

ANNUAL PLAN 2020/21

Variations to Year Three of
the Long Term Plan 2018-28



SHAPING NELSON'S FUTURE

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ABOUT THIS ANNUAL PLAN

Council's major planning document for the current period is the Long Term Plan 2018-28. The Long Term Plan sets out Council's planned priorities and spending for ten years from 2018.

This 2020/21 Annual Plan provides an update to the Long Term Plan, highlighting the reasons for any changes to Council's work programme for Year Three (2020/21) of the Long Term Plan and the impact those changes will have on rates and debt. This includes changes to the work programme which have become necessary due to COVID-19. Council has implemented a net 0% rates rise in 2020/21, in recognition of the increased hardship experienced by the Nelson community at this time. Information on the changes made to implement the net 0% rates rise is on page 7.

This Annual Plan is an exceptions document, i.e. it only details changes to the Long Term Plan and does not include projects that are proceeding as planned. To fully understand this Annual Plan, you may find it helpful to read it alongside the Long Term Plan 2018-28, which contains a detailed explanation of Council's work programme.

This Annual Plan is set out in the same order as the Long Term Plan 2018-28 to make it easy to compare the two documents. Following the introductory sections, there is discussion of changes within each of Council's eleven activity areas. This is followed by financial information and tables setting out the planned expenditure for the 2020/21 year.

Copies of the Long Term Plan 2018-28 can be viewed at the Council Customer Service Centre at 110 Trafalgar Street, at any of our public libraries, or on our website nelson.govt.nz

Council will continue to be responsive to opportunities that arise in 2020/21 to assist with our region's economic recovery, including employment and business support. This means that the final work programme and expenditure reported in the Annual Report 2020/21 may vary from what is contained in this Plan, and those variances may be material.



MAYOR'S MESSAGE

E ngā mana, e ngā reo
E ngā rau rangatira mā
Tēnā koutou katoa

A mere nine days after the draft Annual Plan Consultation Document was adopted by Council, New Zealand moved into COVID-19 Alert Level 2. Four days after that we were in Level 4.

What followed is the greatest global economic crisis in decades, and Nelson Whakatū was not exempt from its effects. While we are fortunate to have experienced relatively few infections in our city, the social and economic consequences have been, and will continue to be, immense.

For Nelson City Council, an essential services provider, much of our work continued during the shutdown period – recycling was still collected, clean water and public transport were provided, but there have inevitably been delays to key projects, and revenue streams have been severely impacted.

Council remains acutely aware of the financial toll the COVID-19 shutdown has had on so many of our ratepayers, especially our young people who have been the most affected by the loss of jobs as a result of this crisis.

Our support package included a range of responses such as hardship provisions for ratepayers struggling to pay rates, rental relief for Council lease and licence holders in the tourism and hospitality sectors, and the establishment of a \$200,000 Emergency Fund for community organisations.

This Annual Plan builds on that support package and reflects a very different environment than the draft Plan. I have said that this Council will be both compassionate and financially prudent, and this Annual Plan delivers on that promise.

The major change you will see is 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 we received subsequently were overwhelmingly in support.

To deliver a net 0% rise, Council has made savings in many areas, especially staffing costs, but this is not an austerity Plan. Conversely, in the next financial year 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. We have taken advantage of the sound financial position of this Council to enable us to continue to invest in projects that will reinvigorate the economy.

The focus areas for elected members introduced during consultation remain the same: housing affordability and intensification, developing the Maitai River Precinct, and creating a sustainable transport culture. These will continue to receive additional governance oversight to ensure positive outcomes for the community, but now we will be giving particular consideration to whether the projects will result in new infrastructure that stimulates the economy, as well as responding to urgent needs in our community.

Our work to create a sustainable transport culture will see the introduction of electronic ticketing for our bus system, paperless parking meters that will reduce ticket waste to zero, and new shared cycling and walking paths to make it easier for Nelsonians to choose to leave the car at home when they travel to and around the city.

Crucial work on our stormwater and wastewater systems will improve our resilience to flooding. With heavy rainfall

events likely to become more common due to climate change, this is important work that we must undertake to protect our homes, businesses, and environment. We also have work scheduled on the Gracefield sewer diversion, the Mount Street and Konini Street stormwater upgrades and the Saxton Creek upgrade, which will improve our water networks.

There will also be visible changes to the Maitai River Precinct, with a pop-up playground planned for the vacant space next to the Elma Turner Library. Planning for our redevelopment of the Library will also progress. Council will continue its focus on improving the Precinct's resilience to climate change, increasing the amount of public space and recreation areas, and improving links from the River to other parts of the city.

The Long Term Plan emphasised the importance of working in partnership with the eight iwi of Te Tau Ihu, and Council will continue that work in 2020/21. Collaborative actions are underway, including regular meetings of the Iwi-Council Partnership Group, and the further development of an Iwi Engagement and Partnership Strategy

Nelson City Council also has a key role to play in a new collaboration - Project Kōkiri, an economic recovery and regeneration plan for Nelson Tasman that sets out the region's economic strategy and priorities for the next 12 months. As well as Council and community actions to respond to the effects of COVID-19, through Project Kōkiri, this region has submitted projects to central government for their support. Projects that collectively would provide

direct employment for over 2,500 people. Projects that will not just provide a much-needed stimulus to our economy right now, but provide benefits for future generations of people living in Te Tauihu.

Crucially Project Kōkiri also aims to build back better. We cannot let this crisis derail the work undertaken since this Council declared a climate emergency last year. This is why this Annual Plan continues to incorporate climate change considerations into Council work planning and budgets. The Nelson Plan, which incorporates the district, regional and coastal plans, will look at sea level rise, flooding and other associated hazards. We have a responsibility to build back in a way that is more resilient, creating an environment for our young people to stay and thrive here.

I want to end by acknowledging that sadly lockdown was also a time of mourning for our Council with the loss of Kaumātua Kereopa Ratapu, an individual who provided not only cultural guidance to our Council but through his grace and serenity gave all of us at Council a strength that will be greatly missed as we embark on the challenge of regenerating our region.

He waka eke noa - we are all in this together.

Rachel Reese



MAYOR OF NELSON



COUNCIL'S RESPONSE TO COVID-19

Council adopted an Annual Plan Consultation Document on 12 March 2020. National Alert Level 2 of the COVID-19 emergency was announced on 21 March, with notification that New Zealand was moving to Level 4 shutdown on 25 March. The effect of the shutdown, including closing New Zealand's borders, made it clear that the economic consequences for the country would be significant. Accordingly, Council met (online) on 9 and 23 April 2020 - at these meetings it decided to extend the Annual Plan consultation process by three weeks until 6 May, and seek public feedback on what would be an appropriate rates rise. The option of a net 0% rates rise was put forward to support the community in this difficult time, and received strong support through submissions. Council has implemented a 0% net rates rise for 2020/21 (see page 7 for details).

Responding to the COVID-19 emergency and lockdown required significant changes to how Council operated, but Council adapted quickly and smoothly, and essential services (such as water and wastewater) continued to be provided through all Alert Levels. Council also took actions to support the community in the response phase, and will continue this work as the region moves into further response and recovery actions under difficult economic circumstances.

COUNCIL'S RESPONSE TO THE COVID-19 EMERGENCY IN 2019/20

- Transferred online many services usually provided at Civic House, for example the processing of building and resource consents.
- Immediately transitioned over 250 staff to work remotely from the start of Alert Level 4.
- Initiated a \$200,000 Emergency Fund for community organisations for the 2019/20 year, to support them to continue operating in the response/recovery phase of the pandemic. Unspent funds from the 2019/20 year will be carried forward to 2020/21.
- Activated the regional Emergency Operations Centre (EOC). The initial response and recovery work was managed by the EOC under four work streams - economic, social/cultural, natural environment, and built environment. The majority of the work was to provide economic and social support. Council officers were seconded to work for the EOC.
- Made welfare calls to potentially vulnerable older residents – during lockdown Council staff and councillors personally made 2,300 calls to offer support.
- Made weekly payments to creditors to assist businesses with cash flow.
- Provided assistance to ratepayers struggling to pay their rates, through the rates rebate scheme and payment plans.
- Provided support 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.
- Extended the consultation period for the Annual Plan by three weeks to 6 May, and endeavoured to make the process accessible to those without internet access. Public feedback was sought on what an appropriate rates change would be, including the option of 0% net rates rise.
- Continued all core utility, roading, transport, and solid waste activities.
- Suspended inner city parking charges until 1 July 2020. The enforcement of parking time limits, and the associated infringement fees, was reinstated from 1 June).
- Moved Council meetings online, using video conferencing.
- Maintained as many Council services as possible at each Alert Level - for example a 'click and collect' library service was provided at Alert Level 2, and the Heritage Festival took its celebrations online.

At the time of adoption of this Plan, New Zealand is at Alert Level 1, and all services provided by Council are running as normal.

COUNCIL'S PLAN FOR 2020/21

The 0% net rates rise is a key tool Council is using to support the community in 2020/21. Information on the effect of COVID-19 on Council budgets is set out below.

Other actions Council is taking to assist regional recovery are:

- Supporting the development of Project Kōkiri – a joint economic recovery and regeneration plan for Nelson/Tasman (see page 8)
- Setting a capital works budget (including carryovers from 2019/20) of \$54.1 million for 2020/21, compared to \$47 million proposed for the year in the Long Term Plan, in order to provide employment opportunities and stimulate the economy.

THE IMPACT OF COVID-19 ON COUNCIL'S FINANCIALS IN 2020/21

Council has carefully considered the impacts of COVID-19 on its finances. This section discusses changes to Annual Plan 2020/21 finances since the Consultation Document (draft Plan) was released for public engagement in March 2020.

INCOME

COVID-19 has resulted in a reduction in Council's projected revenue for 2020/21 from a range of sources. The impact of the pandemic on Council's revenue is difficult to forecast at this early stage. A net reduction of \$2 million in total revenue has been made to the final 2020/21 Annual Plan when compared to the draft Plan that was consulted on, including:

- A provision of \$2 million has been made as a reduction in overall commercial revenue
- A reduction in rating income of \$2.8 million has been made to bring the rating increase to net 0%
- An increase in subsidy and grant income of \$4.2 million, including additional operating and capital grant income from the Waka Kotahi New Zealand Transport Agency and other government sources
- Reductions in building consent income, resource consent income, parking revenue and venue rental income have resulted from expectations that there will be less activity in these areas

EXPENDITURE

Council has reviewed budgets to find savings to offset this loss of revenue. Savings of \$2.2 million have been identified, compared to the draft Annual Plan, mainly by:

- Freezing staff salaries in 2020/21, and making savings

in other staffing related costs (\$1.3 million savings)

- Assessing interest costs (\$642,000 savings) and depreciation costs (\$89,000 savings)
- Reducing consultancy costs and halving the travel and training budgets for staff and elected members

NET 0% RATES RISE

Council proposes a net 0% rating increase in 2020/21 (compared to 3.7% in the draft Annual Plan). Despite the net 0% rates rise, Council proposes to largely undertake work streams as proposed in the draft Annual Plan. Much of this work is critical to achieving Council's priorities and key elements of the Long Term Plan.

Continuation of Council services also supports economic activity. Advice from economic advisory organisations, as well as from central government, is that now is not the time for councils to introduce strict austerity measures. Reductions in local government spending would compound the negative economic impact of COVID-19, and contribute to a rise in unemployment.

Therefore, delivering the 2020/21 Annual Plan work programme and keeping the rates increase to a net 0% change will require an additional draw down from Council's Disaster Recovery Fund. Drawing down against the Fund will require borrowing, as, despite consistent repayment, the fund is overdrawn as a result of Nelson experiencing emergencies in 2011, 2013, 2014, and 2018.

In the Consultation Document budgets, Council proposed to repay \$300,000 of the balance of the Fund in 2020/21, to result in a projected balance of \$679,000 overdrawn at 30 June 2021. However, in this final Annual Plan, Council will borrow an additional \$3.4 million in 2020/21. The Fund is now projected to be \$4.3 million overdrawn at 30 June 2021.

It will likely take at least three to four years to recover from the impacts of COVID-19, which will require Council to find savings in the future, as well as the ongoing use of the Disaster Recovery Fund. This will ensure that Council can maintain levels of service and capital spending to support economic recovery in our region. Council has a strong balance sheet position, which puts it in a good position to absorb the borrowing needed to respond to this emergency.

There is still a level of uncertainty around the effects of COVID-19 on Council activities and budgets, including Council's capital work programme and projects that may be approved through the Crown Infrastructure Fund and Provincial Growth Fund, rental and fee services, dividend income lines, and event and facilities income and expenditure. Variances will be reported to Council and committees during 2020/21.

PROJECT KŌKIRI

A joint economic recovery plan for Nelson/Tasman, Project Kōkiri, has been launched. It has a governance group which includes the Nelson and Tasman mayors, Nelson-Tasman Chamber of Commerce, business leaders, and iwi. The Project is being managed by the Nelson Regional Development Agency (NRDA). Council has made provision of up to \$350,000 for additional operational funding in 2020/21, to support the development and implementation of the project. Implementation of Project Kōkiri will require additional resources and skills. Further external funding to support to project will be applied for.

The initial response phase of six months is focused on supporting businesses to get through the crisis period, identifying projects for central government funding, and determining a framework for medium to long term sustainable economic recovery. The work programme will operate from individual business through to sector level, in diverse areas such as targeted business needs analysis and support, skills and workforce development and redeployment, 'buy local' campaigns, tourism sector recovery, and local government infrastructure investment.

CROWN INFRASTRUCTURE FUND PROJECTS

Central government has called for applications from the regions for 'shovel ready' projects which would assist with stimulating economic activity, through the Crown Infrastructure Partners Fund (CIF). Proposals from this

Council (in collaboration with Tasman District Council for some projects) with a combined value of \$217 million (excluding the proposed Mahitahi/Bayview development, see below) were coordinated through Project Kōkiri and have been submitted for consideration. The applications have requested funding assistance in some form (through either grants or long-term interest free loans) of around \$83 million. Thirteen Nelson/Tasman applications have been forwarded to ministers for consideration – as at the beginning of June three had been referred to the Provincial Growth Fund for consideration.

Notwithstanding central government funding for any approved projects, Council will also need to contribute. The difficulty for planning purposes is that Council does not know at this stage which projects will receive central government funding, and what form that assistance may take. If approvals are received, subject to favourable terms, then these projects will be included in Council's work programme, and as far as possible any additional resources required will be funded from the capital works programme.

Applications have also been made to central government for employment funding to assist with five 'shovel ready' environmental projects with a total value of \$8 million across five years. The projects include plant and animal pest control, fencing, planting, and working with private landowners on biodiversity projects. A number of agencies may be involved in the funding and support of these projects, including the Department of Conservation.



Mahitahi/Bayview Infrastructure Upgrades

As part of the proposed Mahitahi/Bayview housing development, Council has made an application to central government for \$25 million to replace and upgrade existing critical water and wastewater infrastructure affecting the Nelson East, Maitai and Bayview catchment area. The upgrades will provide enough capacity and resilience for the development of up to 700 new dwellings to be consented and built in the Maitai and Bayview catchment area.

The funding application has been made to the Crown Infrastructure Partners Fund, which was established to commence 'shovel ready' infrastructure projects as a way of kick-starting the economy as the country recovers from the COVID-19 pandemic.

The project involves co-operation between a group of experienced local developers and iwi, and Council. The land, situated just over two kilometres from the city centre, has been identified in the Nelson/Tasman Future Development Strategy as having potential for residential development. The development plans include enhanced environmental outcomes for waterways and the river bank, along with expanded walking and cycling links allowing residents to choose to leave their car at home when travelling for work, leisure or school.

This work will bring considerable economic benefits to Nelson at a time when the region needs a vital boost, and will also provide a catchment close to the city centre, and relieve pressure on our limited housing stock.

If funding from central government is received, it is anticipated that as a condition of funding that work will need to be fast tracked, with the aim of commencing work on site towards the end of the 2020 calendar year. To achieve this, work is planned for the upgrade of the wastewater and water supply infrastructure, with an anticipated spend of \$1.7 million for wastewater and \$1 million for water in the 2020/21 financial year.

If central government funding is not received then Council will consider loan funding to undertake infrastructure design work. As the infrastructure is required for growth, the costs would be recovered from development contributions over time.

PROVINCIAL GROWTH FUND

Applications were also made to the Provincial Growth Fund (PGF) for various projects. Council's application to the PGF has resulted in grant funding for five roading projects totalling \$1.23 million. Two projects sit with Council (\$780,000), two with the Nelson Regional Sewerage Business Unit (\$350,000), and one with the Nelson Tasman Regional Landfill Business Unit (\$100,000). Discussions with the Ministry of Business, Innovation and Employment are progressing, with plans to implement these projects underway.

EMPLOYMENT FUNDING

One of the actions already underway to provide employment opportunities in Nelson is making applications for central government funding to assist with several environmental projects. These include pest control, planting, and working with private land owners on biodiversity projects. A number of agencies may be involved in the funding and support of these projects, including the Department of Conservation. The outcome of these applications will be reported back to Council in due course.

Council will continue to be responsive to opportunities that arise in 2020/21 to assist with economic recovery, including employment and business support.

CAPITAL WORKS PROGRAMME AND OPERATING COSTS

The supporting documents for the Annual Plan Consultation Document proposed a capital expenditure programme of \$41.2 million (excluding vested assets, the Nelson Regional Sewerage Business Unit, Nelson-Tasman Regional Landfill Business Unit, and capital staff costs). Following consideration of submissions to the Plan, the impacts of COVID-19, and changes that would be required to achieve a net 0% rates rise, Council has set a final capital works programme of \$54.1 million for 2020/21. The programme represents a significant investment in the community. It takes advantage of government subsidies and includes projects from 2019/20 that were deferred due to the COVID-19 lockdown. The main changes are set out in each activity section.

Capital expenditure is generally expenditure on assets that are expected to last more than one year. An increase in capital expenditure of \$1 million would normally increase rates by between \$100,000 and \$250,000 per annum. This covers interest, depreciation, maintenance and running costs for the asset. The reason for the range of increased costs is that depreciation and running costs vary between different assets, for example library books wear out much faster than pipes in the ground, which can last for over 80 years before they need to be replaced.

Operating costs includes expenditure for items such as staff costs and overheads, asset maintenance, running costs and depreciation, interest on borrowings, and grants made by Council. An increase of \$100,000 in operating costs would normally increase rates by 0.14%, or to put it another way, 1% of rates is \$736,000. So, by considering the impact of increasing or decreasing Council expenditure you can estimate what effect any changes to our work programme will have on rates. In 2020/21 the net changes to the operating budgets have been offset through drawing on Council's Disaster Fund account (see page 7).



COUNCIL ACTIVITIES



Council has 11 activity areas. Each of these activities is summarised in the following pages with comments on the major changes to Year Three (2020/21) of the Long Term Plan 2018-28.

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VISUALISING OUR D 2020/21 ANNUAL PI

2018-28 LONG TERM PLAN

VISION

Nelson is the Smart Little City
he tāone tōrire a Whakatū.

MISSION

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

EIGHT COMMUNITY OUTCOMES

- Our unique natural environment is healthy and protected
- Our urban and rural environments are people friendly, well planned and sustainably managed
- Our infrastructure is efficient, cost-effective and meets current and future needs
- Our communities are healthy, safe, inclusive and resilient
- Our communities have opportunities to celebrate and explore their heritage, identity and creativity

- Our communities have access to a range of social, educational and recreational facilities and activities
- Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement
- Our region is supported by an innovative and sustainable economy



THE FOUR ASPECTS OF WELLBEING

1. SOCIAL
2. ECONOMIC

ALL ACTIVITY IS VIEWED THROUGH THE LENS OF WELLBEING

COUNCIL WILL PRIORITISE ACTIVITIES

DIRECTION FOR THE PLAN

2018-28 LONG TERM PLAN

THE FOUR PRIORITIES

1. INFRASTRUCTURE
2. ENVIRONMENT
3. CITY CENTRE DEVELOPMENT
4. LIFTING COUNCIL PERFORMANCE

2020/21 ANNUAL PLAN

THREE FOCUSES FOR THE NEW TRIENNIAL

1. CREATING A SUSTAINABLE TRANSPORT CULTURE
2. HOUSING AFFORDABILITY AND INTENSIFICATION
3. MAITAI RIVER PRECINCT

Work on these focuses will be driven by the elected members.

3. ENVIRONMENTAL
4. CULTURAL

(The Four Aspects of Wellbeing were reinstated into the Local Government act in 2019 - formal recognition that councils have a significant role to play in lifting people's quality of life, alongside 'core services')

THROUGH A CLIMATE CHANGE LENS



TO SUPPORT OUR REGIONAL ECONOMY



IWI AND COUNCIL PARTNERSHIP

COUNCIL AND IWI ARE COMMITTED TO WORKING TOGETHER

In 2020/21, the Iwi-Council Partnership Group will continue to meet 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).

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 has also appointed two iwi representatives to its Board in 2019/20. Representation of Māori in Council decision-making will continue to be progressed in 2020/21.

A key objective for our work together is to strengthen the relationship between iwi and Council, support communication, and implement an active partnership.

TE MATATINI 2025 NATIONAL KAPA HAKA FESTIVAL

Nelson has been offered the exciting opportunity to host Te Matatini National Kapa Haka Festival in 2025 - pending the successful hosting of two major competitions leading up to Te Matatini. These are Te Mana Kuratahi, the National Primary Schools Kapa Haka Competition in 2021, and Ngā Kura Tuarua Kapa Haka, the National Secondary School Kapa Haka Competition in 2022. These events draw in around 10,000 spectators each.

Te Matatini is a biennial national event hosted by a different region each year. It is a world-class four day festival showcasing Māori performance in competitive kapa haka. It is expected to attract up to 60,000 spectators to the region (based on numbers that attended the previous event in Wellington). Te Matatini 2025 and its lead-in events may provide an economic boost of up to \$20 million to the region over the next five years.

The kapa haka events over the next five years will have significant cultural, social, and economic benefits for the city. The programme is whānau (family) friendly, smoke and alcohol-free, and an opportunity for all people, regardless of ethnicity, background or age to come together, to share in and celebrate Māori culture.

Operating expenditure funding of \$25,000 has been included in the 2020/2021 budget to support a part-time project manager, to be appointed in 2021, and to offset costs for venue hire for lead-up kapa haka events in 2020/2021.



THE FOUR PRIORITIES

1. INFRASTRUCTURE Ko nga 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.

2. ENVIRONMENT Ko te Taiao

Council recognises that investing in the environment is essential for our future. A healthy environment underpins the health of our community and 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.

3. CITY CENTRE DEVELOPMENT Whakahou tāone

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.

4. LIFTING COUNCIL PERFORMANCE Whakapikinga pūkenga

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. The projects in this Annual Plan seek to follow best practice principles, while always seeking to improve how we partner with our community.

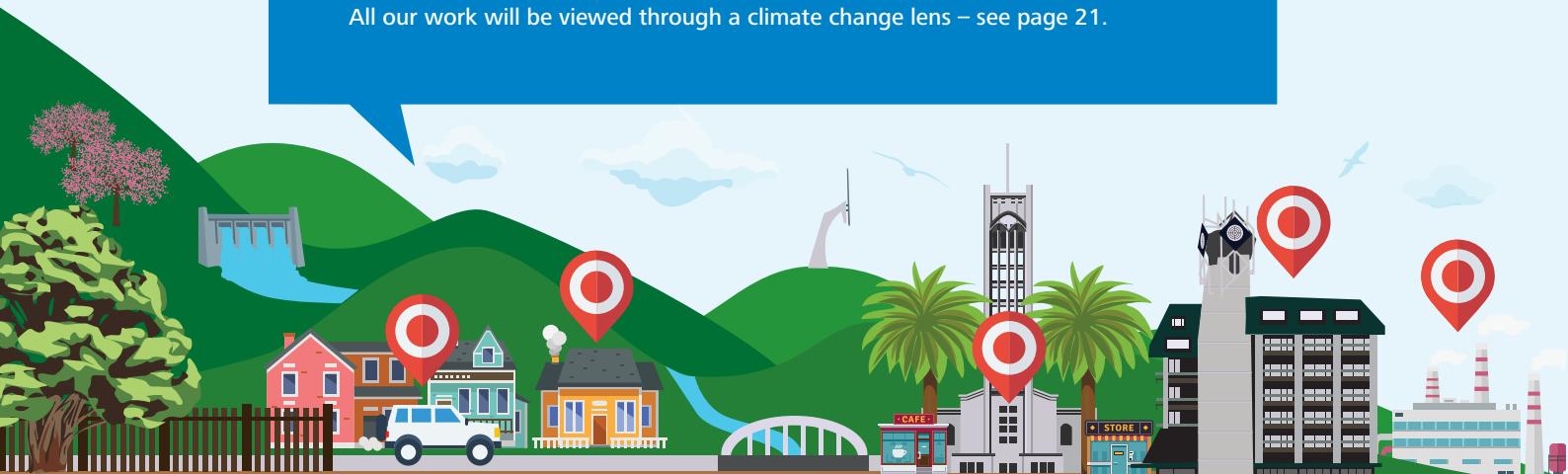
COUNCIL'S FOCUS FOR 2020/21

In October 2019 a new council was sworn in. In addition to the Long Term Plan vision and priorities, elected members have identified three key areas that need more governance oversight to ensure that they deliver outcomes for the community:

- 1. CREATING A SUSTAINABLE TRANSPORT CULTURE**
- 2. HOUSING - INTENSIFICATION AND AFFORDABILITY**
- 3. MAITAI RIVER PRECINCT**

This Annual Plan has been developed with consideration of how all our choices will affect these focus areas – making sure that the work we do contributes to getting the best possible results and supports the economic recovery of our region.

All our work will be viewed through a climate change lens – see page 21.



CREATING A SUSTAINABLE TRANSPORT CULTURE



A well designed transport network is essential to allow the safe and efficient movement of people and goods around our Smart Little City.

As Nelson continues to grow, the number of vehicles on our roads is also increasing. Council is looking at ways to improve the network to not only reduce congestion, but to reduce the emissions from fossil-fuelled vehicles. This will have a direct impact on reducing our contribution to climate change.

COVID-19 will have ongoing impacts on transport in Whakatū. In 2020/21, Council is budgeting for lower public transport income, reflecting an increase in the number of people working from home, transition by bus users back to using public transport, and a decrease in tourism and employment.

Notwithstanding this, Council wants to work with the community on continuing to develop a sustainable transport culture in the city.

- We want to increase the proportion of journeys made using sustainable transport options (active transport - cycling and walking, electric vehicles, micro-mobility, and public transport). We are working on:
 - Electronic bus ticketing which is commencing in August 2020 - this will modernise our NBus service and make it easier to use.
 - The City Centre Development project, which will encourage a more walkable CBD with improved cross-town links.
- We are looking at ways to make choices about using sustainable travel modes easier.
- We want to better manage how urban growth impacts our transport network, by reducing undesirable impacts on people and our environment, and introducing improvements offered by new technology (such as ticketless parking meters).

The upcoming Transport Activity Management Plan will set goals to continue progress towards a sustainable transport culture. Work has begun on shaping the plan, including a public transport review, a speed limit bylaw review, a parking strategy and an Active Transport Strategy review.

In addition to this, Council is working with its strategic partner, the Waka Kotahi New Zealand Transport Agency, on the Nelson Future Access Project. This project will develop, in consultation with the community, specific projects that will feed into the Transport Activity Management Plan. The work for 2020/21 includes developing a preferred option and specific projects that will need to be costed for inclusion in the next Long Term Plan, the Regional Land Transport Plan, and prioritised for investment in central government's National Land Transport Programme.



HOUSING - INTENSIFICATION AND AFFORDABILITY



INTENSIFICATION

Population growth presents both challenges and opportunities for Council. Nelson's population is projected to grow to approximately 59,000 people by 2028. The Nelson Tasman Future Development Strategy (FDS) identified that more intensive residential development will be necessary if we are to accommodate the projected 8,000 additional households in the combined Nelson-Richmond area by 2048. Enabling housing intensification is a focus for Council in 2020/21.

Intensification occurs when an existing building, site or area within the existing urban area is developed or redeveloped at a density higher than that which currently exists. This can occur through:

- Infill: insertion of additional houses into an already-approved property, creating new residential lots by further subdivision, or dividing existing larger homes into multiple dwellings
- Comprehensive redevelopment of sites: removal of a number of buildings on adjoining properties, and building more houses on the total site, than were there originally
- Urban renewal: including conversion of existing buildings, such as office buildings in the Central Business District to residential, and partitioning of larger residences into smaller ones

As part of the FDS, Nelson City Council and Tasman District Council agreed to create a programme of actions so that we can deliver on the vision of the strategy.

This work includes encouraging an increase in housing supply within existing neighbourhoods which are suitable for residential intensification. To achieve this we need to improve the perception of medium density living, provide the right supporting and enabling rules and policies, consider other investment levers, connect and develop the right infrastructure, including sustainable building practices.

There is an opportunity to consider intensification options as part of the new Nelson Plan. When intensification is undertaken, Council supports waste material from construction and deconstruction being managed in line with sustainable practices. The Nelson Tasman Joint Waste Management and Minimisation Plan 2019 includes several policies encouraging this - supporting investigation and development of markets for reuse or recycling of recovered materials.



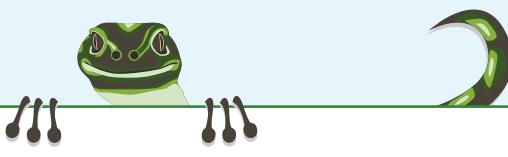
AFFORDABLE HOUSING

Having access to safe, warm, dry and affordable housing is important to the health and wellbeing of our community. However, Nelson has consistently been one of the least affordable regions for housing in New Zealand. The Massey Home Affordability Index shows that housing affordability declined a further 7.9% in Nelson over the 12 months to December 2019, reflecting rising house prices. Affordability issues are exacerbated by Nelson incomes being lower than the national average. Waiting lists for social housing in Nelson have also increased - as reflected by the Ministry for Social Development Housing Register for the city which increased by over 25% in the year to December 2019.

Nelson also experiences strong demand for emergency housing, which needs to cater for both adults and children.

More recently, the economic effects brought on by the COVID-19 crisis has reduced the income of many individuals and households nationally, making housing affordability an even more important issue.

For these reasons Council has decided to make housing affordability one of its top priorities during its three year term. This will mean the issue will get extra governance oversight to ensure Council is doing everything it can to deliver better outcomes for the community, including working with partners and advocating for our community for central government support. One initiative Council is progressing to support this priority is outlined below.



Community Housing/Housing Reserve

Last year, following consultation with the community, Council decided to progress divestment of its community housing assets to a provider who could upgrade and expand the housing. Council had planned to create a Housing Reserve with some of the divestment income. However, in light of the continued deterioration of Nelson's housing affordability Council has confirmed that all of the net income from the divestment will go into a Housing Reserve. The Reserve will be used by Council to support partners who have the ability to deliver social and affordable housing solutions for the community.



MAITAI RIVER PRECINCT



Over the last few years the Maitai River Precinct has improved significantly, with the upgrade of the Maitai walkway providing a better link from city to sea, open space for recreation, as well as the installation of artworks to admire. All these changes have improved residents' and visitors' enjoyment of this area. However, there is still much more to achieve.

The Maitai River Precinct is a significant cultural site for iwi and this partnership is an important component in considering options and developing this area. As key stakeholders, adjoining landowners will also be involved in the development process.

Early engagement with the community about the library area of the Precinct started last year, and a theme that came through many times was that this area could be so much more. Feedback from the community on the proposed new library has consistently included suggestions that we improve the links between the central city and the Maitai River. Ideas from the public for both the Precinct and the proposed library have been inspiring. There is also an opportunity to transform this space by working with other property owners in this area.

Residents don't have to wait long to see some changes in this area, as a new youth pop-up park will open in a vacant space next to the library in winter 2020. The pop-up park is a collaboration project between Council and Wakatū Incorporation and will include a pump track for skaters, bicycles and scooters, a basketball court, and an 'imagination playground' for younger children. It is a temporary installation for the area while planning for the library and civic space is undertaken. Council has also decided to bring forward the removal of an unoccupied earthquake-prone building next to Elma Turner Library, at 23 Halifax Street. This will offer new opportunities for interesting temporary urban space while we refine options for the Maitai River Precinct.

In 2020/21 Council will continue to develop options for this area, including improved resilience for this area to the impact of climate change. Our intention is that the future Maitai River Precinct will include more open public space and recreation areas, as well as providing improved links to the City Centre, Trafalgar Centre, Rutherford Park, and down to the Haven Precinct.



CLIMATE CHANGE AND OUR ENVIRONMENT



ENVIRONMENT

GOOD LEADERSHIP, COMMUNITY FOCUS AND SMART ACTIONS

The declaration of a Climate Emergency in 2019 signalled Council's recognition that urgent, meaningful action was needed to respond to the challenge of climate change. Global and national momentum on climate change issues built significantly in 2019 – the Climate Change Response (Zero Carbon) Amendment Act 2019 was passed in New Zealand, bringing new national policies to limit the country's contribution to global temperature increase, and prepare for the challenges ahead. There is strong support for this legislation from Parliament and Local Government New Zealand. Many decisions that are made by local government have intergenerational effect, and may fall under the requirements of the Zero Carbon Act, so climate change is now at the forefront of Council's decision-making.

Recent major fires, droughts, significant storm events, and flooding have given us an idea of what more frequent intense weather events may be like – a predicted outcome of climate change. Protests, school strikes, submissions to the last Annual Plan, and community action in our region have made it clear that the Nelson community expects urgent responses.

We are prioritising work to support climate change mitigation, and are thinking smarter to help the city adapt to this global reality. We are 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.

CHALLENGES FOR NELSON

Climate change presents major challenges for our region. Local Government New Zealand's 2019 report on the economic impacts of sea level rise identified Nelson as one of the South Island's priority areas, in terms of the financial implications of sea level rise on water management, buildings and facilities. Scientific projections suggest that the major effects on Nelson will include:

Major anticipated climate change effects on Nelson	Challenges for Nelson
Sea level rise (The Ministry for the Environment estimates a rise of between 0.6 and 1.5 metres by 2120). 	<ul style="list-style-type: none">Sea level rise is the biggest climate challenge for Nelson, as a large proportion of our investments (buildings and infrastructure, pipes, roads, seawalls etc.) are coastal or low-lying. These areas will become more vulnerable to erosion and inundation (flooding). There will be an increased risk of stormwater/wastewater overflows, which can damage the built and natural environment

More heavy rainfall and flooding events



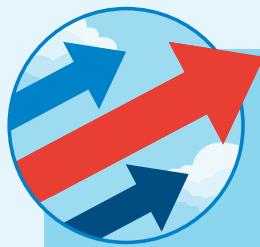
- Increased likelihood and severity of flooding in low-lying areas of Nelson
- The capacity and resilience of our water infrastructure will be tested, with an increased risk of stormwater/wastewater overflows
- Some areas of land will be more vulnerable to slips

More frequent and severe droughts, and extreme temperatures



- Greater fire risk
- Less water available in our rivers and reservoirs
- Negative impacts on our local biodiversity

These challenges will drive a need for greater mitigation (reducing net greenhouse gas emissions), adaptation (adjusting to the effects of climate change), innovation and community resilience.



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.
- Continued 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 its fleet, and committed to replacing outgoing Council vehicles with EVs when practical.



OUR KEY ACTIONS ON CLIMATE CHANGE FOR 2020/21

- \$62,500 of funding from the Climate Change Reserve has been allocated to help fund the Nelson Tasman Climate Forum in 2020/21.
- \$120,000 from the Reserve has been budgeted for a kerbside food waste collection trial. 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 will take part in the trial. The success of the trial will guide future Council decisions.
- The City Centre Spatial Plan project has \$52,000 funded from the Climate Change Reserve this year (the amount remaining from the \$100,000 allocated in 2019). It will consider the city centre in the current context of current trends, including the projected impacts of climate change. The Spatial Plan will build on development, transport, and open space scenarios, to achieve the outcomes of the Six Key Moves (see page 27).
- Work on developing a Climate Taskforce will advance in 2020/21. The taskforce will provide input to Council on opportunities to stretch ourselves in achieving innovative smart city climate responses. Members will be sought from key sectors including leaders in design, future-thinking, and climate change.
- Council will identify coastal areas that could be impacted by coastal erosion and flooding over the next 100 years. We will be working with our community, to find out how they want to respond, as well as central government.
- Work on the 30 year Infrastructure Strategy and Nelson Plan will continue, focusing on planning a climate adapted and resilient city. There will be public engagement in this process.
- We are investing in projects to adapt our above and below ground infrastructure to coastal hazards, and increased flooding risk. See the variations to work programme section on pages 42 to 49 for more detail on water management projects.
- We will only continue to accept viable types of plastics for recycling from 2020/21, (types 1, 2 and 5). These plastics are processed in New Zealand and we are confident that they are able to be recycled locally, responsibly and ethically. This will prevent Nelson's excess plastic waste being shipped abroad where we cannot trace its impact on other nations.

GOOD LEADERSHIP - A WHOLE OF COMMUNITY RESPONSE

Council is committed to walking the talk, advocating for climate issues, and showing good leadership. We want to reduce our emissions as an organisation, and find opportunities to work more sustainably

Climate change requires a whole of community response. Partnerships with all sections of the Nelson community will be essential for achieving substantial reductions in emissions and becoming more resilient to the effects of climate change. Community engagement on Council's climate change actions will be given a high priority in the coming years. It is critical to involve our residents in these discussions, as this issue affects everyone in Whakatū - there will be skills, resources and great ideas to share. This year's Residents' Survey is asking for views on Council's response to climate change.

Further information:



If you would like further information on climate change and the action we are currently taking, you can go to our website where we have included links to other internet sites which have national and international information on climate change.

nelson.govt.nz/environment/climate-change

Planting trees is an effective strategy for combating climate change. Council plants thousands of trees every year through its operations in Parks and Reserves, Transport, and Nelson Nature.

WANT TO JOIN THE NELSON TASMAN CLIMATE FORUM?

Be a part of the conversation - register your interest as an individual or organisation at actionnetwork.org/forms/join-the-nelson-tasman-climate-forum





CITY CENTRE DEVELOPMENT

The focus on activation of Nelson's City Centre is an exciting initiative that is a key component of achieving the vision of Nelson as the Smart Little City. Our approach is people-focused, aiming to create a stronger commercial centre, and bustling social hub for everyone who lives, works, and visits here.

Council aims to make Nelson's Central City even more attractive to businesses, residents and visitors, with an exceptional mix of events, civic facilities, retail, and hospitality destinations. We are working to build an environment that supports commerce, encourages inner city living, and is a catalyst for more private sector investment. Developing a City Centre Spatial Plan (in progress) and prioritising capital projects will be essential to the City Centre's long term success. The effects on COVID-19 on the economy will continue to be a high priority for Council and the community.

Our proposed plans for 2020/21 include activation to bring people to the City Centre for longer periods of time and therefore support local businesses. Some upcoming projects are - a study of the how people use Selwyn Place, bringing back the popular 4 Lanes Festival, moving to Stage 2 of the Upper Trafalgar Street activation, and installing a movable urban pop-up park near the Maitai River.

Our City Centre is relatively compact so it makes sense to focus on how people move around the City, ensuring that people can get where they need to go easily on foot. These projects will be considered alongside improved mobility and walking spaces around the city, and public transport options, in the context of a sustainable transport culture.

Our work programme focuses on these six key moves:





1. DESTINATION NELSON

A people-focussed City Centre expressing its unique identity hosting major events, and supporting and growing existing precincts including The Haven/Waterfront, Maitai River, Civic, Justice, Medical/Professional, Arts, Learning, Shopping/Hospitality.



4. SMART DEVELOPMENT

Attracting and enabling high quality development that supports our vision and positively contributes to the City Centre.

5. LIVEABLE CENTRE

Trends across New Zealand show a desire by some to live in close proximity to safe urban centres that offer a diverse selection of amenities including retail, restaurants and bars, and cultural and arts facilities.

3. BLUE GREEN HEART

Integrating frameworks linking Nelson's City Centre to its iconic natural environment in order to deliver meaningful social spaces with areas that appeal to all ages (City Centre Urban Park, Marina link, River walk and street trees).

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, implemented new systems of monitoring and reporting on programmes and projects, and developed a sharper focus on continuous improvement of key systems and processes.

The addition of 23.2 full time equivalent staff positions was agreed in the Long Term Plan for 2018/19 and 2019/20 - these have now been recruited. In addition, existing activity budgets and external project funds have been used to hire extra staff in key activity areas such as environmental programme management, infrastructure development, economic development, and to support successful event management. These activity/externally funded positions enhance Council's ability to deliver outcomes of value to the city, without increasing the rates demand on the community.

As part of achieving a 0% net rates rise in 2020/21, a wage freeze for Council staff has been implemented for the year. This and reductions in other staffing related costs, including training and travel, resulted in a rates saving of \$1.3 million. Notwithstanding the need for careful budgeting in 2020/21, Council will continue to invest in staff, to enable ongoing improvements to the services that we provide to businesses and residents, and the meeting of project timelines.

CIVIC HOUSE



CORPORATE

Civic House is now nearly forty years old and is in need of major refurbishment if it is to meet modern standards of office accommodation and energy efficiency. Council will carry out works on the building in 2020/21.

There are risks to Civic House's occupants from heavy plaster ceiling tiles, which each weigh over 7.5 kg, falling during an earthquake. Council has prioritised replacing critical ceiling tiles as well as improving seismic bracing in the ceiling grids. This is budgeted at \$400,000 in 2020/21.

\$95,000 has been included in the 2020/21 budget for the design and consent of roof renewal works, as the roof is ageing and in need of repair. \$86,000 has been allocated for work on the clock tower, which requires improvements to the exterior concrete.

The longer term decision on more extensive building modifications at Civic House will be considered by Council as part of a wider work programme which includes the Maitai River Precinct and Elma Turner Library. The timings of several Civic House improvement projects have changed, and the majority of the \$1.34 million building modifications budget for year three of the Long Term Plan has been deferred to future years. The overall budget for the project has not changed.

LIVING WAGE

Throughout this year Council will be having discussions with businesses undertaking contracts for Council about paying their staff The Living Wage, when contracts come up for renewal. Council is making provision to support this initiative, including consideration, through Council's procurement policy, of Council's role in encouraging suppliers to support or to work towards a living wage for their employees. Council is mindful that the current economic conditions will make the transition to paying the Living Wage difficult for many businesses.

Council pays at least The Living Wage hourly rate to all its employees, with the exception of several short term training positions.



VARIATIONS TO THE 2020/21 WORK PROGRAMME

The following sections cover the significant or material changes in activity areas from what was stated in Year Three (2020/21) of the Long Term Plan 2018-28. The amounts mentioned in this section are mostly capital expenditure, and are normally funded by loan. Where the expenditure is operational expenditure, and funded from rates or charges, this is mentioned.

Following a review of projects that were included in Year Three (2020/21) of the Long Term Plan, Council has made a number of changes to the schedule of work for this year. Major changes to projects which have had a timing change are listed in the activity sections.



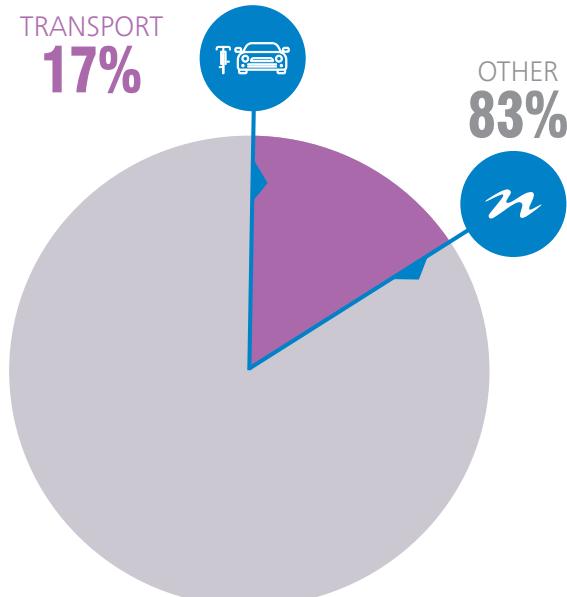
TRANSPORT

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 within the transport activity.

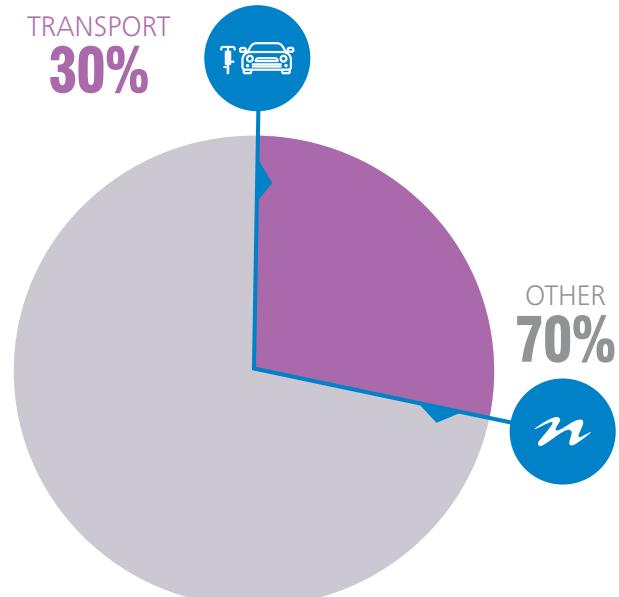
As a result of COVID-19, public transport revenue is expected to be \$375,000 lower than forecast in the Long Term Plan. Parking revenues, including enforcement, are expected to be \$503,000 lower than forecast.

The charts below show how much of Council's total operational and capital budgets are proposed to be spent on the transport activity in 2020/21.

OPERATING EXPENDITURE AS A % OF TOTAL



CAPITAL EXPENDITURE AS A % OF TOTAL



The following section describes the main changes to Year Three (2020/21) for the transport activity since the Long Term Plan 2018-28 was adopted. All other transport activities are to be delivered as stated in the transport activity section of the Long Term Plan 2018-28.

The figures below are the cost before Waka Kotahi New Zealand Transport Agency (NZTA) subsidies are applied:

CBD FOOTPATHS

City Centre Development is one of the four priorities in the Long Term Plan. There was significant support from submitters to the Annual Plan Consultation Document for the City Centre Programme.

Due to COVID-19 there have been some delays to the construction works scheduled for Upper Trafalgar Street (multi-function light poles) and the Pop-Up Park adjoining Elma Tuner Library. Construction of those projects has now recommenced, however the delay has meant that capital works budget of \$314,000 has been carried forward into 2020/21 to enable them to be completed.

Council has approved a capital budget of up to \$3.1 million in this Annual Plan, subject to the outcome of a public feedback process on options for initiatives to enable safer pedestrian movement in the city centre. The public feedback process opened on 2 June 2020 and Council will make a decision on which option, if any, it will proceed with in 2020/21. If the works proceed then a further \$1.9 million could be included in the 2021/22 budgets as part of the 2021-2031 Long Term Plan process.

The funding is a mixture of NZTA subsidised and Council unsubsidised transport budgets and is pending NZTA funding decisions. The preliminarily split for 2020/21 is \$1 million with a 90% subsidy (Innovative Streets subsidy), and the remainder \$2.1 million with a 51% subsidy.

TOI TOI STREET UPGRADE

A safety upgrade of Toi Toi Street is planned, including the addition of a footpath and traffic calming measures. In 2020/21 \$150,000 of the allocated budget will be used to complete detailed design, with construction funding of \$524,500 re-phased into 2021/22. This re-phasing will enable the work to be aligned with stormwater projects in this neighbourhood – excavating the road once for the two projects saves money and reduces disruption overall.

SEAFIELD TERRACE ROAD REINSTATEMENT

Following the damage caused by ex-Cyclone Fehi, work is required on Seafield Terrace Road to maintain safe access and minimise the chance of damage occurring again in the future. The adjoining boulder bank is recognised nationally as an outstanding natural feature with significant cultural values and requires the input of iwi, Heritage NZ and the Department of Conservation. A resource consent has not yet been secured and construction scheduled for 2019/20 will now occur in 2020/21. This delay has resulted in a 2020/21 budget increase from zero in the Long Term Plan to \$1,240,000. We will continue to work with the community on this project, and would like to thank affected residents for their cooperation and understanding.

ANZAC PARK TO MAITAI SHARED PATHWAY

The project to connect Anzac Park to the Maitai Shared Pathway will improve the Great Taste Trail connection through Nelson's city centre. The budget has increased from \$261,000 in year three of the Long Term Plan to \$950,000 reflecting more accurate engineers' estimates and that construction is now occurring in 2020/21. This pathway will provide a safer route for users into and out of the central city.

PARKING STRATEGY

\$100,000 operating expenditure has been included in the 2020/21 budget to develop a Parking Strategy for Nelson. Most vehicle journeys require parking at the start and end of each trip and how Council provides for and manages parking influences peoples' travel decisions. The objective is to work with the community to integrate parking provision with other key strategies, including the Public Transport Review and City Development projects, to reduce Nelson's carbon emissions, achieve a more sustainable transport network, reduce the impact of parking on urban areas, and create a walkable city that is good for people and businesses.

MILLERS ACRE CENTRE

Water damage has been identified in the building at Millers Acre, with some parts having mould present. Testing in the affected sites found a strain of Stachybotrys chartarum mould in air and wall samples taken at the complex. Work to remediate, disinfect and remove the mould was undertaken in 2019/20.

The preferred solution has not yet been confirmed, but funding of up to \$850,000 (including a contingency) has been included in this Annual Plan budget to enable design, consent, and construction of the preferred solution.

TRANSPORT FUNDING IMPACT STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Sources of Operating Funding				
General Rates, uniform annual general charges, rates penalties	10,444	12,063	11,570	(493)
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	3,394	3,229	3,889	660
Fees and charges	1,397	1,480	754	(726)
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	1,800	1,876	1,602	(274)
Total Operating Funding	17,035	18,648	17,815	(833)
Applications of operating funding				
Payments to staff and suppliers	12,983	12,781	13,399	618
Finance costs	78	0	0	0
Internal charges and overheads applied *	609	811	532	(279)
Other operating funding applications	0	0	0	0
Total applications of operating funding	13,670	13,592	13,931	339
Surplus (Deficit) of operating funding	3,365	5,056	3,884	(1,172)
Sources of capital funding				
Subsidies and grants for capital	5,181	4,855	8,956	4,101
Development and financial contributions	318	323	323	0
Increase (decrease) in debt	3,733	1,443	4,962	3,519
Gross proceeds from sale of assets	26	27	27	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	9,258	6,648	14,268	7,620
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	1,178	1,304	1,644	340
- to improve level of service	6,437	6,306	12,701	6,395
- to replace existing assets	5,008	4,094	3,807	(287)
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
Total applications of capital funding	12,623	11,704	18,152	6,448
Surplus (Deficit) of capital funding	(3,365)	(5,056)	(3,884)	1,172
Funding balance	0	0	0	0

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

2020/21 ANNUAL PLAN VARIANCES AGAINST THE LONG TERM PLAN

Subsidies and grants for operating purposes include Waka Kotahi New Zealand Transport Agency subsidies, and have increased in line with higher subsidisable operating costs.

Fees and charges have decreased by \$726,000, due to anticipated reductions in public transport ticket revenue (\$375,000) and parking meter income (\$330,000).

The increase in payments to staff and suppliers (\$618,000) includes an increase in staff costs of \$607,000. This variance sits mainly within the subsidised roading activity, and reflects the most current understanding of where staff are spending their time. Additional funds have also been allocated for the parking strategy modal shift and for street tree maintenance costs.

Internal charges (interest) have decreased by \$279,000 in response to changes in the capital programme since the Long Term Plan (including an updated opening balance of internal borrowings) along with a more favourable interest rate environment than predicted in the Long Term Plan.

The increase in subsidies and grants for capital reflects changes to the capital programme in the subsidised roading sub-activity.

The increase in loans of \$3.5 million is due to changes in the capital programme, mostly related to the timing of project work. The changes to the capital programme are listed at the end of the Financials section of this document.

Increased depreciation of \$290,000 has resulted from the 2018/19 asset revaluation.

RECONCILIATION BETWEEN THE NET SURPLUS/(DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT AND THE NET SURPLUS/(DEFICIT) IN THE COST OF SERVICE STATEMENT

	Annual Plan 2019/20	Long-term Plan 2020/21	Annual Plan 2020/21	Difference to LTP 2020/21
	(\$000)	(\$000)	(\$000)	(\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	3,365	5,056	3,884	(1,172)
Subsidies and grants for capital expenditure	5,181	4,855	8,956	4,101
Development and financial contributions	318	323	323	0
Vested Assets	4,895	4,303	4,303	0
Gains on sale	0	0	0	0
Depreciation	(7,631)	(7,639)	(7,929)	(290)
Other non-cash income/expenditure	0	0	0	0
Net Surplus (Deficit) before taxation in Cost of Service Statement	6,128	6,898	9,537	2,639

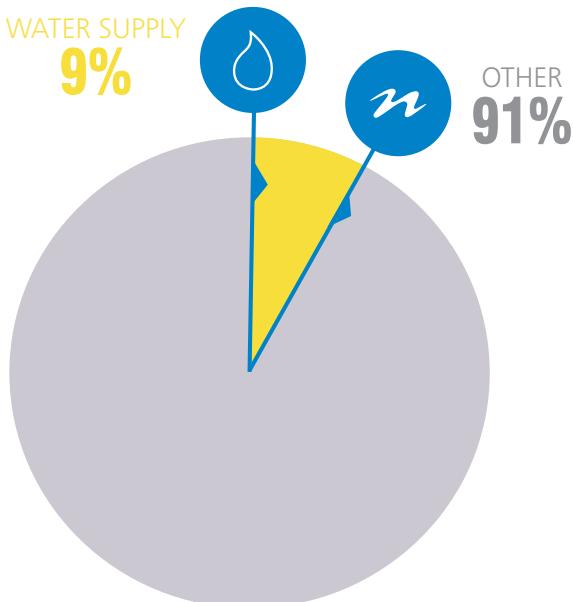


WATER SUPPLY

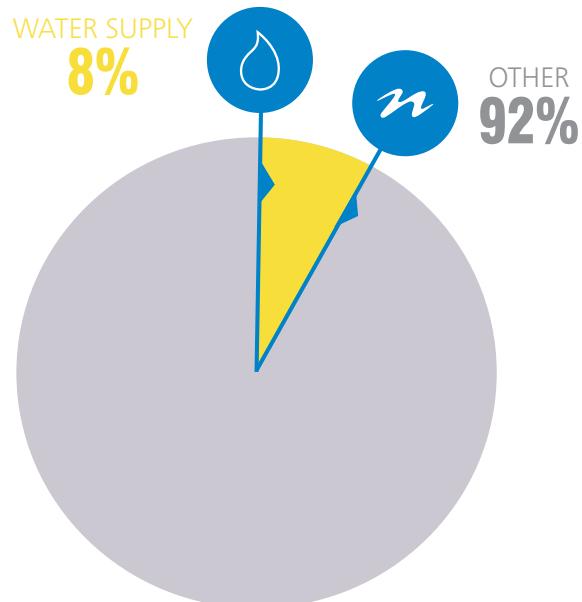
Council supplies high quality water to most Nelson households and businesses through a piped network. Operations and maintenance in the water supply activity include the water intake structures on the Maitai and Roding rivers, the Tantragee treatment plant and looking after the network of pipes, valves and storage reservoirs throughout the city.

The charts below show how much of Council's total operational and capital budgets are proposed to be spent on the water supply activity in 2020/21.

OPERATING EXPENDITURE AS A % OF TOTAL



CAPITAL EXPENDITURE AS A % OF TOTAL



The following section describes changes to Year Three (2020/21) for the water supply activity since the Long Term Plan 2018-28 was adopted. All other water supply activities are to be delivered as stated in the water supply activity section of the Long Term Plan 2018-28.

RESIDENTIAL WATER METERS

Residential water meters are being upgraded around the city, to make sure we can accurately measure our water usage.

In 2018/19, 1,200 residential water meters were installed, and in 2019/20 a further 5,000 were installed in Tahunanui, Stoke and Annesbrook. 5,000 meters are projected to be installed in 2020/21, and 4,500 in 2021/22 to complete the project.

This programme is anticipating an overall saving of \$1.2 million against the Long Term Plan as the awarded tender came in lower than the Long Term Plan budget.

The 2020/21 budget for the renewal of residential water meters has reduced from \$1.04 million to \$750,000 due to projected savings.

ATAWHAI RESERVOIR NUMBER 2

The Atawhai Reservoir Number 2 is a key project for improving water supply security for the north Atawhai community. The budget has been reduced from \$313,000 to \$175,000 for 2020/21. This is due to the time taken in identifying a suitable site for the large water storage reservoir. Construction timing will be reviewed as part of the development of the next Long Term Plan.

MAHITAHIBAYVIEW UPGRADES

Water infrastructure upgrade works are required to cater for the proposed Mahitahi/Bayview development. Council has made an application to central government for \$25 million towards this project (see page 9). If this funding is successful, it is anticipated that \$1 million worth of work will be proceeding in 2020/21. This funding is not currently in the Annual Plan, but once Council receives feedback from Central Government a report will be brought back to Council (see page 8).

If funding from central government is unsuccessful and Council wishes to support this development, a report will be brought back to Council to request money in 2020/21 to progress design works that will guide planning for the Long Term Plan.



WATER SUPPLY FUNDING IMPACT STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Sources of Operating Funding				
General Rates, uniform annual general charges, rates penalties	0	0	0	0
Targeted rates	12,350	12,874	12,404	(470)
Subsidies and grants for operating purposes	0	0	0	0
Fees and charges	45	34	40	6
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	40	9	34	25
Total Operating Funding	12,435	12,917	12,478	(439)
Applications of operating funding				
Payments to staff and suppliers	6,634	6,930	7,054	124
Finance costs	0	0	0	0
Internal charges and overheads applied *	1,418	1,545	1,047	(498)
Other operating funding applications	0	0	0	0
Total applications of operating funding	8,052	8,475	8,101	(374)
Surplus (Deficit) of operating funding	4,383	4,442	4,377	(65)
Sources of capital funding				
Subsidies and grants for capital	0	0	0	0
Development and financial contributions	407	416	416	0
Increase (decrease) in debt	(64)	301	62	(239)
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	343	717	478	(239)
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	0	0	105	105
- to improve level of service	1,344	1,545	1,285	(260)
- to replace existing assets	3,382	3,614	3,466	(148)
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
Total applications of capital funding	4,726	5,159	4,856	(303)
Surplus (Deficit) of capital funding	(4,383)	(4,442)	(4,377)	65
Funding balance	0	0	0	0

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

2020/21 ANNUAL PLAN VARIANCES AGAINST THE LONG TERM PLAN

Payments to staff and suppliers have increased by \$124,000 as a result of increased insurance costs.

Internal charges (interest) have decreased by \$498,000 in response to changes in the capital programme since the Long Term Plan (including an updated opening balance of internal borrowings) along with a more favourable interest

rate environment than predicted in the Long Term Plan.

The decrease in loans of \$239,000 is due to changes in the capital programme. The changes to the capital programme are listed at the end of the Financials section of this document.

RECONCILIATION BETWEEN THE NET SURPLUS/(DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT AND THE NET SURPLUS/(DEFICIT) IN THE COST OF SERVICE STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	4,383	4,442	4,377	(65)
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	407	416	416	0
Vested Assets	1,306	813	813	0
Gains on sale	0	0	0	0
Depreciation	(4,383)	(4,442)	(4,377)	65
Other non-cash income/expenditure	0	0	0	0
Net Surplus (Deficit) before taxation in Cost of Service Statement	1,713	1,229	1,229	0

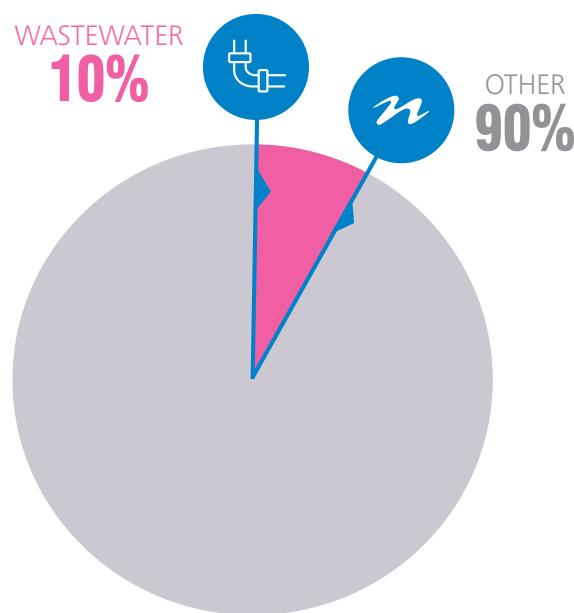


WASTEWATER

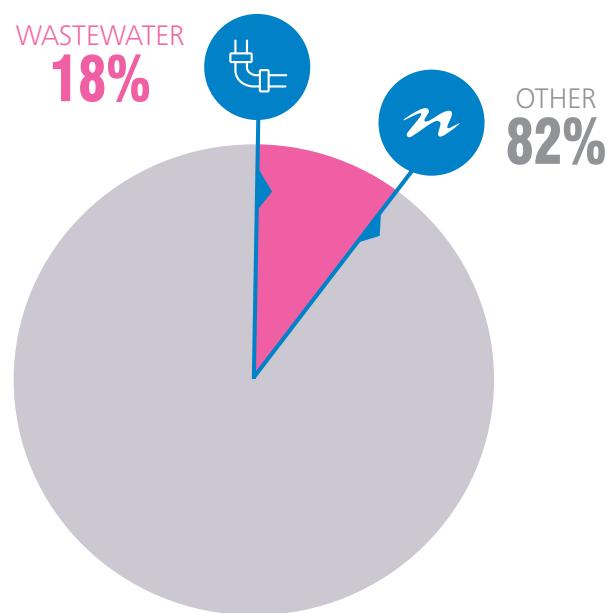
Council's wastewater activity includes the collection, treatment and disposal of sewage and other wastewater that is discharged into Nelson's sewers in order to prevent harm to people, contribute to their wellbeing and protect the environment.

The charts below show how much of Council's total operational and capital budgets are proposed to be spent on the wastewater activity in 2020/21.

OPERATING EXPENDITURE AS A % OF TOTAL



CAPITAL EXPENDITURE AS A % OF TOTAL



The following section describes changes to Year Three (2020/21) for the wastewater activity since the Long Term Plan 2018-28 was adopted. All other wastewater activities are to be delivered as stated in the wastewater activity section of the Long Term Plan 2018-28.

AWATEA PUMP STATION

This project involves the construction of a large pump station, new gravity trunk main, pumping main and an additional storage tank facility in Beach Road. This pump station will significantly reduce operation and maintenance costs, and improve odour control and wet weather pumping capacity. The project is expected to be completed in 2021/22 as per the Long Term Plan.

Council has re-phased the project by reducing the Awatea Pump Station budget in 2020/21 from \$3.65 million to \$1 million. This rephasing of the budget is necessary to better align with the timing of construction and finalisation of landowner agreements. There is no reduction to the overall project budget.

WASTEWATER MODELLING

An accurate and detailed wastewater hydraulic model is critical for understanding the performance of the wastewater network. The original budget set aside in the Long Term Plan only considered a high level upgrade of this model. To enable a detailed update of this model, \$420,000 has been added to the budget for 2020/21. The overall upgrade is scheduled to be completed in 2021/22. A comprehensive model is required to ensure the Council makes the appropriate decisions when considering upgrades to the network to accommodate key factors, such as population growth and reducing sewer overflows.

NEALE PARK PUMP STATION

The Neale Park Pump Station was upgraded in 2019, which was critical for providing wet weather pumping capacity. After several months of operating, odour has been identified as an issue. While the upgrade of the pump station has significantly reduced the odour from the site, the continued levels are unacceptable during peak times. Additional funding of \$160,000 has been included for 2020/21 to resolve the issue.

GRACEFIELD SEWER DIVERSION

This project is key for reducing sewer overflows during wet weather events. This project is running one year ahead of the Long Term Plan programme and accordingly Council has brought forward the 2021/22 budget through to the 2020/21 year. This has increased the 2020/21 budget from \$565,000 to \$1.59 million.

MAHITAHİ/BAYVIEW UPGRADES

Wastewater infrastructure upgrade works are required to cater for the proposed Mahitahi/Bayview development. Council has made an application to central government for \$25 million towards this project (see page 9). If this funding is successful, it is anticipated that \$1.7 million worth of work will be proceeding in 2020/21. This funding is not currently in the Annual Plan, but once Council receives feedback from Central Government a report will be brought back to Council (see page 8).

If funding from central government is unsuccessful and Council wishes to support this development, a report will be brought back to Council to request money in 2020/21 to progress design works that will guide planning for the Long Term Plan.



WASTEWATER FUNDING IMPACT STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Sources of Operating Funding				
General Rates, uniform annual general charges, rates penalties	0	0	0	0
Targeted rates	8,719	8,715	8,814	99
Subsidies and grants for operating purposes	0	0	0	0
Fees and charges	2,610	2,469	2,949	480
Internal charges and overheads recovered	(49)	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	1,289	1,551	1,185	(366)
Total Operating Funding	12,569	12,735	12,948	213
Applications of operating funding				
Payments to staff and suppliers	7,026	7,724	7,396	(328)
Finance costs	0	529	0	(529)
Internal charges and overheads applied *	402	169	434	265
Other operating funding applications	0	0	0	0
Total applications of operating funding	7,428	8,422	7,830	(592)
Surplus (Deficit) of operating funding	5,141	4,313	5,118	805
Sources of capital funding				
Subsidies and grants for capital	0	0	0	0
Development and financial contributions	679	694	694	0
Increase (decrease) in debt	103	5,007	5,315	308
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	782	5,701	6,009	308
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	220	3,980	1,757	(2,223)
- to improve level of service	3,547	4,287	6,062	1,775
- to replace existing assets	2,156	1,747	3,309	1,562
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
Total applications of capital funding	5,923	10,014	11,128	1,114
Surplus (Deficit) of capital funding	(5,141)	(4,313)	(5,118)	(805)
Funding balance	0	0	0	0

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

2020/21 ANNUAL PLAN VARIANCES AGAINST THE LONG TERM PLAN

Commercial trade waste income, which is included in fees and charges, is higher than assumed in the Long Term Plan. Nelson Regional Sewerage Business Unit (NRSBU) recoveries, which are included in other receipts, are lower than assumed in the Long Term Plan.

Payments to staff and suppliers have decreased reflecting the Nelson North Wastewater Treatment Plant (NNWTP) desludging programme having been completed ahead of time and under budget.

There is an offset between finance costs and internal charges as a result of the NRSBU consolidation.

Debt requirements have been impacted by increases in the capital programme, however these increases are partially offset by changes to loan funded operating expenditure (NNWTP).

Changes to the capital programme are listed at the end of the Financials section of this document.

RECONCILIATION BETWEEN THE NET SURPLUS/(DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT AND THE NET SURPLUS/(DEFICIT) IN THE COST OF SERVICE STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	5,141	4,313	5,118	805
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	679	694	694	0
Vested Assets	1,004	843	843	0
Gains on sale	0	0	0	0
Depreciation	(5,066)	(4,890)	(5,045)	(155)
Other non-cash income/expenditure	0	0	0	0
Net Surplus (Deficit) before taxation in Cost of Service Statement	1,758	960	1,610	650



STORMWATER

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.

The charts below show how much of Council's total operational and capital budgets is proposed to be spent on the stormwater activity in 2020/21.

OPERATING EXPENDITURE AS A % OF TOTAL



CAPITAL EXPENDITURE AS A % OF TOTAL



The following section describes changes to Year Three (2020/21) for the stormwater activity since the Long Term Plan 2018-28 was adopted. All other stormwater activities are to be delivered as stated in the stormwater activity section of the Long Term Plan 2018-28.

WASHINGTON VALLEY STORMWATER UPGRADE

This project seeks to address overflows from the stormwater network that occur during heavy rain events, and reduce flooding of the road reserve and private property which has historically resulted in a number of landslips. The overall scope of this project has been increased to include upgrades to the water and sewer networks. This will improve services for the community, including a reduction of wastewater overflows during storm events. Changing the scope and phasing of the project has resulted in the budget for the stormwater work in 2020/21 being reduced from \$1.13 million to \$128,000. This will allow for detailed design and resource consenting to be completed in 2020/21, with construction proposed to commence in 2021/22. The updated project construction timelines will be reviewed as part of the next Long Term Plan, but it is provisionally planned for construction to be staged over three years.

LITTLE GO STREAM UPGRADE - RUTHERFORD STREET

Stage 1 of this project involves stormwater upgrades from Snows Hill on Waimea Road to the Rutherford Street/Examiner Street intersection. This project is part of a larger programme to upgrade Little Go Stream's capacity to cope with a 'one in one-hundred year' flood event and follows on from the completed upgrades in Waimea Road.

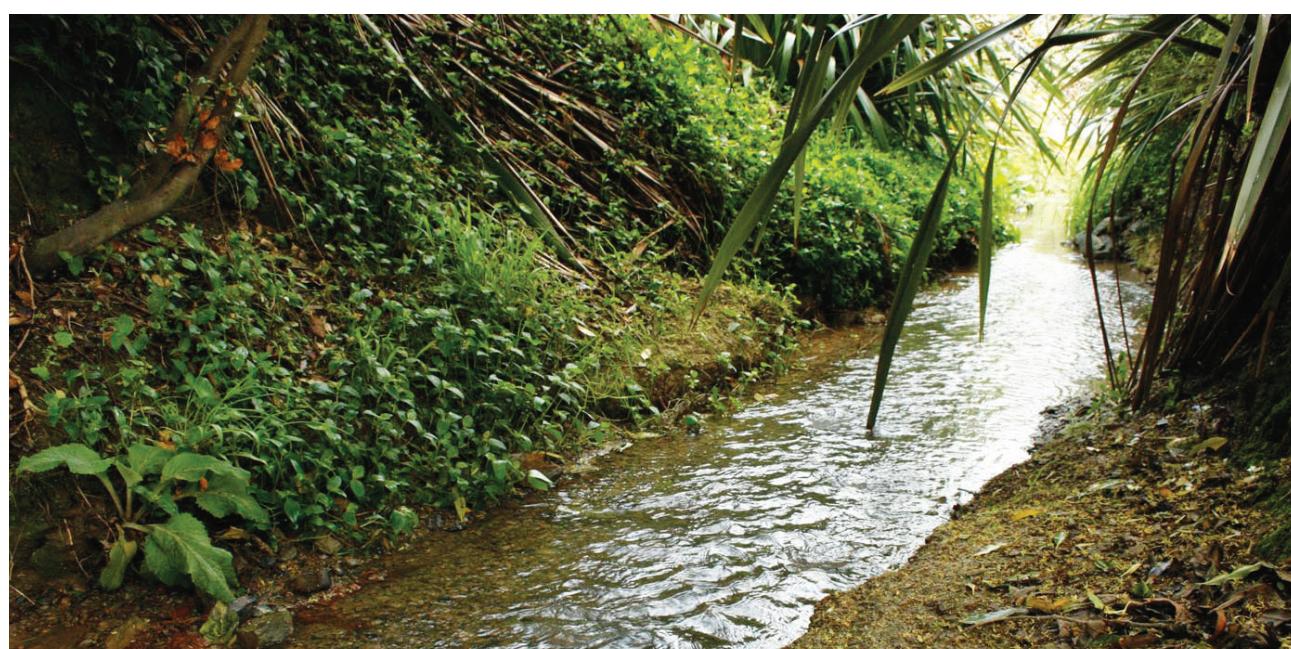
The budget for this project in 2020/21 has been reduced from \$1.04 million in the Long Term Plan to \$100,000. This will allow for detailed design, any property agreements, and additional investigations required to finalise the route, with the construction proposed to get underway in 2021/22. This requires careful consideration, given the potential disruption associated with routing a new stormwater pipe along Rutherford Street.

WASTNEY TERRACE STORMWATER UPGRADE

This project is key for enabling development within the southern part of the Marybank area in Atawhai. The planned stormwater upgrade is from the south end of Wastney Terrace to Atawhai Crescent. The project has experienced significant delays due to landowner negotiations, but these are now progressing well. Council has reduced the 2020/21 budget from \$835,000 to \$115,000. This will allow finalisation of the agreements, and completion of the remaining planning and documentation, with construction beginning in 2021/22.

MOUNT STREET AND KONINI STREET UPGRADES

This stormwater upgrade aims to reduce uncontrolled overland flows along these streets and through private property, which has led to a significant number of slips in the area. The budget for 2020/21 has been increased by \$745,000 to \$1.31 million so the first stage of this project can be completed. This increase in budget was required to allow the stormwater reticulation to be routed along the public road rather than through private property as originally planned.



STORMWATER FUNDING IMPACT STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Sources of Operating Funding				
General Rates, uniform annual general charges, rates penalties	0	0	0	0
Targeted rates	4,435	4,676	4,504	(172)
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	4,435	4,676	4,504	(172)
Applications of operating funding				
Payments to staff and suppliers	1,483	1,596	1,687	91
Finance costs	0	0	0	0
Internal charges and overheads applied *	477	673	354	(319)
Other operating funding applications	0	0	0	0
Total applications of operating funding	1,960	2,269	2,041	(228)
Surplus (Deficit) of operating funding	2,475	2,407	2,463	56
Sources of capital funding				
Subsidies and grants for capital	0	0	0	0
Development and financial contributions	380	388	388	0
Increase (decrease) in debt	(413)	3,547	1,970	(1,577)
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	(33)	3,935	2,358	(1,577)
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	60	117	45	(72)
- to improve level of service	2,276	6,176	4,554	(1,622)
- to replace existing assets	106	49	221	172
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
Total applications of capital funding	2,442	6,342	4,820	(1,522)
Surplus (Deficit) of capital funding	(2,475)	(2,407)	(2,463)	(56)
Funding balance	0	0	0	0

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

2020/21 ANNUAL PLAN VARIANCES AGAINST THE LONG TERM PLAN

Internal charges (interest) have decreased by \$319,000 in response to changes in the capital programme since the Long Term Plan (including an updated opening balance of internal borrowings) along with a more favourable interest rate environment than predicted in the Long Term Plan.

Loans of \$1.6 million are no longer required due to changes in the capital programme mostly related to the timing of project work. The changes to the capital programme are listed at the end of the Financials section of this document.

RECONCILIATION BETWEEN THE NET SURPLUS/(DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT AND THE NET SURPLUS/(DEFICIT) IN THE COST OF SERVICE STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	2,475	2,407	2,463	56
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	380	388	388	0
Vested Assets	1,399	1,179	1,179	0
Gains on sale	0	0	0	0
Depreciation	(2,474)	(2,407)	(2,462)	(56)
Other non-cash income/expenditure	0	0	0	0
Net Surplus (Deficit) before taxation in Cost of Service Statement	1,780	1,567	1,568	0

National Three Waters Review

In 2017 the Government commenced a process of reforming the regulation and supply arrangements for drinking water, wastewater and stormwater (three waters) to better support New Zealand's prosperity, health, safety, and environment.

Reforms could have a significant impact on how all councils in New Zealand manage their water. Central government acknowledges that three waters service providers like councils will need support and time to adjust.

The National Policy Statement for Freshwater Management 2014 (as amended 2017), and National Environmental Standard for Sources of Human Drinking Water are particularly significant, as they are likely to necessitate further investment in our networks and monitoring processes.

Council has begun to prepare for anticipated changes. A comprehensive work programme will be developed as part of the Long Term Plan 2021-31, so that Council is in the best possible position to respond to changes in the delivery and funding arrangements for three waters services, on behalf of the community.

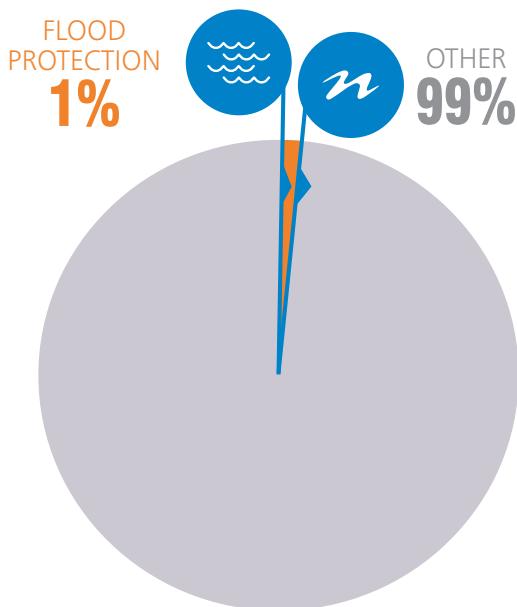
FLOOD PROTECTION

The Nelson stormwater and flood protection system is in two parts – the natural waterways, and a constructed stormwater system. This section covers the flood protection works that are generally associated with natural waterways. Operations and maintenance in Council's flood protection activity centres on the rivers and streams in the urban area of Nelson city. While Council has carried out a programme of upgrading works over the past 20 years, ongoing maintenance is required to keep the streams clear.

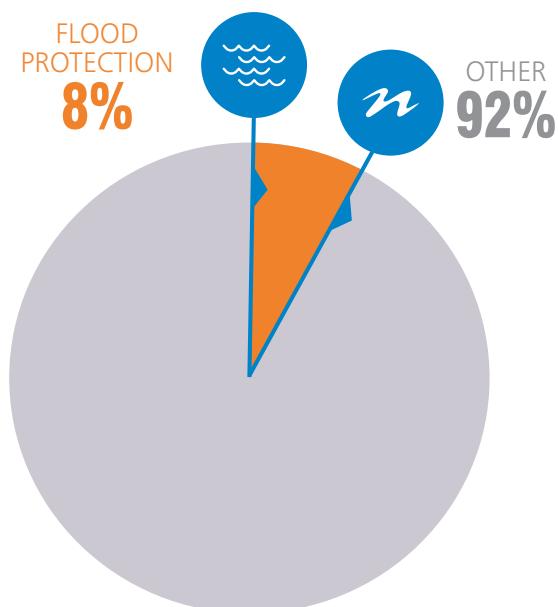
The next 30 year Infrastructure Strategy and new Whakamahere Whakatū Nelson Plan will consider the impacts of climate change on our city and appropriate infrastructure and planning responses to it. Increased likelihood and frequency of flooding of low-lying land is the most significant risk. These tools together with Flood Management Strategies, will help Council determine which future upgrading works are needed to reduce the impacts of projected sea level rise and higher storm rainfall on Whakatū, as a part of the next Long Term Plan and beyond.

The charts below show how much of Council's total operational and capital budgets are proposed to be spent on the flood protection activity in 2020/21.

OPERATING EXPENDITURE AS A % OF TOTAL



CAPITAL EXPENDITURE AS A % OF TOTAL



The following section describes changes to Year Three (2020/21) for the flood protection activity since the Long Term Plan was adopted. All other flood protection activities are to be delivered as stated in the flood protection activity section of the Long Term Plan.

SAXTON CREEK UPGRADE

The major change in this activity is the re-phasing of the Saxton Creek Upgrade Programme. The upgrade of the Saxton Creek was included in Council's work programme following the 2013 extreme rainfall event that caused severe flooding in the area. The programme is being done under four stages, with stage one to three being - Main Road Stoke to Champion Road, and the fourth stage between Main Road Stoke to the sea. The first and second stage have been completed, and the third stage has seen several delays over the past four years due to landowner negotiations.

The budget for stage three of the Saxton Creek Upgrade (upstream of Main Road Stoke) has been increased to \$2.35 million for 2020/21, following Council approval of additional funding in December 2019. The project is currently under construction and the increased budget mainly reflects the delay in the project, higher environmental requirements and changes to bridge design standards.

The budget for stage four of the Saxton Creek Upgrade (downstream of Main Road Stoke) has been reduced to \$300,000 from \$3.9 million for 2020/21. This is due to the complexities of land owner negotiations, which has required this stage of the project to be rephased. The rephasing is to allow land negotiations to be

resolved, and design completed in 2020/21, reallocating approximately \$3.6 million into future years.

WHAKATŪ DRIVE (STORAGE WORLD)

The aim of this project is to provide flood protection to properties in the Wakatū Industrial Estate, including the Storage World property. This project has seen historic delays due to negotiations with the Waka Kotahi New Zealand Transport Agency and construction challenges. Council is undertaking work this financial year to confirm secondary flow paths for the whole industrial estate, and has allocated \$80,000 in 2020/21 to enable the completion of detailed design, with construction planned in 2021/22.

ORPHANAGE STREAM UPGRADE

A programme of works to upgrade Orphanage stream was implemented following the extreme rainfall event in 2013. Substantial work has already been completed and the next stage of this programme is to construct a bund and flood wall upstream of Saxton Road East, as well as improving water flow downstream of Suffolk Road. This project has been delayed to enable a review of the proposed location of the bund and wall, and to continue with landowner negotiations at Suffolk Road. The 2020/21 budget has been increased from \$668,000 to \$970,000 for 2020/21 to allow for construction to be progressed upstream of Saxton Road East and design to be completed for Suffolk Road. The project construction timeline for works downstream of Suffolk Road will be completed in 2021/22, which will conclude the Orphanage Stream upgrade programme.



FLOOD PROTECTION FUNDING IMPACT STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Sources of Operating Funding				
General Rates, uniform annual general charges, rates penalties	0	0	0	0
Targeted rates	1,661	2,118	1,725	(393)
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	1,661	2,118	1,725	(393)
Applications of operating funding				
Payments to staff and suppliers	412	307	437	130
Finance costs	0	0	0	0
Internal charges and overheads applied *	753	1,120	675	(445)
Other operating funding applications	0	0	0	0
Total applications of operating funding	1,165	1,427	1,112	(315)
Surplus (Deficit) of operating funding	496	691	613	(78)
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	3,690	4,993	4,300	(693)
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	3,690	4,993	4,300	(693)
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	0	0	0	0
- to improve level of service	4,186	5,684	4,914	(770)
- 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	4,186	5,684	4,914	(770)
Surplus (Deficit) of capital funding	(496)	(691)	(613)	78
Funding balance	0	0	0	0

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

2020/21 ANNUAL PLAN VARIANCES AGAINST THE LONG TERM PLAN

The increase in payments to staff and suppliers (\$130,000) is largely due to the allocation of staff costs.

Internal charges (interest) have decreased by \$445,000 in response to changes in the capital programme since the Long Term Plan (including an updated opening balance of internal borrowings) along with a more favourable interest rate environment than predicted in the Long Term Plan.

Loans of \$693,000 are no longer required due to changes in the capital programme, mostly related to the timing of project work. The changes to the capital programme are listed at the end of the Financials section of this document.

RECONCILIATION BETWEEN THE NET SURPLUS/(DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT AND THE NET SURPLUS/(DEFICIT) IN THE COST OF SERVICE STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	496	691	613	(78)
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	0	0	0	0
Vested Assets	170	173	173	0
Gains on sale	0	0	0	0
Depreciation	(497)	(691)	(615)	76
Other non-cash income/expenditure	0	0	0	0
Net Surplus (Deficit) before taxation in Cost of Service Statement	169	173	171	(2)



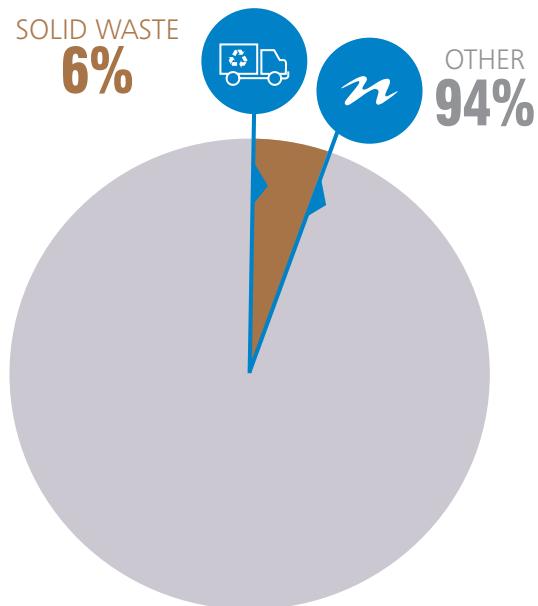


SOLID WASTE

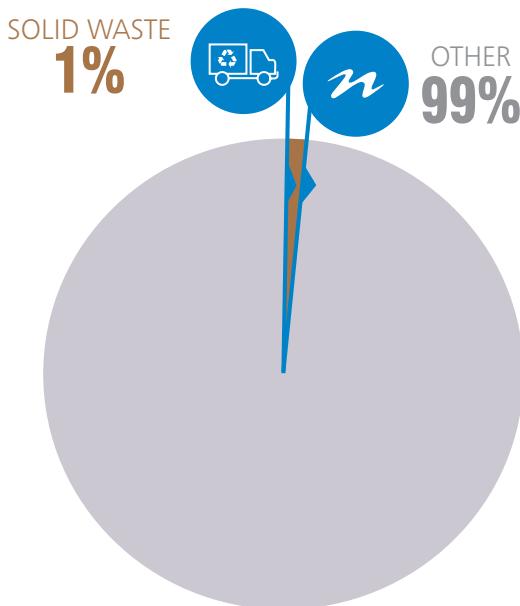
Good public health and wellbeing depend on the safe disposal of waste. Environmental protection also depends on promoting the reduction, reuse, recycling, and recovery of potential solid waste and compostable material. Council provides waste management and minimisation services to reduce the creation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

The charts below show how much of Council's total operational and capital budgets are proposed to be spent on the solid waste activity in 2020/21.

OPERATING EXPENDITURE AS A % OF TOTAL



CAPITAL EXPENDITURE AS A % OF TOTAL



FOOD WASTE COLLECTION TRIAL

Council will launch a 12 month kerbside food waste collection trial in 2020/21, at a cost of \$120,000 (operating expenditure). This is being funded from Council's Climate Change Reserve.

The Joint Waste Management and Minimisation Plan for Nelson and Tasman has set a target to reduce waste to landfill by 10% per resident by 2030. Organic matter contributes significantly to emissions from landfills and approximately 8,000 tonnes of food waste goes to the landfill each year. Keeping more of this out of our landfill through kerbside collection would be a smart and accessible way to reduce waste, and create useful compost. This trial is an exciting opportunity for residents to try a new sustainable action at home - 220 households in Nelson will take part initially. The trial will provide valuable data regarding uptake and cost. If the trial proves successful, an expanded version will be considered for inclusion in next Long Term Plan.

LANDFILL CHARGES

The fees and charges for the York Valley Regional Landfill facility are set by the Nelson Tasman Regional Landfill Business Unit. The budget makes provision for the local disposal levy required by each council to undertake their solid waste activities which is set for 2020/21 at \$2.4 million for each council. In Nelson, this levy is used to manage the Pascoe Street Transfer Station, undertake waste minimisation initiatives, and green waste disposal and recycling.

In setting the fees and charges, other important factors are taken into account, such as the costs to run the regional landfill, essential renewal work required at the landfill, work on stormwater systems, mechanisms to mitigate potential groundwater contamination, and increased costs for the Emission Trading Scheme (ETS). In addition, as a part of a national focus on climate change and sustainability, new central government policy on the ETS and Landfill Levy is expected in 2020/21. Future changes may include the Climate Change Commission setting reduction targets for CO₂ emissions. Council needs to prepare for new costs associated with complying with anticipated national policies.

The York Valley landfill fees for residual waste will be increasing by 5%, from \$163/tonne (including GST) in 2019/20 to \$171/tonne in 2020/21 (including GST).



SOLID WASTE FUNDING IMPACT STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$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	198	204	199	(5)
Fees and charges	3,106	3,690	3,156	(534)
Internal charges and overheads recovered	2,330	2,315	2,466	151
Local authorities fuel tax, fines, infringement fees, and other receipts	2,424	2,434	2,415	(19)
Total Operating Funding	8,058	8,643	8,236	(407)
Applications of operating funding				
Payments to staff and suppliers	5,309	5,837	5,435	(402)
Finance costs	0	0	0	0
Internal charges and overheads applied *	2,328	2,352	2,470	118
Other operating funding applications	0	0	0	0
Total applications of operating funding	7,637	8,189	7,905	(284)
Surplus (Deficit) of operating funding	421	454	331	(123)
Sources of capital funding				
Subsidies and grants for capital	0	0	0	0
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	(10)	(344)	533	877
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	(10)	(344)	533	877
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	0	34	288	254
- to improve level of service	31	31	561	530
- to replace existing assets	380	35	15	(20)
Increase (decrease) in reserves	0	10	0	(10)
Increase (decrease) in investments	0	0	0	0
Total applications of capital funding	411	110	864	754
Surplus (Deficit) of capital funding	(421)	(454)	(331)	123
Funding balance	0	0	0	0

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

2020/21 ANNUAL PLAN VARIANCES AGAINST THE LONG TERM PLAN

Payments to staff and suppliers have decreased by \$402,000 overall. This movement includes a \$614,000 decrease relating to an update of the Nelson Tasman Regional Landfill Business Unit (NRLBU) consolidation. Conversely, there has been an increase due to the Green Waste activity being reinstated in the Annual Plan.

It is noted that both of the above two factors (NRLBU consolidation and reinstatement of Green Waste activity)

have also impacted fees and charges (the NRLBU consolidation has resulted in a decrease in fees and charges, and the Green Waste reinstatement has resulted in an increase in fees and charges).

Additional loans of \$877,000 are required due to changes in the capital programme, mostly related to the timing of project work. These changes to the capital programme are listed at the end of the Financials section of this document.

RECONCILIATION BETWEEN THE NET SURPLUS/(DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT AND THE NET SURPLUS/(DEFICIT) IN THE COST OF SERVICE STATEMENT

	Annual Plan 2019/20	Long-term Plan 2020/21	Annual Plan 2020/21	Difference to LTP 2020/21
	(\$000)	(\$000)	(\$000)	(\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	421	454	331	(123)
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	0	0	0	0
Vested Assets	0	0	0	0
Gains on sale	0	0	0	0
Depreciation	(267)	(343)	(382)	(39)
Other non-cash income/expenditure	0	0	0	0
Net Surplus (Deficit) before taxation in Cost of Service Statement	154	111	(51)	(162)



ENVIRONMENT



As a unitary authority, Council has a wider span of environmental management responsibilities than most other councils. It manages both territorial authority and regional council functions. Council's environmental functions include responsibilities for freshwater, coastal and marine environments, air quality, land management, biodiversity and biosecurity, resource management planning, navigation safety, and resource and building consents. It fulfils these responsibilities through a variety of methods including advice to landowners and residents, delivery of on the ground projects, monitoring, research, education, advocacy, and compliance. This activity also includes compliance functions such as dog control and liquor licensing, and emergency management.

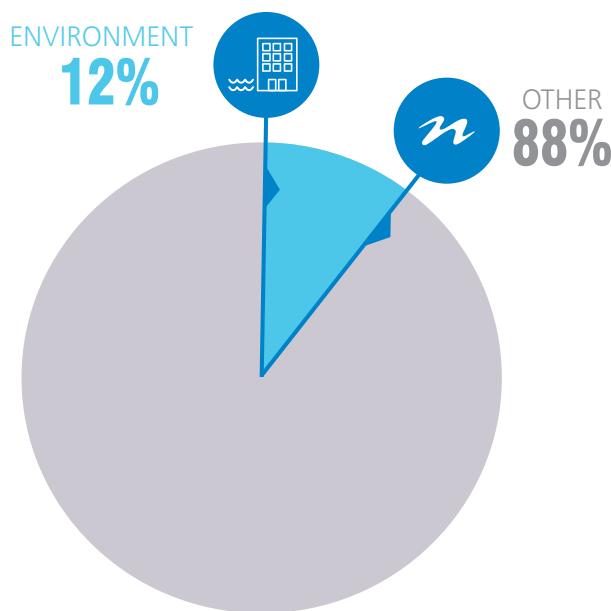
Our outstanding environment, including our hills, rivers, coastlines, and flora and fauna all contribute to making Nelson a unique and special place for residents and visitors. The maintenance and enhancement of our environment doesn't happen by itself but is a combination of aroha (care, love), time and money from individuals, groups, businesses, Council and mana whenua as kaitiaki (guardians) of the environment.

Following consideration of the impact of COVID-19 on the economy and businesses, Council has reduced forecast income from Building Consents and Resource Consents in line with a 30% reduction in activity in those areas.

The charts below show how much of Council's total operational and capital budgets are proposed to be spent on the environment activity in 2020/21.



OPERATING EXPENDITURE AS A % OF TOTAL



The following section describes changes to Year Three (2020/21) for the environment activity since the Long Term Plan 2018-28 was adopted. All other environment activities are to be delivered as stated in the environment activity section of the Long Term Plan 2018-28.

DEVELOPMENT CONTRIBUTIONS

Council will carry out a review of its Development Contributions Policy in 2020/21 as part of the Long Term Plan process, to ensure that development contributions support our revitalisation of the city centre and housing intensification. \$50,000 of operational expenditure has been allocated for this in 2020/21.

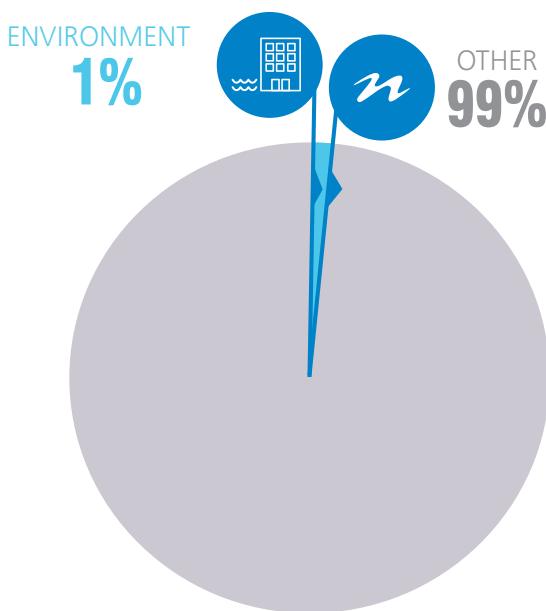
BIOSECURITY AND REGIONAL PEST MANAGEMENT PLAN IMPLEMENTATION

As part of our regional council function we are responsible for the management of biosecurity risks as specified in the Tasman-Nelson Regional Pest Management Plan 2019-2029. This is a statutory plan produced under the Biosecurity Act 1993. The plan requires the eradication of Taiwan cherry and Sabella (Mediterranean fanworm) in the Nelson region.

The cost of effectively controlling Taiwan cherry in Nelson is expected to be \$20,000 per year for up to 15 years, and the cost of controlling Sabella is expected to be \$20,000 per year on an ongoing basis. Therefore, an additional \$40,000 was allocated to this biosecurity work in 2019/20.

For the 2020/21 year the Taiwan cherry funding represents an additional \$20,000 included in the biosecurity budget. The \$20,000 Sabella funding has been moved to the

CAPITAL EXPENDITURE AS A % OF TOTAL



Nelson Marina account from 2020/21 onwards, and so will not affect the biosecurity budget. The closed Marina account means there is no impact on rates. The main threat of Sabella incursions is from recreational vessels, and recent occurrences have all been in the Nelson Marina area, either on vessels or pontoons. Therefore the total increase to the biosecurity budget for 2020/21 is \$20,000 operational expenditure.

NELSON PLAN

The Whakamahere Whakatū Nelson Plan is Council's statutory resource management plan, and sets out the framework for sustainable management of the city. The Resource Management Act 1991 requires us to review the Plan every 10 years. Council sees the content of the Plan as crucial to enabling our Smart Little City, providing for growth whilst managing our natural environment. The draft Plan brings all of Nelson's resource management plans together into one integrated document, including the Regional Policy Statement and Nelson Air Quality Plan.

Work on the Plan will continue into 2021/22 when it will be publicly notified, at which point the public will be able to formally make a submission on it. 2020/21 will see an increase in costs from \$379,000 in the Long Term Plan to \$1.6 million to account for consultation with the community and the changes to Government directives, such as in the areas of freshwater management, air quality, and changes to resource management legislation. The Nelson Plan has multiple year benefits, and therefore Council has decided to loan fund the remaining expenditure. In 2020/21 \$1.122 million has been budgeted to be loan funded. This is in line with Council's Revenue and Financing Policy.

ENVIRONMENT FUNDING IMPACT STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Sources of Operating Funding				
General Rates, uniform annual general charges, rates penalties	8,586	7,950	9,661	1,711
Targeted rates	12	1	4	3
Subsidies and grants for operating purposes	365	31	443	412
Fees and charges	228	231	241	10
Internal charges and overheads recovered	50	0	50	50
Local authorities fuel tax, fines, infringement fees, and other receipts	4,318	4,564	3,830	(734)
Total Operating Funding	13,559	12,777	14,229	1,452
Applications of operating funding				
Payments to staff and suppliers	13,171	12,451	15,740	3,289
Finance costs	0	0	0	0
Internal charges and overheads applied *	341	272	365	93
Other operating funding applications	0	0	0	0
Total applications of operating funding	13,512	12,723	16,105	3,382
Surplus (Deficit) of operating funding	47	54	(1,876)	(1,930)
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	148	32	2,147	2,115
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	148	32	2,147	2,115
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	250	40	0	(40)
- to improve level of service	197	236	324	88
- to replace existing assets	114	46	118	72
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	(366)	(236)	(170)	66
Total applications of capital funding	195	86	272	186
Surplus (Deficit) of capital funding	(47)	(54)	1,876	1,930
Funding balance	0	0	0	0

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

2020/21 ANNUAL PLAN VARIANCES AGAINST THE LONG TERM PLAN

Subsidies and grants for operating purposes include a Hill Country Erosion Fund grant of \$310,000 from the Ministry of Primary Industries, which was not planned in the LTP.

Other receipts have decreased by \$734,000, which includes projected decreases in Building Consent and Resource Consent activity.

Payments to staff and suppliers have increased by \$3.3 million. This increase includes significant movements in

staff costs (\$870,000) and Nelson Plan expenditure (\$1.2 million additional cost, to be partially loan funded), as well as costs relating to Building Claims, Building Consents, and Resource Consents.

Additional loans of \$2.1 million are impacted by the planned loan funding of Nelson Plan expenses. Changes to the capital programme are listed at the end of the Financials section of this document.

RECONCILIATION BETWEEN THE NET SURPLUS/(DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT AND THE NET SURPLUS/(DEFICIT) IN THE COST OF SERVICE STATEMENT

	Annual Plan 2019/20	Long-term Plan 2020/21	Annual Plan 2020/21	Difference to LTP 2020/21
	(\$000)	(\$000)	(\$000)	(\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	47	54	(1,876)	(1,930)
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	0	0	0	0
Vested Assets	0	0	0	0
Gains on sale	0	0	0	0
Depreciation	(48)	(54)	(83)	(29)
Other non-cash income/expenditure	11	3	2	(1)
Net Surplus (Deficit) before taxation in Cost of Service Statement	10	3	(1,957)	(1,960)





SOCIAL

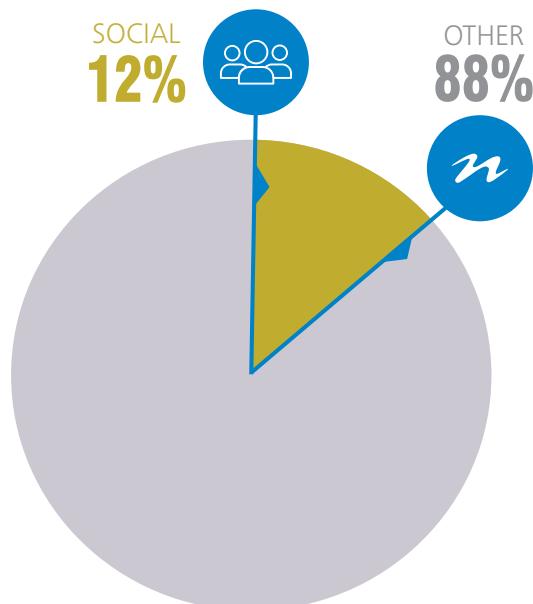
Council provides many facilities and services that support the quality of life and wellbeing of Nelson residents. Collectively these activities have been grouped under the heading 'social' and cover delivery of services as diverse as running an art gallery to providing public toilets.

Council works together with the community to deliver facilities and services that support the wellbeing of Nelson residents. Expenditure to support social outcomes is classified as operating expenditure.

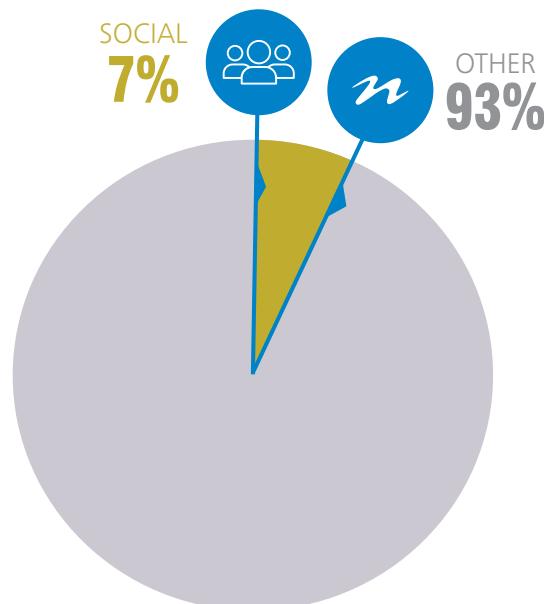
The Whakatū Nelson Heritage Strategy is currently under review, engagement is underway with iwi and a Strategy Working Group has been established. Residents' input will be sought over the coming year. We want to understand what the community values around heritage, why they value it, and how they wish to see it protected, promoted and celebrated. The Strategy will create a prioritised approach for meeting the needs of our heritage taonga and the community, set priorities for funding, and build mechanisms for effective delivery through partnership. The updated version is proposed to be adopted by the end of 2020/21.

The charts below show how much of Council's total operational and capital budgets are proposed to be spent on the social activity in 2020/21.

OPERATING EXPENDITURE AS A % OF TOTAL



CAPITAL EXPENDITURE AS A % OF TOTAL



The following section describes changes to Year Three (2020/21) for the social activity since the Long Term Plan 2018-28 was adopted. All other social activities are to be delivered as stated in the social activity section of the Long Term Plan 2018-28.

ELMA TURNER LIBRARY REDEVELOPMENT

The library is an important project in the Maitai River Precinct. Early engagement with the community about the library started last year and a theme that came through many times was that this area could be so much more. Feedback from the community has consistently included suggestions that Council improve the links between the central city and the Maitai River. There is also an opportunity to transform the Precinct by working with other property owners in this area. Public engagement will continue as the library project progresses.

\$1.1 million has been included in the 2020/21 budget for progressing the library project, including deconstruction of the adjoining Mediterranean Foods building. As much of the deconstructed material as possible will be recycled. \$20,000 has been added to the City Centre Enhancement budget for 2020/21, to provide a link for easy movement between the Elma Turner Library and the proposed pop-up park. The balance of the costs will be met from existing budgets.

NELSON PROVINCIAL MUSEUM STORAGE FACILITY

The Museum has advised that further investigation of options for this facility is required - to facilitate this Council is carrying forward the 2020/21 project budget of \$1.5 million through to 2021/22.

STOKE MEMORIAL HALL

Council has included \$120,000 in 2020/21 for design work for earthquake strengthening of the Stoke Memorial Hall in 2020/21. Total project costs are to be confirmed. Strengthening work for the hall was originally budgeted at \$458,000 in 2024/25. The total cost for construction will be higher than this – the amount will be confirmed

once the design is completed. In planning for this project, Council received a peer review of the original engineering advice and decided that, given the earthquake risk of the building and the number of users of the community hall, the project should be carried out earlier than originally proposed. In the meantime, the hall has been closed to protect public safety, and Council has assisted users into alternative venues. Council will investigate whether Central Government funding is available to assist with this work.

REFINERY BUILDING

The Refinery Art Space building on Halifax Street is owned by Council and has been leased to Arts Council Nelson as a contemporary art space since 2003, supporting local emerging artists, providing a space for community art exhibitions and highlighting Nelson's wealth of artistic talent.

The Refinery is an Earthquake-Prone Building under the Building Act 2004. Council is undertaking a project to strengthen the building, with physical works scheduled for 2020/21. \$452,000 has been allocated to the project in 2020/21. Council closed the building at the end of March 2020 and it will remain closed until the strengthening work has been completed. Council is working closely with the tenant.

Council has undertaken a feasibility study on the development of a Community Arts Centre, including stakeholder engagement. The final feasibility report with recommendations will be presented to Council in September 2020.

ARTS FESTIVAL

In discussion with the Nelson Festivals Trust, its funding was reduced to \$305,000 in 2020/21 due to the disruptive impact of COVID-19 on event planning and implementation. This will be used for core operations and Arts Festival 2021 planning, as well as the delivery of a programme of collaborative events in 2020/21. With the transition to COVID-19 Alert Level 1, provision of additional funding of \$100,000 has been included in the final Plan, subject to approval of the Trust's plans to deliver the Mask Parade and Carnivale in 2020/21.



SOCIAL FUNDING IMPACT STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Sources of Operating Funding				
General Rates, uniform annual general charges, rates penalties	13,837	12,912	14,072	1,160
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	174	177	154	(23)
Fees and charges	913	641	855	214
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	1,304	914	1,371	457
Total Operating Funding	16,228	14,644	16,452	1,808
Applications of operating funding				
Payments to staff and suppliers	13,373	12,029	13,725	1,696
Finance costs	0	0	0	0
Internal charges and overheads applied *	1,735	1,394	1,509	115
Other operating funding applications	0	0	0	0
Total applications of operating funding	15,108	13,423	15,234	1,811
Surplus (Deficit) of operating funding	1,120	1,221	1,218	(3)
Sources of capital funding				
Subsidies and grants for capital	23	24	384	360
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	(7,403)	4,583	(5,510)	(10,093)
Gross proceeds from sale of assets	8,383	0	8,383	8,383
Lump sum contributions	0	0	0	0
Total sources of capital funding	1,003	4,607	3,257	(1,350)
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	1,258	816	1,391	575
- to improve level of service	951	3,295	2,811	(484)
- to replace existing assets	754	254	466	212
Increase (decrease) in reserves	0	123	0	(123)
Increase (decrease) in investments	(840)	1,340	(193)	(1,533)
Total applications of capital funding	2,123	5,828	4,475	(1,353)
Surplus (Deficit) of capital funding	(1,120)	(1,221)	(1,218)	3
Funding balance	0	0	0	0

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

2020/21 ANNUAL PLAN VARIANCES AGAINST THE LONG TERM PLAN

Fees and charges have increased by \$214,000, including additional income from the Brook Camp and the Crematorium, which have both experienced increased usage.

Other receipts have increased by \$457,000 due to Community Housing receipts. Community Housing was assumed to have been sold in the Long Term Plan.

Payments to staff and suppliers have increased by \$1.7 million. This increase includes the costs associated with Community Housing, as well as increased staff costs, contractor costs at the Brook Camp, and an additional grant to the Nelson Centre of Musical Arts.

Subsidies and grants for capital include \$360,000 of contributions from the Ministry of Business, Innovation & Employment (MBIE) for new toilets at Tāhunanui and the Millers Acre Centre.

The decrease in debt required of \$10.1 million is due to the sale of Community Housing, in addition to changes in the capital programme. The changes to the capital programme are listed at the end of the Financials section of this document.

RECONCILIATION BETWEEN THE NET SURPLUS/(DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT AND THE NET SURPLUS/(DEFICIT) IN THE COST OF SERVICE STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	1,120	1,221	1,218	(3)
Subsidies and grants for capital expenditure	23	24	384	360
Development and financial contributions	0	0	0	0
Vested Assets	0	0	0	0
Gains on sale	0	0	0	0
Depreciation	(1,250)	(1,202)	(1,287)	(85)
Other non-cash income/expenditure	702	(59)	702	761
Net Surplus (Deficit) before taxation in Cost of Service Statement	595	(15)	1,017	1,033

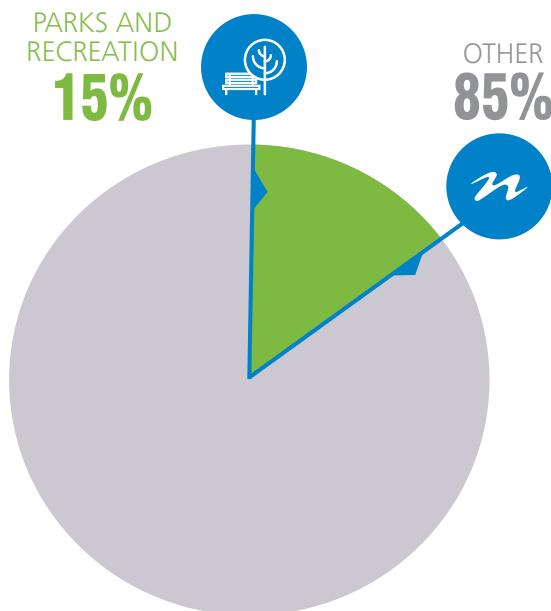


PARKS AND ACTIVE RECREATION

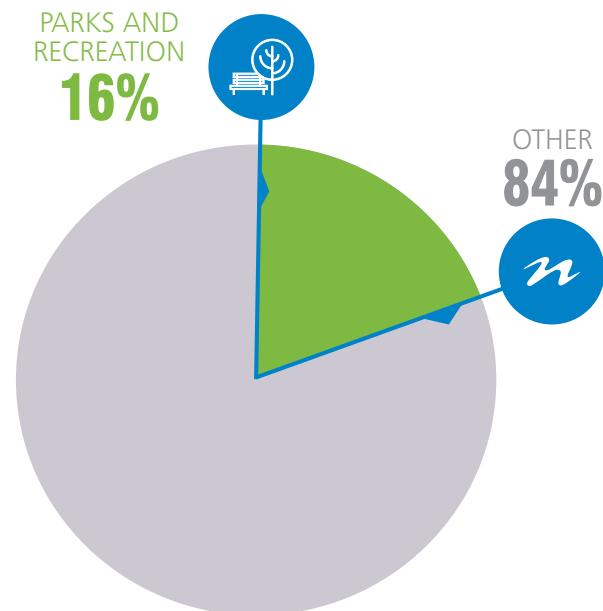
Council's parks and reserves, including sports grounds, have a key role in promoting wellbeing by providing opportunities for exercise, active transport, and recreation. Their environmental benefits are numerous, including protection of biodiversity, controlling and storing groundwater, carbon storage, and improving air and water quality. Council is currently working on Ecological Restoration Plans for our reserves with conservation values. These plans focus on long-term restoration to protect and enhance Nelson's unique biodiversity. Council continues to support a wide range of sporting and recreational activities.

The charts below show how much of Council's total operational and capital budgets is proposed to be spent on the parks and active recreation activity in 2020/21.

OPERATING EXPENDITURE AS A % OF TOTAL



CAPITAL EXPENDITURE AS A % OF TOTAL



The following section describes changes to Year Three (2020/21) for the parks and active recreation activity since the Long Term Plan 2018-28 was adopted. All other parks and active recreation activities are to be delivered as stated in the parks and active recreation activity section of the Long Term Plan 2018-28.

MARINA - BUSINESS

A \$50,000 budget in 2020/21, funded from the marina account, will be used to undertake a review of the governance, management and operations of the marina, with a view to an improved operational model for the future.

MARINA - HARDSTAND IMPROVEMENTS

The marina hardstand development project is to ensure that the existing hardstand is meeting resource consent requirements. Design for the area is underway. Work in 2020/21 will include a continuation of 2019/20 work (including extending the hardstand area to have 12 sealed bays, and improved filtration systems), as well as starting work to seal the remainder of the existing hardstand area. The budget for 2020/21 is \$1.2 million.

SEA SPORTS BUILDING

Through the Long Term Plan, Council committed to a project to support sea sports users to have a building at the marina for storage and club activities. Council has been meeting with the group to determine its requirements and preferences for the project, and plans to carry out design for the preferred option in 2020/21, with a budget for the year of \$365,000. Although there was no budget assigned to this project in year three of the Long Term Plan, the funding is within the total project budget for the 10 year Long Term Plan (which was programmed for 2018/19 and 2019/20). The total project budget will be considered as part of the 2021 Long Term Plan. It is anticipated that the clubs will contribute towards the capital construction cost of the project.

MODELLERS POND SOLUTION

Council is proceeding with an option to infill the pond and create a family friendly grassed picnic area on the site. The area will be surrounded with native trees and shrubs, and include picnic tables, barbeques, and shade to encourage recreational use. The design will complement the existing model train network, which could be further extended in future.

The early design concept is sensitive to environmental considerations, with plans to expand on vegetation in keeping with the original ecosystem of the site and adjacent estuary margin, 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 stormwater filtration system is proposed for installation, prior to where stormwater enters the Centennial Road pump station, before it reaches the new recreation area. Further cleansing will be provided through a wetland of native reeds and rushes before discharge to the back beach estuary.

\$105,000 has been included in 2020/21 for this project, including for resource consents. \$47,000 annually is in operational budgets for cleaning of the pond until the new work is completed. The project is estimated to be completed in 2021/22.

NELSON VOLUNTEER COASTGUARD – RESCUE VESSEL

Council is making a further grant of \$20,000 to the Nelson Volunteer Coastguard Incorporated in 2020/21, towards a replacement regional rescue vessel. This is in addition to \$20,000 previously allocated through the Long Term Plan. The vessel is currently being constructed in Port Nelson, so the \$1.4 million project is directly benefiting the local economy and providing jobs for skilled workers.

STOKE YOUTH PARK

The Long Term Plan proposed funding of \$500,000 for the Stoke Youth Park in 2020/21, however Council has reduced this budget and spread the cost over two financial years - with \$250,000 in 2020/21 and \$250,000 in 2021/22. The first stage of the investigation was adopted by the Community Services Committee in February 2019, with 'Targeted Options' being resolved as the way forward. A Council workshop then discussed those options, including opportunities for Whanake Youth and relocatable recreation options in the short term. In the meantime the temporary skate ramp Council built in the Marsden Reserve carpark is getting great use. Rephasing the budget allows time to determine the best location for the park that will meet the needs of our youth.

KOATA PARK

Council has taken a close interest in a project, led by Nelson Adventure Park (NAP), to create a world class gondola-serviced visitor attraction near the top of Fringed Hill. The project envisages construction of a gondola which would enable residents and visitors to take in stunning views and enjoy a mix of recreational, environmental and cultural experiences. 'Koata Park' as the attraction is currently labelled, would be situated on land owned by Ngāti Koata. Ngāti Koata are also guardians of the Tuatara for all of Aotearoa, and this offers the project an exciting opportunity to incorporate Tuatara to create a

visitor experience that would be unique in New Zealand. There is also the possibility to re-naturalise up to 200 hectares of land around the gondola site, providing not just an enhanced environmental experience for visitors, but adding further to the city's much-loved green backdrop. In short, the project presents an exciting opportunity to promote Nelson's environment, and has the potential to be a major regional tourist attraction. It also has the potential to attract Government and external funding.

Council proposes to support Ngāti Koata, as guardians of the whenua, and the other partners in the Nelson Adventure Park project, to advance the gondola project. As NAP's planning moves to the next stage, Council proposes to also engage with the public more directly in discussions on next steps.

Council has previously provided \$100,000 to assist with the initial development of the business case for this project. \$50,000 has been included in the budget for 2020/21, to support the work on this project. There would be engagement with the public in due course on the project, which also has the potential to attract Government and external funding.

BROOK WAIMARAMA SANCTUARY TRUST

Council has made provision for \$40,000 in 2020/21, to offer support to the Trust by providing the services of a business manager to assist with work on its business model.



PARKS AND ACTIVE RECREATION FUNDING IMPACT STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Sources of Operating Funding				
General Rates, uniform annual general charges, rates penalties	13,206	13,496	12,965	(531)
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	0	0	0	0
Fees and charges	2,284	2,339	2,324	(15)
Internal charges and overheads recovered	459	469	469	0
Local authorities fuel tax, fines, infringement fees, and other receipts	1,544	1,438	1,447	9
Total Operating Funding	17,493	17,742	17,205	(537)
Applications of operating funding				
Payments to staff and suppliers	11,242	11,641	12,523	882
Finance costs	0	0	0	0
Internal charges and overheads applied *	2,489	2,838	1,795	(1,043)
Other operating funding applications	0	0	0	0
Total applications of operating funding	13,731	14,479	14,318	(161)
Surplus (Deficit) of operating funding	3,762	3,263	2,887	(376)
Sources of capital funding				
Subsidies and grants for capital	1,038	233	810	577
Development and financial contributions	1,716	1,880	1,716	(164)
Increase (decrease) in debt	2,347	1,526	4,758	3,232
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	5,101	3,639	7,284	3,645
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	2,439	2,519	3,267	748
- to improve level of service	3,437	2,611	4,751	2,140
- to replace existing assets	2,987	1,574	2,153	579
Increase (decrease) in reserves	0	198	0	(198)
Increase (decrease) in investments	0	0	0	0
Total applications of capital funding	8,863	6,902	10,171	3,269
Surplus (Deficit) of capital funding	(3,762)	(3,263)	(2,887)	376
Funding balance	0	0	0	0

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

2020/21 ANNUAL PLAN VARIANCES AGAINST THE LONG TERM PLAN

Payments to staff and suppliers have increased by \$882,000, mainly driven by an increase in contract maintenance costs.

Internal charges (interest) have decreased by \$1.1 million in response to changes in the capital programme since the Long Term Plan (including an updated opening balance of internal borrowings) along with a more favourable interest rate environment than predicted in the Long Term Plan.

Subsidies and capital grants include grant contributions from the Ministry of Business, Innovation and Employment for the Maitai Mountainbike Hub and to the Great Taste Trail.

The increase in debt of \$3.2 million reflects movements in the capital programme mostly related to the timing of project work. The changes to the capital programme are listed at the end of the Financials section of this document.

RECONCILIATION BETWEEN THE NET SURPLUS/(DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT AND THE NET SURPLUS/(DEFICIT) IN THE COST OF SERVICE STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	3,762	3,263	2,887	(376)
Subsidies and grants for capital expenditure	1,038	233	810	577
Development and financial contributions	1,716	1,880	1,716	(164)
Vested Assets	0	0	0	0
Gains on sale	0	0	0	0
Depreciation	(3,488)	(3,507)	(3,663)	(156)
Other non-cash income/expenditure	0	0	0	0
Net Surplus (Deficit) before taxation in Cost of Service Statement	3,028	1,869	1,750	(119)

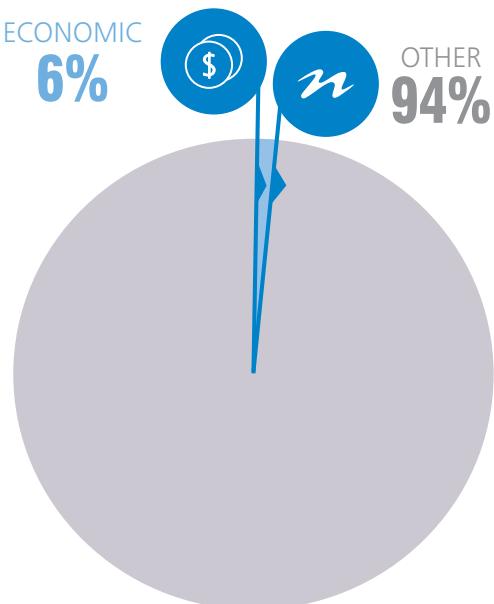


ECONOMIC

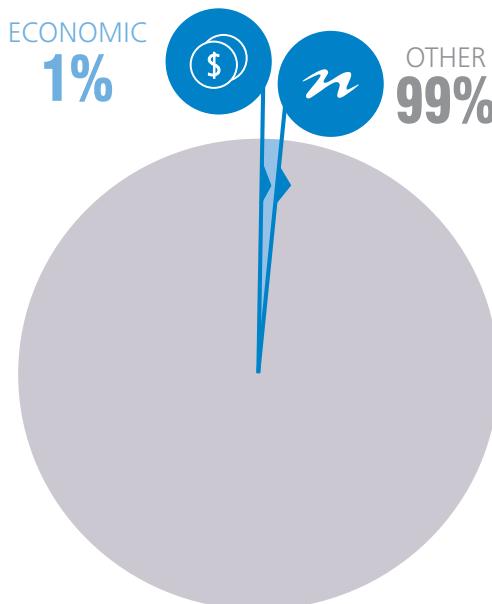
Council has a role to create a successful, sustainable and economically viable region and achieves this largely through providing infrastructure, and fostering economic development. The focus is on activities that will contribute to the strengthening of the region's identity, where increased effort is likely to be most positive for the region. This economic development activity is largely delivered through the Nelson Regional Development Agency, with a focus on the generation of outcomes that contribute to the attraction and retention of investment, visitors and talent who want to add to the special character of the region. This work will take on a new focus in 2020/21 – encouraging the region's economic recovery in the wake of the COVID-19 crisis and recession. An outline of Project Kōkiri, the Nelson/Tasman economic response and recovery plan, is on page 8.

The charts below show how much of Council's total operational and capital budgets are proposed to be spent on the economic activity in 2020/21.

OPERATING EXPENDITURE AS A % OF TOTAL



CAPITAL EXPENDITURE AS A % OF TOTAL



The following section describes changes to Year Three (2020/21) for the economic activity since the Long Term Plan 2018-28 was adopted. All other economic activities are to be delivered as stated in the economic activity section of the Long Term Plan 2018-28.

PROJECT KŌKIRI

An economic recovery plan for Nelson and Tasman, Project Kōkiri, is currently being developed (see page 8 for details). Council has made provision for up to \$350,000 additional funding for the Nelson Regional Development Agency (NRDA) in 2020/21, to support the development and implementation of the project. This is an increase to its budget allocation of \$1.18 million, proposed in the Long Term Plan, to \$1.53 million.

The cost of developing and implementing this project in 2020/21 is estimated at approximately \$1 million, however, fully funding this from non-Council sources, including central government, is not considered achievable. The Nelson and Tasman mayors are advocating to ministers for additional regional economic support and this may be forthcoming, but Council considers it prudent to make a financial provision to ensure that the NRDA can fulfil this important role.

COMMERCIAL DIFFERENTIAL

The commercial differential recognises the additional Council services that businesses receive, such as extra rubbish collection, street sweeping, and events to attract

visitors. In the Long Term Plan, Council consulted on reducing the commercial differential by 0.5% each year for five years, to be reviewed annually.

Following consideration of submissions on the differential, Council has confirmed the reduction for the 2020/21 year, and set the percentage of total rates collected as commercial rates at 23.6% (a 0.5% decrease from 24.1% in 2019/20).

Reducing the commercial differential reduces the rates collected from the city centre and Stoke and allows a re-balancing of the relative rating contributions from commercial and residential properties. It also keeps our city centre competitive relative to other centres that do not have such a charge.

CITY CENTRE PROGRAMME PLAN

\$50,000 of operational expenditure is proposed to be added to the City Centre Programme Plan budget, for necessary consultancy services to assist with the delivery of the City Centre Spatial Plan. The total capital budget for the City Centre Programme Plan in 2020/21 is \$924,000. This is a mixture of programmed funding and capital budget carried over from 2019/20, for projects yet to be completed due to delays from COVID-19.

In addition a provisional sum of up to \$3.1 million has been set aside in the transport activity budget for city centre streets for people, depending upon the outcome of a public feedback process currently underway and Waka Kotahi New Zealand Transport Agency funding application.



ECONOMIC FUNDING IMPACT STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Sources of Operating Funding				
General Rates, uniform annual general charges, rates penalties	1,755	1,843	2,219	376
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	0	310	310	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	90	90
Total Operating Funding	1,755	2,153	2,619	466
Applications of operating funding				
Payments to staff and suppliers	1,730	7,071	7,542	471
Finance costs	0	0	0	0
Internal charges and overheads applied *	25	82	66	(16)
Other operating funding applications	0	0	0	0
Total applications of operating funding	1,755	7,153	7,608	455
Surplus (Deficit) of operating funding	0	(5,000)	(4,989)	11
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	590	5,209	5,913	704
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	590	5,209	5,913	704
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	0	0	0	0
- to improve level of service	590	209	924	715
- 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	590	209	924	715
Surplus (Deficit) of capital funding	0	5,000	4,989	(11)
Funding balance	0	0	0	0

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

2020/21 ANNUAL PLAN VARIANCES AGAINST THE LONG TERM PLAN

Payments to staff and suppliers include a planned \$5 million loan-funded payment to Tasman District Council in relation to the Waimea Dam. The increase in payments to staff and suppliers of \$471,000 represents increases in staff costs and community economic support initiatives.

The increase in other receipts includes a grant from Ministry of Business, Innovation and Employment.

Additional debt of \$704,000 relates to changes to the capital programme. The changes to the capital programme are listed at the end of the Financials section of this document.

RECONCILIATION BETWEEN THE NET SURPLUS/(DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT AND THE NET SURPLUS/(DEFICIT) IN THE COST OF SERVICE STATEMENT

	Annual Plan 2019/20	Long-term Plan 2020/21	Annual Plan 2020/21	Difference to LTP 2020/21
	(\$000)	(\$000)	(\$000)	(\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	0	(5,000)	(4,989)	11
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	0	0	0	0
Vested Assets	0	0	0	0
Gains on sale	0	0	0	0
Depreciation	0	0	(11)	(11)
Other non-cash income/expenditure	0	0	0	0

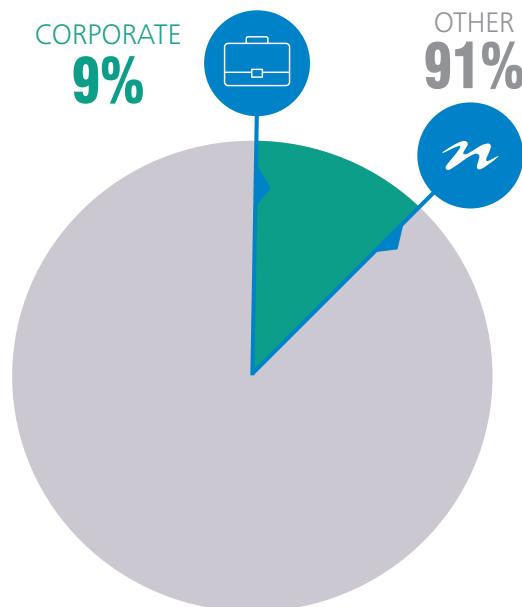


CORPORATE

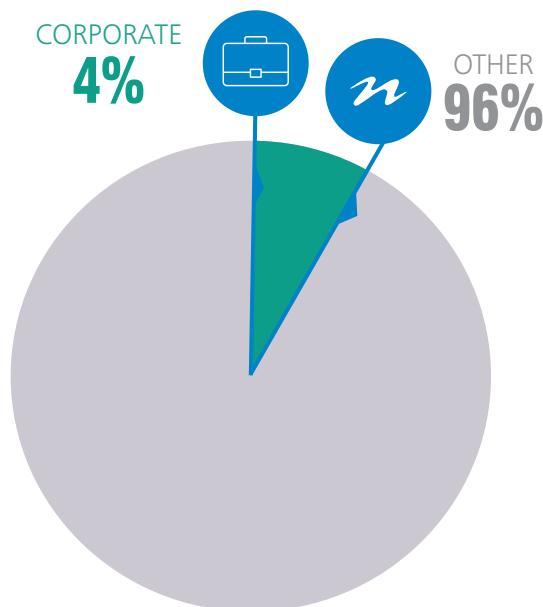
Council's corporate activity includes governance services, local government elections, and behind the scenes support services to ensure the smooth running of the organisation. This includes finance and administration, strategic documents and elected member support.

The charts below show how much of Council's total operational and capital budgets are proposed to be spent on the corporate activity in 2020/21.

OPERATING EXPENDITURE AS A % OF TOTAL



CAPITAL EXPENDITURE AS A % OF TOTAL



The following section describes changes to Year Three (2020/21) for the corporate activity since the Long Term Plan 2018-28 was adopted. All other corporate activities are to be delivered as stated in the corporate activity section of the Long Term Plan 2018-28.

STAFF COSTS

As a major tool to achieve a 0% net rates increase in 2020/21, there will be no staff salary increases for the year. This and changes to other staffing related costs, including staff and elected members' training and travel budgets, have resulted in a reduction of \$1.3 million operating expenditure across Council activities when compared to the draft Annual Plan.

COMMERCIAL ACTIVITIES

As a result of COVID-19, Council's commercial lease and dividend income is expected to be \$2 million lower than forecast in the Long Term Plan.



CORPORATE FUNDING IMPACT STATEMENT

	Annual Plan 2019/20	Long-term Plan 2020/21	Annual Plan 2020/21	Difference to LTP 2020/21
	(\$000)	(\$000)	(\$000)	(\$000)
Sources of Operating Funding				
General Rates, uniform annual general charges, rates penalties	1,643	3,031	(617)	(3,648)
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	6	5	5	0
Fees and charges	0	0	0	0
Internal charges and overheads recovered	8,432	9,586	6,688	(2,898)
Local authorities fuel tax, fines, infringement fees, and other receipts	5,369	5,731	3,457	(2,274)
Total Operating Funding	15,450	18,353	9,533	(8,820)
Applications of operating funding				
Payments to staff and suppliers	8,563	8,411	7,542	(869)
Finance costs	3,883	5,708	3,011	(2,697)
Internal charges and overheads applied *	645	763	426	(337)
Other operating funding applications	0	0	0	0
Total applications of operating funding	13,091	14,882	10,979	(3,903)
Surplus (Deficit) of operating funding	2,359	3,471	(1,446)	(4,917)
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	3,408	24,210	28,380	4,170
Gross proceeds from sale of assets	800	0	800	800
Lump sum contributions	0	0	0	0
Total sources of capital funding	4,208	24,210	29,180	4,970
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	1,197	339	395	56
- to improve level of service	1,386	1,616	379	(1,237)
- to replace existing assets	866	420	1,739	1,319
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	3,118	25,306	25,220	(86)
Total applications of capital funding	6,567	27,681	27,733	52
Surplus (Deficit) of capital funding	(2,359)	(3,471)	1,446	4,917
Funding balance	0	0	0	0

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

2020/21 ANNUAL PLAN VARIANCES AGAINST THE LONG TERM PLAN

Rating income in the corporate activity is negative and has reduced by \$3.6 million compared to the Long Term Plan. This movement mainly reflects Council's decision to debt-fund a portion of rates in response to the impacts of COVID-19.

Other receipts are lower than Long Term Plan budget by \$2.3 million, including reductions in dividend expectations, commercial lease income, and Nelson Regional Sewerage Business Unit interest income.

Internal income has reduced because the timing changes in the capital programme over the whole of Council (along with a more favourable interest rate environment) have resulted in reduced internal interest.

Staff costs have decreased. The staff cost allocation model has been reviewed, and significant costs that were

previously budgeted in the corporate activity have now been allocated across Council's activities. This change can be seen in a relative decrease to staff costs in the corporate activity, and increases in staff costs across the other activities.

Finance costs are lower than calculated in the Long Term Plan due to reduced external debt resulting from changes in the capital programme over the whole of Council (including an updated opening balance of external borrowings), and interest rates being lower than anticipated.

The increase in debt of \$4.2 million reflects the loan-funding of rates discussed above.

The capital programme changes are listed at the end of the Financials section of this document.

RECONCILIATION BETWEEN THE NET SURPLUS/(DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT AND THE NET SURPLUS/(DEFICIT) IN THE COST OF SERVICE STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	2,359	3,471	(1,446)	(4,917)
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	0	0	0	0
Vested Assets	0	0	0	0
Gains on sale	0	0	0	0
Depreciation	(1,879)	(1,930)	(1,509)	421
Other non-cash income/expenditure	28	0	28	28
Net Surplus (Deficit) before taxation in Cost of Service Statement	508	1,541	(2,927)	(4,468)





ACCOUNTING INFORMATION

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HOW WE PLAN TO FUND THE 2020/21 WORK PROGRAMME

This section of the Annual Plan outlines Nelson City Council's Financial Strategy for the next year. Council must, under the Local Government Act 2002, manage its assets, expenses, revenues, investments, liabilities and general financial dealings prudently. It must manage these in a manner that sustainably promotes the community's current and future interests.

KEEPING WITHIN THE LIMITS SET OUT IN OUR FINANCIAL STRATEGY

A key priority for Council is to keep within the rating and debt limits that were set as part of last year's Long Term Plan. The following table summarises the Annual Plan 2020/21 values against those agreed in the Long Term Plan.

Benchmark	Limit	Planned	Met
Rates affordability benchmark			
-income	\$105m	\$77m	Yes
-increases	4.2%	0%	Yes
Debt affordability benchmark	<150%	97%	Yes
Balanced budget benchmark	>100%	97%	No
Essential services benchmark	>100%	251%	Yes
Debt servicing benchmark	<10%	2.5%	Yes

Council does not meet the balanced budget benchmark as significant proposed costs (contribution to the Waimea Dam of \$5 million and Nelson Plan costs of \$1.1 million) are designated as operating rather than capital expenses for Council. This benchmark is affected because Council intends to fund the expenditure from borrowings due to intergenerational equity considerations.

In response to the economic hardship brought by the COVID-19 lockdown, Council proposes a net 0% rating increase in 2020/21 (compared to 3.1% in the Long Term Plan). The net 0% rates rise has been achieved through

borrowings, noting that Council's debt levels remain within our financial limits and are below the levels planned in the Long Term Plan.

Total net debt is forecast to be \$115.7 million (compared to the \$138.7 million projected in the Long Term Plan) at the end of June 2021. The lower proposed debt forecast reflects lower opening debt levels anticipated at 30 June 2020 compared to the Long Term Plan.

Under the lens of COVID-19, Council has had to carefully consider the mix of projects and programmes that it intends to provide in 2020/21. Total operating expenditure is forecast to be \$122.9 million compared to \$119.8 million in the Long Term Plan for 2020/21. A portion of this increase relates to the Nelson Plan and is loan funded. Council revenues have also been examined, and total revenue has increased from \$129.2 million in the 2020/21 Long Term Plan to \$129.8.

Capital expenditure is proposed to be \$54.1 million in 2020/21 (excluding vested assets, staff costs, Nelson Regional Sewerage Business Unit and Nelson Tasman Regional Landfill Business Unit), which is significantly higher than the Long Term Plan forecast of \$47 million. The larger work programme has been planned to rejuvenate our city and our region. The programme takes advantage of government subsidies and includes projects from 2019/20 that were deferred due to the COVID-19 lockdown.

COMMERCIAL DIFFERENTIAL

The commercial differential recognises the additional Council services that businesses receive, such as extra rubbish collection, street sweeping, and events to attract visitors. In the Long Term Plan, Council consulted on reducing the commercial differential by 0.5% each year for five years, to be reviewed annually.

Reducing the commercial differential reduces the rates collected from the city centre and Stoke and allows a re-balancing of the relative rating contributions from commercial and residential properties. It also keeps our city centre competitive relative to other centres that do not have such a charge.

In the Long Term Plan, Council reduced the commercial differential for 2018/19 for the city centre and Stoke commercial areas by 0.5%, subject to reassessing this at each Annual Plan. Council is implementing the 0.5% reduction again this year. This will mean that the city centre and Stoke city centre rates will increase by less than they would have without this change. Residential rates will increase slightly more as a result of this change.

In 2020/21, 23.6% of total rates are planned to be collected from commercial rates (0.5% reduction). With less rates collected from those commercial ratepayers in 2020/21, there will be an increase to residential rates, depending on land value.

WHAT HAS CHANGED?

	Annual Plan 2019/20 (\$000)	Long Term Plan 2020/21 (\$000)	Final Annual Plan 2020/21 (\$000)	Difference to Long Term Plan 2020/21 (\$000)
Total Income	128,712	129,188	129,799	611
Total Operating Expenditure	112,867	119,771	122,856	3,085
Total Capital Expenditure*	41,436	46,997	54,078	7,081

*Capital Expenditure excludes vested assets, capital staff costs and Nelson Regional Sewerage Business Unit and Nelson Tasman Regional Landfill Business Unit.

WHAT WILL MY NEW RATES BE?

The overall increase in rates that are required by Council for 2020/21 is set at 0%, including an allowance for growth in the total number of rating units. The percentage change in rates for individual properties will differ from this overall increase figure. You can view examples of rates impacts for different land uses and values on pages 80 and 81 of this document. The average residential property rates change is an increase of 0.7%, and the average commercial property rates change is a decrease of 1%. For further information on how Council sets its rates and charges, please refer to the Funding Impact Statement section on page 78. The three yearly valuation of the city for rating purposes was undertaken in 2018. The new values were used as the basis for assessing rates as from 1 July 2019.

Further information:

If you'd like to know what the net 0% rates rise means for your property, you can find out at nelson.govt.nz/rates-search/

FUNDING IMPACT STATEMENT

HOW MUCH WILL MY RATES COST?

Total rates on each property in Nelson include payment for local authority (city council) and regional council services. Council is a unitary authority combining both of these functions. The final figure is made up of a combination of whichever of the following apply to your rating unit(s):

- General rate, which includes the uniform annual general charge (UAGC)
- Stormwater and flood protection charge
- Wastewater charge or commercial wastewater charge for sewage disposal
- Water annual charge
- Water volumetric rate

If part of scheme:

- Clean Heat Warm Home targeted rate
- Solar hot water targeted rate
- Postponement application charge
- Postponement interest.

DIFFERENTIALS

Some rates are set on a differential basis, which adjust rates upwards or downwards, typically depending on whether more or less Council services are provided, for example commercial, rural or multi-unit properties.

RATES AND CHARGES

The 'funding impact statement' sets out the rates and charges that are planned for the next year.

Unless otherwise stated, rates and charges are shown including GST.

RATING UNITS

The projected number of rating units within Nelson at 30 June 2020 is 22,578.

The projected total capital value of rating units within Nelson at 30 June 2020 is \$16,231,295,750.

The projected total land value of rating units within Nelson at 30 June 2020 is \$7,470,893,700 .

RATING OF SEPARATELY USED OR INHABITED PARTS (SUIP) OF A RATING UNIT

DEFINITION

A separately used or inhabited part of a rating unit includes any part separately used or inhabited by the owner or by any other person or body having the right to use or inhabit that part by virtue of a tenancy, lease, license or other agreement. This definition includes separately used parts, whether or not actually occupied at any particular time, which are used by the owner for rental (or other form of occupation) on an occasional or long term basis by someone other than the owner. For the purpose of this definition, vacant land and vacant premises offered or intended for use or habitation by a person other than the owner and usually used as such are defined as 'used' by the owner for this separate purpose. For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one separately used or inhabited part.

The following are considered to be separately used or inhabited parts of a rating unit where the above requirements are met.

- Flats or apartments (including flats that share kitchen or bathroom facilities)
- Separately leased commercial areas of a rating unit
- Where there is multiple use of a single rating unit, such as a shop with a dwelling.



- The following are not considered to be separately used parts of a rating unit:
- A residential sleep-out or granny flat without independent kitchen facilities
- A hotel room with or without kitchen facilities
- A motel room with or without kitchen facilities
- A bed and breakfast room with or without kitchen facilities
- Individual offices or premises of business partners
- Individually leased carparks
- Storage units
- Properties subject to statutory declarations for unoccupied or second residential units not being used as separate units.

EXAMPLES OF RATES FOR 2020/21

To further clarify the rates changes from 2019/20 to those for the 2020/21 rating year a selection of properties has been shown to provide a guide. See pages 80 - 81.

GENERAL RATE

A general rate set under section 13 of the Local Government (Rating) Act 2002 is based on the ratable value of the land. General rates are set at different rates in the dollar of ratable value for different categories of ratable land. The general rate is 0.51973 cents in the land value dollar (including GST) for the 2020/21 rating year for the base differential category. This compares to the previous year's rate of 0.51346 in the land value dollar for the base differential category.

UNIFORM ANNUAL GENERAL CHARGE

A uniform annual general charge (UAGC) is set under section 15 of the Local Government (Rating) Act 2002 per separately used or inhabited part of a rating unit.

It is assessed:

- As a charge for services which have an equal element of benefit irrespective of property value
- To ensure a minimum charge on all properties
- To reduce the extremes of rates paid by the highest and lowest valued rating units
- In recognition that land valuation-based rating does not necessarily reflect a ratepayer's ability to pay.

Council will collect 14% of rates, excluding Solar Saver and Clean Heat Warm Homes targeted rates and water annual charge and water volumetric rate, through the UAGC.

The UAGC is \$434.64 including GST per separately used or inhabited part of a rating unit for the 2020/21 rating year. The charge for 2020/21 is \$0.58 lower than the charge of \$435.22 for the 2019/20 rating year.

The rates revenue sought from the uniform annual general charge and certain targeted rates set as a fixed amount is 19.78% of the total revenue from all rates sought by Council. This is well within the 30% limit set by Section 21 of the Local Government (Rating) Act 2002.

DIFFERENTIALS

Differentials are adjustments to the rates of particular property types to better reflect the services provided by Council. Commercial properties pay higher rates to reflect additional services such as street cleaning and car parks. Properties classified as rural have a negative differential to reflect the fewer Council services provided to those properties.

EXAMPLES OF RATES FOR 2020/21

To further clarify the rates changes from 2019/20 to those for the 2020/21 rating year a selection of properties has been shown to provide a guide. The average residential property rates change is an increase of 0.7%, and the average commercial property rates change is a decrease of 1%. The net rates change for both categories is 0%.

EXAMPLES OF TOTAL IMPACT OF GENERAL AND TARGETED RATES ON DIFFERENT LAND USES AND VALUES (GST INCLUSIVE)

Property Type	2018 Land Value	2019/20 Rates	2020/21 Rates	
			General Rate	UAGC
Residential	\$147,000	\$2,199	\$764	\$435
	\$160,000	\$2,266	\$832	\$435
	\$175,000	\$2,343	\$910	\$435
	\$220,000	\$2,574	\$1,143	\$435
	\$275,000	\$2,856	\$1,429	\$435
	\$315,000	\$3,061	\$1,637	\$435
	\$370,000	\$3,344	\$1,923	\$435
	\$400,000	\$3,498	\$2,079	\$435
	\$435,000	\$3,678	\$2,261	\$435
	\$495,000	\$3,986	\$2,573	\$435
	\$650,000	\$4,782	\$3,378	\$435
	\$800,000	\$5,552	\$4,158	\$435
Multi Residential (Two flats - Two UAGC & Wastewater Charges)	\$320,000	\$4,365	\$1,829	\$869
	\$1,100,000	\$8,570	\$6,289	\$869
Empty Residential Section (Water annual charge)	\$113,000	\$1,346	\$587	\$435
	\$295,000	\$2,481	\$1,533	\$435
	\$560,000	\$3,841	\$2,910	\$435
Small Holding (Water annual charge included if water meter installed)	\$370,000	\$2,476	\$1,731	\$435
	\$520,000	\$3,369	\$2,432	\$435
Rural (Water annual charge included if water meter installed)	\$920,000	\$3,506	\$3,108	\$435
	\$2,140,000	\$7,778	\$7,229	\$435
Commercial - Outside Inner City / Stoke - 1 Unit	\$475,000	\$7,849	\$7,013	\$435
Commercial - Outside Inner City / Stoke - 2 Units	\$530,000	\$8,632	\$7,825	\$435
Commercial - Outside Inner City / Stoke - 2 Units	\$205,000	\$5,114	\$3,027	\$1,304
Commercial - Stoke - 1 Unit	\$44,000	\$1,685	\$667	\$435
Commercial - Inner City - 2 Units	\$365,000	\$8,473	\$5,759	\$869
Commercial - Inner City - 2 Units	\$415,000	\$9,409	\$6,548	\$869
Commercial - Inner City - 1 Unit	\$1,450,000	\$28,231	\$22,877	\$435

This table does not include water charges based on consumption. This is charged at \$2.092 per cubic meter and an average residential ratepayer uses 160 m³ costing \$334.72 (GST Incl)



2020/21 Rates					
Stormwater/ Flood Protection	Waste water	Water Annual Charge	Total Rates	% increase on 2019/20	\$ increase on 2019/20
\$335	\$477	\$201	\$2,212	0.60	\$13
\$335	\$477	\$201	\$2,279	0.62	\$14
\$335	\$477	\$201	\$2,357	0.64	\$15
\$335	\$477	\$201	\$2,591	0.69	\$17
\$335	\$477	\$201	\$2,877	0.74	\$21
\$335	\$477	\$201	\$3,085	0.77	\$24
\$335	\$477	\$201	\$3,371	0.81	\$27
\$335	\$477	\$201	\$3,527	0.83	\$29
\$335	\$477	\$201	\$3,709	0.85	\$31
\$335	\$477	\$201	\$4,021	0.88	\$34
\$335	\$477	\$201	\$4,826	0.93	\$44
\$335	\$477	\$201	\$5,606	0.97	\$54
\$335	\$955	\$401	\$4,390	0.57	\$25
\$335	\$955	\$201	\$8,649	0.92	\$79
\$335			\$1,357	0.85	\$11
\$335		\$201	\$2,504	0.93	\$23
\$335		\$201	\$3,881	1.03	\$41
\$335			\$2,501	1.02	\$24
\$335		\$201	\$3,403	1.01	\$34
			\$3,543	1.05	\$36
		\$201	\$7,865	1.11	\$87
\$335	\$119	\$201	\$8,103	3.24	\$254
\$335	\$119	\$201	\$8,915	3.28	\$283
\$335	\$358	\$201	\$5,225	2.17	\$111
\$335	\$119	\$0	\$1,556	-7.66	-\$129
\$335	\$239	\$201	\$7,403	-12.64	-\$1,071
\$335	\$239	\$201	\$8,191	-12.94	-\$1,217
\$335	\$119	\$201	\$23,967	-15.10	-\$4,265

The actual 2020/21 rates for each property are available on Council's website at nelson.govt.nz/rates-search/

CATEGORIES OF DIFFERENTIALS BASED ON LAND USE

These differential categories are defined in accordance with the provisions of Schedule Two of the Local Government (Rating) Act 2002. The same definitions are also used to calculate the liability for some other rates. The differential categories are as follows:

GENERAL RATE

Residential – all rating units that are used primarily for residential purposes.

Multi Residential – all rating units that contain more than one residential dwelling that are capable of being used primarily for residential purposes.

Commercial – any rating unit which is used primarily for commercial use. Properties that have a portion of residential use shall have a reduced commercial differential.

Inner City Commercial – any rating unit which is used primarily for commercial use that is located within the Inner City Zone, as defined in the Nelson Resource Management Plan. Properties that have a portion of residential use shall have a reduced inner city commercial differential.

Stoke Commercial – any rating unit which is used primarily for commercial use that is located within the Stoke commercial zone, as defined in the Nelson Resource Management Plan. Properties that have a portion of residential use shall have a reduced Stoke commercial differential.

Rural – any rating unit having an area greater than 15 hectares which is used primarily for dairy, fattening and grazing, quarries, forestry or horticultural use and is recorded as rural on the District Valuation Roll.

Small Holding – any rating unit which is primarily used as a small holding and having an area greater than 0.5 hectares but is less than 15 hectares and is recorded as a small holding on the District Valuation Roll.

RATING CATEGORIES

Council has adopted the following differentials:

- Single residential with non-rateable portion and Multi Residential both have a plus 10% general rate differential
- Rural have a minus 35% general rate differential
- Small holdings have a minus 10% general rate differential

Commercial rates are set to collect 23.6% of the total rates excluding water annual charge and water volumetric rate, Clean Heat Warm Homes and Solar Saver charges. This has decreased from 24.1% in the Annual Plan 2019/20 and the reduction affects the inner city and Stoke commercial properties. 22.124% of this is funded from inner city commercial properties, 1.619% from Stoke commercial properties, while 76.257% is funded from commercial excluding inner city and Stoke commercial properties. This would result in commercial properties paying a total of \$18,063,800 (including water annual charge) in rates for the 2020/21 rating year compared to \$18,257,863 the previous year. The commercial zones of inner city and Stoke are defined in the Nelson Resource Management Plan.

DIFFERENTIAL RATES FOR THE GENERAL RATE

Council's general rate is assessed on a differential basis.

Category 2020/21	Differential %	Cents in the dollar
Residential – single unit	0.0	0.51973
Residential empty section	0.0	0.51973
Single residential unit forming part of a parent valuation, the remainder of which is non-rateable	10.0	0.57170
Multi Residential	10.0	0.57170
Rural	-35.0	0.33782
Small holding	-10.0	0.46776
Commercial – excluding inner city and Stoke commercial		
100% commercial and industrial (occupied and empty)	184.075	1.47642
25% residential/75% commercial	138.1	1.23748
50% residential/50% commercial	92.0	0.99788
75% residential/25% commercial	46.0	0.75881
Commercial – inner city		
100% commercial and industrial (occupied and empty)	203.565	1.57772
25% residential/75% commercial	152.7	1.31336
50% residential/50% commercial	101.8	1.04882
75% residential/25% commercial	50.9	0.78427

Category 2020/21	Differential %	Cents in the dollar
Commercial – Stoke		
100% commercial and industrial (occupied and empty)	191.5	1.51501
25% residential/75% commercial	143.6	1.26606
50% residential/50% commercial	95.8	1.01763
75% residential/25% commercial	47.9	0.76868

The categories that are to be used for applying the general rate differential and the amount of total revenue (excluding volumetric water) to be collected from each category, for 2020/21, is as follows:

Category	Total Revenue to be collected (\$)
Residential	54,637,450
Multi-residential	4,529,712
Commercial (Inner City, Stoke and other)	18,063,800
Rural	436,656
Small holding	1,815,109

Properties that have more than one use identified above will be placed into a rating category subject to the rating unit's majority use as determined by Council. The neutral base from which differentials are calculated is a residential property with a single dwelling.

Note: Objections to the Rating Information Database under Section 29 of the Local Government (Rating) Act 2002 will be reviewed by Council and Council is the sole determiner of rating categories

STORMWATER AND FLOOD PROTECTION CHARGE

The stormwater and flood protection charge is a uniform targeted rate set under section 16 of the Local Government (Rating) Act 2002 per rating unit and is \$335.36 for the 2020/21 rating year. It recovers the funding required by Council for stormwater and flood protection purposes. It is assessed on all rating units excluding:

- Rural rating units
- Rating units east of the Gentle Annie saddle
- Saxton's Island
- Council's stormwater network

The charge for 2020/21 is \$4.89 higher than the charge of \$330.47 for the 2019/20 rating year.

TARGETED RATES FOR CLEAN HEAT WARM HOMES

The Clean Heat Warm Homes (CHWH) rates are targeted rates under Section 16 of the Local Government (Rating) Act 2002 and are assessed on each separately used or inhabited part of a rating unit that has been provided with home insulation and/or a heater to replace a non-complying solid fuel burner in accordance with agreement of the original ratepayer.

The cost to the community is from funding the interest on the borrowing for the assistance, the administration costs and any rate remissions. The CHWH scheme closed to new applicants from 30 May 2012, but interest costs continue until the last targeted rate is repaid in 2022.

For CHWH agreements dated before 1 July 2011, the targeted rate for each year is based on the agreement entered into with the ratepayer, adjusted for any change in GST.

For CHWH agreements dated on or after 1 July 2011, the targeted rate for each year for 10 years is the total cost of the installed works excluding GST, divided by 10, plus GST at the current rate.

The table below details the loan assistance bands:

Loan Assistance Range	Installation after 30 Sept 2010	Completed prior to 30 Sept 2010
\$1,400 to \$1,599	\$140.00	\$143.11
\$1,600 to \$1,799	\$160.00	\$163.56
\$1,800 to \$1,999	\$180.00	\$184.00
\$2,000 to \$2,199	\$200.00	\$204.44
\$2,200 to \$2,399	\$220.00	\$224.89
\$2,400 to \$2,599	\$240.00	\$245.34
\$2,600 to \$2,799	\$260.00	\$265.78
\$2,800 to \$2,999	\$280.00	\$286.22
\$3,000 to \$3,199	\$300.00	\$306.67
\$3,200 to \$3,399	\$320.00	\$327.11
\$3,400 to \$3,599	\$340.00	\$347.56
\$3,600 to \$3,799	\$360.00	\$368.00
\$3,800 to \$3,999	\$380.00	\$388.44
\$4,000 to \$4,199	\$400.00	\$408.89
\$4,200 to \$4,399	\$420.00	\$429.34
\$4,400 to \$4,599	\$440.00	\$449.78
\$4,600 to \$4,799	\$460.00	\$470.22
\$4,800 to \$4,999	\$480.00	\$490.67

TARGETED RATE FOR SOLAR HOT WATER SYSTEMS

The Solar Saver charge is a targeted rate collected under Section 16 of the Local Government (Rating) Act 2002 on each separately used or inhabited part of a rating unit where the owner has been provided with financial assistance to install a Solar Hot Water System (SHWS).

The targeted rate applying to any participating property is determined on the extent of provision of service by the net cost of the work including GST, after deducting Energy Efficiency & Conservation Authority (EECA) grants, plus the funding cost. The full cost of the works and Council's costs of borrowing and administering the scheme are paid over a 10 year period by the homeowner receiving the service.

Calculation factors:

- 0.14964 (including GST) for agreements entered into prior to 1 July 2011, multiplied by the Net Cost of the Work adjusted for any increased GST
- 0.13847 (including GST) for agreements entered into after 1 July 2011 multiplied by the Net Cost of the Work.

The CHWS scheme closed to new applicants from 30 June 2012.

WASTEWATER CHARGE

A targeted rate is set under Section 16 of the Local Government (Rating) Act 2002 to recover the costs required for Council's wastewater and sewage disposal system. This charge is assessed to all rating units to which Council's wastewater and sewage disposal service is connected either directly or through a private drain to a public waste water drain.

The wastewater charge for residential, multiresidential, rural and smallholding properties is \$477.33 per separately used or inhabited part of a rating unit including GST for the 2020/21 rating year compared to the previous year's rate of \$477.93. The same definition of the differential categories for the general rate is used for the wastewater charge.

The wastewater charge for commercial properties is set at \$119.33 per separately used or inhabited part of a rating unit being 25% of the charge for the residential, multiresidential, rural and smallholding properties. Commercial properties are also assessed wastewater charges based on Council's Trade Waste Bylaw. These charges are set out in the Commercial Wastewater Charge – Trade Waste Charges section of this Annual Plan 2020-21.

WATER RATES

Nelson's water rates are targeted rates for water supply set under sections 16 and 19 of the Local Government (Rating) Act 2002 which together recover the funding required by Council to supply water.

WATER ANNUAL CHARGE

A fixed annual charge set per connection under Section 16 of the Local Government (Rating) Act 2002 on all rating units where a water meter is installed on the property.

The annual rate for 2020/21 is \$200.60 per connection including GST compared with \$200.40 in the previous year.

WATER VOLUMETRIC RATE

A charge for the quantity of water provided set under Section 19 of the Local Government (Rating) Act 2002 according to the following scale. These charges are invoiced separately from the other rates.

The cost per cubic meter is set out in the table below

WATER CHARGES – RESIDENTIAL, COMMERCIAL AND INDUSTRIAL INCLUDING GST

Amount/type	Cost (\$ per m ³) 2019/20	Cost (\$ per m ³) 2020/21
Usage up to 10,000m ³ per year	2.137	2.092
Usage from 10,001 to 100,000m ³ per year	1.883	2.006
Usage over 100,000m ³ per year	1.486	1.584
Summer irrigation usage over 10,000m ³ per year	2.010	2.049

The water rates represent an average decrease of 0.6% for the 2020/21 year for an average water user.

Note: an average residential water user uses 160m³ per annum.

Lump sum contributions will not be invited in respect of any targeted rate.

PAYMENTS, PENALTIES AND DISCOUNTS

PAYMENT METHODS FOR RATES

Payment for rates can be made by Cash, Cheque, EFTPOS, Direct Debit, Direct Credit, Internet Banking, Telephone Banking and Credit Card.

PENALTY ON UNPAID RATES (EXCLUDING WATER VOLUMETRIC RATES)

In accordance with Sections 57 and 58 of the Local Government (Rating) Act 2002, a penalty of 5% is added to each instalment or part thereof that is unpaid after the last date for payment. The penalty dates are 20 August 2020, 20 November 2020, 22 February 2021 and 20 May 2021. Previous year's rates that remain unpaid will have a further 5% penalty added on 8 July 2020 and 8 January 2021.

PENALTY ON UNPAID WATER VOLUMETRIC RATES

In accordance with Sections 57 and 58 of the Local Government (Rating) Act 2002, a penalty of 5% is added to each water account or part thereof that is unpaid after the last date for payment. The penalty is added three working days after the last day for payment.

PENALTY REMISSION ON FULL PAYMENT OF YEARLY RATES

The total annual rates, excluding water volumetric rates, may be paid in one lump sum by 20 November 2020 and any first instalment penalty already incurred will be remitted.

DISCOUNT FOR EARLY PAYMENT OF RATES

In accordance with Section 55 of the Local Government (Rating) Act 2002, a discount of 2% of the total year's rates, excluding water volumetric rates, will be allowed where they are paid in full on or before 20 August 2020.



FUNDING IMPACT STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Sources of Operating Funding				
General Rates, uniform annual general charges, rates penalties	49,471	51,296	49,872	(1,424)
Targeted rates including water by meter	27,177	28,384	27,451	(933)
Subsidies and grants for operating purposes	4,137	3,955	4,999	1,044
Fees and charges	10,583	10,883	10,319	(564)
Interest and dividends from investments	3,608	3,686	2,758	(928)
Local authorities fuel tax, fines, infringement fees, and other receipts	14,480	14,834	12,670	(2,164)
Total Operating Funding	109,456	113,038	108,069	(4,969)
Applications of operating funding				
Payments to staff and suppliers	81,922	86,779	92,481	5,702
Finance costs	3,961	5,886	3,011	(2,875)
Other operating funding applications	0	0	0	0
Total applications of operating funding	85,883	92,665	95,492	2,828
Surplus (Deficit) of operating funding	23,573	20,373	12,576	(7,797)
Sources of capital funding				
Subsidies and grants for capital	6,242	5,112	10,150	5,038
Development and financial contributions	3,499	3,701	3,537	(164)
Increase (decrease) in debt	2,936	25,810	28,266	2,456
Gross proceeds from sale of assets	9,208	27	9,209	9,182
Lump sum contributions	0	0	0	0
Total sources of capital funding	21,885	34,650	51,162	16,512
Applications of capital funding				
Capital Expenditure				
- to meet additional demand	6,602	9,149	8,892	(257)
- to improve level of service	24,382	31,996	39,266	7,270
- to replace existing assets	15,753	11,833	15,294	3,461
Increase (decrease) in reserves	2	334	0	(334)
Increase (decrease) in investments	(1,281)	1,711	286	(1,425)
Total applications of capital funding	45,458	55,023	63,738	8,715
Surplus (Deficit) of capital funding	(23,573)	(20,373)	(12,576)	7,797
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

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	23,573	20,373	12,576	(7,797)
Subsidies and grants for capital expenditure	6,242	5,112	10,150	5,038
Development and financial contributions	3,499	3,701	3,537	(164)
Vested Assets	8,774	7,311	7,311	0
Gains on sale	0	0	0	0
Depreciation	(26,984)	(27,106)	(27,364)	(258)
Other non-cash income	741	27	732	705
Other non-cash expenditure	0	0	0	0
Net Surplus (Deficit) before taxation in Statement of Comprehensive Revenue and Expense	15,845	9,417	6,942	(2,475)

COMMERCIAL WASTEWATER CHARGE – TRADE WASTE CHARGES

Wastewater charges for commercial properties are set according to Council's Trade Waste Bylaw. The methodology for calculating the charges to commercial producers is complicated, but in summary Council examines the flow rates and effluent strength during the previous three years to calculate charges for the following year.

Two methods are used for commercial properties:

- Method A is applied to the largest trade waste contributor and the charge is calculated on both discharge rates and effluent strength. Charges are highest for the most concentrated and larger volumes.
- Method B applies to all other trade waste contributors, of which there are approximately 2000 in Nelson city. The charge is calculated based on the estimated volume of effluent discharged. The estimate assumes the amount of wastewater is 80% of the volume of incoming water.
- Total trade waste revenue for 2020/21 is estimated to be \$1,522,584.

For 2020/21, the GST inclusive trade waste charges are:

- Trade waste A conveying charge \$663.96 per litre per minute.
- Trade waste A treatment charge \$1,137.18 per kg BOD* per day.

- Trade waste B combined charge \$2.06 per m³.
- Wastewater charge \$119.33 per year.

*BOD is the biochemical oxygen demand, or effluent strength.

For the previous year, 2019/20, the GST inclusive trade waste charges were:

- Trade waste A conveying charge \$633.73 per litre per minute.
- Trade waste A treatment charge \$1,128.54 per kg BOD* per day.
- Trade waste B combined charge \$2.00 per m³.
- Wastewater charge \$119.48 per year.

METHOD A: QUALITY/QUANTITY APPROACH

The largest commercial contributor is monitored every three months and the waste stream sampled over four days to measure the discharge rate and effluent strength as BOD, the biochemical oxygen demand. The trade waste charge is then calculated using the conveyance, which is the amount discharged, and treatment rates from the method of charging schedule. These rates are determined annually. The conveyance rate is calculated by dividing the estimated conveyance costs for the coming financial year by the average of the previous three year's average flows. The treatment rate is calculated by dividing the estimated treatment costs for the coming financial year by the average of the previous three years' BOD loadings.

The 2020/21 charges compared with the previous year's charges are:

CONVEYING (\$/ANNUM/LITRE/MINUTE), INCLUDING GST

Year	Total Cost (\$)	Average Flow Rate (litres/minute)	Cost/Litre/Minute (\$)
2019/20	7,232,821	11,413	633.73
2020/21	6,678,520	11,567	663.96

TREATMENT (\$/KG BOD/DAY), INCLUDING GST

Year	Total Cost (\$)	Average BOD loading (kg/day)	Cost/kg/BOD/day (\$)
2019/20	4,782,130	4,237	1,128.54
2020/21	4,218,864	4,266	1,137.18

METHOD B: QUANTITY APPROACH

For all other commercial premises, the trade waste charge is simply based on the volume of effluent assessed as being discharged from the premises.

This effluent volume is calculated by multiplying the volume of water supplied into the premises by a correlation factor. The correlation factor is usually set at 0.8 unless another figure is agreed. It is assumed that 80% of the water that is distributed to a commercial property is subsequently discharged as wastewater. The trade waste charge is then calculated using a combined conveyance and treatment rate. This rate is determined annually by dividing the estimated cost of operating the sewerage system for the coming financial year by the average of the previous three year's total effluent volume. Initially, all trade waste ratepayers pay the wastewater rate that is then deducted from the trade waste charges. Any surplus is not refunded. The deficit is the payable trade waste charge.

The 2020/21 charges compared with the previous year's charges are:

CONVEYING AND TREATMENT, INCLUDING GST

Year	Total Cost (\$)	Total effluent volume (m ³)	Cost/m ³ (\$)
2019/20	12,014,952	5,998,738	2.00
2020/21	10,897,385	6,079,864	2.06





ACCOUNTING POLICIES

REPORTING ENTITY

The Nelson City Council Group consists of Nelson City Council, its subsidiaries and associates and joint ventures.

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

BASIS OF PREPARATION

These prospective statements of Nelson City Council are for the year from 1 July 2020. The forecast information was authorised for issue by Council on 30 June 2020.

This prospective financial information is based upon the financial statements as published in the June 2019 Annual Report, and adjusted to incorporate updated assumptions and Council decisions made for the purpose of this Annual Plan. Actual financial results are likely to be different from these Prospective Financial Statements, and that difference may be material.

STATEMENT OF COMPLIANCE

This forecast information has been prepared in accordance with the requirements of the Local Government Act 2002. With the exception of the Funding Impact Statements this forecast information has also been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) as it relates to prospective financial information and PBE FRS 42 – prospective financial statements. They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS), and other applicable financial reporting standards, as appropriate for public benefit entities.

The prospective financial statements have been prepared in accordance with Tier 1 PBE standards.

The Funding Impact Statements (FIS) do not comply with GAAP as they do not recognise depreciation and movements in the valuation of assets and also they do not show capital income (Subsidies and Development Contributions) as operating income. A reconciliation is provided between the FIS surplus/(deficit) of operating funding and the Statement of Comprehensive Revenue.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The measurement base adopted is that of historical cost, modified by the revaluation of certain assets.

The following particular accounting policies, which materially affect the anticipated results, have been applied.

REVENUE

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

EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

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. Water by meter charges are exchange transactions.

GOVERNMENT GRANTS

Council receives government grants, in the main 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.

SUSPENSORY LOANS

The Council considers that suspensory loans are 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 term of the agreement(s). This is in substance a non-exchange transaction.

EXPENDITURE

BORROWING COSTS

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

FOREIGN CURRENCY TRANSACTIONS

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

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.

OPERATING LEASES

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

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

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

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.

RECEIVABLES

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Swaps are classified as non-current if the remaining maturity is more than 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.

FIXED ASSETS

Property, plant, and equipment consist of:

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

REVALUATION

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

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

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

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

ADDITIONS

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated

with the item will flow to the Entity and Group and the cost of the item can be measured reliably.

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

New Council assets that are added between valuations are recorded at cost except when acquired through a non-exchange transaction. Where an asset is acquired through a non-exchange transaction, such as vested assets, it is recognised at fair value as at the date of acquisition. Vested assets are infrastructural assets such as roads, sewers and water mains, paid for by subdividers and vested in the City on completion of the subdivision. The fair value is based on the actual quantities of infrastructure components and the current "in the ground" cost of providing identical services.

DISPOSALS

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

SUBSEQUENT COSTS

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

DEPRECIATION

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

Assets depreciated are as follows:

ASSET	DEPRECIABLE LIFE (YEARS)
Operational	
Buildings	50-100
Improvements	Nil-20
Motor vehicles	7
Plant and equipment	2-30
Library books	3-10
Marina	30-50
Restricted	
Buildings	50-100
Improvements	Nil-20
Roading	
Roads formation	n/a
Sub-base	n/a
Basecourse	5-80
Surfacing (sealed)	1-50
Surfacing (unsealed)	n/a
Bridges	20-100
Retaining/sea walls	30-100
Box culverts	60-90
Footpaths	5-100
Streetlights	20-60
Signs	15
Water supply	
Pipeline	55-120
Manholes	58-110
Reservoirs and tanks	100
Dams	10-200
Wastewater	
Pipeline	40-120
Manholes	80
Pump stations	10-50
Oxidation pond	15-151
Stormwater	
Pipeline	50-90
Bank protection	25-100
Manholes	90
Solid Waste	
Pipes	60-90
Ponds and dam	100
Gas flare	20
Resource consents	24

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

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

BIOLOGICAL ASSETS

Forestry assets are valued annually at fair value less estimated costs to sell for one growth cycle. The valuation methodology adopted is net present value based on the age and condition of the trees. The valuation was undertaken by PF Olsen on 30 June 2019. Changes in the valuation of the forestry assets are recognised in the surplus or deficit.

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

INTANGIBLE ASSETS

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:

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

INVENTORY

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

WORK IN PROGRESS

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

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.

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

HELD TO MATURITY INVESTMENTS

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For term deposits, local authority stock, government stock and community loans, impairment losses are recognised directly against the instruments carrying amount.

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE

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

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are 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.

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.

CREDITORS AND OTHER PAYABLES

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

EMPLOYEE ENTITLEMENTS

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

SUPERANNUATION SCHEMES

DEFINED CONTRIBUTION SCHEMES

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

PROVISIONS

The Regional Landfill Business Unit (a joint activity with Tasman District Council) has a legal obligation to provide ongoing maintenance and monitoring services at landfill sites after closure. This provision is calculated on the basis

of discounting closure and post-closure costs into present day values. The calculation assumes no change in resource consent conditions for closure and post-closure treatment. Nelson City Council has consolidated its 50% share of this provision.

INCOME TAX

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

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

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

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

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

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

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

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.

COST ALLOCATION

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

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

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

EQUITY

Equity is the community's interest in 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 reserves;
- Council created reserves

RESTRICTED RESERVES

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

COUNCIL CREATED RESERVES

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

REVALUATION RESERVES

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

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.

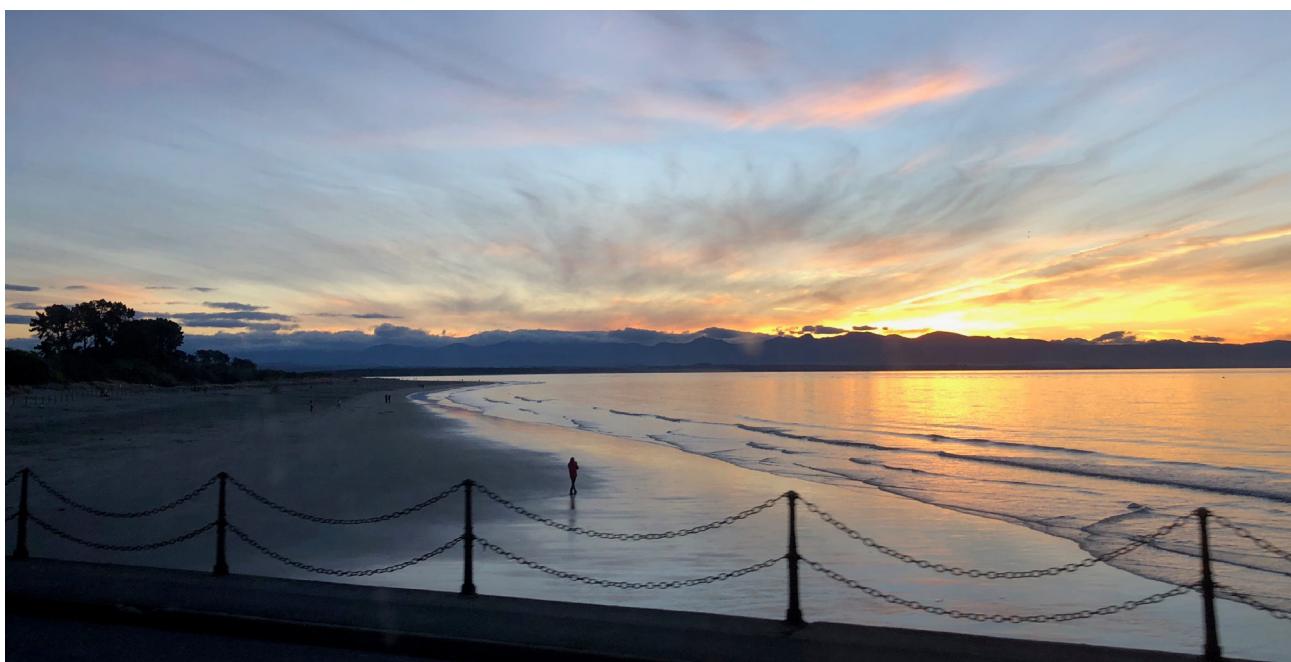
The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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.





FINANCIALS

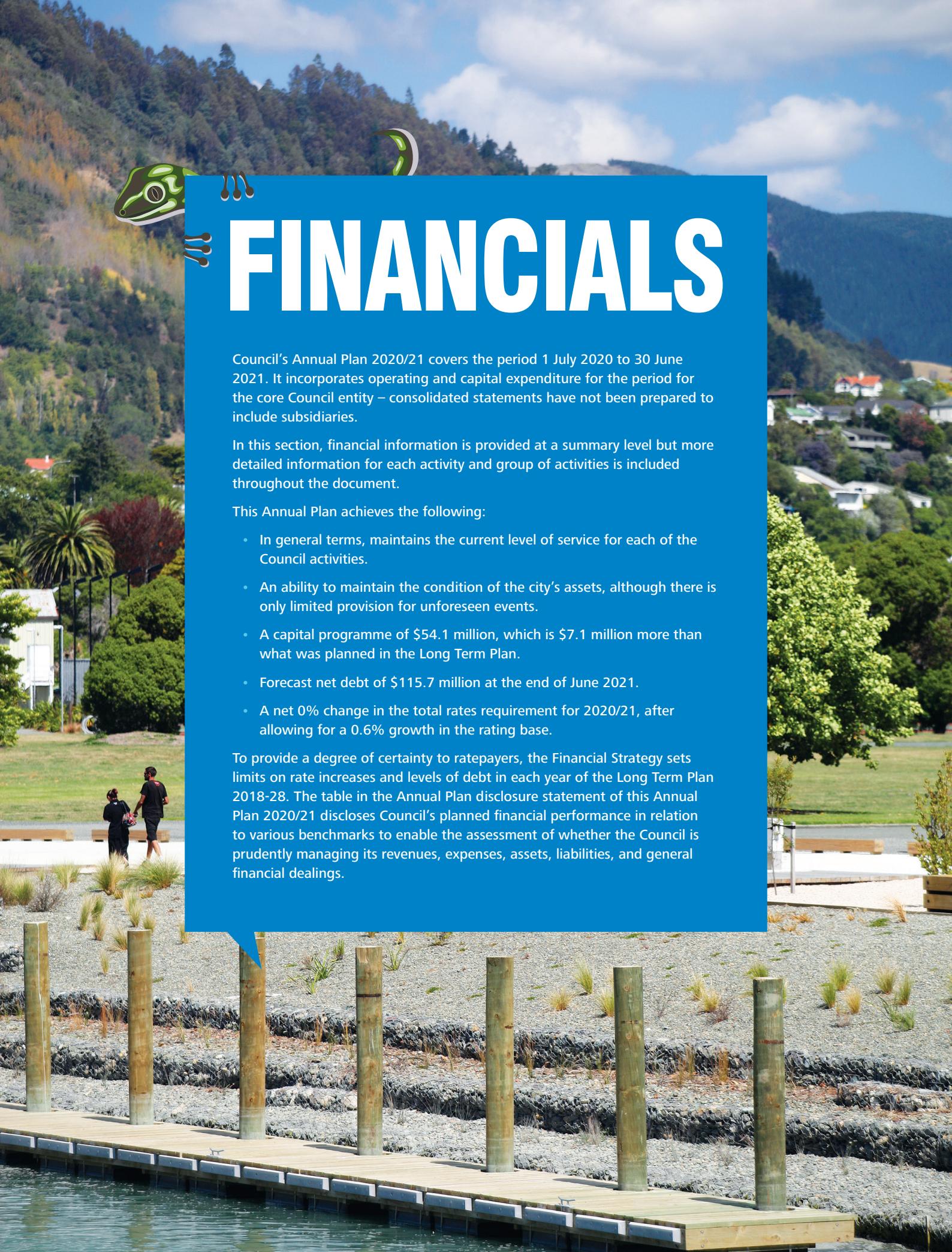
Council's Annual Plan 2020/21 covers the period 1 July 2020 to 30 June 2021. It incorporates operating and capital expenditure for the period for the core Council entity – consolidated statements have not been prepared to include subsidiaries.

In this section, financial information is provided at a summary level but more detailed information for each activity and group of activities is included throughout the document.

This Annual Plan achieves the following:

- In general terms, maintains the current level of service for each of the Council activities.
- An ability to maintain the condition of the city's assets, although there is only limited provision for unforeseen events.
- A capital programme of \$54.1 million, which is \$7.1 million more than what was planned in the Long Term Plan.
- Forecast net debt of \$115.7 million at the end of June 2021.
- A net 0% change in the total rates requirement for 2020/21, after allowing for a 0.6% growth in the rating base.

To provide a degree of certainty to ratepayers, the Financial Strategy sets limits on rate increases and levels of debt in each year of the Long Term Plan 2018-28. The table in the Annual Plan disclosure statement of this Annual Plan 2020/21 discloses Council's planned 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.



STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	Annual Plan 2019/20	Long-term Plan 2020/21	Annual Plan 2020/21	Difference to LTP 2020/21
	(\$000)	(\$000)	(\$000)	(\$000)
Revenue				
Rates other than metered water, net of remissions	68,003	70,668	68,640	(2,028)
Subsidies and grants	10,379	9,067	15,149	6,082
Fees and charges including metered water	30,034	28,684	28,425	(259)
Other Revenue	20,249	20,731	17,553	(3,178)
Interest received	9	9	2	(7)
Other gains/losses	39	29	30	1
Total Revenue	128,712	129,188	129,799	611
Expenses				
Personnel costs	22,358	20,701	22,932	2,231
Finance costs	3,961	5,886	3,011	(2,875)
Depreciation and amortisation	26,984	27,106	27,364	258
Other expenses	59,564	66,078	69,549	3,471
Total Expenses	112,867	119,771	122,856	3,085
Net Surplus/(Deficit) before Taxation	15,845	9,417	6,942	(2,475)
Taxation	0	0	0	0
Net Surplus/(Deficit)	15,845	9,417	6,942	(2,475)
Increase in asset revaluation reserves	43,865	21,285	20,153	(1,132)
Total Other Comprehensive Revenue and Expense	43,865	21,285	20,153	(1,132)
Total Comprehensive Revenue and Expense	59,710	30,702	27,095	(3,607)



STATEMENT OF CHANGES IN NET ASSETS/EQUITY

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Equity at beginning of year	1,495,121	1,532,758	1,544,305	11,547
Total comprehensive revenue and expense	59,710	30,702	27,095	(3,607)
Equity at end of year	1,554,831	1,563,460	1,571,400	7,940

The 2020/21 Annual Plan equity at the beginning of the year is based on 2018/19 Annual Report closing balance plus a forecast for 2019/20, and therefore is not equal to 2019/20 Annual Plan equity at end of year.

STATEMENT OF FINANCIAL POSITION

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
Current Assets				
Cash and cash equivalents	2,432	937	5,056	4,119
Inventories	0	0	0	0
Trade and other receivables	13,048	13,193	15,659	2,466
Other financial assets	2,602	431	2,981	2,550
Taxation	0	0	0	0
Derivative financial instruments	0	0	0	0
Non-Current assets held for sale	0	0	0	0
Total Current Assets	18,081	14,561	23,696	9,135
Non Current Assets				
Trade and other receivables	0	0	0	0
Investments accounted for using the equity method	36,663	38,163	36,663	(1,500)
Investment in subsidiaries	8,200	8,200	8,200	0
Investment properties	1,201	1,193	1,234	41
Other financial assets	2,859	5,242	3,724	(1,518)
Intangible assets	2,380	2,256	2,897	641
Biological assets	3,704	4,391	4,411	20
Property, plant, and equipment*	1,603,053	1,651,911	1,644,992	(6,919)
Derivative financial instruments	0	25	0	(25)
Total Non Current Assets	1,658,060	1,711,381	1,702,121	(9,260)

Total Assets	1,676,141	1,725,942	1,725,816	(126)
Current Liabilities				
Bank overdraft	0	0	0	0
Trade and other payables	16,368	13,128	17,272	4,144
Provisions	267		148	148
Employee benefit liabilities	2,175	2,258	2,478	220
Taxation payable	0	0	0	0
Current portion of borrowings	24,123	4,623	5,592	969
Derivative financial instruments	116	40	290	250
Total Current Liabilities	43,049	20,049	25,779	5,730
Non Current Liabilities				
Trade and other payables	399	110	572	462
Provisions	1,563	1,675	2,480	805
Employee benefit liabilities	240	248	197	(51)
Derivative financial instruments	6,058	5,401	10,273	4,872
Non-current portion of borrowings	70,000	135,000	115,115	(19,885)
Total Non-Current Liabilities	78,261	142,434	128,637	(13,797)
Total Liabilities	121,310	162,483	154,416	(8,066)
Net Assets	1,554,831	1,563,460	1,571,400	7,940
Ratepayer's Equity				
Accumulated comprehensive revenue and expense	553,479	563,796	554,284	(9,512)
Other reserves	1,001,352	999,664	1,017,116	17,452
Total Ratepayer's Equity	1,554,831	1,563,460	1,571,400	7,940

Opening balances for 2020/21 Annual Plan have been derived from 2018/19 Annual Report closing balances plus a forecast for 2019/20, as this represents a more recent and accurate assessment than the 2019/20 Annual Plan closing balances.

CASH FLOW STATEMENT

	Annual Plan 2019/20 (\$000)	Long-term Plan 2020/21 (\$000)	Annual Plan 2020/21 (\$000)	Difference to LTP 2020/21 (\$000)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from rates revenue	76,648	79,355	77,323	(2,032)
Subsidies and grants received	10,379	9,067	15,149	6,082
Receipts from other revenue	24,854	25,195	22,709	(2,486)
Development and financial contributions	3,499	3,701	3,537	(164)
Interest Received	9	9	2	(7)
Dividends Received	3,599	3,677	2,756	(921)
	118,988	121,004	121,476	472

Cash was disbursed to:				
Payments to suppliers	59,279	65,529	69,227	3,698
Payments to employees	22,318	20,662	22,882	2,220
Interest Paid	3,961	5,709	3,011	(2,698)
Tax Paid/(refund)	0	0	0	0
	85,558	91,900	95,121	3,221
Net Cash Flows from Operating Activities	33,430	29,104	26,356	(2,748)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Investments and properties for resale	8,383	0	0	0
Repayment of LGFA* borrower notes	160	320	0	(320)
Sale of biological assets	380	0	179	179
Sale of fixed assets	825	8,410	9,209	799
Repayment of community loans and advances	1,231	397	397	0
	10,979	9,127	9,785	658
Cash was disbursed to:				
Investments in LGFA* borrower notes	80	880	640	(240)
Community loans advanced	0	0	0	0
Other investments	0	1,500	0	(1,500)
Purchase of biological assets	121	40	144	104
Purchase of intangible assets	0	0	0	0
Purchase of fixed assets:				
Renewals	15,753	11,685	15,294	3,609
New works - growth	6,602	9,149	8,892	(257)
New works - Increased level of service	24,382	31,996	39,266	7,270
	46,938	55,250	64,236	8,986
Net Cash Flows from Investing Activities	(35,959)	(46,123)	(54,451)	(8,328)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Proceeds from borrowings	2,529	34,022	19,760	(14,262)
Cash was applied to:				
Repayment of borrowings	10,000	16,860	5,000	(11,860)
Net Cash Flows from Financing Activities	(7,471)	17,162	14,760	(2,402)
Net Increase/(Decrease) in Cash Held	(10,000)	143	(13,335)	(13,478)
Add Opening Cash Balance	12,432	794	18,391	17,597
Closing Balance	2,432	937	5,056	4,119
Represented by:				
Cash and Cash Equivalents	2,432	937	5,056	4,119

The opening cash balance for 2020/21 Annual Plan is based on the 2018/19 Annual Report closing balance plus a forecast for 2019/20 and therefore is not equal to the 2019/20 Annual Plan closing balance.

* Local Government Funding Agency

SUMMARY OF CAPITAL EXPENDITURE OVER \$100,000 IN ANY ONE YEAR

Project	Annual Plan 2019/20	Long-Term Plan 2020/21	Annual Plan 2020/21	Difference to LTP 2020/21
	\$	\$	\$	\$
CORPORATE				
Civic Expenses				
Christmas decorations CBD	51,100	52,224	100,000	47,776
Civic House				
Floor 1 upgrade	800,000	-	-	-
Aircon	400,000	52,224	50,000	(2,224)
Capital: Furniture & Fittings	30,000	18,801	120,000	101,199
Building modifications	50,000	1,357,824	-	(1,357,824)
Civic House Renewal Program	174,498	5,222	135,898	130,676
Floor 6 fit out/ upgrade	100,000	-	100,000	100,000
Civic House Ceiling Tiles	-	-	400,000	400,000
Strategy				
Haven precinct capital works	558,800	-	-	-
Administration				
Aerial Photography Programme	136,000	-	152,000	152,000
Upgrade TOTSM	-	104,448	104,448	-
Capital: Motor Vehicles	143,622	90,327	150,000	59,673
Core Systems enhancement	275,940	282,010	282,010	-
Corporate Projects under \$100,000	728,963	412,487	918,717	506,230
Total Corporate	3,448,923	2,375,567	2,513,073	137,506
ECONOMIC				
Economic Development				
CBD Enhancements	590,000	208,896	924,000	715,104
Total Economic	590,000	208,896	924,000	715,104
ENVIRONMENTAL MANAGEMENT				
Monitoring the Environment				
Healthy Streams	110,478	112,908	142,908	30,000
Renewals: Monitoring Equipment	75,282	41,779	107,061	65,282
Plant & Equipment	86,870	104,448	181,005	76,557
City Development				
Upper Trafalgar Street Pedestrian Precinct	250,000	-	-	-
Environmental Management Projects under \$100,000	38,667	62,477	10,800	(51,677)
Total Environmental Management	561,297	321,612	441,774	120,162

Project	Annual Plan 2019/20	Long-Term Plan 2020/21	Annual Plan 2020/21	Difference to LTP 2020/21
	\$	\$	\$	\$
FLOOD PROTECTION				
Maitai flood management	51,100	104,448	150,000	45,552
Brook Stream fish passage	51,100	167,117	167,117	-
Brook Stream Catchment Improvements	-	112,908	50,000	(62,908)
Inventory of Urban Streams	251,400	104,448	104,448	-
Review of Jenkins & Arapiki (airport)	-	121,433	121,433	-
Flood Mitigation	161,610	165,165	165,165	-
Saxton Creek upgrade	1,300,000	-	2,350,000	2,350,000
Minor Flood improvement prgm	300,000	-	-	-
Whakatu Drive (Storage World)	600,000	-	80,000	80,000
Secondary Flow Paths	102,200	-	-	-
Saxton Creek Culvert Upgrade	150,000	3,951,790	300,000	(3,651,790)
Orphanage Stream - bunding and Suffolk Road Culvert	918,480	668,467	970,000	301,533
Vested Assets	169,652	173,384	173,384	-
Flood Protection Projects under \$100,000	300,051	288,680	456,079	167,399
Total Flood Protection	4,355,593	5,857,840	5,087,626	(770,214)
PARKS & ACTIVE RECREATION				
Public Gardens				
Isel park bridge upgrade	100,000	130,560	5,000	(125,560)
Miyazu Garden Pond Relining	170,000	36,557	10,000	(26,557)
Neighbourhood Parks				
Land Purchase: General Reserve	1,198,211	835,584	1,833,795	998,211
Atawhai Reserve Improvements	91,980	156,673	230,000	73,327
Paddys Knob reserve development	180,000	-	-	-
Landscape reserves				
Landscape reserves	50,000	208,897	-	(208,897)
Maitai MTB Hub	715,400	182,784	769,896	587,112
Eureka Park walkway development	25,000	156,672	56,672	(100,000)
Retired forestry block conversion programme	229,000	-	205,000	205,000
MTB Trail Maitai camp to Maitai Dam	100,000	-	100,000	100,000
Esplanade & Foreshore				
Modellers Pond Solution	-	-	105,000	105,000
Renewals: Structures	92,342	15,667	125,667	110,000
Poormans walkway (Main rd - Neale ave)	800,000	313,344	985,000	671,656
Curtis St footbridge (link to Manu Kau Rsv)	-	156,672	-	(156,672)
Almond Tree flats to Maitai track connection	30,600	104,448	-	(104,448)
Wakefield Quay sea wall renewal	-	282,010	50,000	(232,010)
Wakapuaka Sandflats Esplanade shared path	-	313,344	285,089	(28,255)
Dog exercise park	10,220	73,114	158,720	85,606
Walkways				
Tahuna Beach to Great Taste Trail (airport)	609,998	-	370,757	370,757
Sports Parks				
Saltwater Cr bridge (Haven Rd - Traf Centre)	-	-	105,000	105,000
Rutherford Park - Saltwater Cr path landscaping	-	470,016	-	(470,016)
Pools				
Renewals: Minor Assets	10,220	10,445	185,830	175,385
Renewals: Riverside	61,320	135,782	61,320	(74,462)
Riverside Pool water heating system renewal	300,000	-	270,000	270,000

Project	Annual Plan 2019/20	Long-Term Plan 2020/21	Annual Plan 2020/21	Difference to LTP 2020/21
	\$	\$	\$	\$
Play Facilities				
Stoke Youth Park	51,100	501,352	250,000	(251,352)
City Play Space	20,440	261,120	10,000	(251,120)
Renewals: Play Equipment	204,400	208,896	183,296	(25,600)
Marina				
Capital: Minor Development	112,540	20,890	-	(20,890)
Marina Hardstand LOS improvements	525,000	-	1,201,000	1,201,000
Public boat ramp improvements	35,000	104,448	35,000	(69,448)
New Trailer Boat Storage Yard	102,200	-	102,200	102,200
Marina Boat Sheds	25,000	208,896	25,000	(183,896)
Saxton Field				
Capital: General Development	91,980	94,003	135,983	41,980
Renewal: Athletic Track	899,360	-	-	-
Regional Community Facilities				
Water sports building at Marina	150,000	-	365,000	365,000
Parks & Active Recreation Projects under \$100,000	1,871,457	1,722,141	1,951,111	228,970
Total Parks & Active Recreation	8,862,768	6,704,315	10,171,336	3,467,021
SOCIAL				
Nelson Library				
Elma Turner Library Extension/ Relocation	613,200	2,506,752	1,048,000	(1,458,752)
Book Purchases	408,328	417,309	390,057	(27,252)
Stoke Library				
Stoke Library structural improvements	200,000	-	55,000	55,000
Marsden Valley Cemetary				
New burial area	350,000	-	15,000	15,000
Toilets (Free)				
Growth: Millers Acre Toilet	260,610	208,896	717,000	508,104
Queens Garden Toilet	140,000	-	20,000	20,000
Tahunui Lions Toilet Upgrade	143,080	313,344	880,000	566,656
Stoke Hall				
Stoke Hall Remediation	-	-	120,000	120,000
Community Properties				
Refinery Gallery EQ strengthening	30,660	386,458	452,000	65,542
Community Housing				
Community Housing Renewals	296,380	-	-	-
Social Projects under \$100,000	521,344	532,202	971,438	439,236
Total Social	2,963,602	4,364,961	4,668,495	303,534
SOLID WASTE				
Joint Landfill Upgrade	380,000	69,550	832,500	407,950
Solid Waste Projects under \$100,000	30,660	31,334	31,334	-
Total Solid Waste	410,660	100,884	863,834	407,950
STORMWATER				
Pvt/Public Drains	110,478	112,908	62,908	(50,000)
Nile St East Storm water	-	-	120,000	120,000
Washington Valley Stormwater Upgrade	80,000	1,129,083	128,000	(1,001,083)
Capital: Mount St / Konini St	60,440	564,541	1,310,000	745,459
Stormwater Pump Station Renewals	30,660	31,334	161,334	130,000
Airlie St	30,000	417,792	100,000	(317,792)
Wastney Terrace stormwater (pvt drain prgm)	100,000	835,584	115,000	(720,584)

Project	Annual Plan 2019/20	Long-Term Plan 2020/21	Annual Plan 2020/21	Difference to LTP 2020/21
	\$	\$	\$	\$
Stansell Pvt/ Pub Drains	55,000	250,675	-	(250,675)
Tahunanui Hills Stormwater Catchment 9 - Moana Ave to Rocks	-	-	150,000	150,000
Bisley Avenue	106,600	-	96,600	96,600
Brooklands	60,000	173,384	103,384	(70,000)
Examiner	100,000	10,445	50,000	39,555
Kauri Street	30,000	-	120,500	120,500
Marybank / Tresillian Ave	55,239	112,908	-	(112,908)
Nayland Road / Galway	716,000	-	-	-
Rutherford Stage 1 - Girls College Detention	100,000	1,044,480	100,000	(944,480)
Catchment 3 - days Track & SH6 Culverts	121,458	564,541	500,000	(64,541)
Natural Hazards Risk Remediation	-	112,908	-	(112,908)
Emano Reserve Stormwater	10,220	10,445	145,445	135,000
Vested Assets				
Vested Infrastructure Assets	1,153,838	1,179,218	1,179,218	-
Hill Street North stormwater	245,280	-	-	-
Stormwater Projects under \$100,000	675,532	970,965	1,556,745	585,780
Total Stormwater	3,840,745	7,521,211	5,999,134	(1,522,077)
TRANSPORT				
Subsidised Roading				
Streetlight Improvement	111,100	104,448	597,000	492,552
UCP Saltwater Creek Crossing	400,000	-	29,996	29,996
Marsden Valley Ridgeway Upgrade	102,200	522,242	88,412	(433,830)
Renewals: Footpaths	820,053	840,615	840,615	-
Minor Improvements	805,771	365,568	79,846	(285,722)
Drainage Renewals	399,000	156,672	343,367	186,695
Sealed Road Pavement Rehabilitation	-	188,006	-	(188,006)
Sealed Road Resurfacing	1,304,700	1,222,042	1,316,045	94,003
Railway Reserve/Princes Dr cycle crossing upgrade	430,000	-	274,000	274,000
Maitai shared path to Nelson east programme	120,000	156,672	-	(156,672)
Waimea Road Retaining Wall at Snows Hill	51,100	10,445	605,000	594,555
New Footpaths	715,400	731,139	589,567	(141,572)
Curtis Street footbridge (Link to Manu Kau reserve)	45,990	-	192,962	192,962
Toi Toi St upgrade	125,000	-	195,000	195,000
Main Road Stoke cycleway Saxton Creek to Champion Roa	15,000	417,792	815,000	397,208
Structures replacement	335,500	492,279	109,854	(382,425)
Traffic Service Renewals - Signs, markings and deline	81,760	83,558	115,420	31,862
Traffic Services Renewal - Lighting	375,074	383,324	383,324	-
Maitai shared path to Anzac Park active transport fac	339,000	261,120	950,000	688,880
Tahunanui Cycle Network - SH6 Tahunanui Drive connect	817,600	1,880,071	1,020,000	(860,071)
Cross Town Links Brook to Central Programme	10,220	104,448	50,000	(54,448)
Arapiki Road Upgrade - retaining Wall	313,344	313,344	754,000	440,656
Seaview Underpass Weir	-	-	100,000	100,000
Cyclepath Renewals	20,000	-	122,700	122,700
Westbrook Convergence Bridge deck replacement	143,000	-	-	-
Seafield Terrace Road Re-instatement	1,330,000	-	1,239,000	1,239,000
Travel demand management improvements	255,500	261,121	200,000	(61,121)
Ped facilities at Arapiki Road/ The Ridgeway	231,000	-	17,088	17,088
Unsubsidised Roading				
Mount Street and Konini Street upgrade	20,440	208,896	54,636	(154,260)
Maitai Shared Path	-	-	660,000	660,000
Quarantine to Annesbrook shared walk/cyclepath along Jenkins	-	-	180,000	180,000
Toi Toi St upgrade	-	574,464	-	(574,464)
Maitai Valley Road shared path modifications	110,000	-	-	-

Project	Annual Plan 2019/20	Long-Term Plan 2020/21	Annual Plan 2020/21	Difference to LTP 2020/21
	\$	\$	\$	\$
Parking and CBD Enhancement				
Renewal: CBD aesthetic elements	103,520	156,672	179,912	23,240
Renewals: On and Off St Parking Meter	867,016	287,232	100,000	(187,232)
Stoke Centre Traffic Calming and Ped Safety Works	-	313,344	-	(313,344)
CBD Enhancement	-	-	3,100,000	3,100,000
Millers Acre Centre				
Building Improvements	-	-	850,000	850,000
Public Transport				
Integrated Ticketing GRETS	190,000	-	80,000	80,000
CBD interchange	51,100	208,897	266,996	58,099
Vested Assets				
Vested Infrastructural Assets	4,210,640	4,303,258	4,303,258	-
Hill Street North improvements	684,740	-	-	-
Transport Projects under \$100,000	1,584,707	1,459,664	1,652,027	192,363
Total Transport	17,519,475	16,007,333	22,455,025	6,447,692
WASTEWATER				
Neale Park PS	-	-	160,000	160,000
Renewals Pump stations	165,717	169,362	259,362	90,000
Wastewater Pipe Renewals	-	887,808	510,000	(377,808)
Wastewater model calibration	260,000	-	420,000	420,000
Awatea Place Pump station	1,107,195	3,655,680	1,000,000	(2,655,680)
Pump station resilience improvement programme	55,239	183,484	183,484	-
Washington Rd (wolfe - arrow) sewer renewal	-	-	224,393	224,393
Nelson Regional Sewerage - Growth	-	3,393,000	-	(3,393,000)
Nelson Regional Sewerage - Renewals	435,000	284,000	4,445,000	4,161,000
Nelson Regional Sewerage - Upgrade	2,025,000	-	1,061,000	1,061,000
NWWTP renewals	153,300	156,672	306,672	150,000
NWWTP - Resource Consent	102,200	112,908	276,000	163,092
Gracefield Sewer Diversion	200,000	564,541	1,669,422	1,104,881
St Vincent street sewer renewal	380,000	-	-	-
Stansell #52 and Princes Drive 274/278 Sewer renewal	150,000	-	40,000	40,000
Bronte Street and Collingwood Street sewer renewal	165,000	-	-	-
System Performance Improvements	102,200	104,448	104,448	-
Vested Assets				
Vested Infrastructural Assets	824,754	842,895	842,895	-
Elm st sewer upgrades	153,300	-	-	-
Hill St sewer upgrade	25,550	-	-	-
Wastewater Projects under \$100,000	621,689	502,101	467,994	(34,107)
Total Wastewater	6,926,144	10,856,899	11,970,670	1,113,771
WATER SUPPLY				
Capital: Ridermains	171,241	175,008	75,000	(100,008)
Capital: Backflow Prevention	165,717	169,362	169,362	-
Renewals: Water Pipes	-	1,669,973	917,442	(752,531)
Renewals: Commercial Meters	153,300	156,672	156,672	-
Residential Meters renewals	700,000	1,044,480	750,000	(294,480)
Roding Pipeline	-	112,908	112,908	-
Capital: Atawhai Trunkmain	110,000	56,471	-	(56,471)
Capital: Atawhai No.2 Reservoir	100,000	313,510	175,000	(138,510)
Pressure Enhancement	63,517	112,908	112,908	-
NCC - TDC Link	-	-	100,000	100,000
Water Loss Reduction Programme	220,956	225,817	245,817	20,000

Project	Annual Plan 2019/20	Long-Term Plan 2020/21	Annual Plan 2020/21	Difference to LTP 2020/21
	\$	\$	\$	\$
Water Loss Reduction Programme	220,956	225,817	245,817	20,000
Natural Hazards Risk Remediation	110,478	112,908	112,908	-
Dam Upgrades	102,200	104,448	112,648	8,200
Water Treatment Plant Renewals	204,443	190,815	190,815	-
Tui Glen Road water renewal	555,000	-	-	-
Hardy St renewal (Trafalgar - Collingwood)	172,000	-	-	-
Annesbrook (Manchester - Marie St) water renewal	800,000	-	20,000	20,000
Hardy (Rutherford-Vanguard) watermain renewal	60,000	-	800,000	800,000
Vested Assets				
Vested Infrastructure Assets	795,116	812,605	812,605	-
Suffolk Road (Saxton to Ngawhatu) water upgrade	357,700	-	-	-
Suffolk Road to Hill Street Trunk water main	153,300	-	-	-
Water Supply Projects under \$100,000	1,037,595	714,131	804,137	90,006
Total Water Supply	6,032,563	5,972,016	5,668,222	(303,794)
TOTAL CAPITAL	55,511,770	60,291,534	70,763,189	10,116,655
Less Total Vested Assets	8,773,870	7,311,360	7,311,360	-
TOTAL CAPITAL PER FUNDING IMPACT STATEMENT	46,737,900	52,980,174	63,451,829	10,116,655





FINANCIAL RESERVES ESTIMATES

The Local Government Act requires that councils provide a summary of the restricted reserves that it holds.

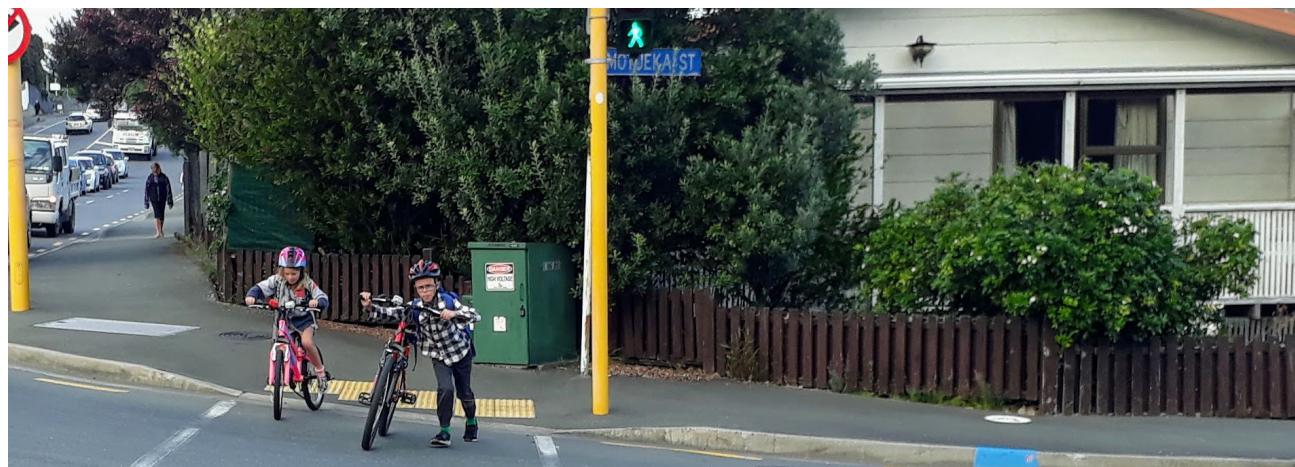
Local Government Act changes in 2010 placed more focus on the accounting for, and disclosure of, financial reserves. The Act defines reserve funds as "money set aside by a local authority for a specific purpose". Reserves are part of equity which may or may not be physically backed by cash/investments. Reserves are often used to separate a funding surplus of an activity. The Act requires Council to specify the amount expected to be in the fund at the commencement of the year, the end of the year, the amount expected to be deposited in the fund during the year and the amount expected to be withdrawn from the fund during the year.



FINANCIAL RESERVES ESTIMATES

The Local Government Act 2002 requires that councils provide a summary of the restricted reserves it holds.

Name	Activity	Purpose	Projected Balance July 2020	Deposits	Withdrawals	Balance June 2021
			\$	\$	\$	\$
Nelson Institute Funds	Nelson Library	Bequest to Nelson Institute	9,023	180		9,203
L C Voller Bequest (ETL)	Nelson Library	Youth Section of Elma Turner Library	24,301	486		24,787
Subdivisions Reserve	Reserve Contributions	Financial Contributions for Reserves	3,937,907		1,086,187	2,851,720
Nelson 2000 Trust	Esplanade Reserves	Wakefield Quay Development	164,607	-		164,607
Insurance Reserve	Investment Management	To fund Insurance claim excess	1,061,664		575,726	485,938
Health & Safety Reserve	Admin and Meeting Support	OSH Compliance	31,363	627		31,990
Parking Reserve	Car parks	Self funded activity balance	-	-	-	-
Roading Contributions	Roading	Financial Contribution for capital works	116,116			116,116
Walker bequest	Parks		9,966	199		10,165
Dog Control Reserve	Dog Control	Self funded activity balance	(154,790)		3,096	(157,886)
Sport & Rec Grants Reserve	Physical Activity Fund	Ex Hillary Commission fund for Sport and Recreation	13,826	164		13,990
Art Council Loan Fund	Physical Activity Fund	Ex Sport & Rec Grants	10,000			10,000
Events Contestable Fund Reserve	Economic Development	Unspent allocation held for eligible events	(118,885)		2,378	(121,263)
Housing Reserve	Community Housing	Self funded activity balance	334,971	8,366,293	-	8,701,264
Founders Park Reserve	Founders	Founders development	209,345	4,187		213,532
Forestry Fund	Forestry	Self funded activity balance	1,534,685		214,330	1,320,355
Climate Change	Environmental Management	To fund climate change initiatives	432,400		234,500	197,900
Landfill	Solid Waste	Share of development of new landfill when required	4,524,291	90,486		4,614,777
Solid Waste	Solid Waste	Self funded activity balance	1,417,216		203,062	1,214,154





COUNCIL CONTROLLED ORGANISATIONS

Council is involved with several organisations that deliver strategic outcomes or public benefit for the city. The eight Council controlled organisations that Council owns or part owns to achieve agreed community outcomes are:

- Port Nelson (50% with Tasman District Council)
- Nelmanc Ltd
- Nelson Airport Ltd (50% with Tasman District Council)
- Nelson Regional Development Agency
- Tasman Bays Heritage Trust (Nelson Provincial Museum) (50% with Tasman District Council)
- Bishop Suter Trust
- City of Nelson Civic Trust
- Nelson Municipal Band Trust

Further details on Council controlled organisations can be found in the Accounting Information section of the Long Term Plan 2018-28 and their respective statements of intent.

ANNUAL PLAN DISCLOSURE STATEMENT FOR YEAR ENDING 30 JUNE 2021

WHAT IS THE PURPOSE OF THIS STATEMENT?

The purpose of this statement is to disclose the Council's planned 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 plan 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.

Benchmark	Limit	Planned	Met
Rates affordability benchmark			
-income	\$105m	\$77m	Yes
-increases	4.2%	0%	Yes
Debt affordability benchmark	<150%	97%	Yes
Balanced budget benchmark	>100%	97%	No
Essential services benchmark	>100%	251%	Yes
Debt servicing benchmark	<10%	2.5%	Yes

NOTES

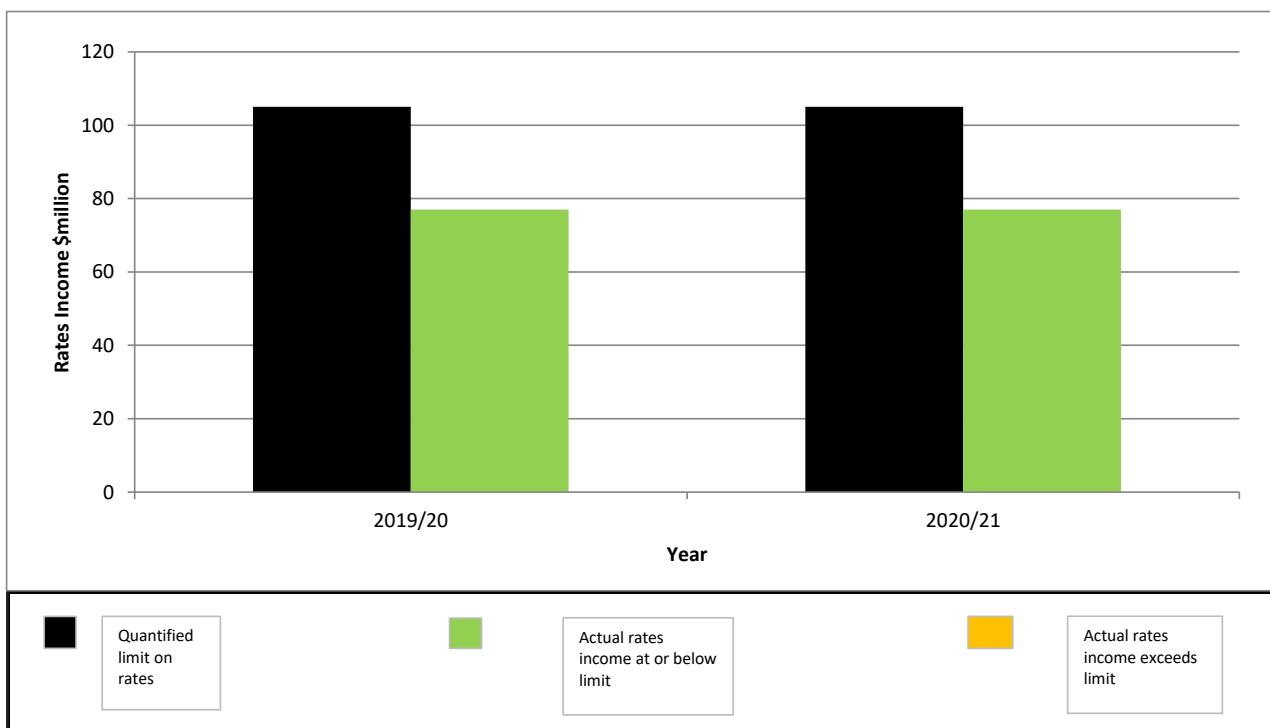
RATES AFFORDABILITY BENCHMARK

The Council meets the rates affordability benchmark if –

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

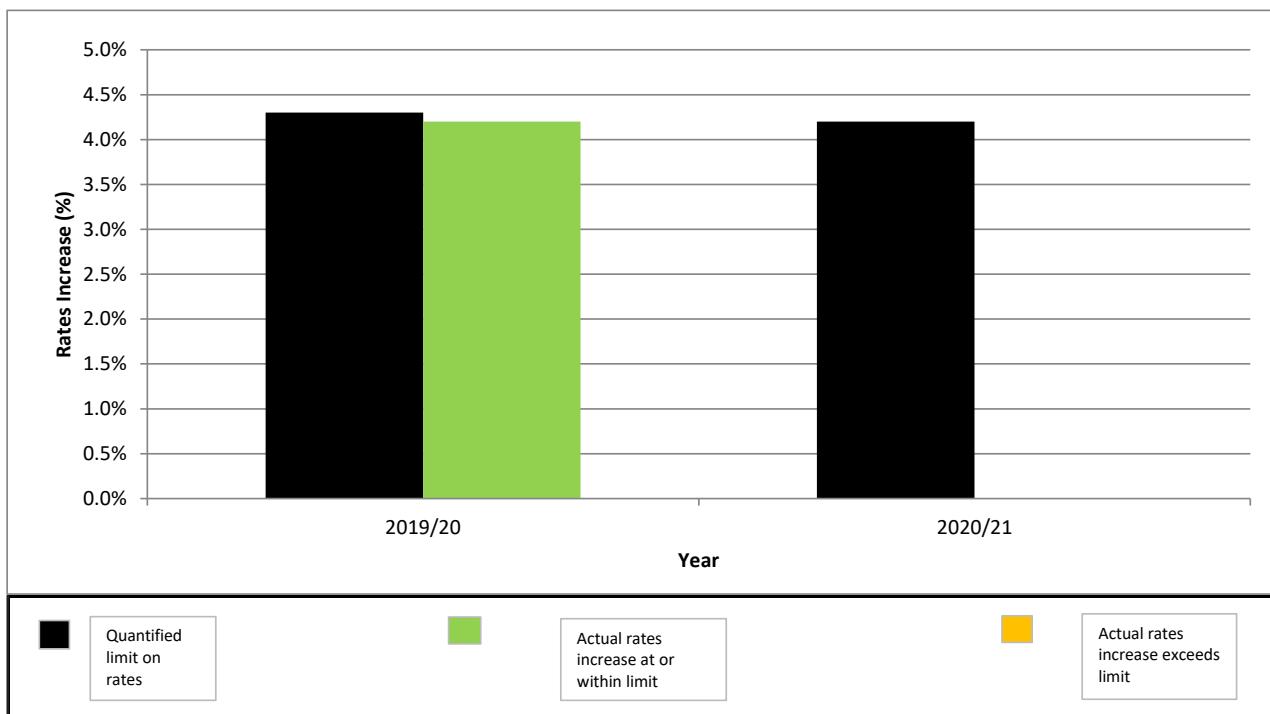
RATES (INCOME) AFFORDABILITY

The following graph compares the Council's planned rates income with a quantified limit on rates contained in the financial strategy included in this Long Term Plan. The quantified limit is \$105 million.



RATES (INCREASES) AFFORDABILITY

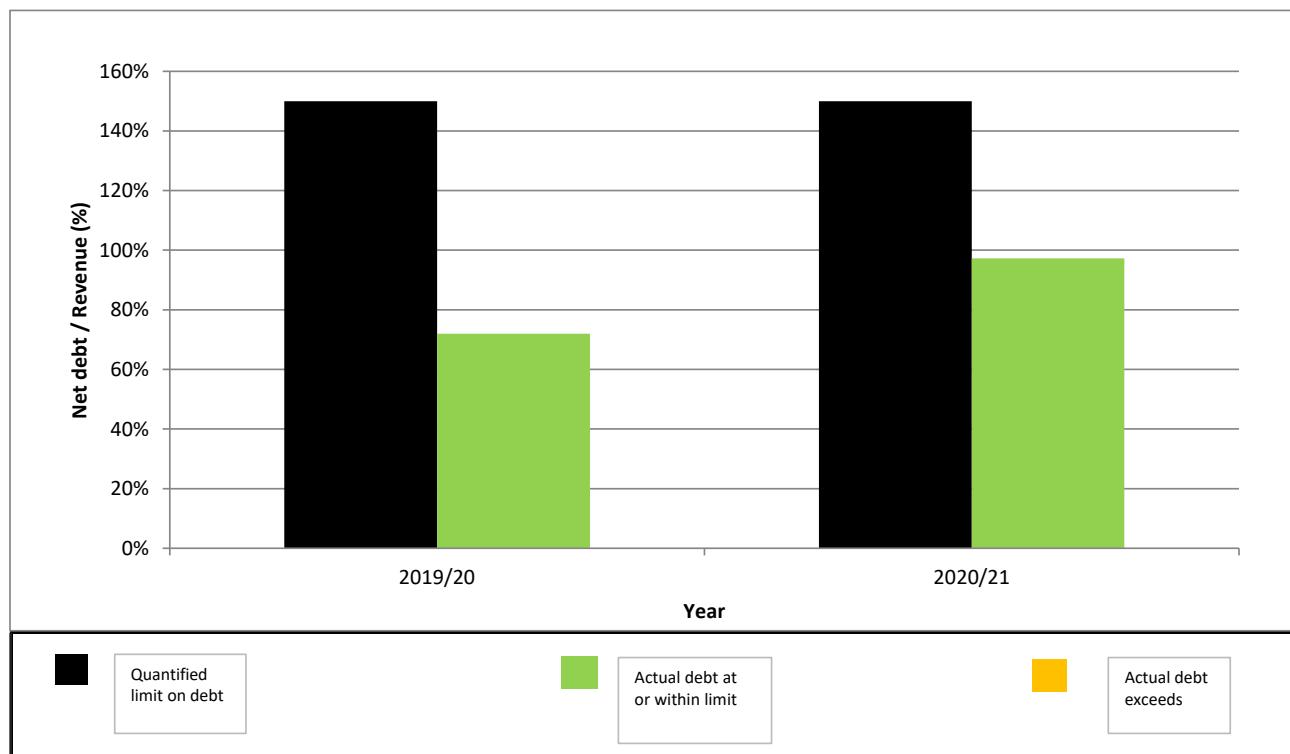
The following graph compares the Council's planned rates increases with a quantified limit on rates increases included in the financial strategy included in this Long Term Plan. The quantified limit is the local government cost index plus 2% for each year of the Long Term Plan.



BALANCED BUDGET BENCHMARK

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

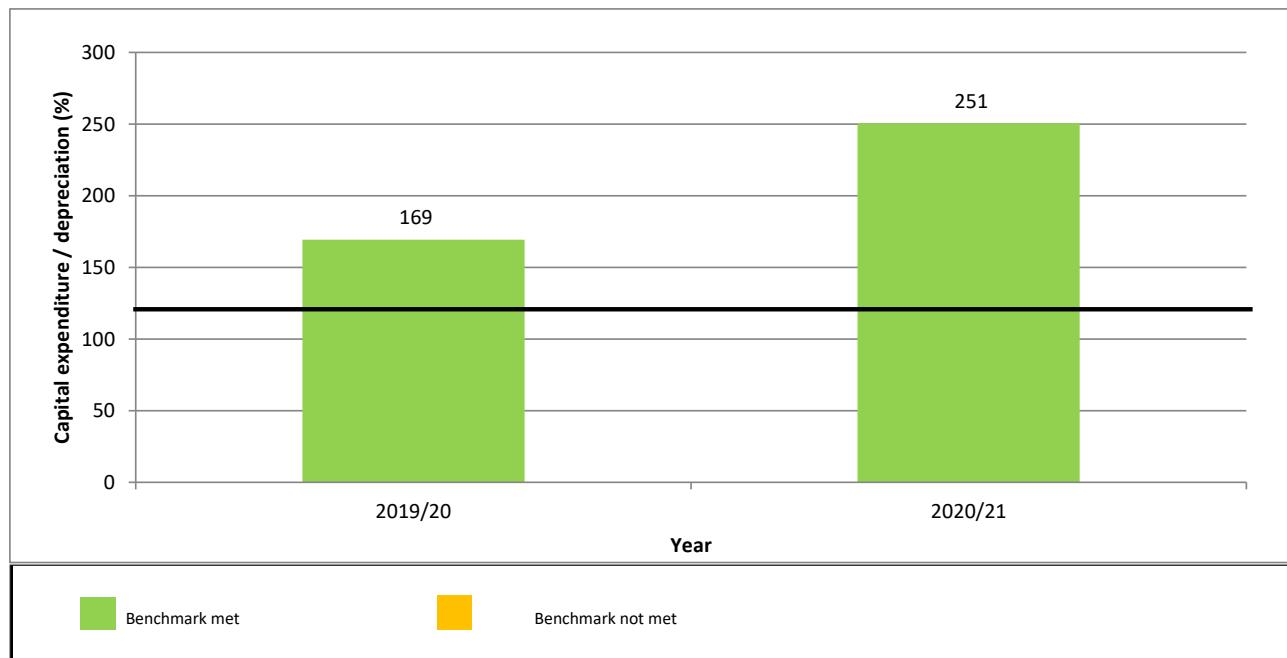
The Council meets this benchmark if its planned revenue equals or is greater than its planned operating expenses.



DEBT AFFORDABILITY BENCHMARK

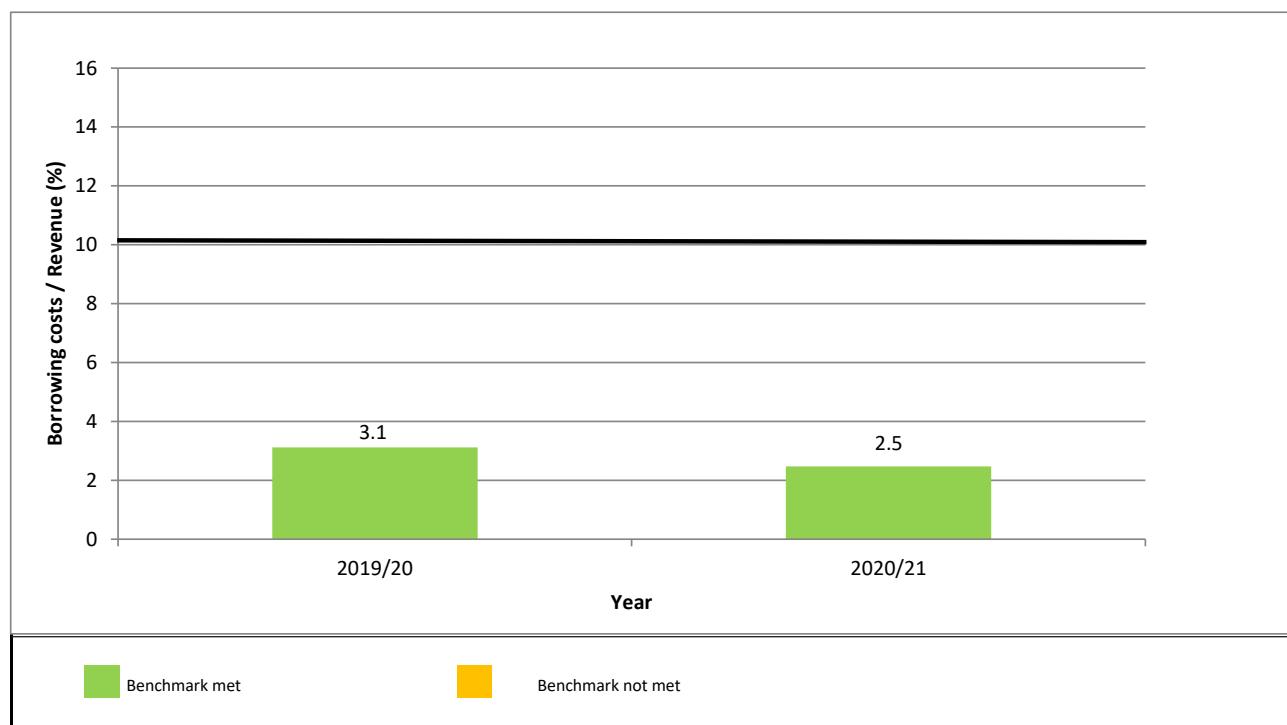
The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

The following graph compares the Council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this Long Term Plan. The quantified limit is that net external borrowings are not to exceed 150% of revenue. Net external borrowings are defined as external debt and overdraft less cash balances and deposits.



ESSENTIAL SERVICES BENCHMARK

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



CONTACT US



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Nelson, 7040



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03 546 0200



Online at
nelson.govt.nz

COUNCIL CUSTOMER SERVICE CENTRE

Open from 8.30am to 5.00pm weekdays (from 9.00am on Wednesdays) in Civic House, corner Halifax and Trafalgar St, 110 Trafalgar Street, Nelson

CORRESPONDENCE

Written correspondence to Council should be addressed to the Chief Executive, PO Box 645, Nelson 7040. Emails should be sent to enquiry@ncc.govt.nz

ATTEND A COUNCIL MEETING

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

PUBLIC FORUMS

There is a Public Forum at the beginning of most ordinary Council meetings where up to five minutes will be available for members of the public to speak to Council. You need to book a time before the meeting by contacting a Council Governance Adviser on 03 546 0436.

PETITIONS

The presentation of a petition to Council or its Standing Committees must also conform to certain rules. Contact a Council Governance Adviser on 03 546 0436.





PHOTOS

Many of the beautiful Nelson images in this publication were kindly provided by Dom Channon, Phillip Rollo and Tim Cuff.



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