | 8,199 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 5,771 | 5,741 | 5,309 | 6,274 |
| Finance costs | 0 | 0 | 0 | 0 |
| Internal charges and overheads applied * | 2,296 | 2,310 | 2,328 | 2,428 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 8,067 | 8,051 | 7,637 | 8,702 |
| Surplus (Deficit) of operating funding | 442 | 447 | 421 | (503) |
| Sources of capital funding | | | | |
| Subsidies and grants for capital | 0 | 0 | 0 | 7 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Increase (decrease) in debt | (334) | (338) | (10) | 551 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 5 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | (334) | (338) | (10) | 563 |
| Applications of capital funding | | | | |
| Capital Expenditure | | | | |
| - to meet additional demand | 33 | 7 | 0 | 60 |
| - to improve level of service | 42 | 31 | 31 | 0 |
| - to replace existing assets | 30 | 26 | 380 | 0 |
| Increase (decrease) in reserves | 3 | 45 | 0 | 0 |
| Increase (decrease) in investments | 0 | 0 | 0 | 0 |
| Total applications of capital funding | 108 | 109 | 411 | 60 |
| Surplus (Deficit) of capital funding | (442) | (447) | (421) | 503 |
| Funding balance | 0 | 0 | 0 | 0 |

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

Funding Impact Statement variances against budget

Payments to staff and suppliers are over budget by \$965,000. The Nelson Tasman Regional Landfill Business Unit has recorded after-care provision costs to provide for future landfill closure costs (\$1.4 million over budget). This is offset by the Emissions Trading Scheme Levy being underspent by \$514,000. Unbudgeted recycling costs of \$258,000 were also incurred.

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

| | Long Term Plan 2018/19 (\$000) | Long Term Plan 2019/20 (\$000) | Annual Plan 2019/20 (\$000) | Actual 2019/20 (\$000) |
|--|--------------------------------------|--------------------------------------|-----------------------------------|---------------------------|
| Surplus/(Deficit) of operating funding from Funding Impact Statement | 442 | 447 | 421 | (503) |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Vested Assets | 0 | 0 | 0 | 0 |
| Depreciation | (332) | (337) | (267) | (291) |
| Gain on establishment of JV | 0 | 0 | 0 | 0 |
| Other non-cash income | 0 | 0 | 0 | 0 |
| Other non-cash expenditure | 0 | 0 | 0 | (98) |
| Net Surplus (Deficit) before taxation in Cost of Service Statement | 110 | 110 | 154 | (892) |

Environment

ABOUT COUNCIL'S ENVIRONMENTAL MANAGEMENT ACTIVITIES

The Environmental Management activity provides the policy direction, management, monitoring and review of Nelson's natural and physical resources, and the built environment. The Environmental Management activity covers both regulatory and non-regulatory functions of Council as a unitary authority. The activities are:

- Environmental Planning
- City Development
- Resource Consents
- Compliance and Enforcement
- Building Consents
- Science and Environment

HIGHLIGHTS FOR 2019/20

Science and Environment

Air quality did not exceed the limits of the National Environmental Standards for the first time since monitoring began in 2001 which is a reflection of Council and the community's work in this area. Smoke patrols commenced in early June to detect smoky fires, with a similar number identified to previous years.

Cyanobacteria toxic algae monitoring identified moderate levels (20% cover) over the summer months, and summer recreational bathing monitoring programmes reported ten exceedances. Five of these were in the Maitai at the Collingwood Street Bridge.

Between February and April 2020 rainfall totals across Nelson were 50-60% lower than long term averages, and river flows in March reached five-year seven-day low flow values. The equipment at the monitoring site on the Maitai River North Branch was upgraded so that real time data can be accessed at the office.

Surveys for freshwater fish were undertaken in winter, and identified new spawning sites for koaro upstream of the Maitai reservoir and the Roding weir. Work is underway to map fish spawning habitat.

A survey of the Waimea Estuary was jointly undertaken with Tasman District Council to monitor the extent and condition of habitats and ecosystems. A report is due later in 2020.

Council applied to the Jobs for Nature projects fund in 2019/20. Jobs for Nature is administered by the Ministry for the Environment, and seeks to address major environmental needs and create employment to stimulate New Zealand's economy post-COVID-19. The application was successful, and Council will receive funding of \$1.7 million to implement an Ecological Restoration Plan for the Maitai / Mahitahi River catchment ecosystem. The Ecological Restoration Plan will see 125,000 plants go in the ground, 24 hectares of land managed for weed control, eight kilometres of riparian planting, as well as the development of wetlands and further improvement to habitats. This will support and enhance the work already undertaken in the catchment, and create 24 jobs in the conservation/restoration sector over 5 years.

Nelson Nature Programme

The Environmental Grants Scheme was introduced in August 2019 to support groups and individuals working to improve the health of Nelson's natural environment. 75 applications were received in 2019/20, requesting a total of \$496,521. 61 groups or individuals were successful with full or part funding for their applications, with a total of \$314,214 grants awarded from the Nelson Nature, Healthy Streams and Sustainable Land Management programmes.

In 2019/20 the grants supported individuals and groups to control pests and monitor the environment, fence, weed and plant riparian edges, protect and restore wetlands, manage highly erodible land, protect and restore important biodiversity corridors, and increase knowledge about Nelson's special native plants. Feedback from applicants on the new grants scheme has been overwhelmingly positive.

Council supported 21 landowners with weed and animal pest control and plantings to buffer Significant Natural Areas (SNAs). SNAs are sites that have been identified as holding particularly high biodiversity values. There are roughly 165 confirmed SNA sites in Nelson, with 90% of sites occurring on private land. In total, 24 sites are currently involved in the non-regulatory SNA support programme.

Council planted almost 4,000 native plants on the estuarine margin of the Waimea Inlet this year. The plants were partly funded by the One Billion Trees fund and are the second year of a collaborative project focused on the Waimea Inlet by Council, Tasman District Council, Tasman Environmental Trust and the Department of Conservation.

The Nelson Halo Predator Trapping Guide was launched in March to help community groups and landowners to plan predator control projects in the Nelson Halo – an area of predator control and habitat enhancement outside the Brook Waimārama Sanctuary. There are now more than 20 groups trapping predators to protect wildlife in the Nelson Halo. Council provides support to these groups with planning, practical advice, mapping, networking and funding.

Council's annual weed control programme was completed in the Maitai & Roding Conservation Reserves. Highlights this year included expansion of the area of native forest under control for weeds like old man's beard and an additional 100 ha of the mineral belt under control for heath and gorse. The heath and gorse extension was enabled by a \$40,000 grant from Nelson Tasman Forest and Bird. Wilding conifer control was focused on surveillance, so conifers can be controlled before they are able to produce seed.

Sustainable Land Management Programme

The Ministry for Primary Industries granted Council a total of \$1.2 million over four years (2019-2023) to support landowners on hill country, both pastoral and harvested forestry land, to achieve improved biodiversity outcomes and conservation of soil through erosion management. During 2019/20, over 51,000 trees were planted – 23,000 trees on retired Council forestry land. Landowners who are owners of small woodlots were supported through a series of virtual workshops to develop Forestry Environment Plans, and a Top of the South Council/Iwi collaboration project was initiated with iwi owners of forestry in the wider region to help achieve improved economic and environmental outcomes for this land.

Biosecurity

Two rounds of the Council's annual dive survey of vessels, piles and pontoons in the Nelson marina and moorings for Mediterranean fan worm (*Sabella spallanzanii*) occurred in November 2019 and June 2020. Sabella were found at four sites, two on marina pontoons near the original infestation found in 2013, and two on vessels. These infestations were removed.

An aquatic pest plant identification and management course in February was attended by representatives from the three top of the south councils, the Department of Conservation, contractors, and community organisations.

Environmental Planning

The Draft Nelson Plan has evolved with significant engagement and involvement of Te Tau Ihu iwi through a number of hui. The introduction of Government-driven National

Planning Standards in mid-2019 required a complete reorganisation of the draft Plan provisions. This new Standard also requires the Plan to be available in an electronic format.

COVID-19 resulted in the planned public engagement on the Draft Plan being postponed. As a substitute, Council undertook testing with key stakeholders, with the release of phase one of the Draft to the public being planned for late 2020, and further release of phase two in March 2021.

259 Submissions on the Dog Control Policy and Bylaw were received, with a hearing by the Environment Committee held on 21 April. Deliberations were conducted on 28 May, with decisions to approve the Policy and Bylaw made on 4 June.

City Development

Council began two exciting city development projects in 2019/20, the Upper Trafalgar Street Pedestrian Mall and the Halifax Street pop-up playground.

The Intensification Action Plan was released in July 2019 after extensive public consultation, and seeks to address the supply of residential land within Nelson.

Council continued to implement the Six Key Moves, which articulate strategic objectives for transforming Nelson into a Smart Little City.

Building Consents

Council received 902 building consents this year which compares to 974 in 2018/19. The value of the work for consents has decreased from \$258.1 million in 2018/19 to \$168.7 million in 2019/20, which includes the lockdown period for COVID-19. This is slightly higher than the \$165.5 million received in 2017/18. The building inspections team upgraded their accounting systems to provide greater accuracy for inspection counts. 5232 building inspections were conducted in 2019/20.

The Building Control Authority went through an IANZ accreditation audit in June 2020. Fees were revised and changes implemented.

Resource Consents, Compliance, Enforcement and Monitoring

Council received 452 resource consent applications in 2019/20 (compared to 477 in 2018/19), and 350 decisions were issued (348 in 2018/19). 97% of non-notified resource consents were processed within 20 working days, which was a significant improvement on 83% in the previous year.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

| Community Outcome | Contribution |
|--|--|
| Our unique natural environment is healthy and protected | Land, air, water and coastal environments were sustainably managed through a regulatory matrix of sound planning, monitoring, compliance, science and non-regulatory programmes so that we can be leaders in environmental matters |
| Our urban and rural environments are people friendly, well- planned and sustainably managed | Good planning and urban design provides an attractive, well-built, safe, resilient and walkable city for people of all ages and abilities. Unique built and natural sites and systems are protected and people are supported to make environmentally sustainable choices |
| Our infrastructure is efficient, cost effective and meets current and future needs | Implemented the Future Development Strategy to coordinate our growth and infrastructure planning. Directed programming growth to areas where infrastructure efficiencies can be made Planned to reduce the carbon footprint of our infrastructure and urban development as well as building resilience to the impacts of climate change |
| Our communities are healthy, safe, inclusive and resilient | High standards of statutory compliance for built and natural environments contributed to the health, safety and resilience of the community. The community understands natural hazard risk and is supported to deal with natural hazard risks resiliently |
| Our communities have opportunities to celebrate and explore their heritage, identity and creativity | Heritage sites were protected. Non-regulatory methods were used to retain heritage sites. Promotion of our heritage resource was achieved |
| Our communities have access to a range of social, educational and recreational facilities and activities | Sound planning, regulatory and non-regulatory processes that included iwi and community groups enabled and encouraged a range of activities to occur both on land and water |
| Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement | Strategic partnerships were strengthened with key partners including Te Tau Ihu iwi and Central Government partners to achieve even greater gains for Nelson's environment |
| Our region is supported by an innovative and sustainable economy | Council achieved a business friendly approach in its building, regulatory, and planning activities |

ENVIRONMENT SERVICE LEVELS AND PERFORMANCE

Measures from Year Two of the Long Term Plan 2018-28

| What Council will provide | Performance measure | Target 2019/20 | 2019/20 (Full Year) | End of year result |
|---------------------------|---|--|---|---------------------------------|
| | | | End of year comment (2019/20) | Achieved/Not achieved (2019/20) |
| Clean air | Compliance with national Air Quality Standards – number of breaches in each airshed | No more than 3 breaches in winter 2019 | Airshed A: No exceedances recorded for 2019/20. This was also the case in 2018/19. | Achieved |
| | Compliance with national Air Quality Standards – number of breaches in each airshed | No more than 1 breach in winter 2019 | Airshed B1: No exceedances recorded for 2019/20. This was also the case in 2018/19. | Achieved |
| | Compliance with national Air Quality Standards – number of breaches in each airshed | No breaches | Airshed B2: No exceedances recorded for 2019/20. This was also the case in 2018/19. | Achieved |
| | Compliance with national Air Quality Standards – number of breaches in each airshed | No breaches | Airshed C: No exceedances recorded for 2019/20. This was also the case in 2018/19. | Achieved |

| | | | | |
|--|---|------|--|--------------|
| Natural water ways complying with National Policy Statement for Freshwater Management (NPSFM) requirements | % of pristine water bodies maintained at current state (2017 baseline) as a minimum | 100% | Pristine water sites have been maintained relative to NPSFM thresholds, based on undertaken samples. However, some attributes are interim results because they do not meet sample size requirements for reporting. This measure was achieved in 2018/19. | Achieved |
| Safe recreational bathing sites, marine and freshwater | % key bathing sites monitored and public advised if water quality standards breached | 100% | All monitoring was completed and reported in a timely manner. Signage was erected at sites when necessary, and updates were made to the Land, Air, Water Aotearoa 'Can I swim here' module when water quality standards were breached. This measure was also achieved in 2018/19. | Achieved |
| Resource consent processes that comply with statutory timeframes | % non-notified processed within 20 working days | 100% | 97% were processed within 20 day timeframe. This figure was 83% in 2018/19. | Not achieved |
| | % fast track consents within 10 working days | 100% | 100% of fast track consents were processed within 10 working days. This figure was 95% in 2018/19. | Achieved |
| Building unit compliance | % building consents (BC) and code compliance certificates (CCC) issued within 20 working days | 100% | 902 Building Consents were received in 2019/2020, with 96% being issued within 20 days. 688 Code Compliance Certificates were issued in 2019/2020, 97% within 20 days. | Not achieved |

As described in the 2018/19 Annual Report, Council's reporting systems are not currently at a level that enables results for the following four performance measures to be 100% verified. Due to this they are recorded as 'not measured', though some information has been provided to indicate performance. A review of how this information can be provided to substantiate performance in future years is being undertaken.

| | | | | |
|-------------------------------|---|---|---|--------------|
| Dog and animal control | % of all complaints responded to within one day | 90% of complaints responded to within one day | <i>1619 out of 1741 dog and animal control service requests to Council were responded to within one day in 2019/20 (93%). This does not specify which requests were for complaints.</i> | Not Measured |
| Food safety and public health | % premises receiving inspection as per statutory requirements | 100% of premises are inspected according to legislative requirements on frequency | <i>All verification inspections were undertaken in 2019/20.</i> | Not Measured |
| Alcohol licensing | % of licensed premises receiving two inspections per year | 100% of premises inspected two times per year | <i>100% of 'high risk' and 'extra high risk' premises were inspected at least twice in 2019/20. A total of 91 inspections occurred.</i> | Not Measured |
| Pollution response | % responses to emergencies within 30 minutes and all other incidents within one day | 100% of emergencies responded to within 30 minutes and all other incidents within one day | <i>100% of emergencies were responded to within 30 minutes, and 98% of all other incidents were responded to within one day. (This cannot be fully verified).</i> | Not Measured |

ENVIRONMENTAL MANAGEMENT FUNDING IMPACT STATEMENT

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Sources of operating funding | | | | |
| General Rates, uniform annual general charges, rates penalties | 7,853 | 8,176 | 8,586 | 9,424 |
| Targeted rates | 12 | 5 | 12 | 10 |
| Subsidies and grants for operating purposes | 55 | 31 | 365 | 443 |
| Fees and charges | 224 | 228 | 228 | 217 |
| Internal charges and overheads recovered | 0 | 0 | 50 | 50 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 4,384 | 4,475 | 4,318 | 4,024 |
| Total operating funding | 12,528 | 12,915 | 13,559 | 14,168 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 12,209 | 12,593 | 13,171 | 14,523 |
| Finance costs | 0 | 0 | 0 | 0 |
| Internal charges and overheads applied * | 285 | 278 | 341 | 349 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 12,494 | 12,871 | 13,512 | 14,872 |
| Surplus (Deficit) of operating funding | 34 | 44 | 47 | (704) |
| Sources of capital funding | | | | |
| Subsidies and grants for capital | 0 | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Increase (decrease) in debt | (215) | (155) | 148 | 583 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | (215) | (155) | 148 | 583 |
| Applications of capital funding | | | | |
| Capital Expenditure | | | | |
| - to meet additional demand | 39 | 39 | 250 | 159 |
| - to improve level of service | 175 | 177 | 197 | 102 |
| - to replace existing assets | 44 | 87 | 114 | 2 |
| Increase (decrease) in reserves | 0 | 0 | 0 | 0 |
| Increase (decrease) in investments | (439) | (414) | (366) | (384) |
| Total applications of capital funding | (181) | (111) | 195 | (121) |
| Surplus (Deficit) of capital funding | (34) | (44) | (47) | 704 |
| Funding balance | 0 | 0 | 0 | 0 |

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

Funding Impact Statement variances against budget

Other receipts are under budget by \$294,000, including dog registration fees (\$95,000 under budget), building consent fees (\$102,000 under budget) and resource consent fees (\$50,000 under budget).

Payments to staff and suppliers are greater than budget by \$1.4 million. Staff costs are over budget by \$529,000 reflecting more staff time spent in the Environment Activity than budgeted. Staff costs are on budget at an organisational level. Unbudgeted Building Claims expenditure of \$690,000 has been incurred. Resource Consent costs are over budget by \$431,000, including unbudgeted external expert service and consultancy costs.

The debt movement is \$435,000 greater than budget. Debt was impacted by the unbudgeted Building Claims expenditure.

Detail relating to variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

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

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Surplus/(Deficit) of operating funding from Funding Impact Statement | 34 | 44 | 47 | (704) |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Vested Assets | 0 | 0 | 0 | 0 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Depreciation | (34) | (44) | (48) | (49) |
| Gain on establishment of JV | 0 | 0 | 0 | 0 |
| Other non-cash income | 27 | 11 | 11 | 8 |
| Other non-cash expenditure | 0 | 0 | 0 | 0 |
| Net Surplus (Deficit) before taxation in Cost of Service Statement | 27 | 11 | 10 | (745) |

Social

ABOUT COUNCIL'S SOCIAL ACTIVITIES

Council worked together with the community to support the quality of life and wellbeing of Nelson residents through the delivery of a range of social, arts and heritage facilities and services, such as our libraries and Founders Heritage Park.

Council funds events such as the annual Arts Festival, and provides investment and support to key community-owned facilities like the Theatre Royal and the Nelson Centre of Musical Arts. This area also assists with community development, including the provision of grants to groups providing social services and support to the community. However, the community and event sector has been significantly affected by COVID-19, with many venues being closed and events being postponed or cancelled. Uncertainty about accessibility and viability of venues and events has meant the Council has had to be innovative with its social programmes, while recognising that predetermined performance measures would likely not be met across a host of functions. Despite this, events were made virtual where possible, and Council worked proactively to ensure community partnerships were maintained, looking out for the most vulnerable in our community.

HIGHLIGHTS FOR 2019/20

Community Facilities

Work was completed in Marsden cemetery which has improved the groundwater issues and developed a new burial area. Physical construction commenced in 2018/19 and continued to 2019/20.

The Stoke Memorial Hall, Stoke Community Hall and Refinery Building were closed in March 2020 as an earthquake safety precaution, with users and tenants successfully relocated to other facilities. One wall of the Memorial Hall has been repaired, meaning that the Community Hall can be reopened. Stoke Memorial Hall and the Refinery are both in preliminary stages of the strengthening processes.

Queen's Gardens received a new architecturally designed toilet block on the Bridge Street side in 2019/20, enabling better utility for visitors to the garden, in a way that complements the neighbouring Suter Art Gallery and surrounding protected foliage. The structure received the Small Project Architecture Award at the 2020 Nelson/Marlborough Architecture Awards.

Community Partnerships

Council engaged youth and civic partnerships with assistance from Big Brothers Big Sisters. This Youth Into Governance program aimed to get young people engaged with governance boards around the community, as well as priming organisations to work with, and for, young people in Nelson.

City For All Ages was launched in February to help Nelson thrive as its population ages. A community steering group has been established and is being supported by Council in its work to promote an age-friendly community.

COVID-19 presented considerable cross-sectoral challenges in Nelson, and highlighted the most vulnerable among us. Project C19 was launched during lockdown by Council in partnership with the community and other stakeholders to respond to and aid communities of greatest need.

A \$200,000 emergency fund was established by Council to provide contestable grants to community groups facing hardship or increased costs due to COVID-19. A total of \$82,220 was granted to 18 groups based off of 33 applications, with the remaining balance carried forward for distribution in the 2020/2021 year.

Despite COVID-19 impacting a significant number of their plans, the Nelson Youth Council had a busy year, with representatives sitting on the Creative Communities Funding Panel, Sister City Coordinating Group, Youth Sector Leadership Group, and the Regional Integrated Ticketing System Group. They provided a youth voice for the Traffic Activity Management Plan; receiving 112 responses to their transport survey, and wrote submissions to the Annual Plan 2020/21, Dog Control Policy and Bylaw, and Nelson Future Access. A number of Youth Councillors helped organise the Mask Parade, with one being a judge.

Arts and Heritage

The Founders Book Fair was held in June 2019, and raised \$175,000, the best year on record for the Friends of Founders Trust. The Book Fair is run by volunteers and continues to be a very popular community event.

The New Zealand Company Office display in Duncan House at Founders Heritage Park was completed in January 2022, showing the development of the European settlement of Nelson. It focusses particularly on the interactions between incoming settlers and Māori who lived in the area at the time.

With COVID-19 preventing April's Heritage Festival from going ahead, a redevelopment took place to enable it to be a virtual festival using Facebook and YouTube, featuring a number of short films and community projects.

Events

COVID-19 and movement between alert levels had a severe impact on the events sector. However, through the Nga Toi Huatau Seasonal Acts initiative, an umbrella model was created to promote and support arts organisations to deliver events in the City Centre at alert level 2 and beyond.

Pre COVID-19, Nelson held a number of festivals and events over the last year for all different age groups. Four Lanes festival was held in August, bringing over 10,000 visitors into the city centre across pedestrian lanes. Fright Night, a spooky Halloween themed event at Founder's Park, had 600 youth attend. Bay Dreams, a summertime music festival, brought over a dozen musical performances and 17,500 attendees. 85,000 people came from Nelson and the wider region and beyond for the Nelson Arts Festival and the Piki Mai installation, a dynamic light show projected on the Nelson Cathedral.

The FlagTrax system was rolled out to enable easy deployment of flags on streetlights in the city centre. This reduces the cost of raising flags throughout the city, and simplifies the process for community groups to submit and display flags connected to their events. The system rollout and associated community flag design competition period was a success, with over 400 flag submissions received.

Libraries

Work to replace the Self Check Out units was undertaken in Elma Turner Library. The children's library had a number of exciting initiatives, with live music events, a kid's media club and Lego robotics projects all being established. Public computers were all replaced with fixed chromestations and mobile chromebooks enabling a variety of

approaches to public computer use. Stoke Library had upgraded shelving and signage, and Nightingale Library introduced the issuing of beach games. Nelson Public Libraries collaborated with the Digital Inclusion Alliance Aotearoa and Tasman District Libraries to bring the DORA (Digital On Road Access) bus to the Nelson Tasman region in February. This functioned as a mobile classroom educating people on internet banking and digital safety.

COVID-19 had an impact on library usage, with the digital library experiencing considerable growth. Audiobook borrowing grew 79% and e-books 144%, and online research inquiries increased substantially. Click and collect and home delivery models of library use for physical materials was successfully employed during levels 2 and 3.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

| Community Outcome | Contribution |
|--|---|
| Our communities are healthy, safe, inclusive and resilient | <p>Council partnered with community groups to help them deliver events and other roles within the community. Council tries to help groups do this rather than delivering the entire project themselves</p> <p>Young people were supported to participate in our community through the likes of Youth Council and events</p> |
| Our communities have opportunities to celebrate and explore their heritage, identity and creativity | <p>Community achievement was celebrated through awards</p> <p>Council promoted agencies and group working on telling and involving the community in our stories</p> |
| Our communities have access to a range of social, educational and recreational facilities and activities | <p>Council funded and directly organized a number of social, education and recreational facilities and activities, as well as partnering with other entities to help them deliver a range of initiatives for the community</p> |
| Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement | <p>We provided leadership opportunities for our young people through Youth Council, cadetships and Youth Development Grants</p> <p>We supported networks in the community sector to become stronger</p> <p>Partnerships were created to achieve Council outcomes and meet community needs</p> |
| Our region is supported by an innovative and sustainable economy | <p>Youth were supported through actions from the Youth Strategy</p> <p>We developed our community leaders and celebrate community contribution</p> |

SOCIAL SERVICE LEVELS AND PERFORMANCE

Measures from Year Two of the Long Term Plan 2018-28

| What Council will provide | Performance measure | Target 2019/20 | 2019/20 (Full Year) | End of year result |
|--|---|---|--|---------------------------------|
| | | | End of year comment (2019/20) | Achieved/Not achieved (2019/20) |
| Community partnerships address community needs and issues | Number of successful projects funded where officers work with groups to increase partnership opportunities & leverage funding | One new project funded per year that achieves the outcomes of the funding agreement | Council provided a number of funding initiatives to organisations such as the Whakatū Riding for the Disabled group, Alzheimer's Society Nelson, and Age Concern Nelson. | Achieved |
| Bishop Suter Art Gallery: a regional art gallery that engages, educates and entertains | % users satisfied or very satisfied with the facility | At least 80% of users satisfied or very satisfied | 86% of users were satisfied or very satisfied with the Suter Gallery, according to the 2020 Residents' Survey. This is the same as 2018/19. | Achieved |
| Bishop Suter Art Gallery: a regional art gallery that engages, educates and entertains | Number visits per year | At least 110,000 | Despite being closed for 3 months during the COVID-19 lockdown, visitor numbers reached 106,306 for the year. There were 140,975 visitors in 2018/19. | Not achieved |

| | | | | |
|---|---|---|---|--------------|
| Theatre Royal: regional theatre widely used | Audience numbers per year and percentage of local audience Days in use per year. | Audience of 40,000 per annum 70% local audience At least 275 days of usage | The Theatre was closed during 3 months of COVID-19 lockdown. Audience numbers for the year were 32,665. Local audience is estimated at 70%, but this cannot be confirmed. The Theatre was in use for 267 days. In 2018/19 audience numbers were 26,300, and 75% of these were local. The Theatre was used for 261 days. | Not achieved |
| Nelson Centre of Musical Arts: independent music school & venue | Audience numbers per year Number of students per year Number of people regularly using recital rooms / facility usage / community participation | Audience numbers per year: At least 13,000 Number of students attending per year, including pathway courses: At least 530 Number of people regularly using facility for community participation: At least 12,000 | The NCMA was closed during 3 months of COVID-19 lockdown – figures tba. In 2018/19 audience numbers were 11,028, 567 students attended, and 75,000 people used the facility for community participation. | Not achieved |
| Public libraries: well used, welcoming and safe | Customer satisfaction | At least 90% user satisfaction | 93% of respondents to the 2020 Residents' Survey were satisfied or very satisfied with Nelson's libraries. This was 89% in 2018/19. | Achieved |
| | Library membership | At least 75% residents are library members | The total number of members with Nelson addresses is 36,673. Libraries total membership is 42,418 (which includes some members from Tasman and Marlborough). The estimated total Nelson population is 51,900 (Stats NZ) This equates to 70% of Nelson | Not achieved |

| | | | | |
|---|--------------------------------|--|---|--------------|
| | | | <p>residents having library membership (67% in 2018/19). There are plans in place to review our youth memberships and work with schools to increase our membership in this area.</p> <p>However if taken to include members from outside of the region it equates to 82%.</p> | |
| | Door counts | At least 500,000 per year (except during redevelopment period) | Pre-COVID-19 the libraries were tracking for similar visitor numbers as 2018/19 (446,883). Visitor numbers affected by COVID-19 lockdown library closures meant that the visitor count was just over 340,000. | Not achieved |
| | Online use (previous 3 years) | Online use increasing each year | Online usership for 2019/20 was 1.93 million. This is a reduction of 7% on last year (2.07 million). This has not been achieved due to COVID-19 lockdown. However other areas of online usage did increase over this period especially website engagement and e-book and audio downloads - just not at levels high enough to counteract the drop in Wi-Fi and computer use due to the lockdown. | Not achieved |
| Founders Heritage Park: well used by residents and visitors | % occupancy of available space | 95% occupancy maintained | There was a delayed uptake of vacant space due to COVID-19, resulting in occupancy of 89%. The figure was 81% in 2018/19. | Not achieved |

| | | | | |
|--|---|---|--|--------------|
| | Number of visitors of the facility per year | Maintain or increase visitor number each year | Facility closed during 3 months of COVID-19 lockdown – 90,707 people visited in 2019/20, down from 115,710 in 2018/19. | Not achieved |
| High quality, popular and accessible arts events | Nelson Arts Festival, Summer Programme and Opera in the Park well-supported by local community measured by Council survey of attendance every three years | Council Residents' Survey attendance levels maintained or exceeded: 53% Summer Festival 44% Mask Parade 31% Arts Festival 30% Opera in the Park (alternate years) | The 2020 Nelson Residents' Survey showed that: 41% of respondents attended the Summer Festival 23% attended the Mask Parade 16% attended the Arts Festival 22% attended Opera in the Park Nelson Festivals Trust's report shows record attendance numbers to the 2019 Nelson Arts Festival and the data collected from the Events Team shows mostly high numbers of attendance, unlike the numbers shown in the Residents' Survey. The 2019 Nelson Residents' Survey showed that: 43% of respondents attended the Summer Festival 33% attended the Mask Parade 19% attended the Arts Festival | Not achieved |
| | Percentage of available tickets allocated | Percentage of available tickets allocated is greater than 60% | 77% of tickets available were allocated for sale, compared with 85% in 2018/19. | Achieved |
| | Satisfaction levels of attendees measured at events annually | The percentage of attendees' satisfaction at events increases each year | Over 80% satisfaction of attendees was recorded at Council events. | Achieved |

| | | | | |
|--|--|----------------------------|---|--|
| | | from a baseline of 2018/19 | No comparative is available for 2018/19, as data was not collected in that year due to staffing changes in the events team. 2019/20 will be the baseline. | |
|--|--|----------------------------|---|--|

SOCIAL FUNDING IMPACT STATEMENT

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|---|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Sources of operating funding | | | | |
| General Rates, uniform annual general charges, rates penalties | 12,872 | 13,087 | 13,837 | 13,799 |
| Targeted rates | 0 | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 171 | 174 | 174 | 81 |
| Fees and charges | 621 | 733 | 913 | 986 |
| Internal charges and overheads recovered | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 1,708 | 1,302 | 1,304 | 1,706 |
| Total operating funding | 15,372 | 15,296 | 16,228 | 16,572 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 12,502 | 12,595 | 13,373 | 14,112 |
| Finance costs | 0 | 0 | 0 | 0 |
| Internal charges and overheads applied * | 1,652 | 1,492 | 1,735 | 1,282 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 14,154 | 14,087 | 15,108 | 15,394 |
| Surplus (Deficit) of operating funding | 1,218 | 1,210 | 1,120 | 1,178 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital | 23 | 23 | 23 | 461 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Increase (decrease) in debt | 1,571 | (7,601) | (7,403) | 475 |
| Gross proceeds from sale of assets | 0 | 8,383 | 8,383 | 6 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 1,594 | 805 | 1,003 | 942 |
| Applications of capital funding | | | | |
| Capital Expenditure | | | | |
| - to meet additional demand | 1,512 | 921 | 1,258 | 913 |
| - to improve level of service | 690 | 1,450 | 951 | 798 |
| - to replace existing assets | 770 | 425 | 754 | 586 |
| Increase (decrease) in reserves | 0 | 59 | 0 | 0 |
| Increase (decrease) in investments | (160) | (840) | (840) | (177) |
| Total applications of capital funding | 2,812 | 2,015 | 2,123 | 2,120 |
| Surplus (Deficit) of capital funding | (1,218) | (1,210) | (1,120) | (1,178) |
| Funding balance | 0 | 0 | 0 | 0 |

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

Funding Impact Statement variances against budget

Other receipts are over budget by \$402,000. Community Housing rental income is over budget by \$463,000, reflecting the assumption that Community Housing would be sold half-way through the year. Community Housing expenditure is over budget by \$388,000.

Payments to staff and suppliers are over budget by \$739,000. Community Housing expenditure is discussed above. Un-budgeted COVID-19 Emergency Community Organisation Grants of \$82,000 were made.

Internal charges and overheads are under budget by \$453,000 and are offset in the Parks activity.

The increase in debt is \$7.9 million higher than anticipated due to the delay in sale of Community Housing and to capital expenditure programme variances. Detail relating to variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

The decrease in investment value is less than expected by \$663,000 due to deferral of the loan repayment from the Nelson School of Music.

Subsidies and grants for capital are over budget by \$497,000. This includes the kinetic sculpture grant (\$331,000), and Ministry of Business, Innovation and Employment grants for the Millers Acre and Tahunanui Lions toilets.

Other non-cash expenditure includes a decrease in the fair value of investments.

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

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Surplus/(Deficit) of operating funding from Funding Impact Statement | 1,218 | 1,210 | 1,120 | 1,178 |
| Subsidies and grants for capital expenditure | 23 | 23 | 23 | 520 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Vested Assets | 0 | 0 | 0 | 0 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Depreciation | (1,351) | (1,272) | (1,250) | (1,243) |
| Other non-cash income | 59 | 644 | 702 | 506 |
| Other non-cash expenditure | 0 | 0 | 0 | (158) |
| Net Surplus (Deficit) before taxation in Cost of Service Statement | (51) | 604 | 595 | 803 |

Parks and Active Recreation

ABOUT COUNCIL'S PARKS AND ACTIVE RECREATION ACTIVITIES

Council provides active recreation opportunities for Nelsonians and visitors, through its provision of infrastructure such as walkways and cycleways, sports and recreation facilities, parks and open space, services and events. We also assist in the protection of Nelson's biodiversity, heritage, rivers and coast.

HIGHLIGHTS FOR 2019/20

Parks and Reserves

Paddy's Knob Reserve Redevelopment

A landscape development project to transform the reserve from an asphalt car park into a neighbourhood park with play facilities was finalised in March 2020, and received a very positive community response. The park includes a community planter box, and 'glow stones' which have been added to the concrete path to improve visibility when it gets dark. The viewing platforms have been reinforced (and the rails raised), to improve safety for everyone.

Modellers Pond Solution

An alternative design for the area currently occupied by the Tahunanui Modellers Pond was prepared in 2019/20, and approved by Council on 18 June 2020 to progress to preliminary design.

The existing pond is proposed for infilling and shaped to create a family friendly grassed picnic area, surrounded with native trees and shrubs including picnic tables, barbeques and shade, complementing the model train network which could be further extended in future. The design recognises environmental considerations and expands on the original vegetation of the site, and the adjacent estuary which is typical of the wider Waimea Estuary area. Cultural interpretation and artwork would be guided by iwi through the design process and form an integral part of the overall design.

A filtration system is proposed for installation prior to stormwater entering the Centennial Road pump station with further cleansing provided through a wetland of native reeds and rushes before discharge to the back beach estuary.

Weed Control and Fire Safety

Council acquired land on the western side of Grampians Reserve between the Braemar Eco Village and Grampian Oaks Reserve. Fencing was installed in May 2020 to graze it as preparation for planting natives. Grazing is an efficient way to control weeds and grass growth, which will reduce fire risk near residential properties. A new grazing area was also set aside on the western side of the Bolwell Reserve. Grazing on this steep slope will reduce fire risk below the houses on Panorama Drive and help to suppress ongoing weed issues in this area.

Marsden Park Playground

Development of a new playground in Marsden Valley got underway in 2019/20. The first stage was completed in 2019/20, with earthworks finished, natural play equipment installed, and seating and picnic benches installed before COVID-19 disrupted delivery of the remaining equipment. The second stage, planting and installation of playground equipment, will continue in 2020/21.

Landscaping Piki Mai/Church Hill

A landscaping project to enhance the area at the top of the church steps at Church Hill Piki Mai was completed. The project received positive public feedback.

Shared pathway connection Ngāwhatu Valley-Montebello Subdivision

A shared pathway between the Ngāwhatu Valley and Montebello Subdivision was completed in the third quarter of the year. The walkway was constructed without steps to maximise accessibility, and designed to avoid the root systems of the mature redwood trees present on site.

New Tahuna back beach carpark

A new carpark was constructed at the Tahuna back beach in 2019/20, to replace the parking area lost to erosion in February 2018. The new parking area is unsealed and uses natural features, as it is anticipated that erosion will eventually continue into this area.

Adopt a Spot

Adopt a Spot (AAS) is a programme where community groups, schools, businesses, or individuals agree to enhance and take care of an area of Council land. The majority of involvement to date occurs in neighbourhood parks and urban esplanade reserves. As at the end of 2019/20, there were 37 AAS groups operating in parks and reserves, including 12 newcomers since the COVID-19 lockdown, 12 individuals, 24 community groups and one business. As well as undertaking a variety of activities, each group functions as proactive advocates for their local community. An agreement is developed, and Council provides support. This support ranges from assistance with planting site preparation and provision of plants, to technical advice and access to resources, such as traps and monitoring equipment.

Recreation and Facilities

Completed artificial turf feasibility study

A feasibility study for an artificial turf for winter sports codes was completed in 2019/20. This has been received by the Sports and Recreation Committee and is being considered in the development of the draft Parks and Reserves Activity Management Plan for 2021-31.

Marina hardstand project

An abatement notice was received by Council in relation to the marina hardstand compliance with resource consent conditions. Timeframes in the abatement notice require that Council seals the entire hardstand yard, starting by December 2020 and adheres to site processes that have been agreed to in the interim. The resource consent specifies a specific sealed area that is allowed to be used for contaminated work such as sanding, painting and anti-fouling. In accordance with the consent, once the area is sealed, only that area specified within the consent is able to be used for the contaminated work.

The project to seek a new consent and expand the hardstand area to better meet user needs has met some technical difficulties in discharging water to sewer and stormwater that need to be worked through. While those issues are being progressed officers are working to make the hardstand compliant with the existing consent in the meantime. This will involve sealing and filtration system improvements. A consent variation will be required to ensure that the required number of working bays can be used once the sealing is completed.

At a higher level Council is undertaking work to improve planning for the marina, and to provide the best outcomes for marina users and the wider community.

Athletics Track Renewal

The renewal of the Saxton Field Athletics track surface was completed in December 2019. The new surface is being enjoyed by users.

Mountain Bike Trails

Renewal of the Coppermine Trail from the Coppermine Saddle to Maitai River South Branch was completed early in 2020, to great reviews. Changes to alignment mean slower speeds in some areas, and signs were installed to remind all users of its shared use nature. The project was 50% funded by the Ministry of Business Innovation and Employment.

A new Grade 2 mountain bike trail was also constructed at Saxton Field.

\$326,000 of contract funding for Nelson Mountain Bike Club (NMTBC) for trail construction services in 2019/20 was carried forward to 2020/21. As well as COVID-19, other delays to the project have included time taken for the resource consent process. The NMTBC is progressing to the construction phase of the project in 2020/21, with a number of new mountain bike trail types and grades planned over the next year.

Great Taste Trail (Tahuna Beach to Great Taste Trail)

A boardwalk section of the trail was constructed to connect Parkers Cove to the Tahuna BMX track, around the outside of the campground. This offers great views and has received positive feedback.

Venue Hire Fund

The Venue Hire Fund was established in the Annual Plan 2019/20, to assist eligible community groups in paying venue hire fees at Nelson City Council venues. The fund pool was \$30,000 at the start of 2019/20. Eight events were approved for funding during 2019/20, with \$16,000 budget allocated. The fund is administered by the Nelson Regional Development Agency on behalf of Council.

Responsible Camping Fund

Council received \$ \$256,878 funding from the Ministry of Business, Innovation and Tourism's Responsible Camping Fund and Tourism Infrastructure Fund in 2019/20, towards setting up a temporary staffed daytime hub (toilet, washroom and waste station), an extension of the Council's ambassador programme, additional waste management and recycling and a user survey. The daytime service hub on Halifax Street included toilets, showers, a rubbish and recycling station and a lunch room.

During the time the hub was open (7 January to 18 March) over 2,500 vehicles passed through the hub (an average of 35 per day) and over 4,500 people (an average of 65 per day). The maximum number in one day was 56 vehicles and 135 people. A number of homeless people also used the facility. Feedback from users was generally very positive, with some noting that this was the best service of its kind in the country. On site staff also reported numerous positive comments which were recorded in the log books.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

| Community Outcome | Contribution |
|---|---|
| Our unique natural environment is healthy and protected | <p>Parks and reserves have a key role in improving the health of waterways through riparian planting, which filters nutrients, reduces river water temperature and helps to control erosion from coastal and river processes</p> <p>Pest and weed control programmes help to protect and enhance our biodiversity, including in the ultramafic rock zone where a number of species endemic to</p> |

| | |
|--|---|
| | <p>the region occur. The Nelson City Council's policy is to use the least toxic chemical necessary to destroy unwanted weeds and organisms. All chemical applications are carried out by Growsafe certified staff</p> <p>Council manages some land as Landscape Reserves, to protect and enhance the City's unique backdrop</p> <p>Over 10,000 hectares of backcountry is managed by Council, much of it in native forest and accessible for walking, running and mountain biking</p> <p>Council designs and manages many areas of its parks and reserves to reduce fire risk. One way that we reduce the fire load on our land is by implementing grazing, which is a sustainable and efficient method</p> |
| Our urban and rural environments are people-friendly, well planned and sustainably managed | <p>Council strives to ensure reserves acquired through subdivision are appropriately located, well connected and on suitable land</p> <p>Council leverages the region's favourable climate and provides well distributed play equipment across the city, and continues to develop cycling and walking connections across and through our reserves</p> |
| Our infrastructure is efficient, cost effective and meets current and future needs | <p>High quality playing surfaces and facilities are integral to attracting national and international sporting events. The facilities require sound condition assessments and renewal programmes to reduce whole of life costs</p> <p>Hard surfaces are developed and monitored using industry best practice. We are prioritising incorporating road assessments and maintenance management</p> |
| Our communities have access to a range of social, educational and recreational facilities and activities | <p>A wide range of healthy, accessible and safe recreation opportunities are provided that meet community needs and improve wellbeing</p> <p>Council's reserves support a wide range of sports and recreation facilities for all ages, including youth and older residents. We protect, enhance and interpret Nelson's human heritage and historic sites</p> |

| | |
|--|---|
| | Use of reserves for community events is encouraged, such as the Blossom Festival, Race Unity Day, Bay Dreams, Opera in the Park, plus national and international sporting events |
| Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement | <p>The Council's Parks and Facilities team works with a range of trusts, clubs, codes and community groups, and often undertakes development through co-funding agreements</p> <p>Saxton Field continues to be developed in partnership with Tasman District Council</p> |
| Our communities have opportunities to celebrate and explore their heritage, identity and creativity | <p>Many of Council's reserves have significant heritage value including the Queen's Gardens, Piki Mai (Church Hill), other public gardens which include historic houses, and the Brook Conservation Reserve which has important pakohe (argillite), copper and chromite mine workings, the route of the country's first railway line and Nelson's first municipal water supply</p> <p>Council reserves provide venues for a range of festivals and events that showcase the region's creativity, often in a unique setting</p> |
| Our region is supported by an innovative and sustainable economy | <p>Quality reserves and recreation opportunities enhance quality of life, and thus forms a key part of making Nelson a better place, which in turn encourages new residents to the region</p> <p>Council recognises the importance of activities that use reserves for generating tourism and encouraging settlement in the region. Parks have a key role in providing venues and other support for recreational and sporting opportunities, from formal developments at Saxton Field to support for entities such as the Nelson Mountain Bike Club</p> |

PARKS AND ACTIVE RECREATION SERVICE LEVELS AND PERFORMANCE

Measures from Year Two of the Long Term Plan 2018-28

| What Council will provide | Performance measure | Target 2019/20 | 2019/20 (Full Year) | End of year result |
|--|---|---|---|---------------------------------|
| | | | End of year comment (2019/20) | Achieved/Not achieved (2019/20) |
| Parks and recreation service that meets or exceeds residents' expectations | Resident satisfaction with parks and recreation, by survey | 80% or more satisfied or very satisfied | 82% of respondents were 'satisfied' or 'very satisfied' with parks and recreation in Nelson in the 2020 Residents' Survey. This is up from 81% in 2018/19. | Achieved |
| Iwi heritage recognised in parks and reserves | % new reserves and renewed signs with Te Reo Māori name where one exists | 100% | No new or renewed reserve naming signs were installed. | Achieved |
| Sufficient open space provided in the City | Area in hectares of Neighbourhood Parks per 1,000 residents | At least 1.7 hectares per 1,000 residents | In 2019/20 there were 1.6 hectares of neighbourhood parks per 1,000 residents. This was 1.7 hectares in 2018/19. | Not Achieved |
| Conveniently located open space i.e. neighbourhood park, public garden or sportsground | % residential properties within 800m of open space, approximately 10 min walk | At least 99% | 99.04 % of residential houses were within 800 m of neighbourhood parks. This was 99% in 2018/19. | Achieved |
| Play facilities that are conveniently located | % of residential properties within 1km of a playground, | At least 95% | 97.4% of residential properties were within 1 km of a playground in 2019/20. | Achieved |

| | | | | |
|---|---|--|--|--------------|
| | approximately 15 min walk | | This figure was 95% in 2018/19. | |
| Saxton Stadium well utilised | Use rate in hours per annum | Saxton Stadium use achieves target of at least 1,450 hours per annum | Saxton Stadium was used for 2096 hours in the 2019/20 year. This was 2325 in the previous year. | Achieved |
| Trafalgar Centre facilities well utilised | Trafalgar Centre annual number of users | Trafalgar Centre annual number of users at least 70,000 | There were 49,885 total users for the year at the Trafalgar Centre. In 2018/19 this was 51,901. | Not achieved |
| Marina managed to meet demand | Marina berth occupation rates in relation to target | Marina berth occupation of at least 85% | Berth occupancy at the Marina was 96%. This was the same in 2018/19. | Achieved |

PARKS FUNDING IMPACT STATEMENT

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Sources of operating funding | | | | |
| General Rates, uniform annual general charges, rates penalties | 12,643 | 13,188 | 13,206 | 12,774 |
| Targeted rates | 0 | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 0 | 51 | 0 | 294 |
| Fees and charges | 2,224 | 2,259 | 2,284 | 474 |
| Internal charges and overheads recovered | 449 | 459 | 459 | 459 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 1,844 | 1,401 | 1,544 | 3,475 |
| Total operating funding | 17,160 | 17,358 | 17,493 | 17,476 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 11,466 | 10,861 | 11,242 | 10,581 |
| Finance costs | 0 | 0 | 0 | 0 |
| Internal charges and overheads applied * | 2,817 | 2,786 | 2,489 | 3,038 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 14,283 | 13,647 | 13,731 | 13,619 |
| Surplus (Deficit) of operating funding | 2,877 | 3,711 | 3,762 | 3,857 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital | 828 | 1,464 | 1,038 | 938 |
| Development and financial contributions | 1,800 | 1,840 | 1,716 | 1,287 |
| Increase (decrease) in debt | 1,254 | 1,690 | 2,347 | (1,035) |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 3,882 | 4,994 | 5,101 | 1,190 |
| Applications of capital funding | | | | |
| Capital Expenditure | | | | |
| - to meet additional demand | 2,951 | 2,884 | 2,439 | 1,080 |
| - to improve level of service | 1,858 | 2,373 | 3,437 | 1,669 |
| - to replace existing assets | 2,066 | 3,249 | 2,987 | 2,298 |
| Increase (decrease) in reserves | (116) | 199 | 0 | 0 |
| Increase (decrease) in investments | 0 | 0 | 0 | 0 |
| Total applications of capital funding | 6,759 | 8,705 | 8,863 | 5,047 |
| Surplus (Deficit) of capital funding | (2,877) | (3,711) | (3,762) | (3,857) |
| Funding balance | 0 | 0 | 0 | 0 |

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

Funding Impact Statement variances against budget

A categorisation change has resulted in the variances in Fees and Charges and other receipts.

Subsidies and grants for operating purposes include a Ministry of Business, Innovation and Employment grant of \$215,000 for responsible camping initiatives.

Payments to staff and suppliers are under budget by \$661,000. Contract and programmed maintenance costs across the activity were lower this year due to COVID-19. The Maitai area Mountainbike Trail grant (\$373,000) has been deferred to 2020/21.

Internal charges and overheads are over budget by \$549,000 and are offset in the Social activity.

The receipt of development contributions reflects the development cycle of individual developers and the timing is difficult to predict.

The debt movement is \$3.4 million less than budget due to capital expenditure being lower than budgeted. Detail relating to variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

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

| | Long Term Plan 2018/19 (\$000) | Long Term Plan 2019/20 (\$000) | Annual Plan 2019/20 (\$000) | Actual 2019/20 (\$000) |
|--|--------------------------------------|--------------------------------------|-----------------------------------|---------------------------|
| Surplus/(Deficit) of operating funding from Funding Impact Statement | 2,877 | 3,711 | 3,762 | 3,857 |
| Subsidies and grants for capital expenditure | 828 | 1,464 | 1,038 | 938 |
| Development and financial contributions | 1,800 | 1,840 | 1,716 | 1,287 |
| Vested Assets | 0 | 0 | 0 | 0 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Depreciation | (3,183) | (3,313) | (3,488) | (3,508) |
| Other non-cash income | 0 | 0 | 0 | 0 |
| Other non-cash expenditure | 0 | 0 | 0 | (2) |
| Net Surplus (Deficit) before taxation in Cost of Service Statement | 2,322 | 3,702 | 3,028 | 2,572 |

Economic

ABOUT COUNCIL'S ECONOMIC ACTIVITIES

Council has a role in creating a successful, sustainable and economically viable region and fostering economic development. The economic development activity is largely delivered through the Council owned Nelson Regional Development Agency (NRDA), which has a focus on delivering Nelson-Tasman's unique identity. The identity of our region is based on five pillars that make Nelson-Tasman different from other regions in New Zealand. These pillars are: Clever Business, Stunning Natural Landscapes, Surprisingly Diverse, Arts and Artisans, and Highly Connected. Although the NRDA is owned by Nelson City Council, its work is also supported and funded by Tasman District Council, businesses, and central government.

Nelson City Council's funding for the NRDA was \$1.36 million in 2019/20, including economic events supported through the Events Fund (\$391,500).

Note: The NRDA's 2019/20 Annual Report will be available on its website when it is completed.

HIGHLIGHTS FOR 2019/20

Project Kōkiri

Council contributed to the development of Project Kōkiri, the region's economic recovery and regeneration plan developed to respond to COVID-19. This included the development and prioritisation of a list of 'Shovel Ready' projects (together with Tasman District Council, the NRDA, iwi, Government agencies, businesses, and the Chamber of Commerce), that were put forward for central Government consideration. Applications included several Council projects associated with roading, environment focused jobs, and the Stoke Hall upgrade, to support labour redeployment outcomes. Some of these have been successfully funded, while others are still awaiting decisions.

NRDA Review

Council commissioned a review of NRDA in 2019, to gain a better understanding of the services being provided by the NRDA and any areas for potential improvement. The review provided a number of recommendations to improve the strategic alignment between Council and the NRDA, improve clarity of direction, communication and reporting, and to increase financial sustainability for the NRDA. Council is now progressing with work to implement aspects of these recommendations.

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

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

ECONOMIC SERVICE LEVELS AND PERFORMANCE

Measures from Year Two of the Long Term Plan 2018-28

| What Council will provide | Performance measure | Target 2019/20 | 2019/20 (Full Year) | End of year result |
|---|--|--|--|---------------------------------|
| | | | End of year comment (2019/20) | Achieved/Not achieved (2019/20) |
| Overview of a healthy local economy | GDP measured as three year average | Percentage increase in GDP per annum at least equal to or better than the national average | Nelson's GDP reduced by 1.8% in the year to the end of June 2020, compared to a 2.1% decrease for New Zealand as a whole. This decrease is due to the impact of COVID-19. | Not achieved |
| Strategic overview of economic development for the benefit of the community | Value of tourism (total spend) annually in Nelson city | Increase the annual value of tourism spend in Nelson from previous year | Nelson's tourism spend reduced by 13.1% in the year to the end of June 2020, compared to a 12.3% decrease for New Zealand as a whole. This decrease is due to the impact of COVID-19. | Not achieved |
| Measures that contribute to the vitality and attractiveness of the Nelson CBD | Total annual spending in the Nelson CBD | Total annual spending in the Nelson CBD is greater than or equal to previous annual spend | A total of \$169 million was spent in the CBD in the year ending June 2020. This is less than the \$195 million spent in the same period in 2019, primarily due to the impact of COVID-19. | Not achieved |

| | | | | |
|--|--|--|--|--------------|
| Events funding that provides a sound return on investment for Nelson | Return on investment measured by number of out of town visitors attending major events | Number of out of town visitors attending major events greater or equal to previous three year average (17,496). This was based on an average taken from 2016/17 (14,000), 2017/18 (19,300) and 2018/19 (19,188). | <p>Out of town attendee numbers for the Events Fund economic events were predicted to be 17,894. Six events were cancelled or postponed due to COVID-19, resulting in a lower than expected result of 14,234 out of town attendees.</p> <p>Given the ongoing impact of COVID-19 on events this measure will be reassessed as part of the development of the Long Term Plan 2021-2031.</p> <p>The NRDA is working with event organisers towards maximising the transfer of attendee numbers from activities that were scheduled in 2019/20 to those scheduled in 2020/21.</p> | Not achieved |
| Events funding that provides a sound return on investment for Nelson | Return on investment measured by number of out of town visitors attending major events | At least 80% of those visits are in the months of March to November | 14 of the 15 economic events fell between March and November, this is 93%. The predicted number of out of town attendees for these events between March and November was 11,894 (which is 66% of the 17,894 predicted total attendees for the full year). Due to COVID-19 related cancellations and postponements the actual number of out of town attendees during March to November approved events was 8,234 (which is 58% of the 14,234 actual total attendees for the full year). | Not achieved |

ECONOMIC FUNDING IMPACT STATEMENT

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Sources of operating funding | | | | |
| General Rates, uniform annual general charges, rates penalties | 1,720 | 1,798 | 1,755 | 1,803 |
| Targeted rates | 0 | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 300 | 305 | 0 | 400 |
| Fees and charges | 0 | 0 | 0 | 0 |
| Internal charges and overheads recovered | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 0 | 0 | 0 | 0 |
| Total operating funding | 2,020 | 2,103 | 1,755 | 2,203 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 2,006 | 2,081 | 1,730 | 2,173 |
| Finance costs | 0 | 0 | 0 | 0 |
| Internal charges and overheads applied * | 14 | 22 | 25 | 22 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 2,020 | 2,103 | 1,755 | 2,195 |
| Surplus (Deficit) of operating funding | 0 | 0 | 0 | 9 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital | 0 | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Increase (decrease) in debt | 200 | 204 | 590 | 185 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 200 | 204 | 590 | 185 |
| Applications of capital funding | | | | |
| Capital Expenditure | | | | |
| - to meet additional demand | 0 | 0 | 0 | 0 |
| - to improve level of service | 200 | 204 | 590 | 194 |
| - to replace existing assets | 0 | 0 | 0 | 0 |
| Increase (decrease) in reserves | 0 | 0 | 0 | 0 |
| Increase (decrease) in investments | 0 | 0 | 0 | 0 |
| Total applications of capital funding | 200 | 204 | 590 | 194 |
| Surplus (Deficit) of capital funding | 0 | 0 | 0 | (9) |
| Funding balance | 0 | 0 | 0 | 0 |

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

Funding Impact Statement variances against budget

Over budget subsidies and grants are offset by over budget expenditure, and relate to Tasman District Council payments that were made directly to the Nelson Regional Development Agency rather than through the Council.

The debt movement is \$396,000 less than budget due to capital expenditure being lower than budgeted. Detail relating to variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

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

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Surplus/(Deficit) of operating funding from Funding Impact Statement | 0 | 0 | 0 | 9 |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Vested Assets | 0 | 0 | 0 | 0 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Depreciation | 0 | 0 | 0 | 0 |
| Net Surplus (Deficit) before taxation in Cost of Service Statement | 0 | 0 | 0 | 9 |

Corporate

ABOUT COUNCIL'S CORPORATE ACTIVITIES

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

Council's corporate activities include:

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

HIGHLIGHTS FOR 2019/20

Annual Plan 2020/21

During 2019/20, Council prepared, consulted on and adopted the Annual Plan 2020/21. This Annual Plan contained exceptions to year three of the Long Term Plan 2018-28. Through this process, Council received 284 submissions. The final Annual Plan was adopted on 9 July 2020.

The preparation for the Annual Plan was carried out over a number of months, and included Council workshops as well as consultation with the community. The implementation of the COVID-19 lockdown during the consultation period was an additional challenge, but Council adapted to ensure that the process would still work for the community. Council extended the consultation period by two weeks, and moved the hearings and deliberations online, using video conferencing. In recognition of the financial impact of the COVID-19 lockdown on the community, Council put out a new proposal for feedback – to implement a net 0% rates rise for 2020/21. This was supported by the majority of submitters on the topic, and was adopted as part of the final Annual Plan 2020/21.

Organisational Response to COVID-19

Council immediately transitioned over 270 staff to work remotely from the start of Alert Level 4. The regional Emergency Operations Centre (EOC) was activated for response and recovery work. Council officers were seconded to work for the EOC, alongside other key organisations such as the Ministry of Social Development. 2,300 welfare check calls were made to potentially vulnerable residents.

Essential services such as rubbish and recycling collection, and water services, were delivered at all COVID-19 alert levels.

Council provided assistance to ratepayers struggling to pay their rates, through the rates rebate scheme and payment plans.

Council initiated a \$200,000 Emergency Fund for community organisations. Support was also given to Council lease and licence holders in the tourism and hospitality sector, and community groups, with a three month waiver of rent and outgoings until 30 June 2020. Council also made weekly payments to its creditors to assist businesses with cash flow.

Climate Change

In 2019/20 Council created a new position of Climate Change Champion, initiated a review of opportunities for offsetting Emissions Trading Scheme liabilities, increased the number of electric vehicles in its fleet, and advanced development of a Council emissions reduction action plan.

Refer to page **XX** for more detail on these and other key climate change actions by Council in the last year.

Rates Rebates

During 2019/20, 1,890 rates rebates interviews were completed, with \$1.1 million in rebates being approved.

Residents' Survey

In the 2019/20 Residents' Survey, 54% of residents were satisfied or very satisfied with opportunities to provide feedback to inform Council's decision making in their community. This is an increase from 44% in 2018/19.

Lifting Council Performance

In the Long Term Plan, one of Council's four priorities was to lift Council performance. To enable this, we have increased staffing in critical areas and implemented new systems of monitoring and reporting on programmes and projects.

A total of 10.6 new Full Time Equivalent (FTE) staff roles were recruited in 2019/20. Most of that increase was rates funded, but several FTE were funded through existing activity budgets, or external sources.

There were 64 Council staff enrolments in Te Reo Māori education programmes in 2019/20.

Council Controlled Organisations

The annual reports for Council Controlled Organisations will be available on their websites when they have been completed and adopted:

- The Port Nelson Ltd
- Nelmac Ltd
- Nelson Airport Ltd
- Nelson Regional Development Agency
- Tasman Bays Heritage Trust (Nelson Provincial Museum)
- The Bishop Suter Trust

PROGRESS ON ACHIEVING COMMUNITY OUTCOMES

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

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

CORPORATE SERVICE LEVELS AND PERFORMANCE

Measures from Year Two of the Long Term Plan 2018-28

| What Council will provide | Performance measure | Target 2019/20 | 2019/20 (Full Year) | End of year result |
|---|---|---|--|---------------------------------|
| | | | End of year comment (2019/20) | Achieved/Not achieved (2019/20) |
| Effective engagement and consultation | % residents satisfied or very satisfied with opportunities to provide feedback, by survey | Annual improvement in the % of residents satisfied or very satisfied with opportunities to provide feedback | The result for the 2020 Nelson Residents' Survey is that 54% of residents were satisfied or very satisfied with opportunities available to provide feedback to Council to inform its decision-making. This is a 10% increase on the previous year's result (44% in the 2019 Residents' Survey). | Achieved |
| Council Controlled Organisations (CCOs) that deliver net benefit to the community | Council satisfaction with attainment of six monthly CCO targets for all SOIs - refer to CCO section for measures for each CCO | Council receives six monthly reports from all CCOs and is satisfied with attainment of targets | Six monthly reports from CCO's were received in February 2020. They were reported to either the Governance Committee (if 100% Council owned) or Joint Shareholders Committee (if jointly owned) in May 2020. The targets were largely met across the CCOs. | Achieved |
| Promotion of Te Tau Ihu Māori/iwi participation in decision-making processes | Strategic framework established for Chairs of Te Waka a Maui to work with mayors across Te Tau Ihu | Strategic framework established and operational | Discussion on the Draft Iwi-Council Kawa Whanaungatanga Partnership Agreement was progressed in 2019/20. The Draft Kawa Whanaungatanga has been implemented to progress iwi-Council partnership, but is yet to be finalised. There is agreement by Council and iwi on the forums of iwi-Council | Achieved |

| | | | | |
|---|--|---|--|--------------|
| | | | <p>engagement at governance, management and operational levels to encourage meaningful partnership on decision making that impacts the Whakatū/Nelson region.</p> <p>The Iwi-Council Partnership Group was established in 2019/20 and meets on a regular basis. The Group includes the Mayor, Deputy Mayor, chairs of the Community Services and Governance and Finance committees, and iwi chairs from each of the eight Te Tau Ihu (Top of the south) iwi (Ngāti Toa Rangatira, Ngāti Rārua, Ngāti Koata, Te Ātiawa, Ngāti Tama, Ngāti Kuia, Rangitāne and Ngāti Apa ki te Rā Tō).</p> <p>As of 2019/20, opportunities for Māori participation and involvement in decision making has been progressed through appointments to the Environmental Committee, the Nelson Regional Sewerage Business Unit, and Nelson Tasman Regional Landfill Business Unit. The Nelson Regional Development Agency also appointed two iwi representatives to its Board in 2019/20.</p> | |
| Effective Civil Defence Emergency Management (CDEM) response via regional Emergency | Ability to operate an effective Emergency Operations Centre: % EOC roles staffed and | 95% of EOC management and group roles staffed | 53.2% of the EOC Management and group roles were sufficiently staffed as at 30 June 2020 (no changes since quarter 2 2019/20). A round of training was scheduled for April 2020 but was | Not achieved |

| | | | | |
|-------------------------|--------------------------------------|---|---|----------|
| Operations Centre (EOC) | EOC meets Ministry CDEM requirements | | cancelled due to the COVID-19 pandemic. The next training round starts in August/September 2020 - until then there will be no significant changes to this figure. | |
| | | EOC meets Ministry of CDEM monitoring and evaluation requirements | EOC met MCDEM requirements at its previous review. | Achieved |

CORPORATE FUNDING IMPACT STATEMENT

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Sources of operating funding | | | | |
| General Rates, uniform annual general charges, rates penalties | 1,036 | 1,651 | 1,643 | 3,732 |
| Targeted rates | 0 | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 5 | 5 | 6 | 411 |
| Fees and charges | 0 | 0 | 0 | 36 |
| Internal charges and overheads recovered* | 8,894 | 9,075 | 8,432 | 8,372 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 5,602 | 5,602 | 5,369 | 4,266 |
| Total operating funding | 15,537 | 16,333 | 15,450 | 16,817 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 7,335 | 7,778 | 8,563 | 8,872 |
| Finance costs | 4,712 | 5,105 | 3,883 | 4,159 |
| Internal charges and overheads applied * | 772 | 746 | 645 | 948 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 12,819 | 13,629 | 13,091 | 13,979 |
| Surplus (Deficit) of operating funding | 2,718 | 2,704 | 2,359 | 2,838 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital | 0 | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 | 1,034 |
| Increase (decrease) in debt | 12,276 | 12,607 | 3,408 | 2,375 |
| Gross proceeds from sale of assets | 0 | 0 | 800 | 110 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 12,276 | 12,607 | 4,208 | 3,519 |
| Applications of capital funding | | | | |
| Capital Expenditure | | | | |
| - to meet additional demand | 924 | 796 | 1,197 | 448 |
| - to improve level of service | 894 | 2,070 | 1,386 | 292 |
| - to replace existing assets | 718 | 617 | 866 | 678 |
| Increase (decrease) in reserves | 0 | 0 | 0 | 1,289 |
| Increase (decrease) in investments | 12,458 | 11,828 | 3,118 | 3,650 |
| Total applications of capital funding | 14,994 | 15,311 | 6,567 | 6,357 |
| Surplus (Deficit) of capital funding | (2,718) | (2,704) | (2,359) | (2,838) |
| Funding balance | 0 | 0 | 0 | 0 |

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

Funding Impact Statement variances against budget

Other receipts are under budget by \$1.1 million. Dividend income is under budget by \$534,000. Port Nelson dividends were less than budget by \$350,000, including ordinary dividends (\$750,000 under budget) offset by an unbudgeted special dividend of \$400,000. Nelmac Ltd ordinary dividends were under budget by \$239,000. A forestry revaluation adjustment, recognising the cost of trees sold during the year, is reflected in income (\$395,000) and offset against payments to staff and suppliers.

Subsidies and grants for operating purposes are \$405,000 over budget. Civil Defence Emergency Management (CDEM) received a grant from the National Emergency Management Agency for COVID-19 costs (\$400,000). CDEM incurred unbudgeted costs relating to COVID-19 (\$427,000), which are reflected in above budget payments to staff and suppliers.

Finance costs and internal interest are over budget due to a categorisation difference between the Annual Plan and Annual Report. The variance is offset in payments to staff and suppliers.

Payments to staff and suppliers are over budget by \$309,000. This variance includes the CDEM costs, forestry revaluation, and finance cost and internal charges offsets, each discussed above.

The debt movement is \$1.6 million less than budget due to capital expenditure being lower than budgeted. Detail relating to variances in the capital programme can be seen in the section Summary of Capital Expenditure over \$100,000.

The difference between development contributions received and development contributions transferred to activities of \$1.0 million has been recognised in the Corporate activity. These funds are held in the Subdivisions Reserve account until required and is also apparent in the unbudgeted increase in reserves.

Other non-cash income and expenditure represents unbudgeted revaluations of interest rate swaps and investments.

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

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Surplus/(Deficit) of operating funding from Funding Impact Statement | 2,718 | 2,704 | 2,359 | 2,838 |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 | 1,034 |
| Vested Assets | 0 | 0 | 0 | 0 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Depreciation | (1,875) | (1,936) | (1,879) | (1,644) |
| Other non-cash income | 0 | 0 | 28 | 2,979 |
| Other non-cash expenditure | | | 0 | (3,599) |
| Net Surplus (Deficit) before taxation in Cost of Service Statement | 843 | 768 | 508 | 1,608 |

FINANCIAL INFORMATION

Contents page TBA

SUMMARY OF CAPITAL EXPENDITURE OVER \$100,000

| Project | Carry over 2018/19 (\$000) | Estimate 2019/20 (\$000) | Available 2019/20 (\$000) | Actual 2019/20 (\$000) |
|---|----------------------------------|-----------------------------|---------------------------------|------------------------------|
| Corporate | | | | |
| Civic House | | | | |
| Floor 1 upgrade | 0 | 800 | 800 | 24 |
| Aircon | 0 | 400 | 400 | 0 |
| Civic House Renewal Program | 0 | 174 | 174 | 168 |
| Strategy | | | | |
| Haven precinct capital works | 0 | 559 | 559 | 0 |
| Administration | | | | |
| Aerial Photography Programme | 1 | 136 | 137 | 85 |
| Nmap upgrade | 0 | 70 | 70 | 151 |
| Capital: Motor Vehicles | 0 | 144 | 144 | 74 |
| Core Systems enhancement | 27 | 276 | 303 | 251 |
| Corporate Projects under \$100,000 | 72 | 890 | 962 | 666 |
| Total Corporate | 100 | 3,449 | 3,549 | 1,419 |
| Economic | | | | |
| Economic Development | | | | |
| CBD Enhancements | 0 | 590 | 590 | 194 |
| Total Economic | 0 | 590 | 590 | 194 |
| Environmental Management | | | | |
| Monitoring the Environment | | | | |
| Healthy Streams | 0 | 110 | 110 | 44 |
| Plant & Equipment | 13 | 87 | 100 | 57 |
| City development | | | | |
| Upper Trafalgar Street Pedestrian Precinct | 0 | 250 | 250 | 159 |
| Environmental Management Projects under \$100,000 | 0 | 114 | 114 | 2 |
| Total Environmental Management | 13 | 561 | 575 | 262 |
| Flood Protection | | | | |
| Inventory of Urban Streams | 0 | 251 | 251 | 357 |
| Flood Mitigation | 0 | 162 | 162 | 87 |
| Saxton Creek upgrade Land Purchase | 0 | 0 | 0 | 249 |
| Saxton Creek upgrade | 0 | 1,300 | 1,300 | 1,542 |
| Minor Flood improvement prgm | 0 | 300 | 300 | 193 |
| Whakatu Drive (Storage World) | 0 | 600 | 600 | 48 |
| Secondary Flow Paths | 0 | 102 | 102 | 104 |
| Saxton Creek Culvert Upgrade | 0 | 150 | 150 | 85 |
| Orphanage Stream - bunding Saxton Road East | 0 | 918 | 918 | 92 |
| Vested Assets | 0 | 170 | 170 | 0 |
| Flood Protection Projects under \$100,000 | 0 | 402 | 402 | 319 |
| Total Flood Protection | 0 | 4,356 | 4,356 | 3,077 |

| Project | Carry over 2018/19 (\$000) | Estimate 2019/20 (\$000) | Available 2019/20 (\$000) | Actual 2019/20 (\$000) |
|---|----------------------------------|-----------------------------|---------------------------------|------------------------------|
| Parks & Active Recreation | | | | |
| Public Gardens | | | | |
| Miyazu Garden Pond Relining | 0 | 170 | 170 | 0 |
| Neighbourhood Parks | | | | |
| Land Purchase: General Reserve | 0 | 1,198 | 1,198 | 139 |
| Paddys Knob reserve development | 0 | 180 | 180 | 141 |
| Reserve Development Programme | 101 | 47 | 147 | 4 |
| Conservation Reserves | | | | |
| Dun Mountain Trail Renewals MBIE | 35 | 0 | 35 | 111 |
| Landscape Reserves | | | | |
| Maitai MTB Hub | 0 | 715 | 715 | 0 |
| Retired forestry block conversion programme | 0 | 229 | 229 | 26 |
| Esplanade & Foreshore Reserves | | | | |
| Poormans walkway (Main rd - Neale ave) | 0 | 800 | 800 | 84 |
| Walkways | | | | |
| Montebello Redwoods Reserve Walkway | 0 | 0 | 0 | 278 |
| Tahuna Beach to Great Taste Trail (airport) | 149 | 610 | 759 | 641 |
| Pools | | | | |
| Renewals Nayland | 59 | 35 | 94 | 103 |
| Riverside Pool water heating system renewal | 0 | 300 | 300 | 24 |
| Play Facilities | | | | |
| Renewals: Play Equipment | 0 | 204 | 204 | 119 |
| Marina | | | | |
| Capital: Minor Development | 0 | 113 | 113 | 50 |
| Marina Hardstand LOS improvements | 0 | 525 | 525 | 273 |
| New Trailer Boat Storage Yard | 0 | 102 | 102 | 0 |
| Saxton Field | | | | |
| Renewal: Athletic Track | 0 | 899 | 899 | 898 |
| Regional Community Facilities | | | | |
| Water sports building at Marina | 0 | 150 | 150 | 1 |
| Flood Protection Projects under \$100,000 | 112 | 2,585 | 2,697 | 2,157 |
| Total Flood Protection | 456 | 8,863 | 9,318 | 5,047 |
| Social | | | | |
| Managing Heritage & Arts | | | | |
| Kinetic Sculpture | 0 | 0 | 0 | 337 |
| Nelson Library | | | | |
| Elma Turner Library Extension/ Relocation | 0 | 613 | 613 | 19 |
| Book Purchases | 0 | 408 | 408 | 337 |
| Stoke Library | | | | |
| Stoke Library structural improvements | 120 | 200 | 320 | 144 |
| Marsden Valley Cemetery | | | | |
| New burial area | 0 | 350 | 350 | 281 |
| Toilets (Free) | | | | |
| Growth: Millers Acre Toilet | 0 | 261 | 261 | 60 |
| Queens Garden Toilet | 0 | 140 | 140 | 67 |
| Tahunanui Lions Toilet Upgrade | 0 | 143 | 143 | 26 |
| Greenmeadows Centre | | | | |
| Greenmeadows Centre | 0 | 0 | 0 | 128 |
| Community Housing | | | | |
| Community Housing Renewals | 0 | 296 | 296 | 191 |
| Social Projects under \$100,000 | 38 | 552 | 590 | 707 |
| Total Social | 158 | 2,964 | 3,121 | 2,297 |

| Project | Carry over 2018/19 (\$000) | Estimate 2019/20 (\$000) | Available 2019/20 (\$000) | Actual 2019/20 (\$000) |
|--|----------------------------------|-----------------------------|---------------------------------|------------------------------|
| Stormwater | | | | |
| Pvt/Public Drains | 0 | 110 | 110 | 54 |
| Bisley Avenue | 0 | 107 | 107 | 7 |
| Hill Street North stormwater - Vested Assets | 0 | 245 | 245 | 0 |
| Nayland Road / Galway | 0 | 716 | 716 | 686 |
| Rutherford Stage 1 - Girls College Detention | 0 | 100 | 100 | 123 |
| Catchment 3 - days Track & SH6 Culverts | 0 | 121 | 121 | 219 |
| Vested Assets | 0 | 1,154 | 1,154 | 213 |
| Stormwater Projects under \$100,000 | 26 | 1,318 | 1,344 | 939 |
| Total Stormwater | 26 | 3,871 | 3,897 | 2,241 |
| Transport | | | | |
| Subsidised Rooding | | | | |
| WC 341 Streetlight Improvement | 0 | 111 | 111 | 107 |
| WC 452 UCP Saltwater Creek Crossing | 0 | 400 | 400 | 464 |
| WC 341 Marsden Valley Ridgeway Upgrade | 0 | 102 | 102 | 0 |
| WC 125 Renewals: Footpaths | 0 | 820 | 820 | 872 |
| WC 341 Minor Improvements | 0 | 806 | 806 | 113 |
| WC 213 Drainage Renewals | 0 | 399 | 399 | 176 |
| WC 212 Sealed Road Resurfacing | 0 | 1,305 | 1,305 | 1,293 |
| WC 341 Railway Reserve/Princes Dr cycle crossing upgrai | 0 | 430 | 430 | 319 |
| WC 341 Maitai shared path to Nelson east programme | 0 | 120 | 120 | 0 |
| WC 341 New Footpaths | 0 | 715 | 715 | 625 |
| WC 341: Toi Toi St upgrade | 0 | 125 | 125 | 0 |
| WC 215 Structures replacement | 0 | 336 | 336 | 68 |
| WC 222 Traffic Services Renewal - Lighting | 0 | 375 | 375 | 377 |
| WC 341 Maitai shared path to Anzac Park active transport | 0 | 339 | 339 | 113 |
| WC 341 Tahunanui Cycle Network - SH6 Tahunanui Drive | 0 | 818 | 818 | 1,168 |
| WC 341 Arapiki Road Upgrade - retaining Wall | 0 | 313 | 313 | 116 |
| WC 215 Westbrook Convergence Bridge deck replacemen | 0 | 143 | 143 | 54 |
| WC 341 Seafeld Terrace Road Re-instatement | 0 | 1,330 | 1,330 | 97 |
| WC 341 Travel demand management improvements | 0 | 256 | 256 | 113 |
| WC 341 Ped facilities at Arapiki Road/ The Ridgeway | 0 | 231 | 231 | 68 |
| Unsubsidised Rooding | | | | |
| Hill Street North improvements | 0 | 685 | 685 | 0 |
| Maitai Valley Road shared path modifications | 0 | 110 | 110 | 9 |
| Vested Assets | 0 | 4,211 | 4,211 | 1,407 |
| Parking & CBD Enhancements | | | | |
| Renewal: CBD aesthetic elements | 0 | 104 | 104 | 54 |
| Renewals: On and Off St Parking Meter | 0 | 867 | 867 | 684 |
| Public Transport | | | | |
| WC 531 Integrated Ticketing GRETS | 0 | 190 | 190 | 107 |
| Transport projects under \$100,000 | 0 | 1,880 | 1,880 | 1,377 |
| Total Transport | 0 | 17,519 | 17,519 | 9,780 |

| Project | Carry over 2018/19 (\$000) | Estimate 2019/20 (\$000) | Available 2019/20 (\$000) | Actual 2019/20 (\$000) |
|--|----------------------------------|-----------------------------|---------------------------------|------------------------------|
| Wastewater | | | | |
| Neale Park PS | 47 | 0 | 47 | 125 |
| Renewals Pump stations | 0 | 166 | 166 | 230 |
| Wastewater model calibration | 0 | 260 | 260 | 245 |
| Awatea Place Pump station | 0 | 1,107 | 1,107 | 573 |
| NWWTP renewals | 0 | 153 | 153 | 274 |
| NWWTP - Resource Consent | 0 | 102 | 102 | 266 |
| Gracefield Sewer Diversion | 0 | 200 | 200 | 190 |
| St Vincent street sewer renewal | 0 | 380 | 380 | 761 |
| Stansell #52 and Princes Drive 274/278 Sewer renewal | 0 | 150 | 150 | 5 |
| Bronte Street and Collingwood Street sewer renewal | 0 | 165 | 165 | 0 |
| Elm st sewer upgrades - Vested Assets | 0 | 153 | 153 | 0 |
| System Performance Improvements | 0 | 102 | 102 | 101 |
| NRSBU | | 4,285 | 4,285 | 3,008 |
| Vested Assets | 0 | 825 | 825 | 413 |
| Wastewater Projects under \$100,000 | 0 | 702 | 702 | 562 |
| Total Wastewater | 47 | 8,751 | 8,798 | 6,751 |
| Water Supply | | | | |
| Capital: Ridermains | 0 | 171 | 171 | 1 |
| Capital: Backflow Prevention | 0 | 166 | 166 | 167 |
| Renewals: Commercial Meters | 0 | 153 | 153 | 179 |
| Residential Meters renewals | 0 | 700 | 700 | 583 |
| Capital: Atawhai Trunkmain | 0 | 110 | 110 | 0 |
| Water Loss Reduction Programme | 0 | 221 | 221 | 209 |
| Natural Hazards Risk Remediation | 0 | 110 | 110 | 105 |
| Dam Upgrades | 0 | 102 | 102 | 42 |
| Water Treatment Plant Renewals | 0 | 204 | 204 | 171 |
| Tui Glen Road water renewal | 0 | 555 | 555 | 360 |
| Hardy St renewal (Trafalgar - Collingwood) | 0 | 172 | 172 | 359 |
| Suffolk Road (Saxton to Ngawhatu) water upgrade | 80 | 0 | 80 | 215 |
| Annesbrook (Manchester - Marie St) water renewal | 0 | 800 | 800 | 885 |
| Bolt Road Roundabout | 0 | 0 | 0 | 150 |
| Hardy (Rutherford-Vanguard) watermain renewal | 0 | 60 | 60 | 146 |
| Suffolk Road (Saxton to Ngawhatu) water upgrade - Veste | 0 | 153 | 153 | 1,745 |
| Suffolk Road to Hill Street Trunk water main - Vested Asse | 0 | 358 | 358 | 0 |
| Vested Assets | 0 | 795 | 795 | 350 |
| Water Supply Project under \$100,000 | 0 | 1,201 | 1,201 | 910 |
| Total Water Supply | 80 | 6,033 | 6,113 | 6,575 |
| Solid Waste | | | | |
| Joint Landfill | 0 | 160 | 160 | 31 |
| Total Solid Waste | 0 | 160 | 160 | 31 |
| Total Capital Expenditure | 879,482 | 57,116,770 | 57,996,252 | 37,675,004 |
| Total Vested Assets | 0 | 7,665 | 7,665 | 4,128 |
| Total Joint Committees | 0 | 4,445 | 4,445 | 3,039 |
| TOTAL CAPITAL - Excluding Vested and Joint Committees | 879,482 | 45,006,770 | 45,886,252 | 30,507,491 |

Nelson City Council Group
Statements of comprehensive revenue and expense
For the year ended 30 June 2020

| | | Actual | Council | Actual | Actual | Actual |
|---|-------------|------------------|------------------|------------------|------------------|------------------|
| | Note | 2020 | Budget | 2019 | Group | 2019 |
| | | \$'000 | \$'000 | \$'000 | 2020 | 2019 |
| | | | | | \$'000 | \$'000 |
| Rates | 3 | 68,272 | 68,003 | 64,665 | 68,272 | 64,665 |
| Fees and charges | 5 | 28,785 | 30,034 | 29,174 | 43,615 | 44,083 |
| Subsidies and grants | 4 | 10,747 | 10,379 | 8,933 | 11,486 | 9,651 |
| Finance income | 9 | 165 | 9 | 564 | 194 | 598 |
| Development/financial contributions | | 4,200 | 1,784 | 6,249 | 4,200 | 6,249 |
| Other revenue | 5 | 11,231 | 18,464 | 12,762 | 8,217 | 8,138 |
| Other gains/(losses) | 6 | (436) | 39 | (6,061) | (481) | (5,963) |
| Total revenue | | 122,964 | 128,712 | 116,286 | 135,503 | 127,421 |
| Personnel costs | 8 | (22,751) | (22,358) | (20,209) | (39,439) | (37,918) |
| Depreciation and amortisation expense | 19,20 | (26,339) | (26,984) | (25,907) | (28,687) | (27,581) |
| Other expenses | 7 | (62,298) | (59,564) | (60,447) | (58,117) | (55,871) |
| Finance costs | 9 | (4,086) | (3,961) | (4,492) | (4,225) | (4,628) |
| Total operating expenditure | | (115,474) | (112,867) | (111,055) | (130,468) | (125,998) |
| Share of associate's surplus | 25 | - | - | - | 5,791 | 9,448 |
| Surplus before tax | | 7,490 | 15,845 | 5,231 | 10,826 | 10,871 |
| Income tax expense | 10 | - | - | - | (126) | (180) |
| Surplus after tax | | 7,490 | 15,845 | 5,231 | 10,700 | 10,691 |
| Other comprehensive revenue | | | | | | |
| Land and Infrastructure revaluations | 31 | 132,891 | 43,865 | 40,814 | 132,891 | 40,814 |
| Share of associate's revaluations | 25 | - | - | - | 27,214 | (855) |
| Share of subsidiaries revaluations | | - | - | - | 1,080 | - |
| Total other comprehensive income | | 132,891 | 43,865 | 40,814 | 161,185 | 39,959 |
| Total comprehensive income | | 140,381 | 59,710 | 46,045 | 171,885 | 50,650 |

Surplus is attributable to:

Explanations of major variances against budget are provided in Note 40.

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

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Date - 4 September 2020
A2461046

Time - 2:48 p.m.

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Nelson City Council Group
Statements of changes in equity
For the year ended 30 June 2020

Statements of changes in equity
For the year ended 30 June 2020

| | | Actual | Council | Actual | Group | Actual |
|--|-------------|------------------|------------------|------------------|------------------|------------------|
| | Note | 2020 | Budget | 2019 | 2020 | 2019 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July | | 1,510,802 | 1,495,123 | 1,464,757 | 1,648,221 | 1,597,571 |
| Total comprehensive income previously reported | | <u>140,381</u> | <u>59,710</u> | <u>46,045</u> | <u>171,885</u> | <u>50,650</u> |
| Total comprehensive income as restated | | <u>140,381</u> | <u>59,710</u> | <u>46,045</u> | <u>171,885</u> | <u>50,650</u> |
| Transfer from reserves | | - | - | - | - | - |
| Transfer from special fund | | - | - | - | - | - |
| Equity released on disestablishment | | - | - | - | - | - |
| Equity adjustment on establishment | | - | - | - | - | - |
| Prior year adjustment | | - | - | - | - | - |
| Balance at 30 June | 31 | <u>1,651,183</u> | <u>1,554,833</u> | <u>1,510,802</u> | <u>1,820,106</u> | <u>1,648,221</u> |
| Nelson City Council Group | | <u>140,381</u> | <u>59,710</u> | <u>46,045</u> | <u>171,885</u> | <u>50,650</u> |

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

-3-

Date - 4 September 2020
A2461046

Time - 2:48 p.m.

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Nelson City Council Group
Statements of financial position
As at 30 June 2020

| | | Council | | | Group | |
|---|-------------|------------------|------------------|------------------|------------------|------------------|
| | | Actual | Budget | Actual | Actual | Actual |
| | Note | 2020 | 2020 | 2019 | 2020 | 2019 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | 12 | 14,544 | 2,432 | 15,391 | 16,417 | 16,294 |
| Trade and other receivables | 13 | 16,984 | 13,888 | 15,704 | 19,141 | 18,104 |
| Other financial assets | 16 | 1,512 | 2,602 | 2,634 | 2,529 | 3,750 |
| Inventories | 15 | - | - | - | 1,430 | 1,055 |
| Current tax receivables | 14 | - | - | - | 1 | 9 |
| | | <u>33,040</u> | <u>18,922</u> | <u>33,729</u> | <u>39,518</u> | <u>39,212</u> |
| Non-current assets held for sale | 18 | 11,212 | - | 10,934 | 10,975 | 10,934 |
| Total current assets | | <u>44,252</u> | <u>18,922</u> | <u>44,663</u> | <u>50,493</u> | <u>50,146</u> |
| Non-current assets | | | | | | |
| Derivative financial instruments | 17 | - | - | - | - | - |
| Investments accounted for using the equity method | 25 | 36,663 | 36,663 | 36,663 | 182,115 | 151,946 |
| Other financial assets | 16 | 4,651 | 2,859 | 3,870 | 4,837 | 4,087 |
| Property, plant and equipment | 19 | 1,685,650 | 1,603,053 | 1,543,767 | 1,715,237 | 1,572,535 |
| Intangible assets | 20 | 3,579 | 2,380 | 2,897 | 3,976 | 3,457 |
| Forestry assets | 22 | 7,004 | 3,704 | 4,497 | 7,004 | 4,497 |
| Investment property | 23 | 955 | 1,201 | 1,180 | 955 | 1,180 |
| Investments in subsidiaries | 24 | 8,200 | 8,200 | 8,200 | - | - |
| Deferred tax assets | 11 | - | - | - | 127 | 4 |
| Total non-current assets | | <u>1,746,702</u> | <u>1,658,060</u> | <u>1,601,074</u> | <u>1,914,251</u> | <u>1,737,706</u> |
| Total assets | | <u>1,790,954</u> | <u>1,676,982</u> | <u>1,645,737</u> | <u>1,964,744</u> | <u>1,787,852</u> |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Trade and other payables | 27 | 17,835 | 17,208 | 17,233 | 18,264 | 17,681 |
| Derivative financial instruments | 17 | 633 | 116 | 290 | 633 | 290 |
| Borrowings | 28 | 30,850 | 24,123 | 11,000 | 30,850 | 11,233 |
| Employee benefits liabilities | 30 | 2,363 | 2,175 | 2,386 | 4,206 | 4,230 |
| Provisions | 29 | 163 | 267 | 148 | 163 | 148 |
| Current tax liabilities | | - | - | - | 152 | (132) |
| | | <u>51,844</u> | <u>43,889</u> | <u>31,057</u> | <u>54,268</u> | <u>33,450</u> |
| Total current liabilities | | <u>51,844</u> | <u>43,889</u> | <u>31,057</u> | <u>54,268</u> | <u>33,450</u> |
| Non-current liabilities | | | | | | |
| Derivative financial instruments | 17 | 12,812 | 6,058 | 10,273 | 12,812 | 10,273 |
| Borrowings | 28 | 70,000 | 70,000 | 90,000 | 72,874 | 92,891 |
| Employee benefits liabilities | 30 | 163 | 240 | 190 | 202 | 232 |
| Provisions | 29 | 3,504 | 1,563 | 2,141 | 3,504 | 2,141 |
| Trade and other payables | 27 | 1,448 | 399 | 1,274 | 978 | 644 |
| Total non-current liabilities | | <u>87,927</u> | <u>78,260</u> | <u>103,878</u> | <u>90,370</u> | <u>106,181</u> |
| Total liabilities | | <u>139,771</u> | <u>122,149</u> | <u>134,935</u> | <u>144,638</u> | <u>139,631</u> |
| Net assets | | <u>1,651,183</u> | <u>1,554,833</u> | <u>1,510,802</u> | <u>1,820,106</u> | <u>1,648,221</u> |
| EQUITY | | | | | | |
| Accumulated funds | 31 | 431,838 | 553,479 | 425,191 | 494,590 | 484,733 |
| Reserves | 31 | 1,219,345 | 1,001,354 | 1,085,611 | 1,325,516 | 1,163,488 |

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

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Date - 4 September 2020
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Time - 2:48 p.m.

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Item 7: Draft Annual Report 2019/20: Attachment 1

| | | Actual | Council | Actual | Group | Actual |
|---|------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Note | 2020 | Budget | 2019 | 2020 | 2019 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Total equity attributable to the Entity | | <u>1,651,183</u> | <u>1,554,833</u> | <u>1,510,802</u> | <u>1,820,106</u> | <u>1,648,221</u> |
| Total equity | | <u>1,651,183</u> | <u>1,554,833</u> | <u>1,510,802</u> | <u>1,820,106</u> | <u>1,648,221</u> |

Draft

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

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Nelson City Council Group
Statements of cash flows
For the year ended 30 June 2020

Statements of cash flows
For the year ended 30 June 2020

| Note | Actual 2020 \$'000 | Council Budget 2020 \$'000 | Actual 2019 \$'000 | Group Actual 2020 \$'000 | Actual 2019 \$'000 |
|---|--------------------------|-------------------------------------|--------------------------|-----------------------------------|--------------------------|
| Cash flows from operating activities | | | | | |
| Receipts from rates revenue | - | 76,648 | 73,151 | - | 73,151 |
| Subsidies and grants received | - | 10,379 | 8,933 | - | 9,118 |
| Development and financial contributions received | - | 3,499 | 6,249 | - | 6,249 |
| Interest received | - | 9 | 546 | - | 589 |
| Dividends received | - | 3,599 | 4,266 | - | 3,896 |
| Receipts from other revenue | - | 24,854 | 23,601 | - | 38,913 |
| | - | 118,988 | 116,746 | - | 131,916 |
| Payments to suppliers | - | (59,279) | (59,193) | - | (55,123) |
| Payments to employees | - | (22,318) | (19,966) | - | (37,698) |
| Interest paid | - | (3,961) | (4,492) | - | (4,628) |
| Income tax paid | - | - | - | - | (296) |
| GST (net) | - | - | - | - | 81 |
| | - | (85,558) | (83,651) | - | (97,664) |
| Net cash flow from operating activities | 32 | 33,430 | 33,095 | - | 34,252 |
| Cash flows from investing activities | | | | | |
| Receipts from sale of property, plant, and equipment | - | 825 | 21 | - | 86 |
| Sale of Investments and properties for resale | - | 8,383 | - | - | - |
| Repayment of LGFA borrower notes | - | 160 | 80 | - | 80 |
| Sale of biological assets | - | 380 | - | - | - |
| Repayment of term deposit | - | - | 5,000 | - | 5,000 |
| Receipts from sale of investments | - | - | - | - | 166 |
| Repayment of community loans and advances | - | 1,231 | 964 | - | 964 |
| | - | 10,979 | 6,065 | - | 6,296 |
| Renewals | - | (15,753) | (16,263) | - | (16,346) |
| New capital works - growth | - | (6,602) | (2,947) | - | (2,947) |
| New capital works - increased level of service | - | (24,382) | (14,404) | - | (15,619) |
| Purchase of intangible assets | - | (121) | (1,173) | - | (1,360) |
| Investments in LGFA borrower notes | - | (80) | (160) | - | (160) |
| Other investments | - | - | (252) | - | (588) |
| Community loans advanced | - | - | (602) | - | (602) |
| | - | (46,938) | (35,801) | - | (37,622) |
| Net cash flow from investing activities | - | (35,959) | (29,736) | - | (31,326) |
| Proceeds from borrowings | - | 2,529 | 11,000 | - | 11,320 |
| Other capital contributions | - | - | - | - | - |
| Repayment of borrowings | - | (10,000) | (6,400) | - | (6,400) |
| Net cash flow from financing activities | - | (7,471) | 4,600 | - | 4,920 |
| Net (decrease)/increase in cash, cash equivalents, and bank overdrafts | - | (10,000) | 7,959 | - | 7,846 |

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

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Statements of cash flows (continued)

| | | Actual | Council | Actual | Actual | Group | Actual |
|---|------|---------------|----------------|---------------|---------------|--------------|---------------|
| | Note | 2020 | Budget | 2019 | 2020 | | 2019 |
| | | \$'000 | 2020 | \$'000 | \$'000 | | \$'000 |
| | | | \$'000 | | | | |
| Cash, cash equivalents, and bank overdrafts at the beginning of the year | | <u>15,391</u> | <u>12,432</u> | <u>7,432</u> | <u>16,294</u> | | <u>8,448</u> |
| Cash, cash equivalents, and bank overdrafts at the end of the year | 12 | <u>15,391</u> | <u>2,432</u> | <u>15,391</u> | <u>16,294</u> | | <u>16,294</u> |

Explanations of major variances against budget are provided in

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

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FUNDING IMPACT STATEMENT

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|--|---------------------------|---------------------------|------------------------|-----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Sources of Operating Funding | | | | |
| General Rates, uniform annual general charges, rates penalties | 47,151 | 49,204 | 49,471 | 49,677 |
| Targeted rates | 25,707 | 27,077 | 27,177 | 27,634 |
| Subsidies and grants for operating purposes | 4,069 | 3,892 | 4,137 | 5,425 |
| Fees and charges | 10,666 | 10,738 | 10,583 | 7,997 |
| Interest and dividends from investments | 3,863 | 3,628 | 3,608 | 3,210 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 15,160 | 14,874 | 14,480 | 16,019 |
| Total Operating Funding | 106,616 | 109,413 | 109,456 | 109,962 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 78,510 | 79,667 | 81,922 | 84,487 |
| Finance costs | 5,022 | 5,326 | 3,961 | 4,213 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 83,532 | 84,993 | 85,883 | 88,700 |
| Surplus (Deficit) of operating funding | 23,084 | 24,421 | 23,573 | 21,262 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital | 4,836 | 5,425 | 6,242 | 5,264 |
| Development and financial contributions | 3,547 | 3,623 | 3,499 | 4,200 |
| Increase (decrease) in debt | 12,512 | 3,373 | 2,936 | 4,921 |
| Gross proceeds from sale of assets | 25 | 8,409 | 9,208 | 926 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 20,920 | 20,830 | 21,885 | 15,311 |
| Applications of capital funding | | | | |
| Capital Expenditure | | | | |
| - to meet additional demand | 6,172 | 5,692 | 6,602 | 4,000 |
| - to improve level of service | 20,888 | 25,658 | 24,382 | 15,672 |
| - to replace existing assets | 17,434 | 14,475 | 15,753 | 14,114 |
| Increase (decrease) in reserves | (111) | 302 | 2 | (302) |
| Increase (decrease) in investments | (379) | (876) | (1,281) | 3,089 |
| Total applications of capital funding | 44,004 | 45,251 | 45,458 | 36,573 |
| Surplus (Deficit) of capital funding | (23,084) | (24,421) | (23,573) | (21,262) |
| Funding balance | 0 | 0 | 0 | 0 |

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

| | Long Term Plan 2018/19 | Long Term Plan 2019/20 | Annual Plan 2019/20 | Actual 2019/20 |
|---|---------------------------|---------------------------|------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Surplus/(Deficit) of operating funding from Funding Impact Statement | 23,084 | 24,421 | 23,573 | 21,262 |
| Subsidies and grants for capital expenditure | 4,836 | 5,425 | 6,242 | 5,262 |
| Development and financial contributions | 3,547 | 3,623 | 3,499 | 4,199 |
| Vested Assets | 7,000 | 8,774 | 8,774 | 3,916 |
| Gain on formation of JV | 0 | 0 | 0 | 0 |
| Depreciation | (25,455) | (26,226) | (26,984) | (26,435) |
| Non cash income | 140 | 728 | 741 | 3,869 |
| Non cash expenditure | 0 | 0 | 0 | (4,570) |
| Net Surplus (Deficit) before taxation in Statement of Comprehensive Revenue and Expense | 13,152 | 16,744 | 15,845 | 7,503 |

NELSON CITY COUNCIL
Report on Financial Prudence
Annual report disclosure statement for the year ending 30 June 2020

What is the purpose of this statement?

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

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the **regulations**). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

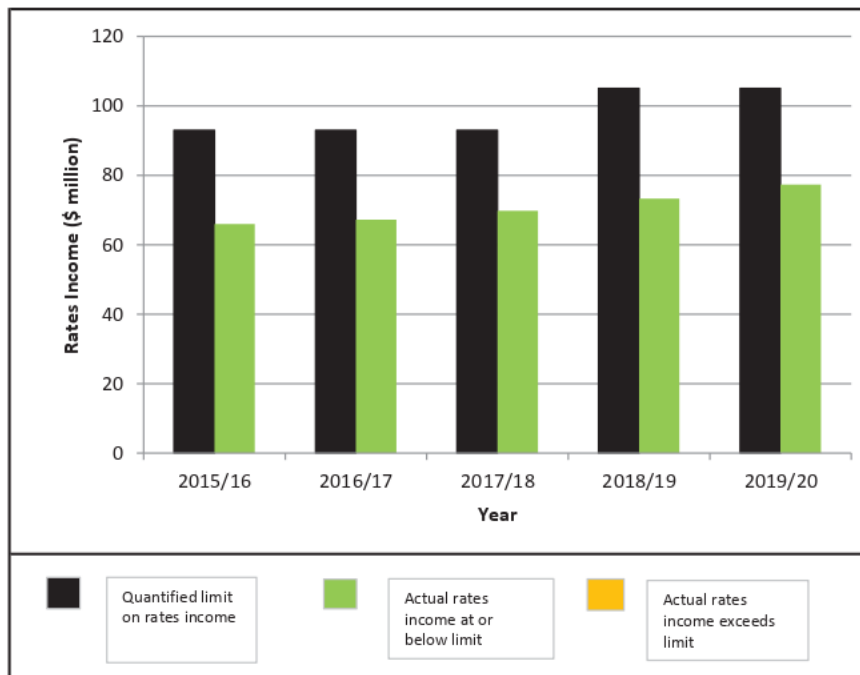
Rates affordability benchmark

The Council meets the rates affordability benchmark if –

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

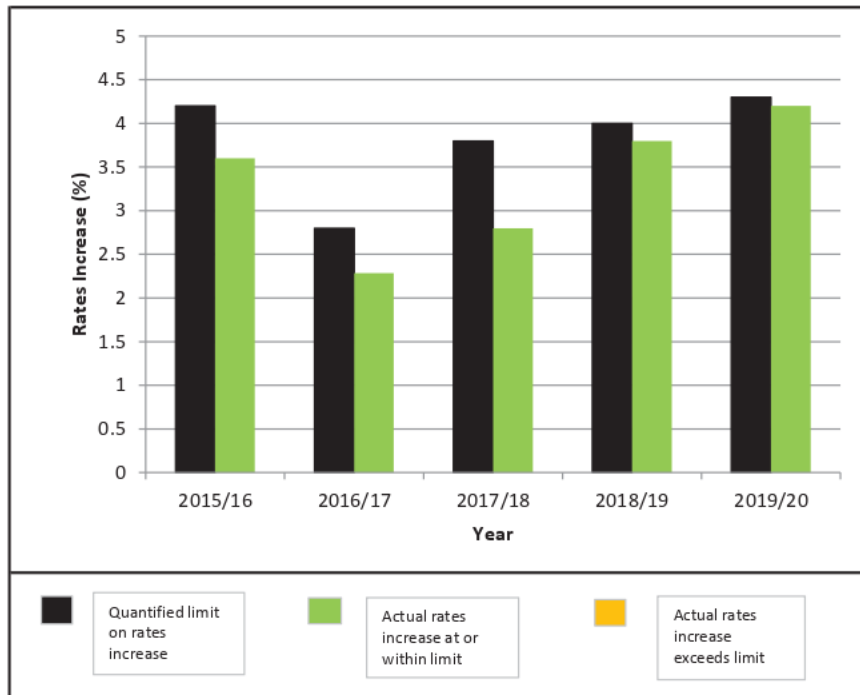
Rates (income) affordability

The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long term plan. The quantified limit is \$105 million.



Rates (increases) affordability

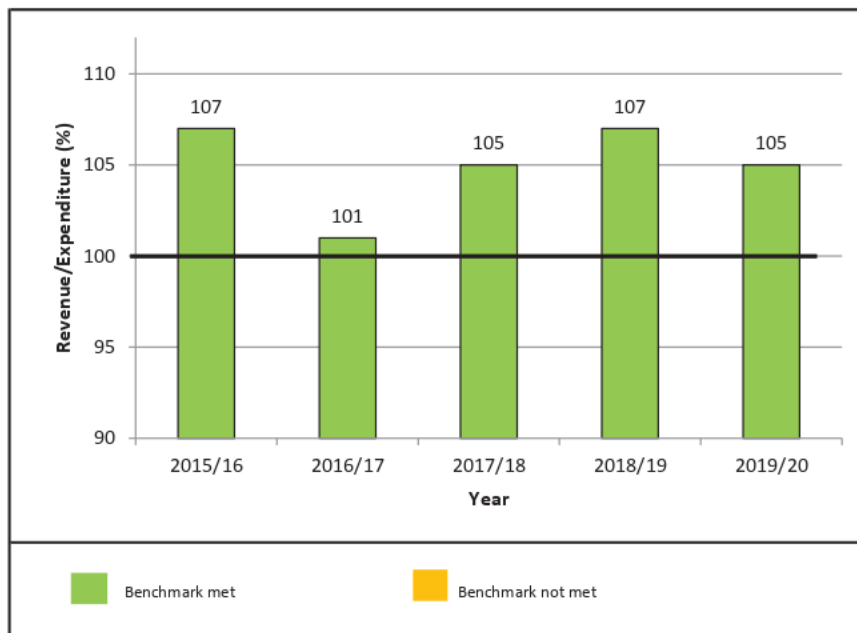
The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the Financial Strategy included in the Council's Long Term Plan (LTP). The quantified limit is the local government cost index plus 2% for each year of the LTP.



Balanced budget benchmark

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

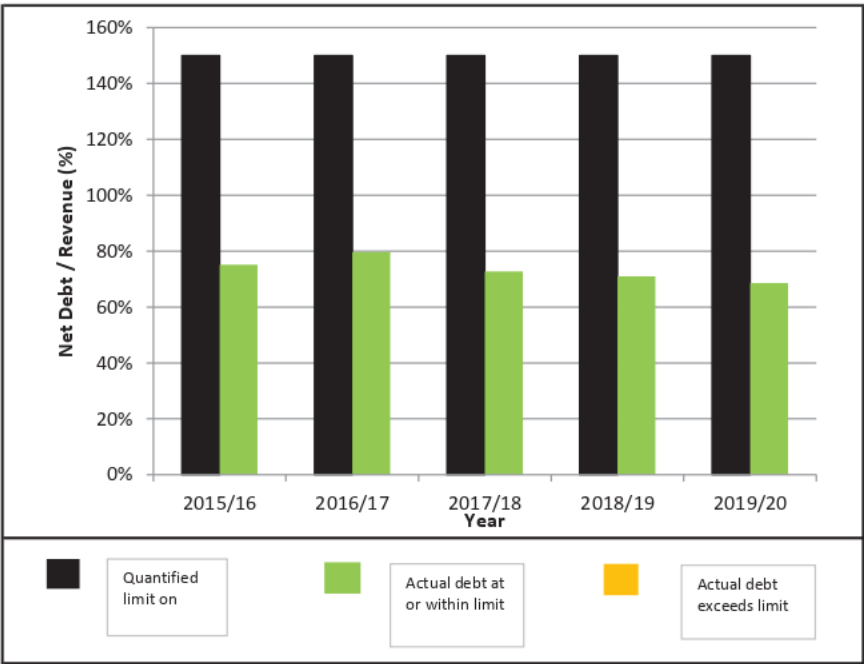
The Council meets this benchmark if its revenue equals or is greater than its operating



Debt affordability benchmark

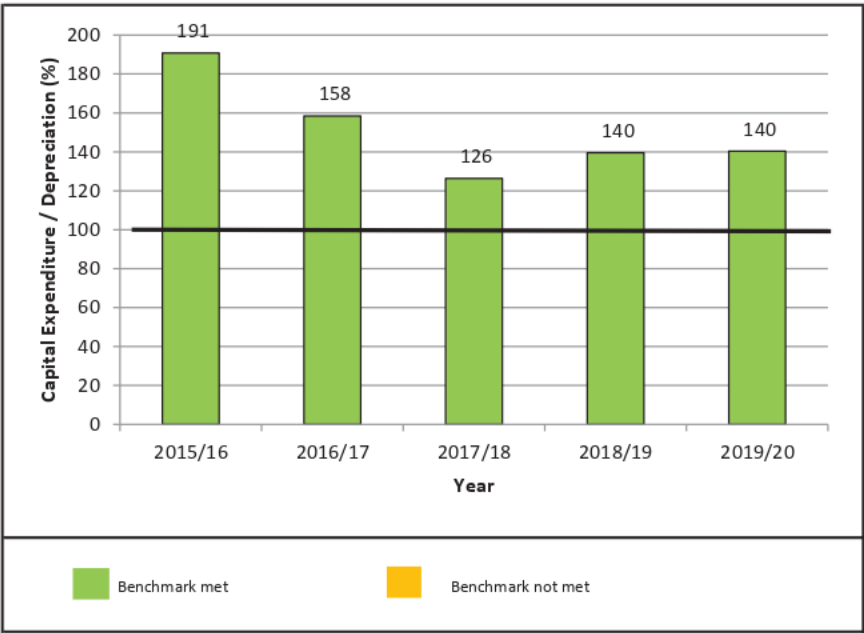
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

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



Essential services benchmark

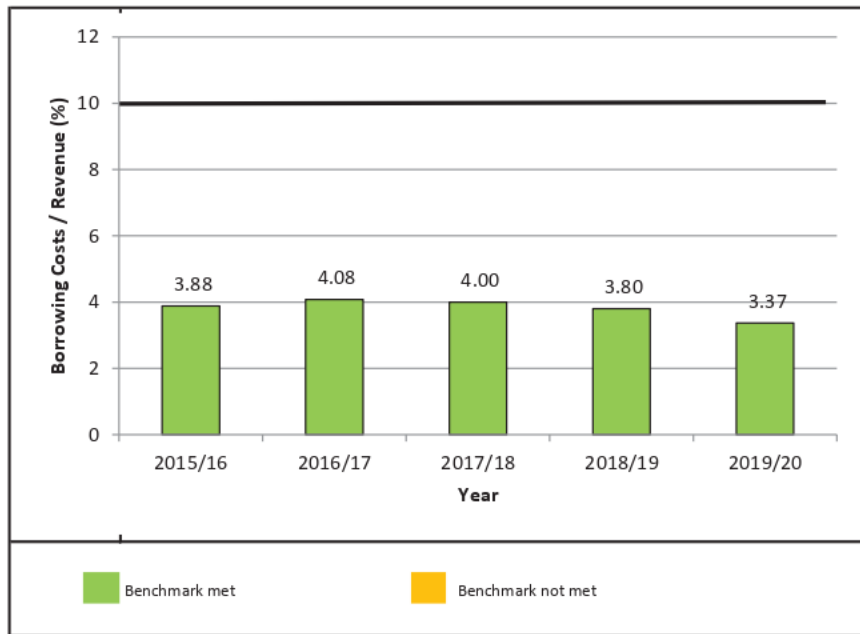
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

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

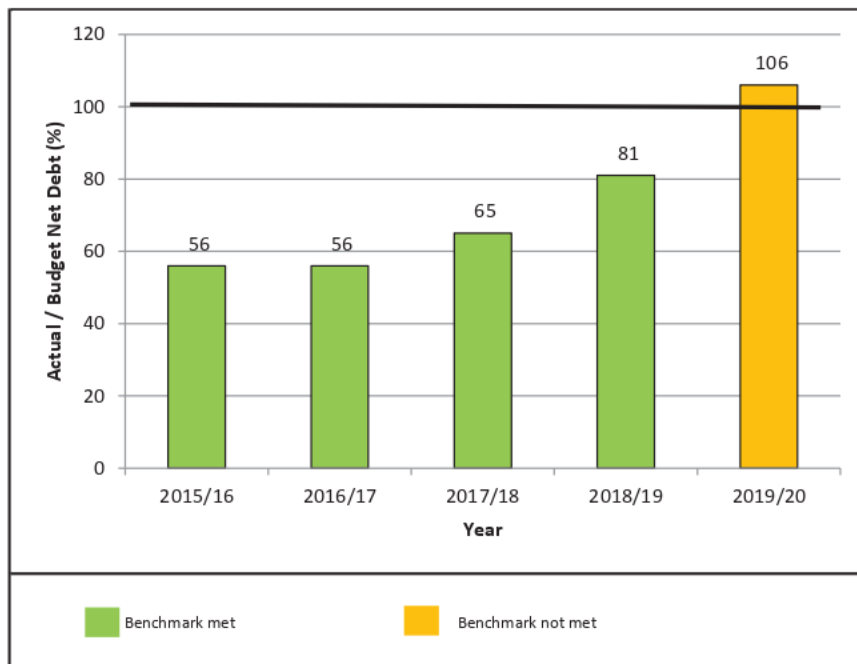
Because Statistics New Zealand projects the Council's population will not grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



Debt control benchmark

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

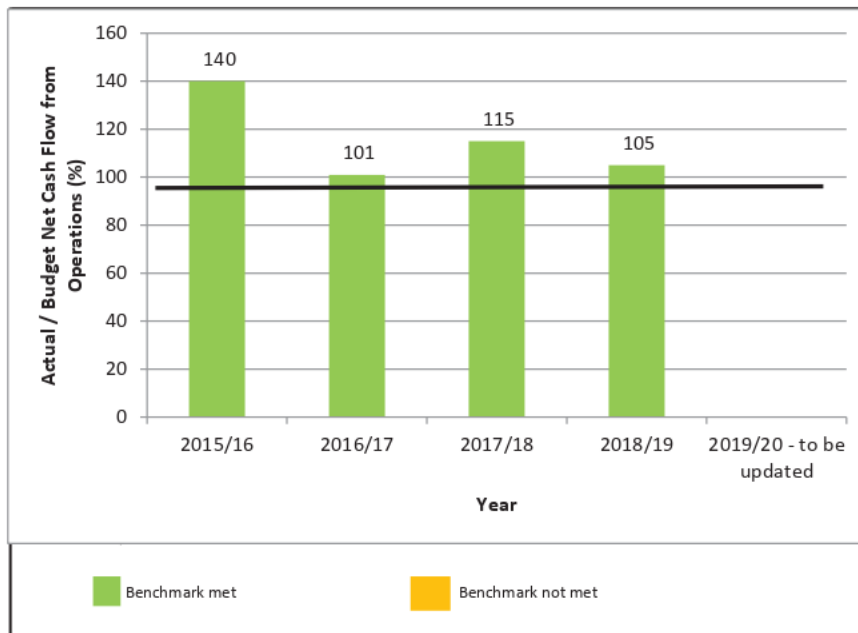
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operational control benchmark

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

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



1 Statement of accounting policies for the year ended 30 June 2020

1.1 Reporting entity

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

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

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

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

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

The financial statements of the Council and Group are for the year ended 30 June 2020. The financial statements were authorised for issue by Council on **27 October 2020**.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

Statement of compliance

The financial statements of the Council and group have been prepared in accordance with the requirements of the LGA (Local Government Act 2002) and the Local Government (Financial Reporting and Prudence) Regulations 2014, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Measurement base

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

Functional and presentation currency

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

Changes in accounting policies

The following standards, amendments, and interpretations that are relevant to the Entity and Group, became effective and were implemented during the year:

- PBE IPSAS 36 - Investments in Associates and Joint Ventures (effective date 1 January 2019)

Requires increased disclosures regarding judgments and assumptions made in determining whether an entity controls, jointly controls or significantly influences another entity.

- PBE IPSAS 21 - Impairment of Non-Cash Generating Assets & PBE IPSAS 26 - Impairment of Cash Generating Assets (effective 1 January 2019)

The amendment brings revalued property, plant and equipment and intangible assets within the scope of PBE IPSAS 21 & PBE IPSAS 26.

- PBE IPSAS 35 - Consolidation Financial Statements (effective from 1 January 2019)

The standard introduces a new definition of control requiring both power and exposure to variable benefits and includes guidance on assessing control.

- PBE IPSAS 37 - Joint Arrangements (effective from 1 January 2019)

2 Summary of significant accounting policies (continued)

Establishes two types of joint arrangements (1) joint arrangements, and (2) joint ventures, based on whether the investor has rights to the assets and obligations for the liabilities of the joint arrangement or rights to the net assets of the joint arrangement.

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 that have not been early adopted, and which are relevant to the Entity and Group, are:

- PBE IFRS 48 – Service Performance Reporting (effective date 1 January 2021)

This Standard establishes requirements for the reporting of service performance information in order to better meet the needs of users of general purpose financial reports of public benefit entities.

- PBE IFRS 9 - Financial Instruments (effective date 1 Jan 2022)

This standard has been released in advance of the new financial instruments standard based on IFRS 9. This standard gives mixed groups the opportunity to early adopt a PBE standard that is based on the for profit standard NZ IFRS 9 on the same date that NZ IFRS 9 becomes mandatory in the for profit sector.

- PBE IPSAS 41 – Financial Instruments (effective 1 January 2022)

This Standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

- PBE IPSAS 40 – PBE Combinations (effective from 1 January 2021)

This Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about a public benefit entity (PBE) combination and its effects.

- PBE IFRS 17 – Insurance Contracts (effective from 1 January 2022)

This Standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard.

- NZ IFRS 9/NZ IFRS 16 - Leases

This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions.

2.2 Basis of consolidation

Subsidiaries

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

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

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

2 Summary of significant accounting policies (continued)

Equity accounted joint ventures

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

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

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

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

Equity accounted joint operations

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

2.3 Revenue

Revenue is measured at fair value.

Exchange and non-exchange transactions

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

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

Rates revenue

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

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

The following policies for rates have been applied:

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

Service and other

Significant items of service and other income include:

2 Summary of significant accounting policies (continued)

| | |
|--|--|
| Government grants | Government grants are received from the New Zealand Transport Agency, which subsidises part of the costs of maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled. Government grants are generally non-exchange transactions. |
| Provision of commercially based services | Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided. These are exchange transactions and include rents and resource and building consents. |
| Vested assets | Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income. Assets vested in the Council are recognised as income when control over the asset is obtained. This is non-exchange revenue. |
| Sales of goods | Revenue from the sale of goods is recognised when a product is sold to the customer. These are exchange transactions. |
| Traffic and parking infringements | Revenue from traffic and parking infringements is recognised when paid. This income is non-exchange revenue. |
| Interest and dividends | Interest income is recognised using the effective interest method. Dividends are recognised when the right to receive payment has been established. Interest and dividends are considered income from exchange transactions. |
| Development and financial contributions | Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service. Development and financial contributions are non-exchange transactions. |

Housing New Zealand suspensory loan

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

2.4 Borrowing costs

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

2.5 Foreign currency transactions

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

2 Summary of significant accounting policies (continued)

2.6 Grant expenditure

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

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

2.7 Leases

Operating leases

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

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

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

2.8 Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

2.9 Debtors and other receivables

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

2.10 Derivative financial instruments

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

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

Swaps are classified as non-current if the remaining maturity is more than 12 months, and as current if the remaining maturity is less than 12 months.

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

2.11 Property, plant and equipment

Property, plant, and equipment consist of:

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

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

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

2 Summary of significant accounting policies (continued)

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

Additions

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

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

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

Disposals

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

Subsequent costs

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

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

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

| Class of PP&E | Estimated useful life (years) |
|-------------------------------|-------------------------------|
| <i>Operational Assets</i> | |
| Buildings | 50-100 |
| Marina | 30-50 |
| Improvements | Nil-20 |
| Plant and equipment | 2-30 |
| Motor vehicles | 7 |
| Library books | 3-10 |
| <i>Restricted Assets</i> | |
| Buildings | 50-100 |
| Improvements | Nil-20 |
| <i>Infrastructural Assets</i> | |
| Roading network | |
| Surfacing (sealed) | 1-50 |
| Surfacing (unsealed) | n/a |
| Basecourse | 5-80 |
| Sub-base | n/a |
| Formation | n/a |
| Culverts | 60-90 |
| Footpaths | 5-100 |
| Signs | 15 |
| Streetlights | 20-60 |
| Bridges | 20-100 |
| Retaining walls | 30-100 |
| Water system | |

2 Summary of significant accounting policies (continued)

| | |
|---------------------------------|--------|
| Pipeline | 55-120 |
| Manholes | 58-110 |
| Reservoirs and tanks | 100 |
| Dams | 10-200 |
| Sewerage system | |
| Pipes | 40-120 |
| Manholes | 80 |
| Pump stations | 10-50 |
| Oxidation ponds | 15-151 |
| Stormwater and flood protection | |
| Pipeline | 40-120 |
| Manholes | 90 |
| Bank protection | 25-100 |
| Solid Waste | |
| Pipes | 60-90 |
| Ponds and dam | 100 |
| Gas flare | 20 |
| Resource consents | 24 |

Revaluation

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

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

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive 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 statements of comprehensive revenue and expense. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the statements of comprehensive revenue and expense will be recognised first in the statements of comprehensive revenue and expense up to the amount previously expensed, and then recognised in other comprehensive income.

Impairment

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

2.12 Biological assets

Forestry assets are valued annually at fair value less estimated costs to sell for one growth cycle. The valuation methodology adopted is net present value based on the age and condition of the trees. The valuation was undertaken by PF Olsen on 30 June 2020. Changes in the valuation of the forestry assets are recognised in the surplus or deficit.

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

2 Summary of significant accounting policies (continued)

2.13 Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

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

2.14 Impairment of property, plant, and equipment and intangible assets

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

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

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

2.15 Inventory

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

2.16 Work in progress

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

2.17 Investment property

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

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

2 Summary of significant accounting policies (continued)

2.18 Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Council and Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Entity and Group has transferred substantially all the risks and rewards of ownership.

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

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

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

Financial assets at fair value through surplus or deficit

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

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

Financial assets acquired principally for the purpose of selling in the short term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy.

Loans and receivables (including cash and cash equivalents and other receivables)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

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

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

Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

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

Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The Entity and Group includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and

2 Summary of significant accounting policies (continued)

- shareholdings that it holds for strategic purposes.

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

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

2.19 Impairment of financial assets

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

Impairment of a loan or receivable is established when there is objective evidence that the Entity and Group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, stock, government bonds, and loans, are recognised directly against the instrument's carrying amount.

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

Financial assets at fair value through other comprehensive revenue and expense

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

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

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

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

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

2.20 Borrowings

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

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

2.21 Creditors and other payables

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

2 Summary of significant accounting policies (continued)

2.22 Employee entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability and an expense are recognised for bonuses where a member of the group has a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the year in which the employee provides the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested retirement and long service leave expected to be settled within 12 months of balance date are also classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

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

2.23 Provisions

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of future economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

As the NTRLBU is the operator of the York Valley and Eve's Valley landfills, it 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. Council's 50% share of this provision is consolidated into the parent accounts.

2.24 Income tax

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

2 Summary of significant accounting policies (continued)

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

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

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

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

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

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

2.25 Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

2.26 Budget figures

The budget figures are those approved by the Entity in its 2019/20 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

2.27 Cost allocation

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

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

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

2.28 Equity

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

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

2 Summary of significant accounting policies (continued)

Restricted reserves

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

Council created reserves

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

Revaluation reserves

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

2.29 Critical accounting estimates and assumptions

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

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

2 Summary of significant accounting policies (continued)

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.

2.30 Non-current assets held for sale

An asset is held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Any impairment losses for write-downs are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale (including those that are part of a disposal group).

Nelson City Council Group
Notes to the financial statements
30 June 2020
 (continued)

3 Rates

| | Council | | Group | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| General rates | 40,943 | 39,111 | 40,943 | 39,111 |
| Uniform annual general charge | 9,076 | 8,570 | 9,076 | 8,570 |
| Total general rates income | 50,019 | 47,681 | 50,019 | 47,681 |
| Sewerage | 8,767 | 7,820 | 8,767 | 7,820 |
| Water fixed charge | 3,712 | 3,630 | 3,712 | 3,630 |
| Stormwater | 4,445 | 4,167 | 4,445 | 4,167 |
| Flood protection | 1,661 | 1,654 | 1,661 | 1,654 |
| Solar saver | 10 | 16 | 10 | 16 |
| Total targeted rates income | 18,595 | 17,287 | 18,595 | 17,287 |
| Less - Rate remissions | (342) | (303) | (342) | (303) |
| Total rates, excluding targeted water supply rates | 68,272 | 64,665 | 68,272 | 64,665 |

| | Council | |
|----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Rates | 68,272 | 64,665 |
| Metered water supply rates | 9,039 | 8,710 |
| Total annual rates income | 77,311 | 73,375 |

Rates remissions

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

- Community and sporting groups, and groups delivering affordable social and community housing 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 ratepayer's control.
- Rates for residential properties in commercial/industrial areas.
- Rates on land protected for natural, historic or cultural conservation purposes.
- Excess water rates.
- Rates on cemeteries.
- Rates on golf practice greens.
- Rates for underground utilities.
- Rates on low value properties.
- Land affected by natural calamity.
- Households with dependant relatives in an additional unit.
- Heating appliance replacement (qualifying ratepayers).
- Maintenance and protection of heritage buildings.
- Commercial premises under 20 square metres.

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

3 Rates (continued)

- Maori freehold land.
- Rates postponement

| | Council | | Group | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Total gross rates, excluding targeted water supply rates | 64,560 | 61,338 | 64,560 | 61,338 |
| <i>Rates remissions:</i> | | | | |
| Community, sporting and other organisations | (94) | (87) | (94) | (87) |
| Rates for affordable social and community housing | (13) | (5) | (13) | (5) |
| Rates penalties remitted | (73) | (51) | (73) | (51) |
| Rates for residential properties in commercial/industrial areas | (6) | (8) | (6) | (8) |
| Rates on cemeteries | (30) | (27) | (30) | (27) |
| Rates on low value properties | (1) | (1) | (1) | (1) |
| Heritage | (87) | (73) | (87) | (73) |
| Clean heat warm homes | (29) | (41) | (29) | (41) |
| Dependant relative | (2) | (2) | (2) | (2) |
| Land affected by natural calamity | (2) | (2) | (2) | (2) |
| Commercial premises under 20 square meters | (5) | (6) | (5) | (6) |
| Total remissions | <u>(342)</u> | <u>(303)</u> | <u>(342)</u> | <u>(303)</u> |
| Rates (net of remissions), excluding targeted water supply rates | <u>64,218</u> | <u>61,035</u> | <u>64,218</u> | <u>61,035</u> |

The total amount of rates charged that has not been eliminated from revenue and expenditure is as follows:

| | Council | | Group | |
|----------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Rates | 1,079 | 1,057 | 1,115 | 1,094 |
| Metered water supply rates | <u>847</u> | <u>530</u> | <u>855</u> | <u>561</u> |
| | <u>1,926</u> | <u>1,587</u> | <u>1,970</u> | <u>1,655</u> |

Rating base information

The revenue from rates for the year ended 30 June 2020 was based on the following rating information as at 30 June 2019.

Number of rating units 30 June 2020: 22,644 (30 June 2019: 22,482)

| | Council | | | |
|-------------------------------------|---------------------------------------|---------------------------------------|---|---|
| | Actual 2020 \$ million | Actual 2019 \$ million | | |
| Total capital value of rating units | 15,798 | 15,631 | - | - |
| Total land value of rating units | <u>7,474</u> | <u>7,437</u> | - | - |
| | <u>23,272</u> | <u>23,068</u> | - | - |

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

4 Subsidies and grants

| | Council | | Group | |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| NZ Transport Authority grants | 7,156 | 7,405 | 7,156 | 7,405 |
| Housing NZ suspensory loan | 59 | 59 | 59 | 59 |
| Other central government grants | 1,608 | 705 | 1,608 | 705 |
| Other capital grants | 964 | 423 | 964 | 423 |
| Other operating grants | 960 | 341 | 1,699 | 1,059 |
| Total subsidies and grants | 10,747 | 8,933 | 11,486 | 9,651 |

5 Revenue summary

| | Council | | Group | |
|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Regulatory revenue | 3,920 | 4,054 | 3,920 | 4,054 |
| Sales of goods and services | 10,265 | 10,707 | 25,079 | 25,599 |
| Rents received | 5,561 | 5,703 | 5,577 | 5,720 |
| Water by meter | 9,039 | 8,710 | 9,039 | 8,710 |
| Total fees and charges | 28,785 | 29,174 | 43,615 | 44,083 |
| Infringements and fines | 637 | 727 | 637 | 727 |
| Petrol tax | 371 | 399 | 371 | 399 |
| Vested assets | 3,916 | 3,052 | 3,969 | 3,114 |
| Dividends | 3,045 | 4,736 | 19 | 100 |
| Insurance proceeds | 2 | 337 | 2 | 337 |
| Other income | 3,260 | 3,511 | 3,219 | 3,461 |
| Total other revenue | 11,231 | 12,762 | 8,217 | 8,138 |

6 Other gains/(losses)

| | Council | | Group | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Loss on disposal of property, plant and equipment | (222) | (1,953) | (222) | (1,921) |
| Loss on disposal of other assets | (396) | (260) | (396) | (260) |
| Net interest rate swap loss | (2,882) | (4,389) | (2,882) | (4,389) |
| Gain on changes in fair value of forestry | 2,991 | 833 | 2,991 | 833 |
| Loss on changes in fair value of investment property | (225) | - | (225) | - |
| Gain on changes in fair value of investment property | - | 30 | - | 30 |
| Fair value loss | (158) | (382) | (203) | (382) |
| Other fair value gains | 456 | 60 | 456 | 126 |
| Total gains/(losses) | (436) | (6,061) | (481) | (5,963) |

Nelson City Council Group
Notes to the financial statements
30 June 2020
 (continued)

7 Other expenses

| | Council | | Group | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Fees to auditors: | | | | |
| - Audit fees for financial statements audit | 144 | 143 | 245 | 216 |
| - Audit fees for Long Term Plan amendment | - | 25 | - | 25 |
| Service provision | 24,842 | 23,986 | 20,436 | 19,400 |
| Impairment of receivables | 41 | 25 | 41 | 25 |
| Minimum lease payments under operating leases | 212 | 204 | 357 | 204 |
| Professional services fees / legal fees | 3,033 | 2,150 | 3,022 | 2,140 |
| Repairs and maintenance expenses | 22,990 | 24,267 | 23,003 | 24,283 |
| Other operating expenses | 6,737 | 5,960 | 6,714 | 5,891 |
| Electricity | 2,084 | 1,994 | 2,084 | 1,994 |
| Insurance | 1,796 | 1,459 | 1,796 | 1,459 |
| Impairment of Assets | 419 | 234 | 419 | 234 |
| Total other expenses | 62,298 | 60,447 | 58,117 | 55,871 |

Total audit fees for Council (\$144,965) include the cost of audits for the Civic Trust (\$4,515) and the Debenture Trust Deed (\$4,500).

Audit fees of \$16,771 paid by the Bishop Suter Trust and \$21,475 paid by the Nelson Regional Development agency for 2020 were paid separately to their auditors Crowe.

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

8 Personnel costs

| | Council | | Group | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Salaries and wages | 22,070 | 19,802 | 38,309 | 37,251 |
| Kiwisaver/superannuation schemes employer contributions | 731 | 650 | 1,194 | 1,001 |
| Increase/(decrease) in employee entitlements/liabilities | (50) | (243) | (64) | (334) |
| Total personnel costs | 22,751 | 20,209 | 39,439 | 37,918 |

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

9 Finance income and finance costs

| | Council | | Group | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Finance income | | | | |
| Other interest received | 165 | 564 | 194 | 598 |
| Total finance income | <u>165</u> | <u>564</u> | <u>194</u> | <u>598</u> |
| | | | | |
| Interest on floating rate borrowings (note 28) | 1,681 | 2,597 | 1,820 | 2,733 |
| Interest on interest rate swaps | 2,332 | 1,821 | 2,332 | 1,821 |
| Other finance costs | 73 | 74 | 73 | 74 |
| Total finance costs | <u>(4,086)</u> | <u>(4,492)</u> | <u>(4,225)</u> | <u>(4,628)</u> |
| Net finance costs | <u>(3,921)</u> | <u>(3,928)</u> | <u>(4,031)</u> | <u>(4,030)</u> |

10 Income tax

| | Council | | Group | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Components of tax expense | | | | |
| Current tax | - | - | 247 | 90 |
| Adjustments to current tax in prior years | - | - | (115) | 92 |
| Deferred tax | - | - | (6) | (2) |
| Tax expense | <u>-</u> | <u>-</u> | <u>126</u> | <u>180</u> |
| | | | | |
| Surplus/(deficit) before tax | 7,490 | 5,231 | 10,826 | 10,871 |
| Tax at 28% | 2,097 | 1,465 | 3,031 | 2,965 |
| Plus/(less) tax effect of: | | | | |
| Non taxable income/adjustments | - | (1,465) | (2,796) | (2,785) |
| Subvention allocation | - | - | (109) | - |
| Tax expense | <u>2,097</u> | <u>-</u> | <u>126</u> | <u>180</u> |

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

11 Deferred tax assets/(liabilities)

The balance comprises temporary differences attributable to:

| | | | | |
|-------------------------------|---|---|-------|-------|
| Employee benefits | - | - | 308 | 272 |
| Property, plant and equipment | - | - | (260) | (263) |
| Provisions | - | - | 67 | (52) |
| | - | - | 115 | (43) |
| Other | - | - | 12 | 47 |
| Total deferred tax assets | - | - | 127 | 4 |

| | PP&E \$'000 | Other \$'000 | Tax losses carried forward \$'000 | Total \$'000 |
|--|----------------|-----------------|--|-----------------|
| Group | | | | |
| Opening balance 1 July 2018 | (204) | 274 | - | 70 |
| Credited (charged) to other comprehensive income | (59) | (7) | - | (66) |
| Balance at 30 June 2019 | (263) | 267 | - | 4 |
| Opening balance 1 July 2019 | 70 | - | - | 70 |
| Credited (charged) to other comprehensive income | - | - | - | - |
| Credited (charged) directly to equity | (66) | 123 | - | 57 |
| Balance at 30 June 2020 | 4 | 123 | - | 127 |

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

12 Cash and cash equivalents

| | Council | | Group | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Cash at bank and in hand | 1,544 | 1,391 | 2,460 | 2,194 |
| Short term deposits with maturities of three months or less | 13,000 | 14,000 | 13,552 | 14,000 |
| Short term deposits maturing four to twelve months from date of acquisitions | - | - | 405 | 100 |
| Total cash and cash equivalents | 14,544 | 15,391 | 16,417 | 16,294 |

(a) Cash at bank and on hand

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

(b) Short term deposits and deposits at call

The carrying amount of the short term deposits approximates their fair value. The three short term deposits have a weighted average fixed interest rate of 0.72% and with maturity dates between 8 July 2020 and 20 July 2020.

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

| | Council | | Group | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Cash at bank and in hand | 1,544 | 1,391 | 2,460 | 2,194 |
| Short term deposits with maturities of three months or less | 13,000 | 14,000 | 13,552 | 14,000 |
| Short term deposits maturing four to twelve months from date of acquisitions | - | - | 405 | 100 |
| Total | 14,544 | 15,391 | 16,417 | 16,294 |

13 Trade and other receivables

| | Council | | Group | |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Net trade receivables | | | | |
| Rates receivable | 4,228 | 2,093 | 4,228 | 2,093 |
| Other trade receivables | 737 | 674 | 2,557 | 2,686 |
| | 4,965 | 2,767 | 6,785 | 4,779 |
| Net other receivables | | | | |
| Other receivables | 6,437 | 7,278 | 6,451 | 7,310 |
| Dividend receivable | 1,675 | 2,470 | 1,675 | 2,470 |
| Sundry debtors | 3,488 | 2,566 | 3,724 | 2,692 |
| Provision for doubtful receivables | (58) | (36) | (66) | (82) |
| | 11,542 | 12,278 | 11,784 | 12,390 |

Nelson City Council Group
Notes to the financial statements
30 June 2020
 (continued)

13 Trade and other receivables (continued)

| | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| Prepayments | <u>477</u> | <u>659</u> | <u>572</u> | <u>935</u> |
| Total current debtors and other receivables | <u>16,984</u> | <u>15,704</u> | <u>19,141</u> | <u>18,104</u> |

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Nelson City Council Group
Notes to the financial statements
30 June 2020
 (continued)

13 Trade and other receivables (continued)**Receivables from exchange transactions**

Includes commercial sales and fees and charges outstanding that have not been subsidised by rates

| | | | | |
|--|-------|-------|-------|-------|
| | 6,630 | 5,614 | 8,577 | 7,691 |
|--|-------|-------|-------|-------|

Receivables from non-exchange transactions

This includes rates outstanding along with grants, infringements and fees and charges outstanding that are partly subsidised by rates

| | | | | |
|--|-------|-------|-------|-------|
| | 9,877 | 8,832 | 9,992 | 8,879 |
|--|-------|-------|-------|-------|

Fair value

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

Impairment

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

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

| | 2020 | | | 2019 | | |
|----------------------------|---------------|--------------------------------|---------------|---------------|--------------------------------|---------------|
| | Gross | Provision for uncollectability | Net | Gross | Provision for uncollectability | Net |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Council | | | | | | |
| Not past due | 12,639 | - | 12,639 | 11,569 | - | 11,569 |
| Past due 1-30 days | 1,470 | - | 1,470 | 990 | - | 990 |
| Past due 31-60 days | 127 | - | 127 | 551 | - | 551 |
| Past due more than 61 days | 2,328 | (58) | 2,270 | 1,372 | (35) | 1,337 |
| Total | 16,564 | (58) | 16,506 | 14,482 | (35) | 14,447 |
| Group | | | | | | |
| Not past due | 14,550 | - | 14,550 | 13,462 | - | 13,462 |
| Past due 1-30 days | 1,541 | - | 1,541 | 1,170 | - | 1,170 |
| Past due 31-60 days | 150 | - | 150 | 574 | - | 574 |
| Past due more than 61 days | 2,333 | (8) | 2,325 | 1,446 | (81) | 1,365 |
| Total | 18,574 | (8) | 18,566 | 16,652 | (81) | 16,571 |

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

14 Current tax receivables

| | Council | | Group | |
|-------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Current tax asset | - | - | 1 | 9 |
| | - | - | 1 | 9 |

15 Inventories

| | Council | | Group | |
|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Raw materials at cost | - | - | 517 | 478 |
| Merchandise at cost | - | - | 82 | 72 |
| Work in progress at cost | - | - | 644 | 380 |
| Finished goods at cost | - | - | 187 | 136 |
| Provision for obsolete stock | - | - | - | (11) |
| Total inventory | - | - | 1,430 | 1,055 |

Includes both inventories as well and work in progress that have arisen from contracting services.

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

16 Other financial assets

| | Council | | Group | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Emissions Trading Scheme (ETS) credits | 990 | 1,292 | 990 | 1,292 |
| Fixed interest securities | - | - | 21 | 139 |
| Short term bank deposit with maturities of 4-12 months | - | - | 1,096 | 1,077 |
| Community Loans | 422 | 1,242 | 422 | 1,242 |
| Loans to related parties | 100 | 100 | - | - |
| Total current portion | 1,512 | 2,634 | 2,529 | 3,750 |
| LGFA borrower notes | 1,200 | 1,040 | 1,200 | 1,040 |
| Fixed interest securities | - | - | 73 | 134 |
| Equity securities - NZ LG Insurance Corp Ltd | 140 | 140 | 140 | 140 |
| Community loans | 2,802 | 2,150 | 2,802 | 2,150 |
| Loans to related parties (note 35) | 509 | 540 | - | - |
| Listed shares | - | - | 622 | 623 |
| Total non-current portion | 4,651 | 3,870 | 4,837 | 4,087 |

Civic Trust investments

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

Held to maturity investments

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

Loans to related parties

The loan to related parties is a loan with an outstanding face value of \$625,000 to Tasman Bays Heritage Trust with a remaining term of 7 years. The loan is at a 0% interest rate, and a discount rate by year from Treasury (2019: 4.2%) has been used.

Unlisted shares

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

Community loans

Community loans include the following:

- Solar Saver \$77,000 (2019: \$157,000). Remaining terms up to 2 years, interest rates of 7.8% and 6.9%
- Clean Heat Warm Homes, face value \$193,000 (2019: \$496,000), remaining terms up to 2 years, zero interest rate. The loan has been written down based on a discounted interest rate by year from Treasury (2019: 4.2%)
- Theatre Royal, face value \$2m (2019: \$2.1m), remaining term of 34 years, 0% interest rate. The loan has been written down based on a discounted interest rate by year from Treasury (2019: 4.2%)
- Nelson Centre of Musical Arts, face value \$812,000, term 25 years remaining, zero interest rate. This loan has been written down based on a discounted interest rate by year from Treasury.
- Others \$847,900 (2019: \$931,900), various repayment terms and interest rates.

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

17 Derivative financial instruments

| | Council | | Group | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Current liability portion | | | | |
| Interest rate swaps | 633 | 290 | 633 | 290 |
| Total current liability portion | <u>633</u> | <u>290</u> | <u>633</u> | <u>290</u> |
| Non-current liability portion | | | | |
| Interest rate swaps | 12,812 | 10,273 | 12,812 | 10,273 |
| Total non-current liability portion | <u>12,812</u> | <u>10,273</u> | <u>12,812</u> | <u>10,273</u> |
| Total derivative financial instrument liabilities | <u>13,445</u> | <u>10,563</u> | <u>13,445</u> | <u>10,563</u> |
| Total net derivative financial instruments | <u>(13,445)</u> | <u>(10,563)</u> | <u>(13,445)</u> | <u>(10,563)</u> |

Fair value

Interest Rate Swaps

The Council has \$122.5m notional principal of interest rate swaps (2019: \$138.5m), with maturity dates between July 20 and October 2029. Fixed interest rates range from 1.72% to 5.25% (2019: 2.14% to 5.25%) and the weighted average interest rate of the swap portfolio is 3.88% (2019: 3.96%).

\$45.5m (2019 \$61.5m) of that notional principal are forward start swaps, with start dates between July 2020 and October 2025.

18 Non-current assets held for sale

In June 2019, Council resolved to sell its Community Housing property portfolio to one or more approved social housing providers. Council also made the State Advances building on Trafalgar Street available for sale. Due to circumstances beyond Council's control, the sale of the two properties has been delayed but Council remains committed to its plan to sell them both. The Community Housing sale is in progress and estimated to be completed by December 2020. The sale of the State Advances building has a signed sale and purchase agreement in place and is estimated to be sold by 30 June 2021, once all conditions have been met.

| | Council | | Group | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Non-current assets held for sale are: | | | | |
| Land | 7,064 | 7,064 | 7,064 | 7,064 |
| Buildings | 4,131 | 3,853 | 4,131 | 3,853 |
| Plant and equipment | 4 | 4 | 4 | 4 |
| Motor vehicles | - | - | (237) | - |
| Other improvements | 13 | 13 | 13 | 13 |
| Total non-current assets held for sale | <u>11,212</u> | <u>10,934</u> | <u>10,975</u> | <u>10,934</u> |

The accumulated property revaluation reserve recognised in equity for the properties at 30 June 2019 totals \$7.04 million.

Sales of these assets are expected to occur in the period ending 30 June 2020.

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

19 Property, plant and equipment

| | Cost/ revaluation 1 Jul 2019 | Accumulated depreciation and impairment charges 1 Jul 2019 | Carrying amount 1 Jul 2019 | Current year additions | Current year disposables | Current year impairment charges | Current year depreciation | Gain/Loss on disposals | Revaluation surplus | Cost/ revaluation 30 June 2020 | Accumulated depreciation and impairment charges 30 June 2020 | Carrying amount 30 June 2020 |
|---|------------------------------------|---|----------------------------------|------------------------------|-----------------------------|---------------------------------------|------------------------------|---------------------------|------------------------|--------------------------------------|--|------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Operating assets | | | | | | | | | | | | |
| Land | 60,953 | - | 60,953 | 1,800 | - | - | - | - | - | 62,753 | - | 62,753 |
| Buildings | 28,644 | (11,122) | 17,522 | 590 | - | - | (742) | - | - | 29,234 | (11,864) | 17,370 |
| Other improvements | 6,448 | (1,424) | 5,024 | 255 | (1) | - | (270) | - | - | 6,685 | (1,677) | 5,008 |
| Landfill post closure | 427 | (254) | 173 | - | - | - | (45) | - | - | 427 | (299) | 128 |
| Library books | 5,119 | (3,119) | 2,000 | 471 | (1) | - | (451) | - | - | 4,790 | (2,771) | 2,019 |
| Other plant and equipment | 15,443 | (9,246) | 6,197 | 1,365 | (9) | - | (1,142) | (7) | - | 16,646 | (10,242) | 6,404 |
| Motor vehicles | 1,040 | (588) | 452 | 135 | (18) | - | (57) | 8 | - | 1,080 | (560) | 520 |
| Marina | 11,637 | (1,974) | 9,663 | 486 | - | - | (177) | - | - | 12,123 | (2,151) | 9,972 |
| Total | 129,711 | (27,727) | 101,984 | 5,102 | (29) | - | (2,884) | 1 | - | 133,738 | (29,564) | 104,174 |
| Infrastructural assets | | | | | | | | | | | | |
| <u>At cost & valuation</u> | | | | | | | | | | | | |
| Wastewater treatment plant and facilities | 45,354 | - | 45,354 | 1,766 | - | - | (1,469) | - | 1,594 | 47,245 | - | 47,245 |
| Wastewater reticulation | 132,561 | - | 132,561 | 3,153 | - | (215) | (3,487) | (8) | 41,703 | 173,707 | - | 173,707 |
| Water treatment plant and facilities | 18,922 | - | 18,922 | - | - | - | (918) | - | 170 | 18,174 | - | 18,174 |
| Water supply | 146,864 | - | 146,864 | 6,543 | - | - | (3,417) | (203) | 24,189 | 173,976 | - | 173,976 |
| Stormwater reticulation | 134,819 | - | 134,819 | 2,199 | - | - | (2,392) | (61) | 39,754 | 174,319 | - | 174,319 |
| Flood protection | 27,944 | - | 27,944 | 2,464 | - | - | (343) | - | 1,057 | 31,122 | - | 31,122 |
| Solid waste | 4,726 | - | 4,726 | 31 | (5) | (98) | (224) | - | 94 | 4,524 | - | 4,524 |
| Roading | 677,181 | - | 677,181 | 8,793 | (805) | (106) | (7,268) | 243 | 24,185 | 702,223 | - | 702,223 |
| Car parks | 1,143 | - | 1,143 | 91 | - | - | (45) | - | 145 | 1,334 | - | 1,334 |
| Total | 1,189,514 | - | 1,189,514 | 25,040 | (810) | (419) | (19,563) | (29) | 132,891 | 1,326,624 | - | 1,326,624 |
| Restricted assets | | | | | | | | | | | | |
| Land | 136,921 | - | 136,921 | 428 | - | - | - | - | - | 137,349 | - | 137,349 |
| Buildings | 71,917 | (13,551) | 58,366 | 404 | - | - | (1,408) | - | - | 72,323 | (14,961) | 57,362 |
| Improvements | 77,034 | (20,052) | 56,982 | 4,975 | - | - | (1,816) | - | - | 82,009 | (21,868) | 60,141 |
| Total | 285,872 | (33,603) | 252,269 | 5,807 | - | - | (3,224) | - | - | 291,681 | (36,829) | 254,852 |
| Total Council | 1,605,097 | (61,330) | 1,543,767 | 35,949 | (839) | (419) | (25,671) | (28) | 132,891 | 1,752,043 | (66,393) | 1,685,650 |

19 Property, plant and equipment (continued)

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

| | Cost/ revaluation 1 Jul 2019 \$'000 | Accumulated depreciation and impairment charges 1 Jul 2019 \$'000 | Carrying amount 1 Jul 2019 \$'000 | Current year additions \$'000 | Current year disposables \$'000 | Current year impairment charges \$'000 | Current year depreciation \$'000 | Gain/Loss on disposals \$'000 | Revaluation surplus \$'000 | Cost/ revaluation 30 June 2020 \$'000 | Accumulated depreciation and impairment charges 30 June 2020 \$'000 | Carrying amount 30 June 2020 \$'000 |
|---|--|---|--|--|---------------------------------------|---|--|-------------------------------------|----------------------------------|--|--|--|
| Operating assets | | | | | | | | | | | | |
| Land | 60,278 | - | 60,278 | 250 | (7,045) | - | - | - | 7,470 | 60,953 | - | 60,953 |
| Buildings | 34,457 | (13,135) | 21,322 | 411 | (3,384) | - | (827) | - | - | 28,644 | (11,122) | 17,522 |
| Other improvements | 6,116 | (1,172) | 4,944 | 357 | (14) | - | (263) | - | - | 6,448 | (1,424) | 5,024 |
| Landfill post closure | 427 | (240) | 187 | - | - | - | (14) | - | - | 427 | (254) | 173 |
| Library books | 4,721 | (2,696) | 2,025 | 417 | (1) | - | (441) | - | - | 5,119 | (3,119) | 2,000 |
| Other plant and equipment | 15,565 | (9,357) | 6,208 | 1,250 | (11) | - | (1,248) | (2) | - | 15,443 | (9,246) | 6,197 |
| Motor vehicles | 1,025 | (568) | 457 | 109 | (3) | - | (111) | - | - | 1,040 | (588) | 452 |
| Marina | 10,882 | (1,826) | 9,056 | 757 | - | (1) | (149) | - | - | 11,637 | (1,974) | 9,663 |
| Total | 133,471 | (28,994) | 104,477 | 3,551 | (10,458) | (1) | (3,053) | (2) | 7,470 | 129,711 | (27,727) | 101,984 |
| Infrastructural assets | | | | | | | | | | | | |
| <u>At cost & valuation</u> | | | | | | | | | | | | |
| Wastewater treatment plant and facilities | 45,380 | - | 45,380 | 771 | - | - | (1,388) | - | 591 | 45,354 | - | 45,354 |
| Wastewater reticulation | 128,557 | - | 128,557 | 5,762 | - | (6) | (3,412) | (117) | 1,777 | 132,561 | - | 132,561 |
| Water treatment plant and facilities | 17,028 | - | 17,028 | 2,763 | - | - | (903) | (221) | 255 | 18,922 | - | 18,922 |
| Water supply | 144,279 | - | 144,279 | 4,254 | - | - | (3,381) | (506) | 2,218 | 146,864 | - | 146,864 |
| Stormwater reticulation | 133,233 | - | 133,233 | 2,133 | - | (3) | (2,376) | (177) | 2,009 | 134,819 | - | 134,819 |
| Flood protection | 26,293 | - | 26,293 | 1,573 | - | - | (321) | - | 399 | 27,944 | - | 27,944 |
| Solid waste | 4,929 | - | 4,929 | 90 | - | (70) | (233) | - | 10 | 4,726 | - | 4,726 |
| Roading | 667,278 | - | 667,278 | 8,731 | (3) | (26) | (7,205) | (865) | 9,271 | 677,181 | - | 677,181 |
| Car parks | 1,031 | - | 1,031 | 146 | - | (1) | (44) | - | 11 | 1,143 | - | 1,143 |
| Total | 1,168,008 | - | 1,168,008 | 26,223 | (3) | (106) | (19,263) | (1,886) | 16,541 | 1,189,514 | - | 1,189,514 |
| Restricted assets | | | | | | | | | | | | |
| Land | 118,133 | - | 118,133 | 1,990 | (5) | - | - | - | 16,803 | 136,921 | - | 136,921 |
| Buildings | 71,324 | (12,360) | 58,964 | 1,223 | (470) | - | (1,351) | - | - | 71,917 | (13,551) | 58,366 |
| Improvements | 73,501 | (18,468) | 55,033 | 3,660 | - | (127) | (1,584) | - | - | 77,034 | (20,052) | 56,982 |
| Total | 262,958 | (30,828) | 232,130 | 6,873 | (475) | (127) | (2,935) | - | 16,803 | 285,872 | (33,603) | 252,269 |
| Total Council | 1,564,437 | (59,822) | 1,504,615 | 36,647 | (10,936) | (234) | (25,251) | (1,888) | 40,814 | 1,605,097 | (61,330) | 1,543,767 |

19 Property, plant and equipment (continued)

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

| | Cost/ revaluation 1 Jul 2019 \$'000 | Accumulated depreciation and impairment charges 1 Jul 2019 \$'000 | Carrying amount 1 Jul 2019 \$'000 | Current year additions \$'000 | Current year disposables \$'000 | Current year impairment charges \$'000 | Current year depreciation \$'000 | Gain/Loss on disposals \$'000 | Revaluation surplus \$'000 | Cost/ revaluation 30 June 2020 \$'000 | Accumulated depreciation and impairment charges 30 June 2020 \$'000 | Carrying amount 30 June 2020 \$'000 |
|---|--|---|--|--|---------------------------------------|---|--|-------------------------------------|----------------------------------|--|--|--|
| Operating assets | | | | | | | | | | | | |
| Land | 62,666 | - | 62,666 | 1,800 | - | - | - | - | 1,080 | 65,546 | - | 65,546 |
| Buildings | 41,831 | (12,720) | 29,111 | 636 | - | - | (1,340) | - | - | 42,472 | (14,065) | 28,407 |
| Other plant and equipment | 27,549 | (16,200) | 11,349 | 2,136 | (947) | - | (2,060) | 873 | - | 28,588 | (17,237) | 11,351 |
| Library books | 5,119 | (3,119) | 2,000 | 471 | (1) | - | (451) | - | - | 4,790 | (2,771) | 2,019 |
| Capital work in progress | 5 | - | 5 | 31 | (4) | - | - | - | - | 32 | - | 32 |
| Marina | 11,637 | (1,974) | 9,663 | 486 | - | - | (177) | - | - | 12,123 | (2,151) | 9,972 |
| Motor vehicles | 4,832 | (2,336) | 2,496 | 474 | (49) | - | (389) | 39 | - | 5,180 | (2,609) | 2,571 |
| Other improvements | 6,907 | (1,486) | 5,421 | 255 | (1) | - | (293) | - | - | 7,144 | (1,762) | 5,382 |
| Landfill post closure | 427 | (254) | 173 | - | - | - | (45) | - | - | 427 | (299) | 128 |
| Art collection | 7,868 | - | 7,868 | 85 | - | - | - | - | - | 7,953 | - | 7,953 |
| Right of use assets | - | - | - | 604 | - | - | (204) | - | - | 604 | (204) | 400 |
| Total | 168,841 | (38,089) | 130,752 | 6,978 | (1,002) | - | (4,959) | 912 | 1,080 | 174,859 | (41,098) | 133,761 |
| Infrastructural assets | | | | | | | | | | | | |
| <u>At cost & valuation</u> | | | | | | | | | | | | |
| Roading | 677,181 | - | 677,181 | 8,793 | (805) | (106) | (7,268) | 243 | 24,185 | 702,223 | - | 702,223 |
| Water supply | 146,864 | - | 146,864 | 6,543 | - | - | (3,417) | (203) | 24,189 | 173,976 | - | 173,976 |
| Wastewater reticulation | 132,561 | - | 132,561 | 3,153 | - | (215) | (3,487) | (8) | 41,703 | 173,707 | - | 173,707 |
| Stormwater reticulation | 134,819 | - | 134,819 | 2,199 | - | - | (2,392) | (61) | 39,754 | 174,319 | - | 174,319 |
| Wastewater treatment plant and facilities | 45,354 | - | 45,354 | 1,766 | - | - | (1,469) | - | 1,594 | 47,245 | - | 47,245 |
| Water treatment plant and facilities | 18,922 | - | 18,922 | - | - | - | (918) | - | 170 | 18,174 | - | 18,174 |
| Flood protection | 27,944 | - | 27,944 | 2,464 | - | - | (343) | - | 1,057 | 31,122 | - | 31,122 |
| Car parks | 1,143 | - | 1,143 | 91 | - | - | (45) | - | 145 | 1,334 | - | 1,334 |
| Solid waste | 4,726 | - | 4,726 | 31 | (5) | (98) | (224) | - | 94 | 4,524 | - | 4,524 |
| Total | 1,189,514 | - | 1,189,514 | 25,040 | (810) | (419) | (19,563) | (29) | 132,891 | 1,326,624 | - | 1,326,624 |
| Restricted assets | | | | | | | | | | | | |
| Land | 136,921 | - | 136,921 | 428 | - | - | - | - | - | 137,349 | - | 137,349 |
| Buildings | 71,917 | (13,551) | 58,366 | 404 | - | - | (1,408) | - | - | 72,323 | (14,961) | 57,362 |
| Improvements | 77,034 | (20,052) | 56,982 | 4,975 | - | - | (1,816) | - | - | 82,009 | (21,868) | 60,141 |
| Total | 285,872 | (33,603) | 252,269 | 5,807 | - | - | (3,224) | - | - | 291,681 | (36,829) | 254,852 |
| Total Group | 1,644,227 | (71,692) | 1,572,535 | 37,825 | (1,812) | (419) | (27,746) | 883 | 133,971 | 1,793,164 | (77,927) | 1,715,237 |

19 Property, plant and equipment (continued)

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

| | Cost/ revaluation 1 Jul 2019 \$'000 | Accumulated depreciation and impairment charges 1 Jul 2019 \$'000 | Carrying amount 1 Jul 2019 \$'000 | Current year additions \$'000 | Current year disposables \$'000 | Current year impairment charges \$'000 | Current year depreciation \$'000 | Gain/Loss on disposals \$'000 | Revaluation surplus \$'000 | Cost/ revaluation 30 June 2020 \$'000 | Accumulated depreciation and impairment charges 30 June 2020 \$'000 | Carrying amount 30 June 2020 \$'000 |
|---|--|--|--|--|---------------------------------------|---|--|-------------------------------------|----------------------------------|--|--|--|
| Operating assets | | | | | | | | | | | | |
| Land | 61,991 | - | 61,991 | 250 | (7,045) | - | - | - | 7,470 | 62,666 | - | 62,666 |
| Buildings | 47,593 | (14,282) | 33,311 | 420 | (3,386) | - | (1,279) | 2 | - | 41,831 | (12,720) | 29,111 |
| Other plant and equipment | 27,473 | (16,095) | 11,378 | 2,104 | (666) | - | (2,101) | 615 | - | 27,549 | (16,200) | 11,349 |
| Library books | 4,721 | (2,696) | 2,025 | 417 | (1) | - | (441) | - | - | 5,119 | (3,119) | 2,000 |
| Capital work in progress | 117 | - | 117 | 5 | (117) | - | - | - | - | 5 | - | 5 |
| Marina | 10,882 | (1,826) | 9,056 | 757 | - | (1) | (149) | - | - | 11,637 | (1,974) | 9,663 |
| Motor vehicles | 4,442 | (2,230) | 2,212 | 624 | (144) | - | (305) | 127 | - | 4,832 | (2,336) | 2,496 |
| Other improvements | 6,575 | (1,211) | 5,364 | 356 | (14) | - | (285) | - | - | 6,907 | (1,486) | 5,421 |
| Landfill post closure | 427 | (240) | 187 | - | - | - | (14) | - | - | 427 | (254) | 173 |
| Art collection | 7,803 | - | 7,803 | 65 | - | - | - | - | - | 7,868 | - | 7,868 |
| Total | 172,024 | (38,580) | 133,444 | 4,998 | (11,373) | (1) | (4,574) | 744 | 7,470 | 168,841 | (38,089) | 130,752 |
| Infrastructural assets | | | | | | | | | | | | |
| <u>At cost & valuation</u> | | | | | | | | | | | | |
| Roading | 667,278 | - | 667,278 | 8,731 | (3) | (26) | (7,205) | (865) | 9,271 | 677,181 | - | 677,181 |
| Water supply | 144,279 | - | 144,279 | 4,254 | - | - | (3,381) | (506) | 2,218 | 146,864 | - | 146,864 |
| Wastewater reticulation | 128,557 | - | 128,557 | 5,762 | - | (6) | (3,412) | (117) | 1,777 | 132,561 | - | 132,561 |
| Stormwater reticulation | 133,233 | - | 133,233 | 2,133 | - | (3) | (2,376) | (177) | 2,009 | 134,819 | - | 134,819 |
| Wastewater treatment plant and facilities | 45,380 | - | 45,380 | 771 | - | - | (1,388) | - | 591 | 45,354 | - | 45,354 |
| Water treatment plant and facilities | 17,028 | - | 17,028 | 2,763 | - | - | (903) | (221) | 255 | 18,922 | - | 18,922 |
| Flood protection | 26,293 | - | 26,293 | 1,573 | - | - | (321) | - | 399 | 27,944 | - | 27,944 |
| Car parks | 1,031 | - | 1,031 | 146 | - | (1) | (44) | - | 11 | 1,143 | - | 1,143 |
| Solid waste | 4,929 | - | 4,929 | 90 | - | (70) | (233) | - | 10 | 4,726 | - | 4,726 |
| Total | 1,168,008 | - | 1,168,008 | 26,223 | (3) | (106) | (19,263) | (1,886) | 16,541 | 1,189,514 | - | 1,189,514 |
| Restricted assets | | | | | | | | | | | | |
| Land | 118,133 | - | 118,133 | 1,990 | (5) | - | - | - | 16,803 | 136,921 | - | 136,921 |
| Buildings | 71,324 | (12,360) | 58,964 | 1,163 | (470) | - | (1,351) | - | - | 71,917 | (13,551) | 58,366 |
| Improvements | 73,501 | (18,468) | 55,033 | 3,660 | - | (127) | (1,584) | - | - | 77,034 | (20,052) | 56,982 |
| Total | 262,958 | (30,828) | 232,130 | 6,813 | (475) | (127) | (2,935) | - | 16,803 | 285,872 | (33,603) | 252,269 |
| Total Group | 1,602,990 | (69,408) | 1,533,582 | 38,034 | (11,851) | (234) | (26,772) | (1,142) | 40,814 | 1,644,227 | (71,692) | 1,572,535 |

19 Property, plant and equipment (continued)**Infrastructural assets - further disclosures**

Most recent replacement cost estimates are as at 30 June 2020

Council 2020

| | | Additions | | Most recent replacement cost estimate for revalued assets |
|---|----------------------------------|--|--|--|
| Council 2020 | Closing book value \$'000 | Additions: constructed by Entity \$'000 | Additions: transferred to Entity \$'000 | \$'000 |
| Water supply: | | | | |
| – treatment plants and facilities | 18,174 | - | - | 26,609 |
| – other assets (such as reticulation systems) | 173,976 | 4,233 | 2,310 | 316,103 |
| Sewerage: | | | | |
| – treatment plants and facilities | 47,245 | 1,766 | - | 69,344 |
| – other assets (such as reticulation systems) | 173,707 | 2,739 | 413 | 329,914 |
| Stormwater drainage | 174,319 | 1,986 | 213 | 268,231 |
| Flood protection and control works | 31,122 | 2,464 | - | 39,197 |
| Roads and footpaths | 702,223 | 7,387 | 1,407 | 848,009 |
| Total infrastructural assets | 1,320,766 | 20,575 | 4,343 | 1,897,407 |

Council 2019

| | | Additions | | Most recent replacement cost estimate for revalued assets |
|---|----------------------------------|--|--|--|
| Council 2019 | Closing book value \$'000 | Additions: constructed by Entity \$'000 | Additions: transferred to Entity \$'000 | \$'000 |
| Water supply: | | | | |
| – treatment plants and facilities | 18,922 | 2,763 | - | 29,742 |
| – other assets (such as reticulation systems) | 146,864 | 4,185 | 69 | 253,912 |
| Sewerage: | | | | |
| – treatment plants and facilities | 45,354 | 771 | - | 68,065 |
| – other assets (such as reticulation systems) | 132,561 | 5,501 | 261 | 248,949 |
| Stormwater drainage | 134,819 | 1,737 | 396 | 212,479 |
| Flood protection and control works | 27,944 | 1,573 | - | 35,574 |
| Roads and footpaths | 677,181 | 7,041 | 1,690 | 825,969 |
| Total infrastructural assets | 1,183,645 | 23,571 | 2,416 | 1,674,690 |

19 Property, plant and equipment (continued)

Valuation

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

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

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

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

The most recent valuation of land was performed by an independent registered valuer, Quotable Value New Zealand. The valuation is effective as at 30 June 2019.

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Where there is a designation against the land or the use of the land is restricted because of reserve or endowment status, the valuation approach reflects the value in use. Such land is valued based on rural land value plus a location adjustment to reflect different zoning, which are based on the valuer's judgement.

Restrictions on the Council's ability to sell land would normally not impair the value of the land because the Council has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

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

Infrastructural assets are valued annually internally at depreciated replacement cost by Council engineers as at 30 June 2020 based on an internal valuation plus additions at cost less depreciation. The valuation methodology has been peer reviewed by WSP New Zealand Ltd and revaluations are updated annually. Work in progress is recognised at cost less impairment and is not depreciated.

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

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

Specialist infrastructural assets

Specialist infrastructural assets including dams, water reservoirs and wastewater treatment plants have been revalued by WSP New Zealand Ltd at depreciated replacement cost with assets optimised using least cost alternative as at 30 June 2020. Revaluations are updated annually.

Nelson Tasman Regional Sewerage Business Unit

Land is valued at market valuation as at 30 June 2019 by Quotable Value and is reviewed every five years or if there is a material movement. Infrastructure assets are valued at depreciated replacement cost with assets optimised using least cost alternative by Council engineers as at 30 June 2020. The valuation methodology has been peer reviewed by WSP New Zealand Ltd. Revaluations are updated annually.

19 Property, plant and equipment (continued)

Nelson Regional Landfill Business Unit

Land is reviewed annually and revalued at market value every five years or if there is a material movement. The latest valuation was conducted as at 30 June 2019 by QV Valuations.

Infrastructural assets are valued annually internally at depreciated replacement cost by Council engineers as at 30 June 2020 based on an internal valuation plus additions at cost less depreciation. The valuation methodology has been peer reviewed by WSP New Zealand Ltd and revaluations are updated annually. Work in progress is recognised at cost less impairment and is not depreciated.

The results of revaluing land and infrastructural assets are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this 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.

Earthquake prone buildings

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

A total of 11 buildings have been assessed as under 34%NBS (this excludes bus shelters, toilet blocks, garages and other outbuildings, but includes Hounsell Circle bus shelter). Five of these buildings are not considered earthquake prone, the other six have either a section 124 notice or EPB Notice that require additional work to either strengthen the buildings to 34%NBS or otherwise remove the risk. Council is working through a process for all s124 Notices to be replaced with EPB Notices as required by the Building (Earthquake-Prone Buildings) Amendment Act 2016 which came into effect on 1 July 2017.

Work in progress

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

| | Council and Group | |
|-------------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Water system | 1,409 | 748 |
| Road network | 2,677 | 3,273 |
| Land and buildings | 889 | 238 |
| Sewerage | 2,737 | 1,548 |
| Stormwater | 1,007 | 723 |
| Solid waste | - | 81 |
| Flood protection | 304 | 347 |
| Other | 1,015 | 364 |
| Total work in progress | 10,038 | 7,322 |

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

20 Intangible assets

| Council | Computer software \$'000 |
|---|---|
| At 1 July 2018 | |
| Cost | 5,646 |
| Accumulated amortisation and impairment | <u>(3,266)</u> |
| Net book amount | <u>2,380</u> |
| Year ended 30 June 2019 | |
| Opening net book amount | 2,380 |
| Additions | 1,173 |
| Amortisation charge ** | <u>(656)</u> |
| Closing net book amount | <u>2,897</u> |
| As at 30 June 2019 | |
| Cost | 6,043 |
| Accumulated amortisation and impairment | <u>(3,146)</u> |
| Net book amount | <u>2,897</u> |
| Council | Computer software \$'000 |
| Year ended 30 June 2020 | |
| Opening net book amount | 2,897 |
| Additions | 1,440 |
| Disposals | (90) |
| Amortisation charge | <u>(668)</u> |
| Closing net book amount | <u>3,579</u> |
| At 30 June 2020 | |
| Cost | 7,211 |
| Accumulated amortisation and impairment | <u>(3,632)</u> |
| Net book amount | <u>3,579</u> |

Nelson City Council Group
Notes to the financial statements
30 June 2020
(continued)

20 Intangible assets (continued)

| Group | Computer software \$'000 |
|---|--------------------------------|
| At 1 July 2018 | |
| Cost | 6,581 |
| Accumulated amortisation and impairment | <u>(3,662)</u> |
| Net book amount | <u>2,919</u> |
| Year ended 30 June 2019 | |
| Opening net book amount | 2,919 |
| Additions | 1,347 |
| *** Insert description | - |
| Amortisation charge ** | <u>(809)</u> |
| Closing net book amount | <u>3,457</u> |
| At 30 June 2019 | |
| Cost | 7,151 |
| Disposals | - |
| Accumulated amortisation and impairment | <u>(3,694)</u> |
| Net book amount | <u>3,457</u> |
| Group | |
| Year ended 30 June 2020 | |
| Opening net book amount | 3,457 |
| Additions | 1,550 |
| Disposals | (90) |
| Amortisation charge | <u>(941)</u> |
| Closing net book amount | <u>3,976</u> |
| At 30 June 2020 | |
| Cost | 8,381 |
| Accumulated amortisation and impairment | <u>(4,405)</u> |
| Net book amount | <u>3,976</u> |

Nelson City Council Group
Notes to the financial statements
30 June 2020

21 Depreciation and amortisation expense by group of activity

| | Council | |
|---|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Directly attributable depreciation and amortisation expense by group of activity | | |
| Corporate | 554 | 672 |
| Parks and active recreation | 3,508 | 3,248 |
| Social | 1,243 | 1,239 |
| Transport | 7,425 | 7,387 |
| Environmental management | 49 | 43 |
| Solid waste | 292 | 267 |
| Wastewater | 4,940 | 4,801 |
| Stormwater | 2,410 | 2,394 |
| Water supply | 4,361 | 4,292 |
| Flood protection | 563 | 477 |
| Total directly attributable depreciation and amortisation by group of activity | <u>25,345</u> | <u>24,820</u> |
| Depreciation and amortisation not directly related to group of activities | <u>994</u> | <u>1,087</u> |
| Total depreciation and amortisation expense | <u>26,339</u> | <u>25,907</u> |

22 Forestry assets

| | Council | | Group | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Carrying amount opening balance | 4,497 | 4,325 | 4,497 | 4,325 |
| Gain/loss arising from changes in fair value less estimated point-of-sale costs | 2,991 | 833 | 2,991 | 833 |
| Harvest | (484) | (661) | (484) | (661) |
| Balance at 30 June 2020 | <u>7,004</u> | <u>4,497</u> | <u>7,004</u> | <u>4,497</u> |

Council owns 609.8 hectares, (528.3 at 30 June 2019), of Radiata Pine and Cupressus Macrocarpa planted between 1981 and 2020. Other stands totalling 51 hectares, (51 at 30 June 2019), were considered to have no commercial value. Independent registered valuers PF Olsen have valued the forestry assets as at 30 June 2020. A discount rate of 6.0%, (6.0% in 2019), has been used in discounting the present value of expected after tax cash flows.

Nelson City Council Group
Notes to the financial statements
30 June 2020

23 Investment property

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

Rents received from this property were \$nil (2019: \$261)

The movement of investment property is as follows:

| | Council | | Group | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Investment properties - fair value - opening balance | 1,180 | 1,150 | 1,180 | 1,150 |
| Investment properties - fair value - net gain (loss) from fair value adjustment | (225) | 30 | (225) | 30 |
| Balance at 30 June | 955 | 1,180 | 955 | 1,180 |

24 Investments in subsidiaries**Accounting policy**

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

| | Council | | Group | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Nelson Regional Development Agency | 200 | 200 | - | - |
| Nelmac | 2,000 | 2,000 | - | - |
| Bishop Suter Trust | 6,000 | 6,000 | - | - |
| Civic Trust | - | - | - | - |
| Total investment in Subsidiaries | 8,200 | 8,200 | - | - |

Significant subsidiaries of Council comprise:

| | | | |
|------------------------------------|---|------------|-----|
| Nelson Regional Development Agency | Regional development, marketing and promotion | 100 | 100 |
| Nelmac | Management of facilities and infrastructure | 100 | 100 |
| Bishop Suter Trust | Art gallery | 100 | 100 |
| Civic Trust | Enhancement of city environment | 100 | 100 |

All subsidiaries have a balance date of 30 June and are resident in New Zealand.

These fully controlled subsidiaries have been consolidated line by line.

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

| | 2020 \$'000 | 2019 \$'000 |
|-------------------------------------|------------------------|------------------------|
| Opening balance | 8,200 | 8,200 |
| Net investment made during the year | - | - |

Nelson City Council Group
Notes to the financial statements
30 June 2020

24 Investments in subsidiaries (continued)

| | | |
|---|---------------------|---------------------|
| Total investment in subsidiaries | <u>8,200</u> | <u>8,200</u> |
|---|---------------------|---------------------|

25 Investments in equity accounted joint ventures

| | Actual 2020 \$'000 | Actual 2019 \$'000 |
|----------------------------|-----------------------------------|-----------------------------------|
| Council | | |
| Port Nelson Ltd | 12,708 | 12,708 |
| Tasman Bays Heritage Trust | 4,922 | 4,922 |
| Nelson Airport Ltd | <u>19,033</u> | <u>19,033</u> |
| Shares in associates | <u>36,663</u> | <u>36,663</u> |

Only the equity value of these 50% owned associates is consolidated.

All associates have a balance date of 30 June and are resident in New Zealand.

| | 2020 \$'000 | 2019 \$'000 |
|---|------------------------|------------------------|
| Group | | |
| Movements in the carrying amount of investments in equity accounted joint ventures: | | |
| Balance at 1 July | 151,946 | 147,618 |
| Share of total recognised revenue and expenses | 5,791 | 9,448 |
| Share of revaluation gain | 27,214 | (855) |
| Share of dividend | <u>(2,835)</u> | <u>(4,265)</u> |
| Balance at 30 June | <u>182,115</u> | <u>151,946</u> |

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

| | Actual 2020 \$'000 | Actual 2019 \$'000 |
|-------------------|-----------------------------------|-----------------------------------|
| Council | | |
| Assets | 490,246 | 403,847 |
| Liabilities | 149,446 | 127,586 |
| Revenues | 80,510 | 84,769 |
| Surplus/(deficit) | <u>10,401</u> | <u>17,706</u> |

Nelson City Council Group
Notes to the financial statements
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26 Investments in equity accounted joint operations

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

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

| Name | Principal activity | 2020 Percentage ownership % | 2019 Percentage ownership % |
|---|------------------------------------|--------------------------------------|--------------------------------------|
| Regional Sewerage | Sewerage disposal services | 50 % | 50 % |
| Civil Defence | Coordination of emergency services | 50 % | 50 % |
| Regional Landfill | Solid Waste disposal service | 50 % | 50 % |
| The Regional Sewerage Business Unit, Regional Landfill Business Unit and Civil Defence have a balance date of 30 June and are domiciled in New Zealand. | | | |

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

| | 2020 \$'000 | 2019 \$'000 |
|------------------------------|----------------|----------------|
| Assets | | |
| Current assets | 3,597 | 2,355 |
| Non-current assets | 38,221 | 35,170 |
| Total assets | 41,818 | 37,525 |
| Liabilities | | |
| Current liabilities | 1,110 | 475 |
| Non-current liabilities | 9,784 | 7,444 |
| Total liabilities | 10,894 | 7,919 |
| Revenue | 7,431 | 6,568 |
| Expenses | (7,836) | (6,525) |
| Net surplus/(deficit) | (405) | 43 |

Nelson City Council Group
Notes to the financial statements
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27 Trade and other payables

| | Council | | Group | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Current | | | | |
| Trade payables | 9,894 | 11,582 | 9,764 | 11,556 |
| Deposits and bonds | 804 | 1,033 | 804 | 1,033 |
| Accrued expenses | 2,377 | 1,761 | 2,670 | 1,846 |
| Income in advance | 1,505 | 1,234 | 1,528 | 1,239 |
| Amounts due to customers for contract work | 85 | 186 | 85 | 186 |
| Other payables | 2,322 | 1,326 | 2,336 | 1,332 |
| Suspensory loan | 59 | 59 | 59 | 59 |
| Trust accounts | 776 | 38 | 776 | 38 |
| Taxes payable other than income tax | 13 | 14 | 236 | 392 |
| Lease Liabilities | - | - | 6 | - |
| Total current creditors and other payables | 17,835 | 17,233 | 18,264 | 17,681 |
| Total creditors and other payables from exchange transactions | 13,736 | 15,364 | 13,936 | 15,434 |
| Total creditors and other payables from non-exchange transactions | 4,099 | 1,868 | 4,322 | 2,246 |
| Non current | | | | |
| Lease liabilities | - | - | 393 | - |
| Housing New Zealand Suspensory Loan | 585 | 644 | 585 | 644 |
| Suter depreciation accrual | 863 | 630 | - | - |
| Total non-current creditors and payables | 1,448 | 1,274 | 978 | 644 |
| Non-current payables from exchange transactions | - | - | - | - |
| Non-current payables from non-exchange transactions | 1,448 | 1,274 | 978 | 644 |
| Total non-current payables from exchange and non-exchange transactions | 1,448 | 1,274 | 978 | 644 |
| Total trade and other payables | 19,283 | 18,507 | 19,242 | 18,325 |

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

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

Nelson City Council Group
Notes to the financial statements
30 June 2020

28 Borrowings and other financial liabilities

| | Council | | Group | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Current portion | | | | |
| Secured | | | | |
| Secured loans | 850 | 1,000 | 850 | 1,233 |
| Floating rate notes | 30,000 | 10,000 | 30,000 | 10,000 |
| Total secured current interest bearing borrowings | 30,850 | 11,000 | 30,850 | 11,233 |
| Total current portion | 30,850 | 11,000 | 30,850 | 11,233 |
| Non-current portion | | | | |
| Secured loans | - | - | 2,874 | 2,891 |
| Floating rate notes | 70,000 | 90,000 | 70,000 | 90,000 |
| Total non-current portion | 70,000 | 90,000 | 72,874 | 92,891 |
| Total borrowings | 100,850 | 101,000 | 103,724 | 104,124 |

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

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

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

As at 30 June 2020 the Council had borrowing facilities of \$8 million with Westpac Banking Corporation (2019: \$20m) and \$15m with ANZ National Limited (2019: \$15m). At balance date \$850,000 of the total \$35m facility was drawn down (2019: \$1m). Council also has a business card facility with Westpac with a limit of \$42,000 (2019: \$42,000).

The interest rates on the Council borrowings range from 0.63% to 1.31% (2019: 2.01% to 2.74%). The weighted average interest rate on the above loans was 0.95% (2019: 2.35%).

Nelson City Council Group
Notes to the financial statements
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29 Provisions

| | Council | | Group | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Regional Landfill - closure and post closure provision | <u>163</u> | <u>148</u> | <u>163</u> | <u>148</u> |
| Total current portion | <u>163</u> | <u>148</u> | <u>163</u> | <u>148</u> |
| Regional Landfill - closure and post closure provision | <u>3,504</u> | <u>2,141</u> | <u>3,504</u> | <u>2,141</u> |
| Total non-current portion | <u>3,504</u> | <u>2,141</u> | <u>3,504</u> | <u>2,141</u> |
| Total provisions | <u>3,667</u> | <u>2,289</u> | <u>3,667</u> | <u>2,289</u> |
| Movements in provisions: | | | | |
| Opening balance | 2,289 | 2,286 | 2,289 | 2,286 |
| Reassessment of liability | 1,514 | 41 | 1,514 | 41 |
| Interest | - | (38) | - | (38) |
| Expenditure incurred | <u>(136)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Closing balance | <u>3,667</u> | <u>2,289</u> | <u>3,803</u> | <u>2,289</u> |

The Nelson Tasman Regional Landfill Business Unit (NTRLBU) operates the York Valley Landfill in NCC and the Eves Valley landfill in Tasman District Council. The Business Unit has a legal obligation to provide ongoing maintenance and monitoring services after closure. This provision is calculated on the basis of discounting closure and post closure costs into present day values. This calculation assumes no change in the resource consent conditions for closure and post closure treatment.

30 Employee benefits liabilities

| | Council | | Group | |
|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Annual leave | <u>1,381</u> | <u>1,104</u> | <u>2,785</u> | <u>2,371</u> |
| Long service leave | <u>135</u> | <u>122</u> | <u>135</u> | <u>127</u> |
| Retirement gratuities | <u>54</u> | <u>53</u> | <u>54</u> | <u>53</u> |
| Sick leave | <u>43</u> | <u>43</u> | <u>43</u> | <u>43</u> |
| Accrued pay | <u>750</u> | <u>1,064</u> | <u>1,189</u> | <u>1,636</u> |
| Total current portion | <u>2,363</u> | <u>2,386</u> | <u>4,206</u> | <u>4,230</u> |
| Long service leave | <u>93</u> | <u>122</u> | <u>107</u> | <u>144</u> |
| Retirement gratuities | <u>70</u> | <u>68</u> | <u>95</u> | <u>88</u> |
| Total non-current portion | <u>163</u> | <u>190</u> | <u>202</u> | <u>232</u> |
| Total employee entitlements | <u>2,526</u> | <u>2,576</u> | <u>4,408</u> | <u>4,462</u> |

Nelson City Council Group
Notes to the financial statements
30 June 2020

31 Equity

| | Council | | Group | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Customers' equity | | | | |
| Retained earnings | 431,838 | 425,191 | 494,590 | 484,733 |
| Reserves | <u>1,219,345</u> | <u>1,085,611</u> | <u>1,325,516</u> | <u>1,163,488</u> |
| Balance at 30 June 2019 | <u>1,651,183</u> | <u>1,510,802</u> | <u>1,820,106</u> | <u>1,648,221</u> |
| Balance at 1 July | - | - | 1,154,351 | - |
| | Council | | Group | |
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Accumulated funds | | | | |
| Balance at 1 July | 425,620 | 422,299 | 485,162 | 476,381 |
| Opening equity adjustment on entity establishment | - | - | - | - |
| Equity released on disestablishment | - | - | - | - |
| Transfer to special fund | - | - | - | - |
| Disposal of property, plant and equipment | 94 | 156 | 94 | 156 |
| Prior year correction | - | - | - | - |
| Movement in reserves | (1,366) | (2,495) | (1,366) | (2,495) |
| Surplus/(deficit) for the year | <u>7,490</u> | <u>5,231</u> | <u>10,700</u> | <u>10,691</u> |
| Balance 30 June | <u>431,838</u> | <u>425,191</u> | <u>494,590</u> | <u>484,733</u> |
| | Council | | Group | |
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Reserves include | | | | |
| Property, plant and equipment revaluation reserve | 1,207,176 | 1,074,808 | 1,315,501 | 1,154,351 |
| Hedging reserve - cash flow hedges | - | - | (2,154) | (1,666) |
| Restricted reserves | 12,119 | 10,753 | 12,119 | 10,753 |
| Contingency reserve | <u>50</u> | <u>50</u> | <u>50</u> | <u>50</u> |
| Total reserves | <u>1,219,345</u> | <u>1,085,611</u> | <u>1,325,516</u> | <u>1,163,488</u> |
| Property, plant and equipment revaluation reserve | | | | |
| Balance at 1 July | 1,074,808 | 1,034,150 | 1,154,351 | 1,113,693 |
| Net revaluation gains | 132,891 | 40,814 | 171,688 | 40,814 |
| Transfer to accumulated funds on disposal of property | (536) | (156) | (536) | (156) |
| Other adjustments | <u>13</u> | <u>-</u> | <u>13</u> | <u>-</u> |
| Balance at 30 June | <u>1,207,176</u> | <u>1,074,808</u> | <u>1,325,516</u> | <u>1,154,351</u> |
| Property revaluation reserves for each asset class consist of: | | | | |
| Land | 182,059 | 182,058 | 241,800 | 225,389 |
| Buildings | - | - | 456 | 456 |
| Airport | - | - | 22,260 | 22,311 |
| Sewerage system | 180,877 | 137,591 | 180,877 | 137,591 |
| Water system | 153,709 | 129,404 | 153,709 | 129,404 |
| Stormwater network | 151,308 | 111,581 | 151,308 | 111,581 |

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Notes to the financial statements
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31 Equity (continued)

| | | | | |
|--------------------------|------------------|------------------|------------------|------------------|
| Flood protection network | 3,067 | 2,010 | 3,067 | 2,010 |
| Road network | 532,765 | 508,880 | 532,765 | 508,880 |
| Solid waste | 3,361 | 3,265 | 3,361 | 3,265 |
| Forestry (NRSBU) | 30 | 19 | 30 | 19 |
| Wharves | - | - | 25,868 | 13,445 |
| Total | 1,207,176 | 1,074,808 | 1,315,501 | 1,154,351 |

Hedging reserve - cash flow hedges

| | | | | |
|---------------------------------------|----------|----------|----------------|----------------|
| Balance at 1 July | - | - | (1,666) | (811) |
| Fair value gains/(losses) in the year | - | - | (685) | (1,175) |
| Deferred tax movement | - | - | 197 | 320 |
| Balance at 30 June | - | - | (2,154) | (1,666) |

| Council | | Group | |
|----------------|---------------|---------------|---------------|
| Actual | Actual | Actual | Actual |
| 2020 | 2019 | 2020 | 2019 |
| \$'000 | \$'000 | \$'000 | \$'000 |

Restricted reserves

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Balance at 1 July | 10,753 | 8,258 | 10,753 | 8,258 |
| Net transfers (to)/from accumulated funds | 1,366 | 2,495 | 1,366 | 2,495 |
| Balance at 30 June | 12,119 | 10,753 | 12,119 | 10,753 |

Contingency reserve

| | | | | |
|------------------------|-----------|-----------|-----------|-----------|
| Balance 1 July | 50 | 50 | 50 | 50 |
| Fair value movement | - | - | - | - |
| Balance 30 June | 50 | 50 | 50 | 50 |

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

| Reserve | Activities to which the reserve relates | Balance 1 July \$'000 | Transfers into fund \$'000 | Transfers out of fund \$'000 | Balance 30 June \$'000 |
|---------------------------------------|--|------------------------------|-----------------------------------|-------------------------------------|-------------------------------|
| 2020 | | | | | |
| Art Council loan fund | Parks | 10 | - | - | 10 |
| Climate Change Reserve | Environmental | - | 500 | (115) | 385 |
| Community Investment Fund | Social | - | 4 | - | 4 |
| Dog control reserve | Environmental | - | - | (249) | (249) |
| Events Contestable Fund reserve | Economic | (115) | 7 | - | (108) |
| Forestry | Forestry | 1,651 | 88 | - | 1,739 |
| Founders Park reserve | Social | 204 | 15 | (52) | 167 |
| L C Voller bequest | Social | 24 | - | - | 24 |
| Landfill | Environmental | 4,414 | 112 | - | 4,526 |
| Nelson 2000 Trust | Parks | 165 | - | - | 165 |
| Nelson Institute funds | Social | 9 | - | - | 9 |
| Road contributions | Transport | 116 | 1 | - | 117 |
| Solid Waste | Environmental | 1,543 | 83 | (153) | 1,473 |
| Sport and recreation grants | Parks | 13 | - | - | 13 |
| Subdivisions reserve | Parks | 2,710 | 2,355 | (1,241) | 3,824 |
| Walker bequest | Parks | 9 | 1 | - | 10 |
| Water financial contributions reserve | Water | - | 10 | - | 10 |

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31 Equity (continued)

| | | | | |
|----------------------------------|---------------|--------------|----------------|---------------|
| Total restricted reserves - 2020 | <u>10,753</u> | <u>3,176</u> | <u>(1,810)</u> | <u>12,119</u> |
|----------------------------------|---------------|--------------|----------------|---------------|

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Nelson City Council Group
Notes to the financial statements
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31 Equity (continued)

| Reserve | Activities to which the reserve relates | Balance 1 July \$'000 | Transfers into fund \$'000 | Transfers out of fund \$'000 | Balance 30 June \$'000 |
|---|---|--------------------------|-------------------------------|---------------------------------|---------------------------|
| 2019 | | | | | |
| Art Council loan fund | Parks | 10 | - | - | 10 |
| Dog control reserve | Environmental | 41 | 317 | (358) | - |
| Events Contestable Fund reserve | Economic | (46) | - | (69) | (115) |
| Forestry | Forestry | 1,251 | 400 | - | 1,651 |
| Founders Park reserve | Social | 175 | 136 | (107) | 204 |
| L C Voller bequest | Social | 23 | 1 | - | 24 |
| Landfill | Environmental | 4,305 | 109 | - | 4,414 |
| Nellie Nightingale bequest | Social | - | - | - | - |
| Nelson 2000 Trust | Parks | 165 | - | - | 165 |
| Nelson Institute funds | Social | 9 | - | - | 9 |
| Roading contributions | Transport | 112 | 4 | - | 116 |
| Solid Waste | Environmental | 1,583 | 7 | (47) | 1,543 |
| Sport and recreation grants | Parks | 13 | - | - | 13 |
| Subdivisions reserve | Parks | 608 | 2,864 | (762) | 2,710 |
| Walker bequest | Parks | 9 | - | - | 9 |
| Total restricted reserves - 2019 | | 8,258 | 3,838 | (1,343) | 10,753 |

Nelson City Council Group
Notes to the financial statements
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32 Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

| | Council | | Group | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Surplus/(deficit) after tax | 7,490 | 5,231 | 10,700 | 10,691 |
| Depreciation and amortisation expense | - | 25,907 | - | 27,584 |
| Property, plant, and equipment impairment | - | 234 | - | 234 |
| Vested assets | - | (3,052) | - | (3,113) |
| (Gains)/losses in fair value of biological assets | - | (833) | - | (833) |
| (Gains)/losses in fair value of investment property | - | (30) | - | (30) |
| (Gains)/losses on derivative financial instruments | - | 4,389 | - | 4,389 |
| Increase in deferred tax | - | - | - | 66 |
| Conditional grants released to income | - | (59) | - | (59) |
| Associates surplus ex dividends | - | - | - | (5,253) |
| (Gains)/losses in fair value of investments | - | - | - | (66) |
| Movement in landfill liability | - | 3 | - | 3 |
| Provision for discount unwinding | - | 322 | - | 322 |
| Suter depreciation accrual | - | 232 | - | 232 |
| Total non-cash items | - | 27,113 | - | 23,476 |
| (Gains)/losses on disposal of property, plant, and equipment | - | 1,887 | - | 1,860 |
| (Gains)/losses on disposal of biological assets | - | 260 | - | 260 |
| Movement in capital creditors | - | 43 | - | 43 |
| Movement in investment-related accounts receivable | - | - | - | (20) |
| Other (gains)/losses on investing activities | - | - | - | (224) |
| Total items classified as investing or financing activities | - | 2,190 | - | 1,919 |
| (Increase)/decrease in receivables | - | (2,363) | - | (3,800) |
| (Increase)/decrease in prepayments | - | (121) | - | (25) |
| (Increase)/decrease in inventory | - | - | - | (82) |
| (Increase)/decrease in WIP | - | - | - | 209 |
| Increase/(decrease) in payables | - | 802 | - | 1,732 |
| Increase/(decrease) in income tax payable | - | - | - | (202) |
| Increase/(decrease) in employee entitlements | - | 243 | - | 334 |
| Net movement in working capital items | - | (1,439) | - | (1,834) |
| Net cash inflow/(outflow) from operating activities | 7,490 | 33,095 | 10,700 | 34,252 |

Nelson City Council Group
Notes to the financial statements
30 June 2020

33 Capital commitments and operating leases**Capital commitments**

| | Council | | Group | |
|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Nelson City Council | - | - | - | - |
| - Roading network | 5,449 | 4,149 | 5,449 | 4,149 |
| - Flood protection | 2,774 | 1,366 | 2,774 | 1,366 |
| - Other improvements | 795 | 779 | 795 | 779 |
| - Wastewater | 338 | 266 | 338 | 266 |
| - Water supply | 819 | 239 | 819 | 239 |
| - Stormwater | 471 | - | 471 | - |
| - Buildings | 175 | - | 175 | - |
| - Solid Waste | 91 | - | 91 | - |
| Group | - | - | - | - |
| Buildings | - | - | - | - |
| Intangible assets | - | - | - | - |
| - Wharf and property purchase | - | - | 7,234 | 10,083 |
| Investment property | - | - | - | - |
| - Terminal development | - | - | - | 3,566 |
| Tasman Bay Heritage Trust | - | - | - | - |
| - Property, Plant & Equipment | - | - | - | 49 |
| Total capital commitments | 10,912 | 6,799 | 18,146 | 20,497 |

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

Operating leases as lessee

Council leases land in the normal course of its business. These leases have non-cancellable terms of between one and 18 years.

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

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

| | Council | | Group | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Not later than one year | 319 | 272 | 521 | 596 |
| Later than one year and not later than five years | 700 | 834 | 1,139 | 1,140 |
| Later than five years | 221 | 317 | 221 | 318 |
| Total non-cancellable operating leases | 1,240 | 1,423 | 1,881 | 2,054 |

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

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

Operating leases as lessor

Land and buildings owned by Council and group are let under operating leases. Non-cancellable terms vary between one month and 23 years, with the majority under five years.

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

Nelson City Council Group
Notes to the financial statements
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33 Capital commitments and operating leases (continued)

| | Council | | Group | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Not later than one year | 1,354 | 1,163 | 4,719 | 4,708 |
| Later than one year and not later than five years | 2,362 | 2,787 | 12,744 | 12,820 |
| Later than five years | 3,376 | 3,744 | 13,853 | 15,579 |
| Total non-cancellable operating leases | 7,092 | 7,694 | 31,316 | 33,107 |

34 Contingencies**Contingent liabilities**

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

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

Council:*Local Government Funding Agency*

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

Nelson City Council is a guarantor of all of LGFA borrowings in the event of default. At balance date Council's guarantee totalled \$11,908 million (2019: \$9,531 million). In such an event, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each guarantor is set in relation to each guarantor's rates income. The likelihood of a local authority borrower defaulting is extremely low and all of the borrowings by a local authority from the LGFA are secured by a rates charge. The Council has been unable to determine a sufficiently reliable fair value for the guarantee and has therefore not recognised a liability. The Council believes the risk of the guarantee being called on and any financial loss arising from the guarantee is remote.

Weathertight homes claims

Council is currently a party to two leaky building claims. Council has a balance sheet provision that can be used in settlement of these claims, however it is possible that the eventual settlement will be in excess of those sums. Council is unable to determine a sufficiently reliable estimate for any settlement for one of the claims at this time and therefore recognises an unquantifiable contingent liability. Council's legal representation have provided a quantifiable estimate of the potential liability for the other claim, and a provision has been made.

Group:

There are no contingent assets or liabilities arising from the consolidated entities.

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35 Related party transactions

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

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

Related party transactions required to be disclosed

Related party transactions with subsidiaries, associates, or joint ventures

| | Council | |
|--|-----------------------------------|-----------------------------------|
| | Actual 2020 \$'000 | Actual 2019 \$'000 |
| Expenditure | | |
| <i>Bishop Suter Trust</i> | | |
| Operating grant | 666 | 654 |
| Depreciation grant | 233 | 232 |
| <i>Economic Development Agency (NRDA)</i> | | |
| Operating grant | 1,170 | 824 |
| Contestable events fund | 353 | 468 |
| Light Nelson | - | - |
| <i>Tasman Bays Heritage Trust</i> | | |
| Operating grant | 950 | 932 |
| Payables | | |
| Suter depreciation grant | 863 | 630 |
| Receivables | | |
| NRDA contestable events fund | 108 | 116 |
| | <u>4,343</u> | <u>3,856</u> |

Grants to subsidiaries and associates

Council provides grants to certain of its associates, assisting them with maintenance or other operating costs, or for other specific purposes.

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

Tasman Bays Heritage Trust related party loan

Council made a loan to the trust of \$1.2 million, initially repayable over 30 years at 0% interest. Repayments on the loan have been renegotiated at \$100,000 per year, and the loan has been recalculated as required under PBE IPSAS to net present value. The Treasury discount rates by year for valuation purposes (2019: 4.2%) has been used. This has resulted in an asset to council of \$608,639, with the last payment currently scheduled for the year 2027.

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

Nelmac Ltd maintenance of utility services contract

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

35 Related party transactions (continued)

The contract for utility services was not tendered and the value of the contract for the 2019 financial year was \$5.3 million (2019: \$3.6 million). As the contract was not tendered and there is no benchmarking available for these very individualised services, Council is unable to determine that the contract is at arm's length.

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

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

Transactions with key management personnel

Key management personnel compensation

| | Actual 2020 \$'000 | Council | Actual 2019 \$'000 |
|--|--------------------------|---------|--------------------------|
| <i>Council members</i> | | | |
| Remuneration | 748 | | 718 |
| Full-time equivalent members | 13.0 | | 13.0 |
| <i>Senior Management Team, including the Chief Executive</i> | | | |
| Remuneration | 1,843 | | 1,772 |
| Full-time equivalent members | 7.8 | | 7.8 |
| Total full-time equivalent personnel | 2,591 | | 2,490 |
| Total key management personnel compensation | 20.8 | | 20.8 |

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

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

Key advisors include three committee members who are external to the organisation. These advisors bring technical expertise to the Commercial subcommittee, the Audit, Risk, and Finance subcommittee and the Planning and Regulatory committee. The remuneration for each external committee member varies between \$1,070 and \$2,528 per month depending on which committees are serviced. Additional payments totalling \$40,000 were made to 1 advisor for other business advisory work undertaken. In total the payments for these advisors totalled \$103,000 (2019: \$100,000).

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

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

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36 Remuneration**Chief Executive**

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

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$366,273 (2019: \$361,000).

Elected representatives

Elected representatives received the following remuneration:

| | Actual 2020 \$ | Council Actual 2019 \$ |
|--|-------------------------------|---|
| Mayor Reese | 142,772 | 137,510 |
| Deputy Mayor Matheson | 19,520 | 63,203 |
| Deputy Mayor Edgar | 43,675 | - |
| Councillor Acland | 13,066 | 42,191 |
| Councillor Barker | 16,634 | 53,828 |
| Councillor Bowater | 31,947 | - |
| Councillor Brand | 31,951 | - |
| Councillor Courtney | 45,648 | 44,404 |
| Councillor Dahlberg | 13,701 | 44,326 |
| Councillor Fulton | 49,796 | 42,599 |
| Councillor Lawrey | 49,796 | 42,191 |
| Councillor McGurk | 59,409 | 50,803 |
| Councillor Noonan | 47,732 | 51,199 |
| Councillor O'Neill-Stevens | 31,951 | - |
| Councillor Rainey | 31,947 | - |
| Councillor Rutledge | 13,701 | 44,242 |
| Councillor Skinner | 52,464 | 50,803 |
| Councillor Sanson | 36,734 | - |
| Councillor Walker | 15,734 | 50,803 |
| Total elected representatives' remuneration | 748,178 | 718,102 |

26 fortnightly payments are included in this disclosure for the 2019/20 financial year. In 2018/19 there were 26 fortnightly payments.

| | Actual 2020 \$ | Council Actual 2019 \$ |
|--|-------------------------------|---|
|--|-------------------------------|---|

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

Nelson City Council Group
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36 Remuneration (continued)

| | Actual 2020 \$ | Actual 2019 \$ |
|---------------------------|----------------------|----------------------|
| Councillor Barker | 900 | 1,191 |
| Councillor Fulton | - | 408 |
| Deputy Mayor Matheson | 102 | 510 |
| Councillor Noonan | 51 | - |
| Total Local Boards | <u>1,053</u> | <u>2,109</u> |

Council employees

At balance date, Council employed 312 staff (2019: 297), made up of 207 (2019: 197) full-time employees (FTEs), with the balance of staff representing 62.44 (2019: 56.56) FTEs. The FTE total for 2019 was 269.44 (2019: 253.56).

Total annual remuneration by band for the 312 employees as at 30 June:

| | Number of employees 2020 |
|------------------------|-----------------------------|
| < \$60,000 | 111 |
| \$60,000 – \$79,999 | 83 |
| \$80,000 – \$99,999 | 66 |
| \$100,000 – \$119,999 | 25 |
| \$120,000 – \$139,999 | 14 |
| \$140,000 – \$159,999 | 6 |
| \$160,000 – \$379,999 | 7 |
| Total employees | <u>312</u> |
| | 2019 |
| < \$60,000 | 117 |
| \$60,000 – \$79,999 | 80 |
| \$80,000 – \$99,999 | 57 |
| \$100,000 – \$119,999 | 25 |
| \$120,000 – \$159,999 | 12 |
| \$160,000 – \$379,999 | 6 |
| Total employees | <u>297</u> |

37 Severance payments

Council:

For the year ended 30 June 2020, the Council made 1 (2019: 2) severance payment to an employee of \$29,720 (2019: \$23,551).

Group:

For the year ended 30 June 2019, the group made 2 (2019: 1) severance payments to individual employees of \$5,600 and \$59,289 (2019: \$6,000), in addition to those made by Council.

38 Financial instruments

(a) Fair value estimation

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

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

| | Total | Quoted market price | Observable inputs | Significant non-observable inputs |
|-------------------------------|---------------|----------------------------|--------------------------|--|
| 30 June 2020 - Council | | | | |
| Financial assets | | | | |
| Shares | 140 | - | - | 140 |
| Financial liabilities | | | | |
| Derivatives | 13,445 | - | 13,445 | - |
| | Total | Quoted market price | Observable inputs | Significant non-observable inputs |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 30 June 2019 - Council | | | | |
| Financial assets | | | | |
| Shares | 140 | - | - | 140 |
| Financial liabilities | | | | |
| Derivatives | 10,563 | - | 10,563 | - |
| | Total | Quoted market price | Observable inputs | Significant non-observable inputs |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 30 June 2020 - Group | | | | |
| Financial assets | | | | |
| Shares | 762 | 622 | - | 140 |
| Financial liabilities | | | | |
| Derivatives | 13,445 | - | 13,445 | - |

38 Financial instruments (continued)**(a) Fair value estimation (continued)**

| | Total \$'000 | Quoted market price \$'000 | Observable inputs \$'000 | Significant non- observable inputs \$'000 |
|------------------------------|-----------------|----------------------------------|--------------------------------|---|
| 30 June 2019 - Group | | | | |
| Financial assets | | | | |
| Shares | 763 | 623 | - | 140 |
| Financial liabilities | | | | |
| Derivatives | 10,563 | - | 10,563 | - |

(b) Financial instrument risks

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

Market risk*Price risk*

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

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

Currency risk

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

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

As at June 2020, Council have contracts hedging a total of \$nil (2019: \$nil).

Fair values

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

Interest rate risk

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

This includes entering into rate options or interest rate swap agreements. As at 30 June 2020 the Council had entered into interest swap agreements to a value of \$122.5m (2019: \$138.5m) at interest rates between 1.72% and 5.25% (2019: 2.14% and 5.25%).

The weighted average effective interest rate on Nelson City Council deposits of less than 3 months is 0.72% (2019: 3.29%).

The interest rates on Nelson City Council borrowings are disclosed in note 28

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 \$17 million receivables are outlined in note 13

Details of investments are outlined in note 16, 24, 25 and 26

As at 30 June 2020 Council has three short term deposits, with maturities of less than three months, including \$3 million with ANZ (2019: \$nil) and two of \$5 million each with ASB (2019: \$9 million), there are no deposits with the Bank of New Zealand in 2020 (2019: \$5 million).

38 Financial instruments (continued)

(b) Financial instrument risks (continued)

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

Community and related party loans

The net present value of Council's community and related party loans at 30 June 2020 is \$3.8 million (2019: \$4 million) and there is a risk that some of these could be defaulted on. Council has no collateral or other credit enhancements for financial instruments that give rise to credit risk, except for mortgage securities on two community loans with face values of \$2 million and \$812,000 (2019: \$2.1million and \$680,000).

Maximum exposure to credit risk

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

| | Council | | Group | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Cash at bank and term deposits | 14,544 | 15,391 | 17,513 | 17,371 |
| Receivables | 16,565 | 14,482 | 18,635 | 16,652 |
| Community and related party loans | 3,833 | 4,032 | 3,224 | 3,392 |
| LGFA borrower notes | 1,200 | 1,040 | 1,200 | 1,040 |
| Other held to maturity investments | - | - | - | - |
| Private shares | 140 | 140 | 140 | 140 |
| Fixed interest securities | - | - | 94 | 273 |
| Listed shares | - | - | 622 | 623 |
| Total credit risk | 36,282 | 35,085 | 41,428 | 39,491 |

Council is exposed to credit risk as a guarantor of all of the LGFA's borrowings. Information about this exposure is explained in note 34.

Credit quality of financial assets

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

| | Council | | Group | |
|--|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| COUNTERPARTIES WITH CREDIT RATINGS | | | | |
| Cash at bank and term deposits | | | | |
| AA- | 14,544 | 15,391 | 17,513 | 17,371 |
| Derivative financial instrument assets | | | | |
| Other financial assets - LGFA borrower notes | | | | |
| AA+ | 1,200 | 1,040 | 1,200 | 1,040 |
| Other financial assets - loans and receivables | | | | |
| AA- | - | - | - | 1,077 |
| COUNTERPARTIES WITHOUT CREDIT RATINGS | | | | |
| Community and related party loans | | | | |
| Existing counterparty with no defaults in the past | 3,224 | 3,392 | 3,224 | 3,392 |
| Existing counterparty defaulted 30 June 2012, loan arrangements since reviewed and complied with | 609 | 640 | - | - |
| Total community and related party loans | 3,833 | 4,032 | 3,224 | 3,392 |

38 Financial instruments (continued)

(b) Financial instrument risks (continued)

Receivables

Existing counterparty with no defaults in the past 16,565 14,482 18,635 16,652

Held to maturity investments - - - -

Fixed interest securities

Existing counterparty with no defaults in the past 140 140 234 279

Listed shares - - - -

Existing counterparty with no defaults in the past - - 622 623

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

Liquidity risk

Management of liquidity risk

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

Council provides security via a Debenture Trust Deed signed 10 December 2010 and as at 30 June 2020 had security stock issued of \$61m and debenture stock issued of \$25 million. These stock amounts provide security for bank facilities, swap facilities, floating rate notes and commercial paper.

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

Council has an overdraft facility of \$200,000, against which \$nil was drawn at balance date (2019: \$nil).

Contractual maturity analysis of financial liabilities

| | Contractual cash flows | Less than 1 year | 1-2 years | 2-5 years | More than 5 years |
|----------------------------------|------------------------|------------------|---------------|---------------|-------------------|
| Council 2020 | | | | | |
| Payables | 17,778 | 17,778 | - | - | - |
| Secured loans | 100,850 | 30,850 | 5,000 | 45,000 | 20,000 |
| Derivative financial liabilities | 13,445 | 633 | 197 | 4,739 | 7,876 |
| Total | 132,073 | 49,261 | 5,197 | 49,739 | 27,876 |
| | | | | | |
| | Contractual cash flows | Less than 1 year | 1-2 years | 2-5 years | More than 5 years |
| Council 2019 | | | | | |
| Payables | 17,272 | 17,272 | - | - | - |
| Secured loans | 101,000 | 11,000 | 30,000 | 35,000 | 25,000 |
| Derivative financial liabilities | 10,563 | 290 | 1,056 | 2,682 | 6,535 |
| Total | 128,835 | 28,562 | 31,056 | 37,682 | 31,535 |
| | | | | | |
| | Contractual cash flows | Less than 1 year | 1-2 years | 2-5 years | More than 5 years |
| Group 2020 | | | | | |
| Payables | 17,708 | 17,708 | - | - | - |
| Secured loans | 103,724 | 30,850 | 5,000 | 47,874 | 20,000 |
| Derivative financial liabilities | 13,445 | 633 | 197 | 4,739 | 7,876 |
| Total | 134,877 | 49,191 | 5,197 | 52,613 | 27,876 |
| | | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |

Group 2019

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38 Financial instruments (continued)**(b) Financial instrument risks (continued)**

| | | | | | |
|----------------------------------|----------------|---------------|---------------|---------------|---------------|
| Payables | 17,085 | 17,085 | - | - | - |
| Secured loans | 104,124 | 11,233 | 32,891 | 35,000 | 25,000 |
| Derivative financial liabilities | 10,563 | 290 | 1,056 | 2,682 | 6,535 |
| Total | 131,772 | 28,608 | 33,947 | 37,682 | 31,535 |

Council is exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 34.

Contractual maturity analysis of financial assets

| | Contractual Cash flows | Less than 1 year | 1-2 years | 2-5 years | More than 5 years |
|-------------------------------------|-----------------------------------|-----------------------------|------------------|------------------|------------------------------|
| Council 2020 | | | | | |
| Cash and cash equivalents | 14,544 | 14,544 | - | - | - |
| Receivables | 16,565 | 16,565 | - | - | - |
| Other financial assets: | | | | | |
| - term deposits | - | - | - | - | - |
| - community and related party loans | 3,833 | 522 | 348 | 818 | 2,145 |
| - LGFA borrower notes | 1,200 | 320 | - | 560 | 320 |
| Derivative financial instruments | - | - | - | - | - |
| Total | 36,142 | 31,951 | 348 | 1,378 | 2,465 |

| | Contractual Cash flows | Less than 1 year | 1-2 years | 2-5 years | More than 5 years |
|-------------------------------------|-----------------------------------|-----------------------------|------------------|------------------|------------------------------|
| Council 2019 | | | | | |
| Cash and cash equivalents | 15,391 | 15,391 | - | - | - |
| Receivables | 15,081 | 15,081 | - | - | - |
| Other financial assets: | | | | | |
| - community and related party loans | 4,032 | 1,342 | 441 | 749 | 1,500 |
| - LGFA borrower notes | 1,040 | - | 320 | 320 | 400 |
| Derivative financial instruments | - | - | - | - | - |
| Total | 35,544 | 31,814 | 761 | 1,069 | 1,900 |

| | Contractual Cash flows | Less than 1 year | 1-2 years | 2-5 years | More than 5 years |
|-------------------------------------|-----------------------------------|-----------------------------|------------------|------------------|------------------------------|
| Group 2020 | | | | | |
| Cash and cash equivalents | 16,417 | 16,417 | - | - | - |
| Receivables | 18,635 | 18,635 | - | - | - |
| Other financial assets: | | | | | |
| - term deposits | 1,096 | 1,096 | - | - | - |
| - community and related party loans | 3,224 | 422 | 249 | 525 | 2,028 |
| - LGFA borrower notes | 1,200 | 320 | - | 560 | 320 |
| Derivative financial instruments | - | - | - | - | - |
| Total | 40,572 | 36,890 | 249 | 1,085 | 2,348 |

| | Contractual Cash flows | Less than 1 year | 1-2 years | 2-5 years | More than 5 years |
|-------------------------------------|-----------------------------------|-----------------------------|------------------|------------------|------------------------------|
| Group 2019 | | | | | |
| Cash and cash equivalents | 16,294 | 16,294 | - | - | - |
| Receivables | 17,251 | 17,251 | - | - | - |
| - term deposits | 1,077 | 1,077 | - | - | - |
| - community and related party loans | 3,392 | 1,242 | 345 | 483 | 1,322 |
| - LGFA borrower notes | 1,040 | - | 320 | 320 | 400 |
| Derivative financial instruments | - | - | - | - | - |
| Total | 39,054 | 35,864 | 665 | 803 | 1,722 |

Sensitivity analysis

38 Financial instruments (continued)**(b) Financial instrument risks (continued)**

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

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

| Council | 2020 \$'000 | | | | 2019 \$'000 | | | |
|--|--------------------|----------------------------|--------------------|----------------------------|--------------------|----------------------------|--------------------|----------------------------|
| | -100bps Surplus | -100bps Other equity | +100bps Surplus | +100bps Other equity | -100bps Surplus | -100bps Other equity | +100bps Surplus | +100bps Other equity |
| INTEREST RATE RISK | | | | | | | | |
| Financial assets | | | | | | | | |
| Derivative financial assets | - | - | - | - | - | - | - | - |
| Other financial assets: | | | | | | | | |
| - Community loans and loans to related parties | 306 | - | (263) | - | 35 | - | (34) | - |
| Financial liabilities | | | | | | | | |
| Derivative financial liabilities | (4,645) | - | 4,303 | - | (4,718) | - | 4,356 | - |
| Total sensitivity | (4,339) | - | 4,040 | - | (4,683) | - | 4,322 | - |
| Group | | | | | | | | |
| | 2020 \$'000 | | | | 2019 \$'000 | | | |
| | -100bps Surplus | -100bps Other equity | +100bps Surplus | +100bps Other equity | -100bps Surplus | -100bps Other equity | +100bps Surplus | +100bps Other equity |
| INTEREST RATE RISK | | | | | | | | |
| Financial assets | | | | | | | | |
| Derivative financial assets | - | - | - | - | - | - | - | - |
| Other financial assets: | | | | | | | | |
| - Community loans and loans to related parties | 306 | - | (263) | - | 35 | - | (34) | - |
| Financial liabilities | | | | | | | | |
| Derivative financial instruments | (4,645) | - | 4,303 | - | (4,718) | - | 4,356 | - |
| Total sensitivity | (4,339) | - | 4,040 | - | (4,683) | - | 4,322 | - |

(c) Financial instrument categories

Payables balances exclude income in advance, and receivables balances exclude both prepayments and provisions for doubtful debt.

| | Council | | Group | |
|--|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| FINANCIAL ASSETS | | | | |
| Fair value through surplus or deficit - not hedge accounted | | | | |
| Loans and receivables | | | | |
| Cash and cash equivalents | 14,544 | 15,391 | 16,417 | 16,294 |
| Receivables | 16,565 | 15,081 | 18,635 | 17,251 |
| Other financial assets: | | | | |
| - Term deposits | - | - | 1,096 | 1,077 |

38 Financial instruments (continued)**(c) Financial instrument categories (continued)**

| | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| - Community loans and loans to related parties | <u>3,833</u> | <u>4,032</u> | <u>-</u> | <u>3,391</u> |
| Total loans and receivables | <u>34,942</u> | <u>34,504</u> | <u>36,148</u> | <u>38,013</u> |

Held-to-maturity

Other financial assets:

| | | | | |
|-----------------------|--------------|--------------|--------------|--------------|
| - LGFA borrower notes | <u>1,200</u> | <u>1,040</u> | <u>1,200</u> | <u>1,040</u> |
|-----------------------|--------------|--------------|--------------|--------------|

Fair value through other comprehensive revenue and expense

| | | | | |
|--|----------|----------|------------|------------|
| Equity securities - NZ LG Insurance Corp Ltd | 140 | 140 | 140 | 140 |
| Listed shares | <u>-</u> | <u>-</u> | <u>622</u> | <u>623</u> |

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Total fair value through other comprehensive revenue and expense | <u>140</u> | <u>140</u> | <u>762</u> | <u>763</u> |
|---|-------------------|-------------------|-------------------|-------------------|

FINANCIAL LIABILITIES**Fair value through surplus or deficit - not hedge accounted**

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Derivative financial instrument liabilities | <u>13,445</u> | <u>10,563</u> | <u>13,445</u> | <u>10,563</u> |
|---|---------------|---------------|---------------|---------------|

Financial liabilities at amortised cost

| | | | | |
|----------|--------|--------|--------|--------|
| Payables | 17,778 | 17,272 | 17,708 | 17,085 |
|----------|--------|--------|--------|--------|

Borrowings:

| | | | | |
|-----------------|----------------|----------------|----------------|----------------|
| - secured loans | <u>100,850</u> | <u>101,000</u> | <u>103,724</u> | <u>104,124</u> |
|-----------------|----------------|----------------|----------------|----------------|

| | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total financial liabilities at amortised cost | <u>118,628</u> | <u>118,272</u> | <u>121,432</u> | <u>121,209</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|

39 Events occurring after the balance date

Council:

Group:

Nelson City Council Group
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40 Explanation of major variances against budget

Statements of comprehensive revenue and expense

Total operating income \$5.7 million less than budget:

Other gains/(losses) of (\$475,000) less than budget reflect the following non-cash items:

- Interest rate swap valuation losses (\$2.9 million). Council utilises interest rate swaps to minimise exposure to interest rate movements. These derivatives are revalued annually.
- Gain on changes to fair value of forestry assets (\$3.0 million).
- Loss on fair value of investment property (\$225,000).

40 Explanation of major variances against budget (continued)

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Other revenue is \$7.2 million less than budget. Significant items include:

- The value of assets vested to Council by developers is \$4.9 million below budget. The timing of vested asset receipts is dependent on the development cycle of individual developers;
- Dividend income is under budget by \$554,000. This relates to dividend income from Port Nelson Ltd (\$350,000 less than budget) and Nelmac Ltd (\$239,000 less than budget).

Fees and charges are \$1.2 million under budget. More details can be seen in the activities section, however the most significant items are:

- Lease income is \$241,000 less than budget. Rent relief was provided by Council in response to COVID-19.
- Parking meter income and enforcement charges are \$381,000 less than budget. These fees were not charged during the COVID-19 lockdown.
- Building consent and resource consent income are under budget by \$121,000 and \$41,000 respectively.

Development and subdivision reserves contributions are \$2.4 million higher than anticipated. The receipt of development contributions reflects the development cycle of individual developers and is not within the control of Nelson City Council.

Total operating expenditure was \$2.6 million more than budget:

Personnel costs were \$393,000 more than budget due to hiring staff that were not included in the budget.

Other Expenses were over budget by \$2.7 million. More details can be seen in the activities section, however the most significant items are:

- The Nelson Tasman Regional Landfill Business Unit has recorded after-care provision costs to provide for future landfill closure costs (\$1.4 million over budget). This is offset by the Emissions Trading Scheme Levy being underspent by \$514,000. Unbudgeted recycling costs of \$258,000 were also incurred.
- Resource consent costs are over budget by \$431,000, including unbudgeted external expert service and consultancy costs.
- Unbudgeted building claims expenditure of \$690,000 has been recorded in the current financial year.

Finance Costs were \$125,000 more than budget due to prefunding of upcoming debt maturities.

Depreciation and amortisation expenses were \$645,000 less than budget.

Other comprehensive income

The infrastructure assets are revalued every year to smooth out the large fluctuations, and land is revalued when its fair value diverges materially from its carrying value. The revaluation as at 30 June 2020 resulted in a total increase in asset value of \$132.9 million, \$89 million more than budget.

Statements of financial position

Current assets are \$25.3 million greater than budget. This relates to \$12.1 million of unbudgeted term deposits, which includes unbudgeted cash surpluses and a \$10 million deposit held to offset the prefunding of upcoming debt maturities. \$11.2 million has also been transferred to assets held for sale to reflect the intention to sell Community Housing and the State Advances Building.

Property, plant, and equipment is \$82.6 million more than budget. Revaluations are \$89 million greater than budget, and vested asset additions were \$4.9 million less than budget.

Current trade and other payables are \$627,000 more than budget due to higher than anticipated payables due at 30 June 2020.

The Council's external borrowings as at 30 June 2020 were \$100.9 million, which is \$6.7 million over budget. External borrowings are summarised in Note 28 of the financial statements. In 2019/20 Council also undertook to pre-fund \$10m of debt due to mature in July 2020 in order to take advantage of favourable interest rate margins at the time. There is an offsetting term deposit in place to match the pre-funding.

Total provisions \$1.9 million more than budget.

41 Insurance

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

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

These activities have a total book value of \$547,383,380. Repairs to these assets following a significant event are covered 40% through Council's membership of the AoN South Island collective with a large deductible, with the remaining 60% being funded by Central Government. Council has a disaster recovery fund intended to cover the deductible or Council's 40% share if the event is lower than the deductible. Due to prior emergency events, there are no funds available as at 30 June 2020, and any funding required would be by way of loans until a balance is built up in the disaster recovery fund.

Roading assets

Subsidised roading assets have a total book value of \$667,161,170 (including land under roads). For these assets, Council would receive a minimum of 44% subsidy from the NZTA, with the remaining portion of the loss to be funded through the disaster recovery fund and loan funding.

Unsubsidised roading assets have a total book value of \$2,639,978. This includes such items as walkways and car parks. These items are not insured, and Council would fund any loss through the disaster recovery fund or loan funding.

Land, Buildings, Plant & Equipment, and other assets

These assets have a total asset book value of \$417,934,000

The sum insured for non residential property material damage is \$367,282,000. Council is part of a Top of the South collective with total non residential property insured of \$1,066,055,000.

Residential property (material damage) is insured to a value of \$26,830,000. Council is part of a Top of the South collective with total residential property insured of \$82,124,000.

Both policies include limits of indemnity of \$2,000,000 for capital additions, construction/alterations of \$2,000,000, landslip \$2,000,000 and subsidence of \$2,000,000.

Forestry is insured to a value of \$7,879,000

Tahunanui Beach Holiday Park assets are insured to a value of \$21,072,200.

Vehicles

The total book value of vehicles belonging to Council is \$583,000. All vehicles are insured for market value or replacement value (if vehicle is less than 12 months old).

Deductibles, excesses, and non-material assets

Council has a reserve used to cover deductibles, excesses, and small assets not on the material damages schedule. The value of this reserve as at 30 June 2020 is \$460,000.

42 Capital management

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

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

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

42 Capital management (continued)

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

The Council has the following Council-created reserves:

- reserves for different areas of benefit;
- self-insurance reserves; and
- trust and bequest reserves.

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

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

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

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PERFORMANCE OF COUNCIL OWNED COMPANIES

Council is involved with several organisations that deliver strategic outcomes or public benefit for the city. During 2019/20, the organisations that Council controlled to achieve agreed community outcomes are:

- The Port Company – Port Nelson Ltd (50% with TDC)
- Council Controlled Trading Organisations
 - Nelmac Ltd
 - Nelson Airport Ltd (50% with Tasman District Council)
- Council Controlled Organisations
 - Nelson Regional Development Agency
 - Tasman Bays Heritage Trust (Nelson Provincial Museum – 50% with Tasman District Council)
 - Bishop Suter Trust
 - City of Nelson Civic Trust¹
 - Nelson Municipal Band Trust²

A summary of the performance for Council Controlled Organisations is on pages xx to xx. Further information is available for each Council Controlled Organisation in their respective Annual Reports.

Council agreed to continue exemptions¹ for the Nelson Civic Trust in March 2017, and therefore its performance is not reported on in this Annual Report.

Council agreed in October 2017 to approve an exemption² for the Nelson Municipal Band Trust, meaning it is exempt from reporting requirements. Therefore, reporting for the Trust is not included in this Annual Report.

¹ 23 March 2017 – exempt for the purposes of s6(4)(i) of the Local Government Act 2002, in accordance with s7(3) and s7(6) of the Act and after considering the matters in s7(5) of the Act.

² 26 October 2017 – exempt for the purposes of s6(4)(i) of the Local Government Act 2002, in accordance with s7(3) and s7(6) of the Act and after considering the matters in s7(5) of the Act.

Port Nelson Ltd

Council owns 50% of Port Nelson Ltd, with Tasman District Council owning the other 50%. The company provides core port services for the Nelson region including cargo, logistics, vessel slipping services and the development and leasing of land and buildings. The Port is a strategic asset in accordance with Council's Significance and Engagement Policy. Port Nelson Ltd is a port company and is covered by the Port Companies Act 1988, which imposes obligations on Port Nelson Ltd almost identical to those imposed on Council Controlled Trading Organisations by the Local Government Act 2002, including the provision of an annual Statement of Corporate Intent.

The company provides core port services and managed property portfolio services including:

- Marine services which include pilotage, towage and navigation aids for the arrival, berth and departure of vessels to the port
- Berths to accommodate vessels at the port
- Wharves, plant and other services to facilitate the discharge and loading of vessels
- Container terminal handling services which include receipt, delivery, transit, storage and shipment of a wide range of import and export cargos
- Cargo logistics including warehousing and storage of goods
- Vessel slipping services
- The development, leasing and management of land and buildings not required for Port operating purposes

PERFORMANCE TARGETS – PORT NELSON LTD

TBA

For more information, see Port Nelson's Annual Report for 2019/20.

FINANCIAL PERFORMANCE – PORT NELSON LIMITED

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

| | 2020 | 2019 |
|--|----------------|----------------|
| | (\$000) | (\$000) |
| Revenue | 66,744 | 70,696 |
| Expenses | 56,550 | 50,688 |
| Net Surplus Before Taxation | 10,194 | 20,008 |
| Provision for Taxation | (2,040) | (4,752) |
| Net Surplus for Year after Taxation | 8,154 | 15,256 |
| Other comprehensive income | 56,635 | (1,709) |
| Total comprehensive Income | 64,789 | 13,547 |
| Shareholder's funds brought forward | 190,371 | 183,827 |
| Impact of change in accounting policy | - | (3) |
| Dividend | (4,800) | (7,000) |
| Shareholder's funds carried forward | 250,360 | 190,371 |

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. Nelmac provides high quality management, maintenance and construction of the natural and built environment. This includes managing Council facilities, infrastructure such as water and waste, parks, reserves and sports fields.

PERFORMANCE TARGETS – NELMAC LTD

As set out in the table below, Nelmac has achieved **xx%** of the performance measures set out in its Statement of Intent.

TBA

For the full summary of performance, see Nelmac's Annual Report 2019/20.

FINANCIAL PERFORMANCE – NELMAC LTD

| | 2020 | 2019 |
|--|---------------|--------------|
| | (\$000) | (\$000) |
| Revenue | 35,605 | 34,666 |
| Expenses | 34,831 | 34,064 |
| Net Surplus Before Taxation | 774 | 602 |
| Provision for Taxation | (134) | (181) |
| Net Surplus for Year after Taxation | 640 | 421 |
| Asset Revaluation | 1,080 | - |
| Total Comprehensive Income | 1,720 | 421 |
| Retained Earnings Brought Forward | 8,725 | 8,695 |
| Impact of change in Accounting Policy | (5) | - |
| Dividend | (210) | (391) |
| Retained earnings carried forward | 10,230 | 8,725 |

Nelson Airport Ltd

Council owns 50% of Nelson Airport Ltd (NAL) with Tasman District Council owning the other 50%. The airport is a strategic asset in accordance with Council's Significance and Engagement Policy. The main objective of the company is to operate a successful airport business that meets the needs of the Nelson Tasman region.

PERFORMANCE TARGETS – NELSON AIRPORT LTD

As set out in the table below, Nelson Airport has achieved **xx%** percent of the performance measures set out in its Statement of Intent.

TBA

For the full summary of performance, see Nelson Airport's Annual Report 2019/20.

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.

| | 2020 | 2019 |
|---|---------------|---------------|
| | (\$000) | (\$000) |
| Revenue | 11,890 | 11,859 |
| Expenses | 9,743 | 7,911 |
| Net Surplus Before Taxation | 2,147 | 3,948 |
| Provision for Taxation | 138 | (1,180) |
| Net Surplus for Year after Taxation | 2,285 | 2,768 |
| Other comprehensive income | (101) | - |
| Total comprehensive Income | 2,184 | 2,768 |
| Equity Brought Forward | 66,525 | 65,287 |
| Balance of Asset Transferred from Asset Revaluation Reserve | 141 | - |
| Impact of change in Accounting Policy | (3) | - |
| Dividend | (870) | (1,530) |
| Retained earnings carried forward | 67,977 | 66,525 |

Nelson Regional Development Agency

The Nelson Regional Development Agency (NRDA) was established by Council and has been operating since 1 July 2016. It was formed from the merger of two previous Council Controlled Organisations, Nelson Regional Economic Development Agency and Nelson Tasman Tourism. The mission of the NRDA is to partner with the public and private sectors in the attraction and retention of investment, visitors and talent who want to add to the special character of the region.

NRDA is 100% owned by Nelson City Council, with directors appointed by Nelson City Council. NRDA also receives funding from Tasman District Council and other third party funders. It is current Council policy to retain ownership of NRDA.

PERFORMANCE TARGETS – NRDA

As outlined in the table below, NRDA has achieved 94% of the outcomes set in its Statement of Intent (SOI). Additional information on the Key Performance Measures and the results for 2019/20 are in the NRDA's Annual Report.

| Focus Area | Key Performance Measures | Result 2019/20 |
|--|---|--|
| Regional identity story shared by others | <ul style="list-style-type: none"> An increase of 10% in locals, businesses and partner organisations utilising the regional identity tools and assets by June 2020. | Achieved |
| Talent attraction and retention | <ul style="list-style-type: none"> 50 Nelson Tasman businesses engaged in the programme achieving a reach of over 500,000, and engagement level above the national average across the digital channels within the target markets of Auckland and Wellington. | Achieved |
| Catalyst for Te Taihū Intergenerational Strategy | <ul style="list-style-type: none"> Provides input into the Strategy Steering and Project Management Groups. NRDA attracts the appropriate resource commitments to drive priority NRDA implementation actions identified within the strategy by June 2020. Using the Wellbeing Indicators, establish baseline data (Data Dashboard) for future benchmarking. | Achieved Not Achieved – delayed due to COVID-19 |
| Contribution to Smart Little City Centre Development | <ul style="list-style-type: none"> Provides input into the Centre City Project team. Demonstrate outcomes from the key roles identified for NRDA within the City Centre project where targeted funding is provided. Contribution to Smart Little City Centre Development | Achieved |
| Regional Business Partner Programme | <ul style="list-style-type: none"> Delivering RBP support to over 300 companies, attracting in excess of \$1 million in RBP funding and a customer satisfaction net promoter score of +50 across the RBP programme by June 2020. Targeting a minimum of 30% of businesses from any one district. | Achieved |
| | <ul style="list-style-type: none"> 10 Tasman and 10 Nelson businesses intensively case-managed. | Achieved |
| | <ul style="list-style-type: none"> 3 initiatives or connections made to support targeted businesses challenges across the region. | Achieved |

| | | |
|--|--|--------------|
| Catalyst for collaboration | <ul style="list-style-type: none"> NRDA engaged in at least 10 regional collaboration projects by June 2020 (e.g. NTINC, Nelson City Identity, Lean Cluster etc.) and have hosted over 100 collaboration events or activities within the Nelson Tasman region by June 2020. | Achieved |
| International visitor marketing programme | <ul style="list-style-type: none"> 100 international trade and media hosted and trained, and 4 in-market trade training events attended with 500 referrals within the target markets by June 2020. | Achieved |
| | <ul style="list-style-type: none"> Number of international trade and media hosted and trained with breakdown of businesses engagement by district. | Achieved |
| | <ul style="list-style-type: none"> Report on market reach of media and estimated equivalent advertising value. | Achieved |
| | <ul style="list-style-type: none"> Total Visitor spend by month and by district in comparison to year on year against NZ average. Reported in a manner that identifies total spend, international and domestic split. | Achieved |
| Domestic consumer visitor marketing campaign | <ul style="list-style-type: none"> Maintain a consistent digital content marketing engagement level that is above the industry average based on specific campaign objectives targeting Auckland, Wellington and Christchurch markets by June 2020. | Achieved |
| Business Events – Sales and Marketing | <ul style="list-style-type: none"> Contributing to the attraction of 6,000 out-of-region business events delegates, at an average of three nights each (18,000 room nights), with 75% between March-November for events to take place within the next three years. | Not Achieved |
| | <ul style="list-style-type: none"> Number of conference events hosted between March and November by district. | Achieved |
| NCC Economic Events programme | <ul style="list-style-type: none"> Through the NCC Events Fund, contributing to the attraction of over 35,000 major events attendees (50% from out-of-region), with 80% between March-November delivering a return on event fund investment ratio of 10:1 | Achieved |
| Nelson i-SITE programme | <ul style="list-style-type: none"> Implementing the first phase of a revised business model as agreed with Council, while maintaining a Customer Satisfaction Rating of 80% of 4/5 and 5/5 ratings. | Achieved |
| Business partner programmes | <ul style="list-style-type: none"> 120 partners contributing \$350,000 of business partner contributions commitments to delivery of NRDA programmes with breakdown by region. | Achieved |
| Independent trusted advisors | <ul style="list-style-type: none"> The NRDA maintains economic data insights and provides timely reports. | Achieved |
| | <ul style="list-style-type: none"> Engage in at least 10 Te Tauihu forums and/or hui with iwi and Maori businesses by June 2020. | Achieved |
| | <ul style="list-style-type: none"> Provide input to at least four economic development-related stakeholder working groups in Nelson and Tasman. | Achieved |

| | | |
|--|--|----------|
| | <ul style="list-style-type: none"> Implement an annual stakeholder survey and achieve a net positive result. | Achieved |
| Financially sustainable organisation | <ul style="list-style-type: none"> The NRDA maintains a balanced budget and identifies a future sustainable business model by June 2020. | Achieved |
| | <ul style="list-style-type: none"> NRDA delivers a clean Audit. | Achieved |
| | <ul style="list-style-type: none"> Progress development of sustainable future business model by June 2020. | Achieved |
| | <ul style="list-style-type: none"> Review Health, Safety & Wellbeing Policy. | Achieved |
| Organisational culture & development, incl. communications | <ul style="list-style-type: none"> Communications strategy: <ul style="list-style-type: none"> Track and analyse engagement with communications channels. Stakeholder survey completed by June. At least eight off-site team meetings held. | Achieved |
| | <ul style="list-style-type: none"> The CEO's 360 review demonstrates an engaged and valued team with improvements shown in the identified areas for improvement. | Achieved |
| | <ul style="list-style-type: none"> Every staff member actively taking part in completing at least one professional development activity throughout the year. | Achieved |
| | <ul style="list-style-type: none"> Zero Lost-time work injuries. | Achieved |

For the full summary of performance, see NRDA's Annual Report 2019/20.

FINANCIAL PERFORMANCE – NRDA

The NRDA commenced operations on 1 July 2016. It is fully owned by Nelson City Council and is self-administered.

| | 2020 | 2019 |
|--|-------------|-------------|
| | (\$000) | (\$000) |
| Revenue | 2,379 | 2,350 |
| Expenses | 2,427 | 2,413 |
| Net Surplus Before Taxation | (48) | (63) |
| Provision for Taxation | 8 | 1 |
| Net Surplus for Year after Taxation | (40) | (62) |
| Equity Brought Forward | 335 | 397 |
| Equity carried forward | 295 | 335 |

Tasman Bays Heritage Trust (Nelson Provincial Museum)

The Tasman Bays Heritage Trust (TBHT) was established in 2000 as a Council Controlled Organisation owned 50% by Nelson City Council and 50% by Tasman District Council. The Trust is responsible for providing museum services and protecting the collections of historic treasures held on behalf of the Nelson Tasman region.

The museum exhibition facility on the corner of Trafalgar and Hardy Streets was opened in late 2005 providing a combination of permanent and temporary exhibitions. It is well used by schools for part of their learning experiences outside the classroom (LEOTC) programmes.

PERFORMANCE TARGETS – TBHT

TBHT has advised Council that it has achieved the following results against the performance measures set out in its Statement of Intent. In summary:

| | |
|--------------|----|
| Achieved | 24 |
| Partial | 6 |
| On target | 4 |
| Not achieved | 2 |

| Measure | Comment 2019/20 | Result 2019/20 |
|---|---|----------------|
| To plan for and commence a capital works project which will safely and appropriately house and care for the Nelson Tasman regional Heritage Collection | | |
| Project plan including timeline and budget completed by December 2019 | Project Plan including timeline and budget presented to councils in October 2017. Business case titled Tasman Bays Heritage Trust Nelson Provincial Museum The ARC: Archive Research Collections Facility submitted to councils in August 2018. This included an indicative budget and timeline. A further budget refinement was submitted in April 2020 to Project Kōkiri as a shovel ready project for Council and Government consideration. | Achieved |
| Fundraising plan in place by December 2019 | Fundraising plan titled Capital Campaign Fundraising Strategy presented and adopted by the Board in July 2019. | Achieved |
| Location confirmed by July 2019 | Church St site purchased with Council approval in March 2019. | Achieved |
| 20% of funding secured by December 2020 | 26% funding secured in Nelson City Council Long Term Plan. Church St site purchased by TBHT from capital reserves for \$820,000, equating to over 7% of total funding required. | Achieved |

| | | |
|---|--|----------------|
| Financial support of both Stakeholders confirmed by end June 2021 | | Due June 2021 |
| Major contractors retained by March 2022 | | Due March 2022 |
| Resourcing plan for relocation of Collection items developed by December 2019 | Resourcing plan for relocation completed including estimates for storage furniture upgrades and replacements, object housing, packing materials, transport needs, equipment and staffing | Achieved |
| To become a must-see visitor destination and be recognised as integral to the Nelson Tasman experience | | |
| Co-create an iwi led exhibition or event every year | <p>Several iwi-led programmes were delivered alongside the Kura Pounamu exhibition, including resident Māori practitioners in the gallery</p> <p>Tupuna Te Tau Ihu image presentation of collection images depicting Māori facilitated in close consultation with local tangata whenua. 25 collection records were updated as an outcome of this collaborative hui.</p> <p>Ongoing monthly taonga pūoro workshops and public activations were by group of regular practitioners that includes local iwi representatives.</p> | Achieved |
| Enhance accessibility for, and engagement with, special needs and under-represented visitors | <p>Continued collaboration with Blind Low Vision NZ to enhance the accessibility of the Museum's exhibitions, leading to the delivery of tailored tours to Kura Pounamu and Our Moon: Then, Now & Beyond.</p> <p>Staff training and social media support of NZSL week.</p> <p>Iwi-focused te reo Māori tours to Kura Pounamu delivered by the Museum's Kaiawhina.</p> <p>The extended scope of Our Moon: Then, Now & Beyond public programmes attracted a higher than usual number of new audiences (28% of visitors had not visited in the past year).</p> <p>The Museum increased its efforts to reach schools that are not able to visit due to financial or logistical constraints (for example Victory School) and new 'Museum-in-a-Box' programme was developed for this purpose.</p> <p>As a response to COVID-19 restrictions a digital learning platform was implemented, and content developed to enable remote / non-</p> | Achieved |

| | | |
|--|--|--------------|
| | contact delivery of Museum programmes to formal learners and to assist in meeting Ministry of Education LEOTC targets. | |
| Achieve total target visitation of 64,000 across all venues by June 2020 (including Education) | The impact of COVID-19 resulted in final tally of 60,429 across all venues including education 54,621 of these were visitors to the museum 228 visitors to Isel Park 392 Attendees to outreach events/talks 5,188 education numbers | Not Achieved |
| Achieve annual Ministry of Education visitation target of 5,500 | Target exceeded for MoE reporting timeframe (6,134 students served from 1.1.2019 – 31.12.2019) 5,188 students attended from 1 July 2019 – 30 June 2020 | Achieved |
| Twice yearly customer surveys with rating at least 85% satisfaction | 87% average satisfaction rate across the following surveys: <ul style="list-style-type: none"> • Museums Aotearoa survey delivered in March achieving 80% satisfaction rate • Exit surveys for Kura Pounamu achieved 88% satisfaction rate • Exit survey for Our Moon achieved 92% satisfaction rate | Achieved |
| LEOTC evaluation satisfaction levels at least 90% | Continued very strong satisfaction levels in post-visit survey: 4.6. out of 5 stars rating (student interest) 100% thought the Education team was 'prepared for and effective' and the programme met learning objectives 95% of school survey respondents 'very likely' to visit again | Achieved |
| LEOTC contract renewed | The LEOTC contract was extended to December 2021 when the LEOTC programme will be concluded by Government | Achieved |
| Business case and concept description completed by December 2019 | Thorough assessment of current objects on display and conservation requirements completed Gallery refresh framework development underway Business case development underway | Achieved |
| Concept development and an implementation plan complete by June 2020 | TBHT has reviewed this project against funding priorities. As a result the scope has been reduced and the following revised timeline set out in the 2020-23 Statement of Intent: <ul style="list-style-type: none"> • Consultation with mana whenua and other community stakeholders by 30 June 2021 | Postponed |

| | | |
|---|---|-----------|
| | <ul style="list-style-type: none"> • Concept design complete by 30 December 2021 • First stage of redevelopment completed by 30 June 2022 | |
| Funding strategy complete by June 2020 | Postponed until 2021 | Postponed |
| Development design complete by December 2020 | Postponed until 2021 | Postponed |
| Installation implemented over completed by December 2022 | Postponed, new date for completion of first stage of redevelopment 30 June 2022 | Postponed |
| Concept development / concept design complete by June 2021 | Deferred to align with wider capital works programme | Postponed |
| Funding strategy in place by December 2021 | Deferred to align with wider capital works programme | Postponed |
| To actively support and collaborate with Nelson Tasman cultural heritage organisations | | |
| At least one exhibition toured to district museums annually | <p>Toured 'Trailblazers' suffrage 125 exhibition to Motueka Museum</p> <p>Assisted and facilitated Te Papa to tour 'Buller's Birds' to Motueka Museum</p> <p>Adapted 'Murchison Earthquake' exhibition curated for Murchison Museum in 2018/19FY for online delivery to facilitate remote access</p> <p>'Rugby 150' exhibition created in format for touring</p> <p>'A Century of Saying Cheese' prepared to install at Golden Bay, but postponed due to COVID-19</p> | Achieved |
| Continue organising regional hui for Nelson Tasman regional museums and heritage organisations annually | Organised Regional Hui hosted by Tasman District Libraries, Richmond on 6th September 2019 with talk on Creative Commons and Copyright. | Achieved |

| | | |
|---|--|----------|
| | <p>Co-ordinated Regional Hui hosted by Murchison Museum in 6th March 2020 with discussion on Disaster Preparedness.</p> <p>Hosted 2-day National Repatriation Project meeting and bone identification workshop at Ngāti Kuia and Isel Park November 4-5, 2019.</p> <p>Organised Toha Toha Workshop on Copyright hosted by Tasman District Libraries in February 2020.</p> | |
| Continue to work with National Services Te Paerangi to host at least one regional workshop per year | NSTP Workshop on Rationalisation at Founders Heritage Park on 15 October 2019. | Achieved |
| Collaborative projects delivered with two Nelson Tasman organisations annually, including at least one district museum in Tasma | <p>Nelson City Libraries Tasman District Libraries collaboration on 'Life in the Bubble' Rapid Response Collecting campaign</p> <p>Development of a Rationalisation Framework working document developed between NPM, Golden Bay Museum and Founders Heritage Park/Broadgreen House</p> <p>Our Moon public programme collaborative events with Nelson Science Society, The Breeze (MediaWorks Radio), Ministry of Inspiration, Kindred Yoga and Nelson Public Libraries</p> <p>Partnership with Nelson City Council to develop Rugby image projection video on significant Nelson buildings in association with online Rugby 150 exhibition</p> | Achieved |
| At least three outreach projects delivered throughout Nelson Tasman annually | <p>One video lecture by staff included in NCC 'Virtual' Heritage Festival, April 2020</p> <p>Installed of 'Stepping Stones to Suffrage' exhibition at NCC library in September 2019</p> <p>Installed 'Apple of my Eye' display at NCC library in August 2019</p> <p>Developed and delivered 'Museum in a Box' education programme to a number of schools in the region</p> <p>Developed and provided content for Make Shift / Spaces initiative on Trafalgar Street and Bridge St shop windows. MoU put in place</p> <p>Collection staff assisted Broadgreen House with the inventory and movement of their textile collection during a storage upgrade in February 2020</p> | Achieved |

| To continue to develop and provide appropriate care for a strong Collection which is relevant and valued by, and accessible to, Nelson Tasman communities | | |
|--|---|----------|
| Acquire objects that have strong connection and relevance to the Nelson Tasman region | <p>Over 130 new acquisitions including books, archives, textile items, photographs and objects relating to people, companies or events in Nelson Tasman.</p> <p>Ongoing identification and facilitation to list and house taonga tūturu found locally or returned to the region, and held on behalf of the crown.</p> | Achieved |
| Identify objects that no longer fit our Collection Policy and offer them to the most appropriate organisation, whanau or individual for their continued care | <p>Over 100 library items approved for deaccession due to existing duplication or irrelevance to the collection.</p> <p>Strategic review of non-accessioned donation offers has led to over 10 objects being transferred back to the original donors or to other museums.</p> <p>Identification of several Māori taonga for transfer back to iwi outside of the Nelson Tasman region for example Poti Kohua/ Te Ana o Matuku, Fox River midden material (bones and shell, stone collected from West Coast cave).</p> | Achieved |
| Facilitate at least ten tailored experiences annually | <p>Kaitiaki Taonga heavily engaged with the 'Kura Pounamu' public program with weekly engagement sessions inside the gallery and one public talk.</p> <p>Kaitiaki Taonga also gave two public floor talks for 'Bullers Birds'.</p> <p>Objects provided for in-house talk on Women in Business.</p> <p>Curatorial talks at Golden Bay Museum, Rotary Club and Nelson Girls School.</p> <p>Volunteer Karen Richards gave external talk on collection textiles which was attended by close to 100 people.</p> <p>Two themed photo boards placed in dementia care facility to assist with therapeutic treatment of patients</p> <p>Provided exhibition panels on Appo Hooton and portraits from the collection for display at China Week at Trafalgar Centre from Nov 13-16th 2019 which was attended by the Consulate General of the People's Republic of China Wang Zhijian</p> | Achieved |

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| | <p>Researcher Open House at Isel House on 18th March 2020 attended by seven visitors including high school students.</p> <p>Kaitiaki Taonga Māori gave class on Fishing Technology to school group</p> <p>Three talks, three displays, one collection tour and one external loan totalling over 60 hours of work were cancelled as a result of COVID-19 lockdown</p> | |
| Answer all research enquiries within two weeks | All 380 hours of research enquiries were answered within two weeks. | Achieved |
| Audit the furniture collection and ensure all records are complete and up to date by December 2020 | Reforecast for completion by June 2021 because of disruption by COVID-19. | Not Achieved |
| Add 3,000 records to Collections Online by 30 June 2019 | Over 10,000 new records were added to Vernon Browser bringing the total to 153,847 records available online | Achieved |
| To improve our sustainability performance | | |
| Sustainability audit completed by December 2019 | EKOS was contracted, and a measure of our Carbon Footprint of 52.37 tonnes CO ₂ equivalent reported, equivalent to 52.37 tonnes of carbon dioxide equivalent emitted in an average year. | Achieved |
| Sustainability improvement programme complete by December 2020 | | Due December 2020 |
| Annual reporting on actions undertaken and their effectiveness | <p>Sustainability Committee formed which meets monthly and is reported to Board</p> <p>Introduction of digital ordering service to reduce papers waste</p> <p>Introduction of virtual meetings to reduce travel for meetings</p> | Achieved |
| Review of the improvement programme in 2020 | | Due December 2020 |

For the full summary of performance, see TBHT's Annual Report 2019/20.

FINANCIAL PERFORMANCE – TBHT

| | 2020 | 2019 |
|------------------------------------|---------------|---------------|
| | (\$000) | (\$000) |
| Revenue | 2,179 | 2,214 |
| Expenses | 2,212 | 2,532 |
| Net Surplus Before Taxation | (33) | (318) |
| Equity brought forward | 19,365 | 19,683 |
| Equity carried forward | 19,332 | 19,365 |

The Bishop Suter Trust (Suter Gallery)

Council established The Bishop Suter Trust (TBST) in 2008 as a Council Controlled Organisation to run the Suter Art Gallery. Its first Statement of Intent was adopted in June 2009. The art gallery is also part of the learning experiences outside the classroom programme for schools.

The Suter has been operating in its new redeveloped Suter Art Gallery at its historic Bridge Street site since it was completed in 2016/17.

PERFORMANCE TARGETS

As set out in the table below, TBST has advised Council that it has achieved 84% of the performance measures as set out in its statement of intent. Remaining measures are not achieved (16%).

| Measure/target | Comment 2019/20 | Result 2019/20 |
|---|---|----------------|
| 3.1 GOVERNANCE: Operate a successful visual arts centre and visitor destination | | |
| Provide an arts centre and visitor attraction: That is open 362 days of the year with a minimum of 140,000 visits per annum to The Suter® facilities and with visitor satisfaction ratings of 90% 7+ (out of 10 = excellent). Report six monthly with visitor statistics and response annually. | Had COVID-19 not occurred The Suter would have achieved its target of being open every day, except Christmas Day, New Year's Day and Good Friday. Due to COVID-19 The Suter closed to the public as of 26 March until 14 May 2020 (Commencement of Level 2) and closed on Mondays 25th May and 1 June 2020. Total visits to the facilities were 106,306; note this does not include all visitors to the Café who may have entered and left via the Gardens. | Not Achieved |
| Ensure that The Suter® is well managed and operates within its agreed plans: Reports, plans and budgets meet set deadlines. The Risk Management Plan is reviewed annually, and mitigation strategies identified are implemented (including cyber security, and response planning for natural hazards and climate change). | Cyber risk mitigation occurs as part of supply agreement- no significant incidents. Identified Health & Safety & other risks collated, monitored and progressively mitigated. | Achieved |
| Implement a Marketing Plan which focusses on the attracting visitors and developing resourcing for The Suter® | Progressively increasing marketing via social media channels in addition to paid promotion in tourism and arts related media. We intend to generate a new marketing plan during 2020/21 financial year. | Achieved |

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| Implement an asset management plan (maintenance and renewals) in relation to The Suter facilities and develop an assets' renewal fund, to be achieved from operational cash surpluses (before depreciation) to fully fund the BST's share of depreciation, over time; Report on progress annually. | Assets' renewal fund established. Our existing asset management plan will be reviewed 3rd quarter 2020/21 financial year. | Achieved |
| Be a good employer by maintaining good employer policies and practices and providing a safe and healthy workplace; Report on observance of policies, health & safety, turnover and related statistics. | Health & Safety and Wellbeing: Safety improvements for identified hazards implemented. 1 minor injury to Suter staff, no hours lost to injury. Three significant 3rd party incidents- 2 related to medical events and 1, an injury suffered by a Café Staff member. Staff turnover: 4 front of house appointments made including casuals. 3 resignations- 1 due to relocating. | Achieved |
| 3.2 VISITOR EXPERIENCE: Inform and engage the public through the visual arts | | |
| Provide a programme of regularly changing exhibitions: Report six monthly on progress. | 13 new exhibitions installed in period + NSAS Spring exhibition. NSAS Autumn 2020 exhibition cancelled due to COVID-19, other exhibitions given extended seasons. | Achieved |
| Develop a forward exhibition programme that is diverse and stimulating, including internally produced and externally sourced exhibitions; Exhibitions scheduled that meet the needs and interests of a broad audience. Report 6 monthly on progress. | Exhibitions are planned 12-28 months ahead, however COVID-19 forced a major revision of the exhibition programme, both as delivered March-June 2020 and for the future programme. | Achieved |
| Provide public programmes which enhance appreciation and enjoyment of the visual arts; A minimum of 30 talks/ events/ activities are held per annum. Report 6 monthly on progress. | 43 events held: 19 daytime activities - talks, seminars etc. held; 14 evening events such as openings, shared events, other events (shared/offsite) + activities for volunteers. Note - some events are in conjunction with NSAS, or NSAS initiated, but held in Suter gallery spaces. | Achieved |

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| Provide learning experiences for regional school students that support their NZ curriculum studies based on The Suter's® programmes and resources; Target is 3,100 students from 25 schools as per the Ministry of Education LEOTC Contract Milestones & post visit evaluations indicate 90% satisfaction ratings of "fine" to "great". At least one Education Advisory Committee meeting held per annum. Structured schools' education programme delivery target: 5,000 students per annum. | 148 LEOTC Educator led programmes delivered to 3,421 students accompanied by 894 helpers and 5 "education other" comprising 162 pax4. Satisfaction targets achieved. Advisory Committee met once in period. On-site education delivery was disrupted by COVID-19, however The Suter Educator delivered 5 YouTube programmes for Level 4, 2 on-line programmes Level 3 and 2 and resumed on-site visits at Level 1 | Achieved |
| Provide out-of-school and other art educational activities; Minimum 80 sessions of Suter Kids Club and other community learning sessions are delivered per annum. | 156 SKC and holiday art classes delivered to 1,625 students and 28 classes for adults with 278 participating. Term 3 2019: 6 sessions per week for students (Suter Kids Club- SKC and MyArtSpace - MAS) and 1 session per week for adults (OurArtSpace) term 4 2019 and term 1 2020 5 sessions for students and 1 for adults; Term 1 2020 end date brought forward by COVID-19; No SKC or adult art classes delivered on-site in Term 2 2020. | Achieved |
| Provide and manage The Suter® Volunteers' programme: That provides av.>80 hours of contribution per month/ per annum. Report 6 monthly on progress. | Averaged monthly contribution of 114.4 hours in first 6 months and 85.6 (excluding April 2020) for 5 months of 2020. 11 volunteer events held including volunteer Sneak Peeks- previews of exhibitions, training and volunteer get-togethers. | Achieved |
| 3.3 COLLECTION: Collect and preserve, record and communicate our artistic heritage | | |
| Develop The Suter's® Collection in accordance with The Suter's® Collection Policy; All acquisitions and de-accessions comply with the Collection Policy and related procedures. All acquisitions/deaccessions approved by the Trust and reported six monthly. | 26 Additions to the Collection: 16 gifted works and 10 purchases. Note 4 of the artworks comprise multiple elements. | Achieved |
| Maintain and develop the Acquisitions Fund & Collection Bequests to allow active collecting to occur; The acquisitions' funds meets or exceeds budget and all such | Target not met due to cancellation of major fundraising event Palette to Palette due to COVID-19 and 5x40 and 10x10 donations received were less than hoped for. However, a bequest of artworks | Not Achieved |

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| funds are used for the purposes so designated. | was received that included works that can be sold to fundraise for the Acquisitions Fund and FOTS donations were also received; All tagged funds used as designated. A significant bequest was notified during period but not received until August 2020. | |
| The Collection is stored, handled and exhibited safely and securely: The Collection is stored/displayed in environmental conditions that are in line with accepted museum practice (including temperature 18-22°C/ relative humidity 50-55%, pest control, archival materials, security and fire monitoring). There are no handling mishaps or other damage occurs to Collection items. | No incidents; extra storage unit installed in collection store. | Achieved |
| Enhance knowledge of the collection: Collection records are significantly upgraded to increase accessibility and usability, as a part of a long-term strategy to provide on-line access to copyright cleared Collection items and to enhance the reputation of the Collection; Collection records are upgraded; items are uploaded to the internet; Loans, reproductions and other collection requests are met; publishing occurs. Progress reported annually. | Significant donation received, and licenses purchased to put The Suter's collection onto www.thesuter.org.nz . Collection stories published on Suter social media during lockdown. In-house curated continually playing 'slide' shows of artworks from the collection screen in the Jane Evans Foyer, history of The Suter slide show added. All Loan and other collection requests and enquiries met; 2 "How to Look at Art" talks given at Richmond Library. | Achieved |
| 3.4 PARTNERSHIPS: Partnerships that sustain The Suter® | | |
| Strengthen The Suter's® relationship with Iwi and Maori; Honour the kaupapa of the Memorandum of Understanding [MoU] with Ko Te Pouāranga; KTP input to programmes and collection development. Report 6 monthly. | Iwi involvement in exhibitions in particular, for openings and events. Attendance at KTP hui by Suter trustee(s) and Director. | Achieved |
| Actively engage in collaborative partnerships to support the projects and programmes of The Suter® (refer to 3.2.1 and 3.3.2); Sufficient resources are achieved to support projects: | Collaboration with NSAS in joint fundraiser, exhibition and auction 50 50; Fire & Earth opening + catalogue support from Nelson Potters Assn.; Hilary Johnstone primary supporter of 8th Suter Contemporary Art Project Sympathetic Resonance, + in-kind from Nelson Sign Shop (for | Achieved |

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| | Shannon Novak front window install) and Creative New Zealand towards publication; CNZ for Curatorial exchange project with Taiwan; Donated artworks, goods and experience promises for Palate to Palette 2020 Dinner and Auction event (now rescheduled for 2021); Rotary Club of Nelson donation for Education; Scott's Construction for infrastructure works including placement of outdoors sculpture. | |
| The Friends of The Suter® (FOTS) and Legacy Group are enhanced; FOTS membership increases, activities and progress on patronage scheme reported six monthly. Friends' membership subscriptions now run annually from when received (rather than a fixed year) | At year end there were 366 FOTS memberships compared with 407 memberships 18/19 financial year. However, there were 57 new memberships of the FOTS; Legacy Group enjoyed a special event and FOTS enjoyed a variety of events, and support rewarded with discounts on events, trips, Suter Shop purchases and adult art classes. | Not Achieved |
| The Suter® contributes to other organisations and initiatives to promote Nelson/Tasman visual arts and heritage and provides leadership in fields of expertise to support the Council's provision of social /cultural wellbeing; Report on contribution to the implementation of the Regional Arts Strategy, Heritage Strategy, regional museums network and other related initiatives; report on contribution nationally in areas of expertise: | <p>Arts & Heritage Strategy: Director participated in (Nelson) Arts Panel meetings including selection of street banners, mural designs etc.; Suter liaising with Make Shift;</p> <p>Regional engagement: Curator and Director 'curated' Level 7 BAM 2019 exhibition at NMIT. Curator marking moderator NMIT; Curator delivered "How to Look at Art" talks at Richmond Library; Suter partner in COVID-19 TESA Nelson/Tasman community project;</p> <p>National/international contribution: Curator invited to contribute reviews to NZ Ceramics journal; Suter Educator gave papers at Educators' conference in Christchurch & and established NZ art gallery educators network, coordinating regular Zoom meetings + contributed a chapter in international publication on education in gallery settings. Director 1 of 3 judges/selectors of National Triptych competition organised by Nelson Camera Club; Director consulted for art gallery/museum redevelopment</p> | Achieved |

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| | projects – Marlborough, Hokitika. Director assisted with role definition and recruitment of Curator at Hastings City Art Gallery; Suter Retail Team Leader Paula Haines Bellamy convener of 2019 Costume and textile Association of NZ Symposium: A Common Thread | |
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For the full summary of performance, see The Bishop Suter's Annual Report 2019/20.

FINANCIAL PERFORMANCE – THE BISHOP SUTER TRUST

| | 2020 | 2019 |
|------------------------------------|---------------|---------------|
| | (\$000) | (\$000) |
| Revenue | 1,589 | 1,647 |
| Expenses | 1,627 | 1,464 |
| Net Surplus Before Taxation | (38) | 183 |
| Equity Brought Forward | 20,861 | 20,677 |
| Prior year /rounding adjustment | - | 1 |
| Equity carried forward | 20,823 | 20,861 |

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