

# **Draft Supporting Financial Information for the Long Term Plan 2024-2034 Consultation Document**



**Nelson** City Council  
Te Kaunihera o **Whakatū**

# Table of Contents

Accounting Policies .....2

Funding Impact Statement .....14

Commercial and Service Activity Wastewater Charge – Trade Waste Charges .....23

Report on Financial Prudence .....30

Notes and Graphs.....31

Statement of Comprehensive Revenue and Expense .....36

Statement of changes in Net Assets/Equity.....36

Statement of Financial Position .....37

Cash Flow Statement .....38

Financial Reserves Estimates .....39

# Accounting Policies

## REPORTING ENTITY

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

## BASIS OF PREPARATION

These prospective statements of Nelson City Council are for the 10 years from 1 July 2024. The draft forecast information was authorised for issue by Council on 22 March 2024.

This prospective financial information is based on the financial statements as published in the June 2023 Annual Report and adjusted to incorporate updated assumptions and Council decisions made for the purpose of this Long Term 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 (FIS) 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. The prospective financial statements 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 FIS do not comply with GAAP as they do not recognise depreciation and movements in the valuation of assets and also they do not show capital income (Subsidies and Development Contributions) as operating income. A reconciliation is provided between the FIS surplus/(deficit) of operating funding and the Statement of Comprehensive Revenue.

## Presentation currency and rounding

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## REVENUE

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

## Exchange and non-exchange transactions

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

## **Rates revenue**

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

## **Government grants**

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

## **Provision of commercially based services**

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

## **Vested Assets**

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

## **Sales of goods**

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

## **Traffic and parking infringements**

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

## **Interest and dividends**

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

## **Development contributions**

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

## **EXPENDITURE**

### **Borrowings costs**

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

### **Foreign currency transactions**

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

liabilities denominated in foreign currencies are recognised in the surplus or deficit.

## **Grants**

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

## **Operating leases**

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Any lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

## **CASH AND CASH EQUIVALENTS**

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

## **RECEIVABLES**

Short term debtors and other receivables are recorded at their face value, less an allowance for expected credit losses (ECL). The Council applies the simplified ECL model of recognising lifetime ECL for receivables.

In measuring ECLs, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates are "written-off":

- when remitted in accordance with the Council's rates remission policy; and
- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Other receivables are written-off when there is no reasonable expectation of recovery.

## **DERIVATIVE FINANCIAL INSTRUMENTS**

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

Swaps are entered into with the objective of reducing the risk of rising interest rates. Any gains or losses arising from the changes in fair value of derivatives are taken directly to the surplus or deficit for the year.

The fair value of interest rate swaps is determined by reference to market values for similar instruments. The net differential paid or received on interest rate swaps is recognised as a component of interest expense or interest revenue over the period of the agreement.

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

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

## **FIXED ASSETS**

Property, plant and equipment consist of the following categories:

- Operational Assets – these include land, buildings, improvements, landfill including estimated post closure, 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 and cannot be disposed of because of legal or other restrictions.
- Heritage Assets – Heritage Assets include museum artefacts, collections and historical buildings and monuments.
- Infrastructure Assets – infrastructure assets are the fixed utility systems owned by Council. These include the roading, water, sewer and stormwater networks.

### **Revaluation**

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

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

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

### **Additions**

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Work in progress is measured at cost less impairment and is not depreciated.

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

### **Disposals**

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

## Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

## Depreciation

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

Asset	Depreciable Life (years)
<b>Operational</b>	
Buildings	50-100
Improvements	Nil-20
Motor Vehicles	7
Plant and equipment	2-30
Library books	3-10
Marina	30-50
<b>Restricted</b>	
Buildings	50-100
Improvements	Nil-20
<b>Roading</b>	
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
<b>Water Supply</b>	

<b>Asset</b>	<b>Depreciable Life (years)</b>
Pipeline	55-120
Manholes	58-110
Pump stations	10-50
Oxidation pond	15-151
<b>Stormwater</b>	
Pipeline	50-90
Bank protection	25-100
Manholes	90
<b>Solid Waste</b>	
Retaining walls	30-100
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.

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

The reversal of an impairment loss on revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of an impairment loss is also recognised in surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in 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 2023. Changes in the valuation of the forestry assets are recognised in the surplus or deficit. The valuation does not include any value in respect of carbon trading.

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

### ***Emissions trading scheme for forestry***

The Council has voluntarily entered into the New Zealand Emissions Trade Scheme (ETS) in respect of the 144.3 hectares of forest land located in the Nelson region. This entitles the Council to receive emission units for carbon stored in the specific area from a 1 July 2022 baseline.

Received (encumbered) carbon credits are recognised in the forestry asset at acquisition through offset of the surrender liability (currently the Council is holding 14,453 credits). They are derecognised when they are used to satisfy carbon emission obligations.

### **Intangible Assets**

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

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

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

Staff training costs are recognised as an expense when incurred.

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

#### ***Amortisation***

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

The amortisation charge for each period is recognised in the surplus or deficit. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

<b>Intangible asset</b>	<b>Useful life (years)</b>	<b>Amortisation rate</b>
Computer software	3-10	10-33%

### **Inventory**

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

### **Work in progress**

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

## **Investment property**

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

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

## **Other financial assets**

Financial assets are initially recognised at fair value. They are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); or
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the carrying value of the financial asset at initial recognition, unless it has been designated at FVTSD, in which case it is recognised in surplus or deficit. The classification of a financial asset depends on its cash flow characteristics and the Council's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Council may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

### **Subsequent measurement of financial assets at amortised cost**

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and loans to subsidiaries and associates.

### **Subsequent measurement of financial assets at FVTOCRE**

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except expected credit losses (ECL) and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit. The Council does not hold any debt instruments in this category.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council designate into this category all equity investments that are not included in its investment fund portfolio, and if they are intended to be held for the medium to long-term.

### **Subsequent measurement of financial assets at FVTSD**

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit. Interest revenue and dividends recognised from these

financial assets are separately presented within revenue. Instruments in this category include the Council's investment fund portfolio (comprising of listed shares, bonds, and units in investment funds) and LGFA borrower notes.

### **Expected credit loss allowance (ECL)**

The Council recognises an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Council in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council's historical experience and informed credit assessment and including forward-looking information.

The Council consider a financial asset to be in default when the financial asset is more than 90 days past due. The Council may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

### **BORROWINGS**

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

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

### **CREDITORS AND OTHER PAYABLES**

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

### **EMPLOYEE ENTITLEMENTS**

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

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

### **SUPERANNUATION SCHEMES**

#### **Defined contribution schemes**

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

### **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 financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

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

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

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

## **GOODS AND SERVICES TAX (GST)**

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

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

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

## **COST ALLOCATION**

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

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

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

## EQUITY

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

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

## RESERVES

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

### **Restricted reserves**

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

### **Council created reserves**

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

### **Revaluation reserves**

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

## STATEMENT OF CASHFLOWS

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Council invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the Council and record the cash payments made of the supply of goods and services. Investing activities are those activities relating to the acquisition and disposal of noncurrent assets. Financing activities comprise activities that change the equity and debt capital structure of Council.

## CHANGES IN ACCOUNTING POLICIES

PBE IPSAS Leases sets out principles for the recognition, measurement, presentation, and disclosure of leases to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The effective reporting date is 1 January 2025, and the Council does not plan to early adopt this standard.

## CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

## **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;
- 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 underestimating 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; and
- The revaluation of infrastructural assets is carried out in-house by Council engineering staff and is then peer-reviewed by experienced independent valuers.

# 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 charge
- Flood Protection rate
- Storm Recovery charge
- Wastewater charge
- Water annual charge
- Water volumetric rate

If part of scheme:

- 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 2024 is 23,312.

The projected total capital value of rating units within Nelson at 30 June 2024 is \$23,454,637,000.

The projected total land value of rating units within Nelson at 30 June 2024 is \$12,743,600,000.

## **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 2024/25

To further clarify the rates changes from 2023/24 to those for the 2024/25 rating year, a selection of properties has been shown to provide a guide. The following table is GST inclusive.

Examples of Total Impact of General and Targeted Rates on Different Land Uses and Values (GST Inclusive)											
Property Type	2021 Land Value	2023/24 Rates	2024/25 Rates								
			General Rate	UAGC @8.7%	Storm Recovery Charge	Stormwater Charge	Flood Protection Rate (LV)	Waste water	Water Annual Charge	Total Rates	\$ increase on 2023/24 Rates
Residential	\$265,000	\$2,712	\$1,091	\$344	\$300	\$383	\$98	\$639	\$254	\$3,108	\$396
	\$305,000	\$2,861	\$1,256	\$344	\$300	\$383	\$112	\$639	\$254	\$3,288	\$426
	\$380,000	\$3,141	\$1,565	\$344	\$300	\$383	\$140	\$639	\$254	\$3,624	\$483
	\$430,000	\$3,327	\$1,771	\$344	\$300	\$383	\$158	\$639	\$254	\$3,848	\$521
	\$500,000	\$3,588	\$2,059	\$344	\$300	\$383	\$184	\$639	\$254	\$4,162	\$574
	\$540,000	\$3,737	\$2,224	\$344	\$300	\$383	\$199	\$639	\$254	\$4,342	\$605
	\$560,000	\$3,812	\$2,306	\$344	\$300	\$383	\$206	\$639	\$254	\$4,432	\$620
	\$590,000	\$3,923	\$2,430	\$344	\$300	\$383	\$217	\$639	\$254	\$4,566	\$643
	\$625,000	\$4,054	\$2,574	\$344	\$300	\$383	\$230	\$639	\$254	\$4,723	\$669
	\$670,000	\$4,222	\$2,759	\$344	\$300	\$383	\$247	\$639	\$254	\$4,925	\$703
	\$870,000	\$4,967	\$3,583	\$344	\$300	\$383	\$320	\$639	\$254	\$5,822	\$855
	\$1,200,000	\$6,196	\$4,941	\$344	\$300	\$383	\$442	\$639	\$254	\$7,303	\$1,106
	\$1,500,000	\$7,314	\$6,177	\$344	\$300	\$383	\$552	\$639	\$254	\$8,649	\$1,334
Average Residential Land Value is \$500,000											
Multi Residential (Two flats - Two UAGC & Wastewater Charges)	\$510,000	\$4,976	\$2,310	\$687	\$600	\$383	\$188	\$1,278	\$507	\$5,954	\$978
	\$1,550,000	\$9,007	\$7,021	\$687	\$600	\$383	\$571	\$1,278	\$254	\$10,794	\$1,787
Empty Residential Section (Water annual charge included if water meter is installed)	\$200,000	\$1,621	\$824	\$344	\$300	\$383	\$74			\$1,850	\$229
	\$470,000	\$2,855	\$1,935	\$344	\$300	\$383	\$173		\$254	\$3,419	\$564
	\$860,000	\$4,307	\$3,541	\$344	\$300	\$383	\$317		\$254	\$5,168	\$861
Small Holding (Water annual charge included if water meter installed)	\$550,000	\$2,720	\$2,038	\$344	\$300	\$0	\$203			\$2,885	\$165
	\$700,000	\$3,451	\$2,594	\$344	\$300	\$0	\$258		\$254	\$3,749	\$299
Rural (Water annual charge included if water meter installed)	\$1,380,000	\$3,660	\$3,694	\$344	\$300		\$508			\$4,846	\$1,186
	\$2,230,000	\$5,945	\$5,969	\$344	\$300		\$821		\$254	\$7,687	\$1,742
Commercial - Outside Inner City / Stoke - 1 Unit	\$600,000	\$8,778	\$8,075	\$344	\$300	\$383	\$221	\$160	\$254	\$9,736	\$958
Commercial - Outside Inner City / Stoke - 1 Unit	\$630,000	\$9,154	\$8,479	\$344	\$300	\$383	\$232	\$160	\$254	\$10,151	\$997
Commercial - Outside Inner City / Stoke - 3 Units	\$260,000	\$4,991	\$3,499	\$687	\$600	\$383	\$96	\$320	\$254	\$5,838	\$847
Commercial - Stoke - 1 Unit	\$53,000	\$1,834	\$871	\$344	\$300	\$383	\$20	\$160	\$0	\$2,077	\$244
Commercial - Inner City - 2 Units	\$385,000	\$8,622	\$7,409	\$687	\$600	\$383	\$142	\$320	\$254	\$9,794	\$1,172
Commercial - Inner City - 2 Units	\$435,000	\$9,516	\$8,371	\$687	\$600	\$383	\$160	\$320	\$254	\$10,775	\$1,258
Commercial - Inner City - 1 Unit	\$1,530,000	\$28,634	\$29,443	\$344	\$300	\$383	\$564	\$160	\$254	\$31,447	\$2,813
This table does not include water charges based on consumption. For occupied residential properties, this is charged at \$2.631 per cubic meter and an average usage of 160 m <sup>3</sup> costing \$420.96 (GST Incl).											

## GENERAL RATE

A general rate set under section 13 of the Local Government (Rating) Act 2002 is based on the rateable value of the land. General rates are set at different rates in the dollar of rateable value for different categories of rateable land. The general rate is 0.41179 cents in the land value dollar (including GST) for the 2024/25 rating year for the base differential category.

This compares to the previous year's rate of 0.37263 in the land value dollar in the 2023/24 rating year 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 8.7% of rates, excluding water annual charge and water volumetric rate, through the UAGC.

The UAGC is \$343.74 including GST per separately used or inhabited part of a rating unit for the 2024/25 rating year. The charge for 2024/25 is \$23.74 higher than the charge of \$320.00 for the 2023/24 rating year.

The rates revenue sought from the uniform annual general charge and certain targeted rates set as a fixed amount is 19.30% 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.

## 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.
- 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.
- 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.
- Rural – any rating unit having an area greater than 15 hectares which is used primarily for dairy, fattening and grazing, quarries or horticultural use.
- Forestry – any rating unit which is primarily used for commercial forestry.
- 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.

## RATING CATEGORIES

Council has adopted the following differentials:

- Multi Residential 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 22.6% of the total rates excluding water annual charge and water volumetric rate.

The 22.6% is the same as in the Annual Plan 2022/23. 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 \$23,650,048 (including water annual charge) in rates for the 2024/25 rating year compared to \$21,240,797 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 2023/24	Differential %	Cents in the dollar
Residential – single dwelling	0.0	0.41179
Residential - empty section	0.0	0.41179
Multi Residential	10.0	0.45297
Forestry	0.0	0.41179
Rural	-35.0	0.26766
Small holding	-10.0	0.37061

Category 2023/24	Differential %	Cents in the dollar
------------------	----------------	---------------------

Commercial – excluding Inner City and Stoke

Commercial	226.84	1.34587
------------	--------	---------

Commercial – Inner City

Commercial	367.33	1.92440
------------	--------	---------

Commercial – Stoke

Commercial	299.15	1.64366
------------	--------	---------

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 2024/25, is as follows:

Category	Total Revenue to be collected (\$)
Residential	78,797,050
Multi-residential	7,756,893
Commercial (Inner City, Stoke and other)	23,650,048
Rural	554,274
Small holding	2,100,129
Forestry	98,505

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 CHARGE

The stormwater charge is a uniform targeted rate set under section 16 of the Local Government (Rating) Act 2002 per rating unit and is \$382.87 for the 2024/25 rating year. It recovers the funding required by Council for stormwater purposes. It is assessed on all rating units excluding:

- Rural rating units.
- Saxton's Island.
- Council's stormwater network.

## **FLOOD PROTECTION RATE**

The flood protection rate is a targeted rate set under Section 16 of the Local Government (Rating) Act 2002 and is based on the rateable value of the land. The flood protection rate is 0.03683 cents in the land value dollar (including GST) for the 2024/25 rating year. It recovers the funding required by Council for flood protection purposes. This rate is assessed on all rating units excluding Saxton's Island and Council's Stormwater Network.

## **STORM RECOVERY CHARGE**

The storm recovery charge is a uniform targeted rate set under Section 16 of the Local Government (Rating) Act 2002 and is \$300.00 per separately used or inhabited part of a rating unit for the 2024/25 rating year. It recovers the funding required by Council to recover the costs of the August 2022 severe weather event. This charge is assessed on all rating units.

## **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 wastewater drain.

The wastewater charge for residential, multi residential, rural, forestry and smallholding properties is \$639.11 per separately used or inhabited part of a rating unit including GST for the 2024/25 rating year compared to the previous year's rate of \$619.31. 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 \$159.78 per separately used or inhabited part of a rating unit being 25% of the charge for the residential, multi residential, rural, forestry and smallholding properties. Commercial properties are also assessed for wastewater charges based on Council's Trade Waste Bylaw. These proposed charges are detailed on pages 24 – 30 of this document.

## **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 2024/25 is \$253.53 per connection including GST compared with \$228.24 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 m3) 2023/24	Cost (\$ per m3) 2024/25
Usage up to 10,000m <sup>3</sup> per year	2.345	2.631
Usage from 10,001 to 100,000m <sup>3</sup> per year	2.006	2.236
Usage over 100,000m <sup>3</sup> per year	1.583	1.841
Summer irrigation usage over 10,000m <sup>3</sup> per year	2.175	2.446

The water rates represent an average increase of 11.8 for the 2024/25 year for an average water user.

Note: an average residential water user uses 160m<sup>3</sup> 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, 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 10% is added to each instalment or part thereof that is unpaid after the last date for payment. The penalty dates are 20 August 2024, 20 November 2024, 20 February 2025 and 20 May 2025. Previous year's rates that remain unpaid will have a further 10% penalty added on 8 July 2024 and 8 January 2025.

## FUNDING IMPACT STATEMENT

FUNDING IMPACT STATEMENT											
	Annual Plan 2023/24 (\$000)	Long-term Plan 2024/25 (\$000)	Long-term Plan 2025/26 (\$000)	Long-term Plan 2026/27 (\$000)	Long-term Plan 2027/28 (\$000)	Long-term Plan 2028/29 (\$000)	Long-term Plan 2029/30 (\$000)	Long-term Plan 2030/31 (\$000)	Long-term Plan 2031/32 (\$000)	Long-term Plan 2032/33 (\$000)	Long-term Plan 2033/34 (\$000)
<b>Sources of Operating Funding</b>											
General Rates, uniform annual general charges, rates penalties	57,557	63,701	68,097	71,042	75,131	78,266	83,845	85,990	89,252	89,439	91,571
Targeted rates including water by meter	36,942	46,316	48,897	52,653	55,583	60,249	62,877	67,885	71,440	77,022	78,842
Subsidies and grants for operating purposes	13,228	11,330	10,947	11,444	11,834	11,879	14,343	14,738	14,923	14,493	15,171
Fees and charges	18,354	33,926	33,041	34,324	37,221	38,423	39,626	41,325	43,506	45,034	47,999
Interest and dividends from investments	3,621	2,900	3,751	3,640	3,601	3,777	4,245	4,316	3,996	3,681	3,704
Local authorities fuel tax, fines, infringement fees, and other receipts	18,470	4,321	5,460	6,126	6,695	7,192	8,144	9,826	11,008	11,721	11,678
<b>Total Operating Funding</b>	<b>148,172</b>	<b>181,355</b>	<b>187,777</b>	<b>197,814</b>	<b>211,833</b>	<b>224,161</b>	<b>241,268</b>	<b>255,153</b>	<b>266,534</b>	<b>274,882</b>	<b>283,507</b>
<b>Applications of operating funding</b>											
Payments to staff and suppliers	121,302	120,089	121,794	124,836	131,065	133,918	140,747	143,041	149,734	149,692	154,949
Finance costs	7,743	11,960	12,567	13,924	16,102	18,903	23,662	27,703	29,869	31,203	32,347
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
<b>Total applications of operating funding</b>	<b>129,045</b>	<b>150,908</b>	<b>151,946</b>	<b>157,345</b>	<b>168,936</b>	<b>177,194</b>	<b>192,597</b>	<b>201,818</b>	<b>212,011</b>	<b>214,389</b>	<b>221,838</b>
<b>Surplus (Deficit) of operating funding</b>	<b>19,127</b>	<b>30,447</b>	<b>35,831</b>	<b>40,469</b>	<b>42,897</b>	<b>46,966</b>	<b>48,672</b>	<b>53,335</b>	<b>54,522</b>	<b>60,493</b>	<b>61,669</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital	20,447	19,868	18,902	31,579	22,828	11,426	13,861	15,534	14,389	15,735	16,851
Development and financial contributions	3,828	6,444	9,807	10,036	10,233	10,456	19,880	20,289	20,682	21,102	21,507
Increase (decrease) in debt	45,018	28,810	27,059	34,123	36,640	83,757	68,335	45,529	26,318	21,769	20,890
Gross proceeds from sale of assets	0	110	29,141	0	0	0	0	0	0	0	0
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
<b>Total sources of capital funding</b>	<b>69,292</b>	<b>55,232</b>	<b>84,910</b>	<b>75,738</b>	<b>69,700</b>	<b>105,640</b>	<b>102,076</b>	<b>81,352</b>	<b>61,389</b>	<b>58,606</b>	<b>59,249</b>
<b>Applications of capital funding</b>											
Capital Expenditure											
- to meet additional demand	12,069	18,260	27,750	41,057	33,910	14,324	15,842	17,844	20,319	27,972	33,961
- to improve level of service	50,238	37,040	31,669	39,332	39,894	71,047	46,916	47,414	36,706	35,597	41,477
- to replace existing assets	26,973	27,728	27,505	30,489	36,629	50,079	60,806	56,132	56,860	54,339	44,608
Increase (decrease) in reserves	(1,470)	1,148	860	994	954	961	902	948	996	1,102	1,415
Increase (decrease) in investments	610	1,503	32,956	4,335	1,210	16,194	26,282	12,349	1,032	90	(543)
<b>Total applications of capital funding</b>	<b>88,419</b>	<b>85,679</b>	<b>120,741</b>	<b>116,207</b>	<b>112,597</b>	<b>152,606</b>	<b>150,748</b>	<b>134,687</b>	<b>115,912</b>	<b>119,099</b>	<b>120,918</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(19,127)</b>	<b>(30,447)</b>	<b>(35,831)</b>	<b>(40,469)</b>	<b>(42,897)</b>	<b>(46,966)</b>	<b>(48,672)</b>	<b>(53,335)</b>	<b>(54,522)</b>	<b>(60,493)</b>	<b>(61,669)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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 2023/24 (\$000)	Long-term Plan 2024/25 (\$000)	Long-term Plan 2025/26 (\$000)	Long-term Plan 2026/27 (\$000)	Long-term Plan 2027/28 (\$000)	Long-term Plan 2028/29 (\$000)	Long-term Plan 2029/30 (\$000)	Long-term Plan 2030/31 (\$000)	Long-term Plan 2031/32 (\$000)	Long-term Plan 2032/33 (\$000)	Long-term Plan 2033/34 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	19,127	30,447	35,831	40,469	42,897	46,966	48,672	53,335	54,522	60,493	61,669
Subsidies and grants for capital expenditure	20,447	19,868	18,902	31,579	22,828	11,426	13,861	15,534	14,389	15,735	16,851
Development and financial contributions	3,828	6,444	9,807	10,036	10,233	10,456	19,880	20,289	20,682	21,102	21,507
Vested Assets	5,359	5,640	5,764	5,902	6,038	6,171	6,301	6,433	6,562	6,693	6,820
Gains on sale	0	0	0	0	0	0	0	0	0	0	0
Depreciation	(40,885)	(45,259)	(46,625)	(48,308)	(50,625)	(52,765)	(54,460)	(56,830)	(59,336)	(61,340)	(63,372)
Other non-cash income	(1,702)	(1,481)	(24)	(185)	(113)	(87)	7	(2)	(10)	(75)	(345)
Other non-cash expenditure	0	0	0	0	0	0	0	0	0	0	0
<b>Net Surplus (Deficit) before taxation in Statement of Comprehensive Revenue and Expense</b>	<b>6,173</b>	<b>15,659</b>	<b>23,655</b>	<b>39,493</b>	<b>31,257</b>	<b>22,167</b>	<b>34,260</b>	<b>38,760</b>	<b>36,808</b>	<b>42,608</b>	<b>43,130</b>



# Commercial and Service Activity Wastewater Charge – Trade Waste Charges

Wastewater charges for commercial and service properties are set according to Council's Trade Waste Bylaw. To calculate the charges to these producers Council examines the flow rates and effluent strength in the network over the previous three years and uses them as the basis for trade waste charges for the following year. The current charging formulas can be viewed on the Council website. (<https://www.nelson.govt.nz/services/water-and-wastewater/trade-waste-charges>)

It is proposed to move from the current methodology of having two methods to calculate wastewater charges for commercial and service properties to having a three method approach. The three methods are called Methods 'A', 'B' and 'C'. The proposed methods and charging formulas are detailed below (the charging formulas are at the end of the section):

**Method A** (previously known as Trade Waste A) remains unchanged and applies to the largest trade waste contributors and the charge is calculated on both discharge rates and effluent strength. Charges are highest for the most concentrated and larger volumes. Method A applies where a trade waste customer's water usage is over 10,000m<sup>3</sup> per year or where trade waste BOD<sub>5</sub> testing shows loads greater than 1.5kg/m<sup>3</sup> and the cost of monitoring, testing and calculating the charges is likely to be less than half the trade waste charge for this category.

**Method B** is new and applies to the next largest trade waste contributors, of which there are approximately 20 in Nelson city. The charge is calculated based on the estimated volume of effluent discharged and the measured effluent strength.

The default for estimating discharge will be 80% of water measured into the site from all sources unless another figure is agreed by Council's Chief Executive - based on an auditable trail of evidence for any alternative.

Method B customers can also install the appropriate effluent volume measuring equipment and become a Method 'A' wastewater contributor if they choose to. The volume and effluent strength charges will be as per method A.

The volume and BOD charges will then be as per trade waste Method A. Method B applies where a trade waste customer's water usage is over 6,000m<sup>3</sup> per year or where BOD<sub>5</sub> testing shows loads greater than 1.5kg/m<sup>3</sup> and the cost of monitoring, testing and calculating the charges as per Method A is likely to be more than half the trade waste charge for Method A.

**Method C** (previously known as Trade Waste B) applies to all other trade waste contributors, of which there are approximately 1400. The charge is calculated on the estimated volume of effluent discharged. The estimate assumes the amount of wastewater is 80% of the volume of incoming water. The trade waste charge is then calculated using a combined conveyance and treatment rate.

Total trade waste revenue for 2024/25 is estimated to be \$3,634,000.

For 2024/25 the GST inclusive trade waste charges will be:

- Trade waste A and B conveying charge \$1,175.73 per litre per minute.
- Trade waste A and B treatment charge \$1,802.10 per kg BOD\* per day.
- Trade waste C combined charge \$4.09 per m<sup>3</sup>.



- Wastewater charge \$159.78 per year.
- \*BOD is the biochemical oxygen demand, or effluent strength.*

For the previous year, 2023/24, the GST inclusive trade waste charges were:

- Trade waste A conveying charge \$989.13 per litre per minute.
- Trade waste A treatment charge \$1,695.42 per kg BOD\* per day.
- Trade waste B combined charge \$3.12 per m<sup>3</sup>.
- Wastewater charge \$154.83 per year.

### Method A: quality/quantity approach

The largest commercial contributors are 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 year's BOD loadings.

The 2024/25 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 (\$)
2023/24	11,384,309	11,509	989.13
2024/25	14,118,007	12,008	1,175.73

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

Year	Total Cost (\$)	Average BOD Loading (kg/day)	Cost/kg/BOD/day (\$)
2023/24	7,486,611	4,416	1,695.42
2024/25	8,317,749	4,616	1,802.10

### Method B: quality/quantity approach

The next largest commercial or service contributors are monitored every three months and the waste stream sampled over four days to measure the effluent strength as BOD, the biochemical oxygen demand. 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 by the Chief

Executive. It is assumed that 80% of the water that is distributed to a commercial or service property is subsequently discharged as wastewater.

The trade waste charge is then calculated using the conveyance, which is the amount discharged, and treatment rates from the Trade Waste 'A' 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 year's BOD loadings.

For a limited number of activities – typically those where it is not possible to use a single % of 'water in' to reflect categories owing to very high levels of water used for processing or irrigation and highly variable levels of on-site wastewater produced Council will work with the activity owner and make an assessment of the expected discharge of effluent from the site.

This will be charged at the closest appropriate rate taken from the trade waste 'A'/'B'/'C' charges.

Agreed volumes will need to be based on verifiable results and any activities in this category will need to be approved by the Chief Executive. 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 2024/25 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 (\$)
2023/24	11,384,309	11,509	989.13
2024/25	14,118,007	12,008	1,175.73

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

Year	Total Cost (\$)	Average BOD Loading (kg/day)	Cost/kg/BOD/day (\$)
2023/24	7,486,611	4,416	1,695.42
2024/25	8,317,749	4,616	1,802.10

**Method C: quantity approach**

For all other trade waste contributors, of which there are approximately 1400 in Nelson City, 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 or service 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. To arrive at the final rate the calculation above is then increased by 15% to reflect the greater complexity of trade waste discharges when compared to residential discharges.

For a limited number of activities – typically those where it is not possible to use a single % of 'water in' to reflect categories owing to very high levels of water used for processing or irrigation and highly variable levels of on-site wastewater produced Council will work with the activity owner and make an assessment of the expected discharge of effluent from the site.

This will be charged at the closest appropriate rate taken from the trade waste 'A'/'B'/'C' charges.

Agreed volumes will need to be based on verifiable results and any activities in this category will need to be approved by the Chief Executive.

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 2023/24 charges compared with the previous year's charges are:**

#### **CONVEYING AND TREATMENT, INCLUDING GST**

<b>Year</b>	<b>Total Cost (\$)</b>	<b>Total effluent volume (m3)</b>	<b>Cost/m3 (\$)</b>
2023/24	18,870,920	6,049,347	3.12
2024/25	22,435,756	6,311,329	4.09

#### **Temporary Hardship Concession for Trade Waste Customers**

Customers in trade waste methods 'A' and 'B' who are experiencing significant financial hardship will be able to apply to the Chief Executive for consideration of a temporary reduction of the trade waste charges. Any application must be supported by auditable evidence of significant financial hardship that threatens the commercial viability of the business. The policy is restricted to a temporary reduction of charges only and will be based on allowing a time - based transition to full trade waste charges for the appropriate category over a maximum of three financial years.

### **Trade Waste Charges - Formulas**

It is proposed that the Trade Waste charges are based on the total costs recovered by the Council for conveyance, treatment, and disposal of the effluent regardless of which treatment system serves the premises.

There will be three methods for how charges are decided – Method A, Method B and Method C.

#### **METHOD A - THE MEASURED QUALITY-QUANTITY APPROACH**

The estimated total cost for the current financial year to be recovered by the Council through the Drainage Account for receiving, conveying, treating and disposing of wastewater within its district is assessed.

This cost is proportioned to the various stages of the service provided as follows:

**Conveying**

Capital charges and operating costs of sewers and pumping stations are allocated with respect to the rate of discharge. From 1 July 2024, the charge for Method A Conveying is \$1,175.73 (GST inclusive) per litre per minute.

**Treatment**

Capital charges and operating costs for wastewater treatment and disposal are allocated with respect to Biochemical Oxygen Demand ('BOD') 5 loadings. From 1 July 2024, the charge for Method A Treatment is \$1,802.10 (GST inclusive) per kg BOD per day. The charges in respect of special wastes are based upon the rate of discharge; and BOD 5 as hereinafter more fully dealt with and the charges for excess volume shall be based upon the first of these only, viz rate of discharge (except where hereinafter expressly provided).

The methods to be used for determining the rate of discharge and BOD 5 shall be as:

**Rate of Discharge**

The rate of discharge from any trade premises shall be deemed to be the average rate (in litres per minute) at which discharge is made over eight periods each of twenty-four consecutive hours duration, which are reasonably representative of peak conditions during each financial year or over such lesser numbers of periods as may be agreed between the Council and the discharger.

**Biochemical Oxygen Demand**

The amount of BOD for which any trade premises is chargeable shall be calculated in accordance with the results of analysis of samples collected by the Council proportionally to flow over periods of 24 consecutive hours on eight occasions that are reasonably representative of peak conditions during each financial year or on such lesser number of occasions as may be agreed between the Council and the discharger. The analysis shall be carried out on a shaken proportionate sample, which shall be analysed by the standard five day BOD 5 test.

The charges payable to the Council by owners of trade premises in respect of the receiving, treatment and disposal of trade waste discharges from their respective trade premises shall be calculated in accordance with the following basis:

- Conveying based on rate of discharge per litre per minute. Treatment based on BOD 5 tests (per kilogram BOD per day).

A wastewater charge is set under Section 16 of the Local Government (Rating) Act 2002 to recover the costs required for Council's sewerage disposal system. This charge is levied to all units to which the Council's sewerage disposal service is provided. The commercial wastewater charge from 1 July 2024 is \$159.78 (GST inclusive). The total amounts calculated above shall be reduced by deducting the city wide wastewater charge.

This final charge is expressed **D = (P 1 O + P 3 R) - E**

<b>D</b>	Total annual charge
<b>P 1</b>	Cost of treatment in \$/annum/kg BOD/day

<b>P 3</b>	Cost of conveying the volume received in \$/annum/litre/min
<b>O</b>	BOD as determined hereof in kg per day units
<b>R</b>	Rate of discharge from the trade premises in litres/min as determined above
<b>E</b>	Wastewater charge, see above

In calculating such charge in accordance with this method, any domestic sewage, which is discharged from the premises affected shall be deemed to be trade wastes. Please note that the application of this formula does not entitle an owner to a rebate.

Should final information with regard to rate of discharge or BOD 5 test not be available in respect of any period for which payment becomes due, the Council may assess a provisional charge which shall be payable as if it were the proper charge, provided that as soon as the proper charge can be calculated by the Council, notice shall be sent to the owner and any refund or additional payment as the case may be shall be made within one calendar month from the date of dispatch of such notice.

### **METHOD B - THE MEASURED QUALITY- ESTIMATED QUANTITY APPROACH**

The estimated total cost for the current financial year to be recovered by the Council through the Drainage Account for receiving, conveying, treating and disposing of wastewater within its district is assessed.

This cost is proportioned to the various stages of the service provided as per Method 'A' above:

#### **Conveying**

Capital charges and operating costs of sewers and pumping stations are allocated with respect to the rate of discharge. From 1 July 2024, the charge for Method B Conveying is \$1,175.73 (GST inclusive) per litre per minute.

#### **Treatment**

Capital charges and operating costs for wastewater treatment and disposal are allocated with respect to Biochemical Oxygen Demand ('BOD') loadings. From 1 July 2024, the charge for Method B Treatment is \$1,802.10 (GST inclusive) per kg BOD per day. The charges in respect of special wastes are based upon the rate of discharge; and BOD as hereinafter more fully dealt with and the charges for excess volume shall be based upon the first of these only, viz rate of discharge (except where hereinafter expressly provided).

The methods to be used for determining the rate of discharge and BOD shall be as:

#### **Rate of Discharge**

The rate of discharge from any trade premises shall be calculated based on the estimated volume of effluent discharged from the property. The default for discharge will be 80% of water measured into the site from all sources unless another figure is agreed by the Chief Executive - based on an auditable trail of evidence for any alternative.

#### **Biochemical Oxygen Demand**

The amount of BOD for which any trade premises is chargeable shall be calculated in accordance with the results of analysis of samples collected by the Council proportionally to flow over periods of 24 consecutive hours on eight occasions that are reasonably representative of peak conditions during each financial year or on such lesser number of occasions as may be agreed between the Council and the discharger. The analysis shall be carried out on a shaken proportionate sample, which shall be analysed by the standard five day BOD 5 test.

The charges payable to the Council by owners of trade premises in respect of the receiving, treatment and disposal of trade waste discharges from their respective trade premises shall, subject to the other provisions of this bylaw be calculated in accordance

with the following basis:

- Conveying based on rate of discharge per litre per minute. Treatment based on BOD 5 testing (per kilogram BOD per day).

A wastewater charge is set under Section 16 of the Local Government (Rating) Act 2002 to recover the costs required for Council's sewerage disposal system. This charge is levied to all units to which the Council's sewerage disposal service is provided. The commercial wastewater charge from 1 July 2024 is \$159.78 (GST inclusive).

The total amounts calculated above shall be reduced by deducting the wastewater charge as follows.

This final charge is expressed **D = (P 1 O + P 3 R) – E**

<b>D</b>	Total annual charge
<b>P 1</b>	Cost of treatment in \$/annum/kg BOD/day
<b>P 3</b>	Cost of conveying the volume received in \$/annum/litre/min
<b>O</b>	BOD as determined hereof in kg per day units
<b>R</b>	Rate of discharge from the trade premises in litres/min as determined in this method description
<b>E</b>	Wastewater charge, see above

In calculating such charge in accordance with this method, any domestic sewage, which is discharged from the premises affected shall be deemed to be trade wastes. Please note that the application of this formula does not entitle an owner to a rebate.

Should final information with regard to rate of discharge or BOD 5 test not be available in respect of any period for which payment becomes due, the Council may assess a provisional charge which shall be payable as if it were the proper charge, provided that as soon as the proper charge can be calculated by the Council, notice shall be sent to the owner and any refund or additional payment as the case may be shall be made within one calendar month from the date of dispatch of such notice.

#### **METHOD C - THE QUANTITY APPROACH**

For all other trade or service premises that do not fall under Methods 'A' or 'B', and for hotels, motels and camping grounds, the trade waste charge shall be calculated as follows:

**D 1 = (W x F x C) – E**

<b>D 1</b>	Quarterly charge
<b>W</b>	Volume of water supplied to the premises during the period
<b>F</b>	Correlation factor between water usage and sewage flows and shall be 0.8 unless another figure is agreed between the Council and the particular premises
<b>C</b>	The cost per cubic metre to the Council for conveying and treating the City's sewage. This figure shall be set annually by the Council and shall be based on the estimated total cost to Council for conveying and treating wastewater within its district and the previous year's flow, expressed in \$/m3
<b>C</b>	As set each year in the Long Term Plan or Annual Plan; from 1 July 2024 the Method C Combined charge is \$4.09 (GST inclusive) per m3
<b>E</b>	The wastewater charge

# Report on Financial Prudence

## Long-Term Plan Disclosure Statement for the Period Commencing 1 July 2024

### WHAT IS THE PURPOSE OF THIS STATEMENT?

The purpose of this statement is to disclose 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.*

# Notes and Graphs

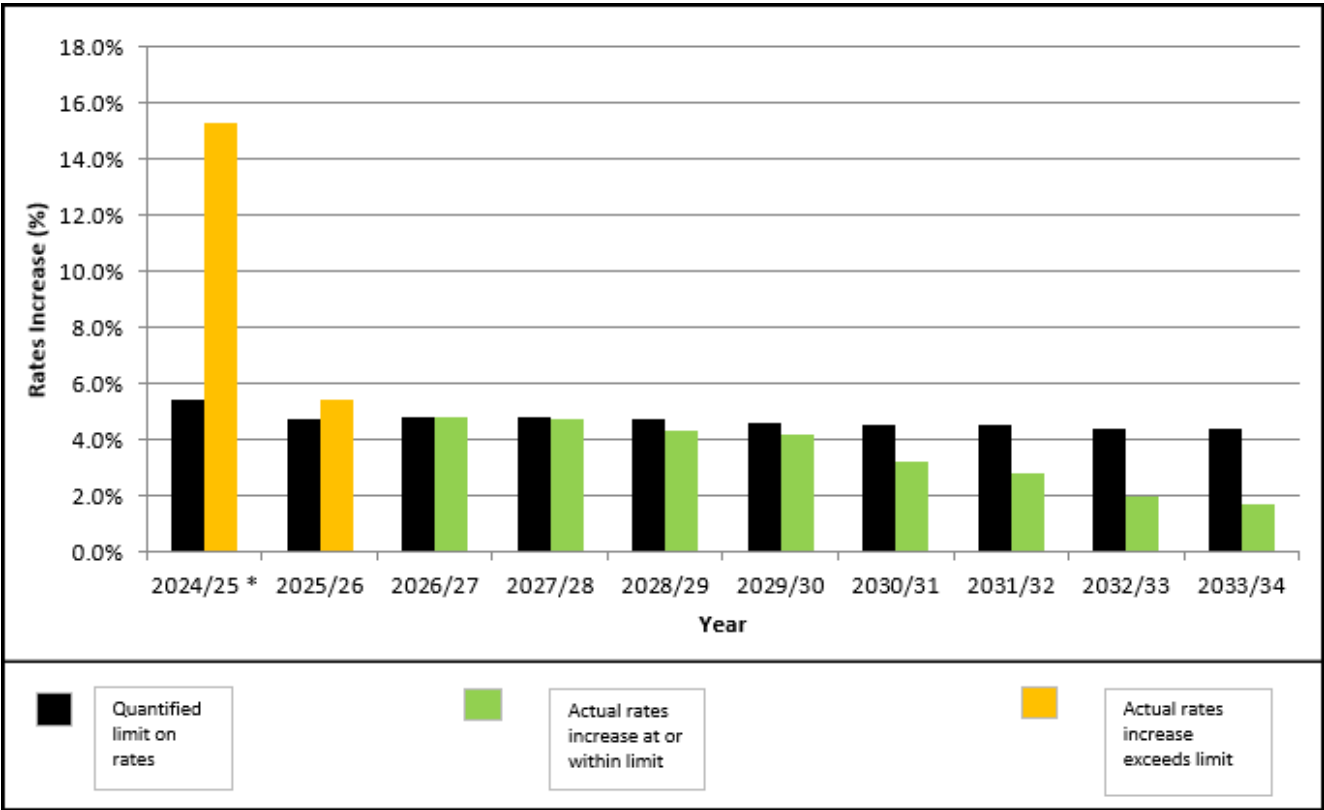
## 1 Rates affordability benchmark

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 (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 the Long Term Plan 2024-34. The quantified limit is the local government cost index plus 2.5% for each year of the Long Term Plan.



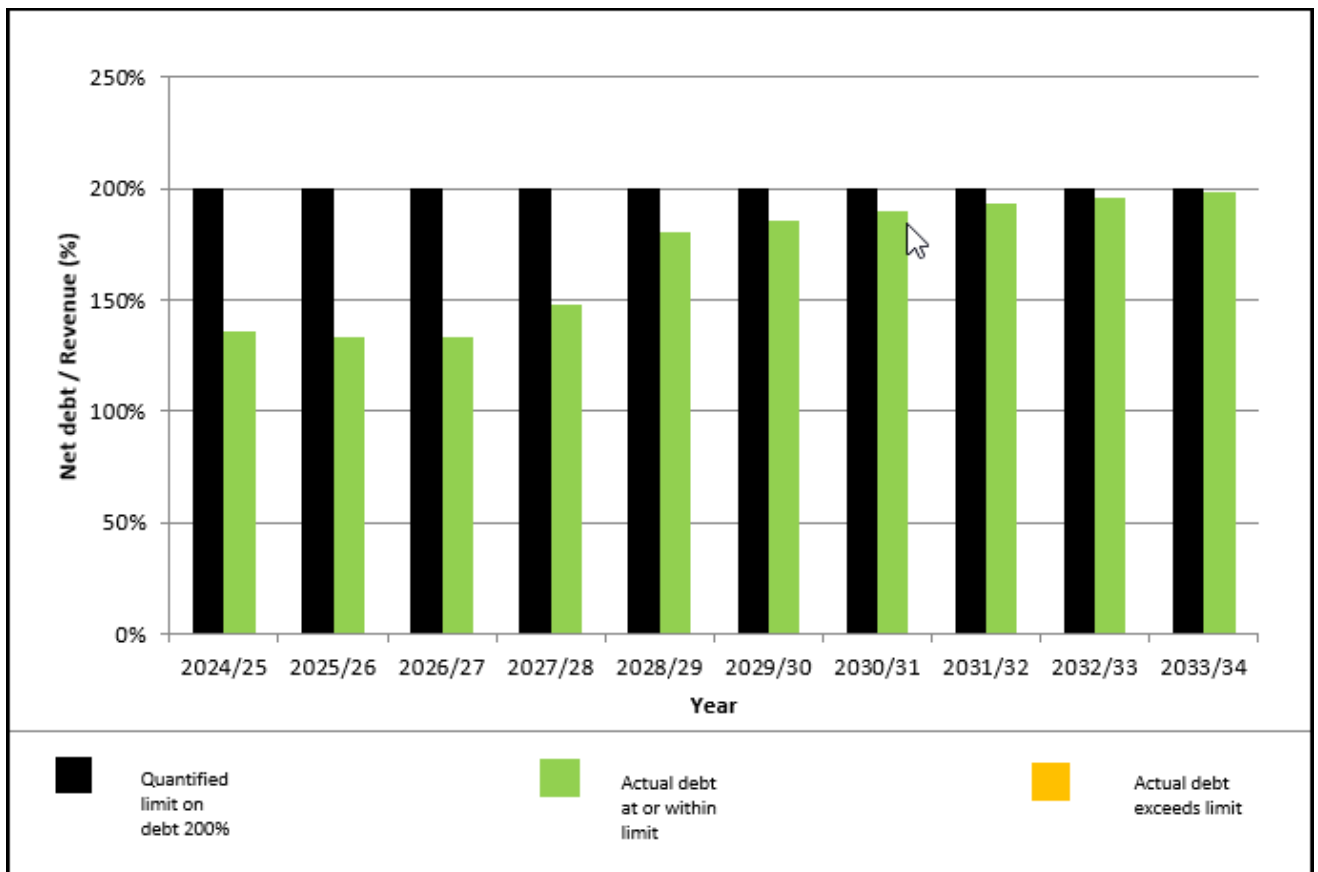
\* The 2024/25 average rates rise would be 8.2% plus a \$300 (including GST) Storm Recovery Charge



## 2 Debt affordability benchmark

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

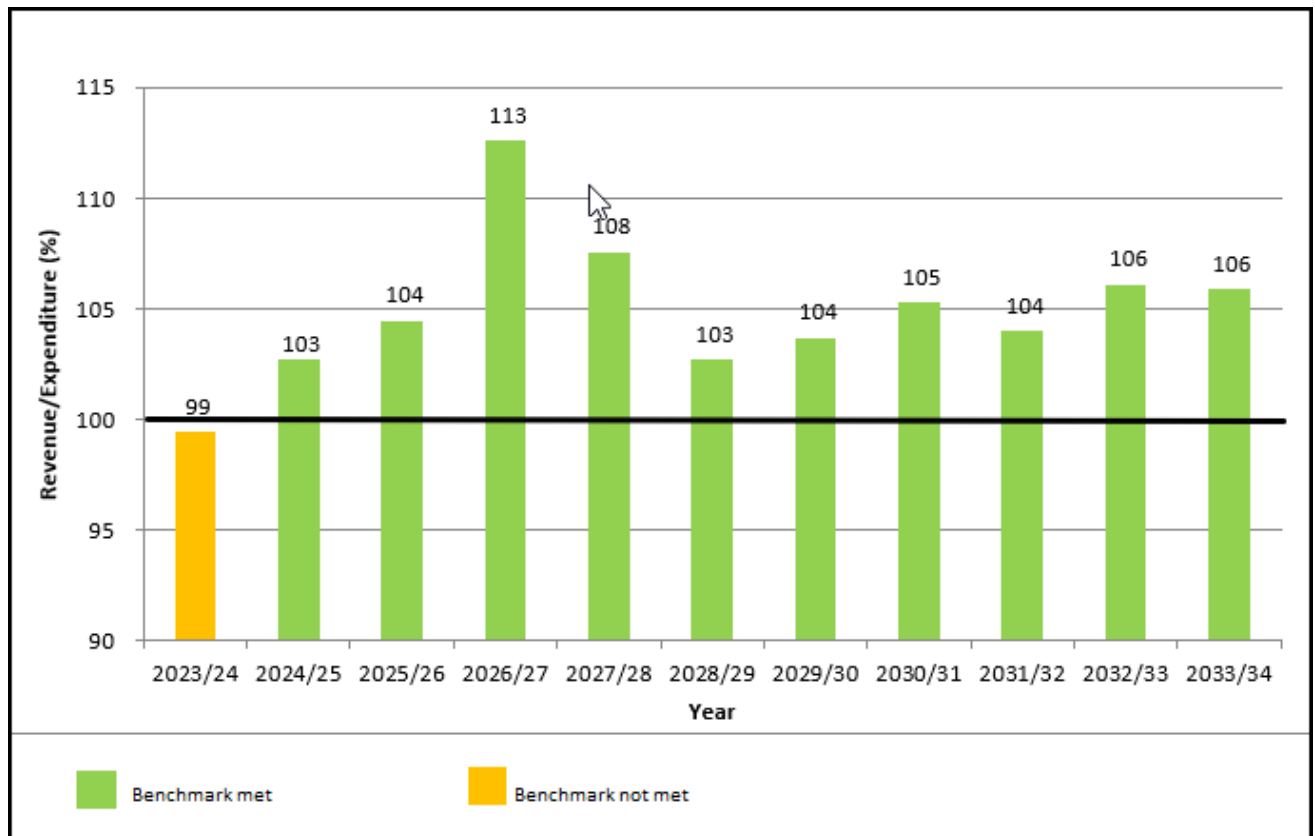
The following graph compares the Council's planned debt with a quantified limit on borrowing contained in the financial strategy included in the Long Term Plan. The quantified limit is that net external borrowings are not to exceed 200% of revenue. Net external borrowings are defined as external debt and overdraft less cash balances, term deposits and borrower notes.



### 3 Balanced budget benchmark

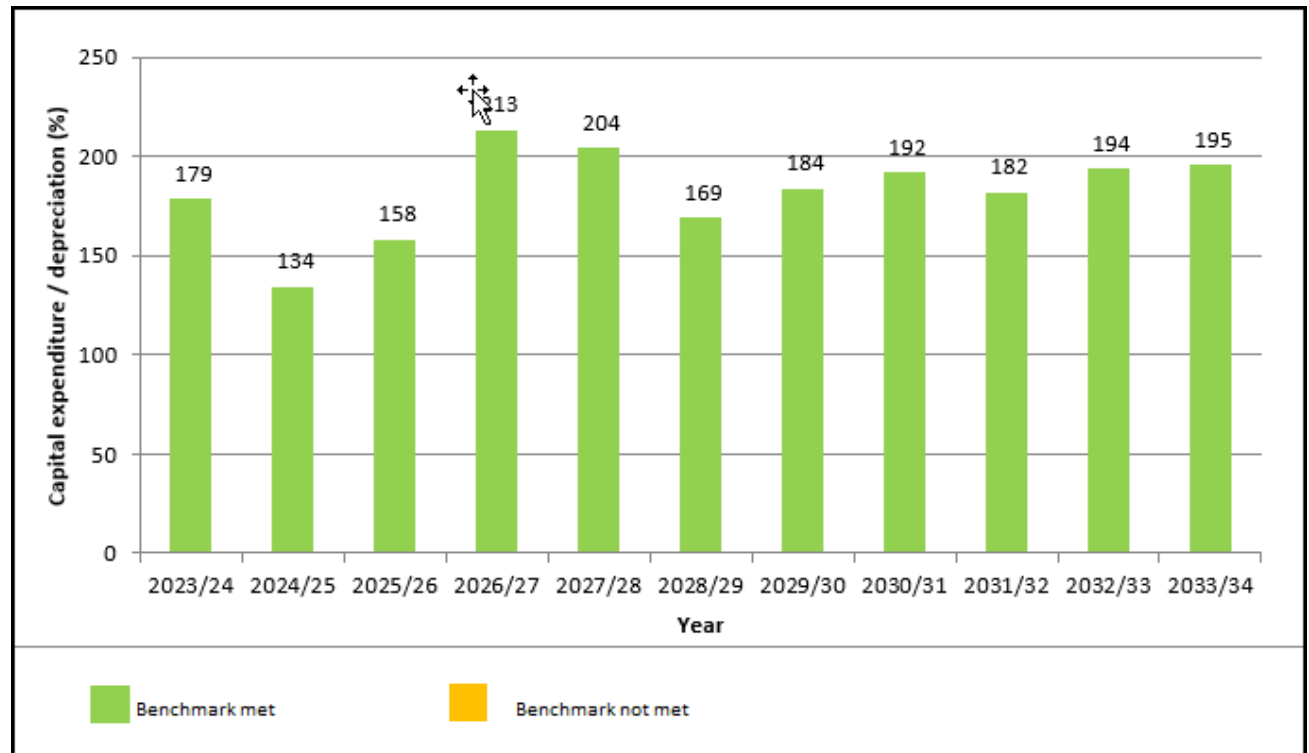
The following graph displays the Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of planned operating expenses (excluding losses on derivative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



#### 4 Essential services benchmark

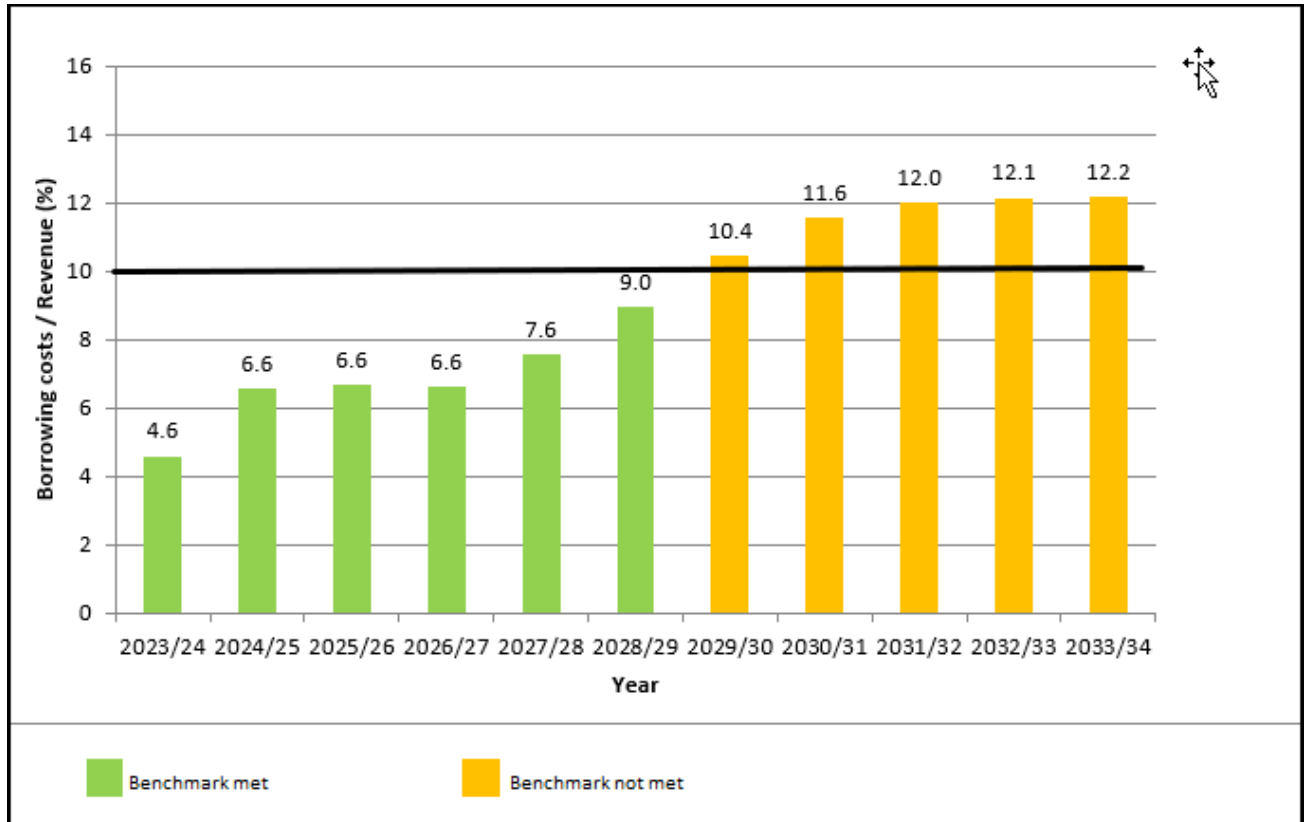
The following graph displays the Council's planned capital expenditure on network services as a proportion of expected depreciation on network services. The Council meets this benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



## 5 Debt servicing benchmark

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

A local authority meets the debt servicing benchmark for a year if its borrowing costs for the year equal or are less than 10% of its revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) for the year.



# Statement of Comprehensive Revenue and Expense

	Annual Plan 2023/24 (\$000)	Long-term Plan 2024/25 (\$000)	Long-term Plan 2025/26 (\$000)	Long-term Plan 2026/27 (\$000)	Long-term Plan 2027/28 (\$000)	Long-term Plan 2028/29 (\$000)	Long-term Plan 2029/30 (\$000)	Long-term Plan 2030/31 (\$000)	Long-term Plan 2031/32 (\$000)	Long-term Plan 2032/33 (\$000)	Long-term Plan 2033/34 (\$000)
<b>Revenue</b>											
Rates other than metered water, net of remissions	84,383	98,780	105,046	110,790	117,309	124,024	131,642	137,850	143,951	148,332	151,997
Subsidies and grants	33,674	31,199	29,850	43,023	34,661	23,305	28,204	30,272	29,312	30,228	32,022
Fees and charges including metered water	40,013	45,164	44,988	47,229	50,626	52,915	54,707	57,349	60,247	63,162	66,414
Other Revenue	15,587	12,605	13,632	13,994	14,294	14,622	14,802	15,069	15,396	15,869	15,995
Development/financial contributions	3,828	6,444	9,807	10,036	10,233	10,456	19,880	20,289	20,682	21,102	21,507
Interest received	322	256	1,343	1,675	2,040	2,518	3,888	5,506	6,169	6,226	6,207
Other gains/losses	(1,702)	(1,481)	(24)	(185)	(113)	(87)	7	(2)	(10)	(75)	(345)
<b>Total Revenue</b>	<b>176,105</b>	<b>192,967</b>	<b>204,642</b>	<b>226,562</b>	<b>229,050</b>	<b>227,753</b>	<b>253,130</b>	<b>266,333</b>	<b>275,747</b>	<b>284,844</b>	<b>293,797</b>
<b>Expenses</b>											
Personnel costs	30,094	31,995	32,711	33,177	33,732	34,406	35,096	35,798	36,514	37,245	37,988
Finance costs	7,743	11,960	12,567	13,924	16,102	18,903	23,662	27,703	29,869	31,203	32,347
Depreciation and amortisation	40,885	45,259	46,625	48,308	50,625	52,765	54,460	56,830	59,336	61,340	63,372
Other expenses	91,210	88,094	89,084	91,660	97,334	99,512	105,652	107,242	113,220	112,448	116,961
<b>Total Expenses</b>	<b>169,932</b>	<b>177,308</b>	<b>180,987</b>	<b>187,069</b>	<b>197,793</b>	<b>205,586</b>	<b>218,870</b>	<b>227,573</b>	<b>238,939</b>	<b>242,236</b>	<b>250,668</b>
<b>Net Surplus/(Deficit) before Taxation</b>	<b>6,173</b>	<b>15,659</b>	<b>23,655</b>	<b>39,493</b>	<b>31,257</b>	<b>22,167</b>	<b>34,260</b>	<b>38,760</b>	<b>36,808</b>	<b>42,608</b>	<b>43,130</b>
Taxation	0	0	0	0	0	0	0	0	0	0	0
<b>Net Surplus/(Deficit)</b>	<b>6,173</b>	<b>15,659</b>	<b>23,655</b>	<b>39,493</b>	<b>31,257</b>	<b>22,167</b>	<b>34,260</b>	<b>38,760</b>	<b>36,808</b>	<b>42,608</b>	<b>43,130</b>
Increase in asset revaluation reserves	38,054	46,618	35,803	68,024	41,400	41,255	65,782	42,954	42,674	70,767	44,141
<b>Total Other Comprehensive Revenue and Expense</b>	<b>38,054</b>	<b>46,618</b>	<b>35,803</b>	<b>68,024</b>	<b>41,400</b>	<b>41,255</b>	<b>65,782</b>	<b>42,954</b>	<b>42,674</b>	<b>70,767</b>	<b>44,141</b>
<b>Total Comprehensive Revenue and Expense</b>	<b>44,227</b>	<b>62,277</b>	<b>59,458</b>	<b>107,517</b>	<b>72,657</b>	<b>63,422</b>	<b>100,042</b>	<b>81,714</b>	<b>79,482</b>	<b>113,375</b>	<b>87,271</b>

# Statement of changes in Net Assets/Equity

	Annual Plan 2023/24 (\$000)	Long-term Plan 2024/25 (\$000)	Long-term Plan 2025/26 (\$000)	Long-term Plan 2026/27 (\$000)	Long-term Plan 2027/28 (\$000)	Long-term Plan 2028/29 (\$000)	Long-term Plan 2029/30 (\$000)	Long-term Plan 2030/31 (\$000)	Long-term Plan 2031/32 (\$000)	Long-term Plan 2032/33 (\$000)	Long-term Plan 2033/34 (\$000)
Equity at beginning of year	2,040,650	2,246,594	2,308,871	2,368,330	2,475,847	2,548,504	2,611,926	2,711,968	2,793,681	2,873,164	2,986,539
Total comprehensive revenue and expense	44,227	62,277	59,458	107,517	72,657	63,422	100,042	81,714	79,482	113,375	87,271
<b>Equity at end of year</b>	<b>2,084,877</b>	<b>2,308,871</b>	<b>2,368,330</b>	<b>2,475,847</b>	<b>2,548,504</b>	<b>2,611,926</b>	<b>2,711,968</b>	<b>2,793,681</b>	<b>2,873,164</b>	<b>2,986,539</b>	<b>3,073,810</b>

The Long-term Plan 2024/25 equity at the beginning of the year is based on 2022/23 Annual Report closing balance plus a forecast for 2023/24.

# Statement of Financial Position

	Annual Plan 2023/24 (\$000)	Long-term Plan 2024/25 (\$000)	Long-term Plan 2025/26 (\$000)	Long-term Plan 2026/27 (\$000)	Long-term Plan 2027/28 (\$000)	Long-term Plan 2028/29 (\$000)	Long-term Plan 2029/30 (\$000)	Long-term Plan 2030/31 (\$000)	Long-term Plan 2031/32 (\$000)	Long-term Plan 2032/33 (\$000)	Long-term Plan 2033/34 (\$000)
<b>Current Assets</b>											
Cash and cash equivalents	16,278	7,520	7,289	7,289	7,289	7,289	7,289	7,289	7,289	7,289	7,289
Inventories	0	0	0	0	0	0	0	0	0	0	0
Trade and other receivables	22,279	24,960	24,792	24,914	25,030	25,146	25,262	25,378	25,494	25,610	25,726
Other financial assets	567	291	216	191	191	149	107	107	107	107	107
Taxation	0	0	0	0	0	0	0	0	0	0	0
Derivative financial instruments	209	437	445	454	463	473	482	492	502	512	522
<b>Total Current Assets</b>	<b>39,333</b>	<b>33,208</b>	<b>32,742</b>	<b>32,848</b>	<b>32,973</b>	<b>33,057</b>	<b>33,140</b>	<b>33,266</b>	<b>33,392</b>	<b>33,518</b>	<b>33,644</b>
<b>Non Current Assets</b>											
Trade and other receivables	0	0	0	0	0	0	0	0	0	0	0
Investments accounted for using the equity method	36,663	39,703	51,314	51,314	51,314	51,314	51,314	51,314	51,314	51,314	51,314
Investment in subsidiaries	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200
Investment properties	930	980	980	980	980	980	980	980	980	980	980
Other financial assets	6,546	7,823	31,270	37,425	40,700	60,246	89,498	102,348	102,507	101,744	100,651
Intangible assets	8,415	7,151	6,794	6,440	6,073	5,695	5,305	6,614	8,817	11,060	12,953
Biological assets	4,359	4,577	5,027	5,477	5,927	6,377	6,827	7,277	7,727	8,177	8,627
Property, plant, and equipment	2,242,742	2,511,139	2,563,864	2,700,360	2,807,607	2,937,719	3,078,904	3,192,851	3,296,635	3,430,662	3,538,296
Derivative financial instruments	3,806	1,691	1,724	1,759	1,794	1,830	1,866	1,904	1,942	1,981	2,020
<b>Total Non Current Assets</b>	<b>2,311,661</b>	<b>2,581,264</b>	<b>2,669,173</b>	<b>2,811,955</b>	<b>2,922,595</b>	<b>3,072,361</b>	<b>3,242,895</b>	<b>3,371,488</b>	<b>3,478,122</b>	<b>3,614,118</b>	<b>3,723,041</b>
<b>Total Assets</b>	<b>2,350,994</b>	<b>2,614,471</b>	<b>2,701,916</b>	<b>2,844,804</b>	<b>2,955,568</b>	<b>3,105,418</b>	<b>3,276,035</b>	<b>3,404,754</b>	<b>3,511,514</b>	<b>3,647,635</b>	<b>3,756,685</b>
<b>Current Liabilities</b>											
Bank overdraft	0	0	0	0	0	0	0	0	0	0	0
Trade and other payables	26,277	31,156	31,571	31,983	32,390	32,776	33,165	33,540	33,939	34,352	34,751
Employee benefit liabilities	2,612	2,763	2,805	2,842	2,877	2,913	2,948	2,984	3,019	3,054	3,090
Provisions	269	251	251	251	251	251	251	251	251	251	251
Taxation payable	0	0	0	0	0	0	0	0	0	0	0
Current portion of borrowings	49,048	30,563	35,479	40,395	45,311	50,227	55,185	60,185	65,185	70,185	75,185
Derivative financial instruments	0	0	0	0	0	0	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>78,206</b>	<b>64,734</b>	<b>70,105</b>	<b>75,470</b>	<b>80,829</b>	<b>86,167</b>	<b>91,547</b>	<b>96,959</b>	<b>102,393</b>	<b>107,842</b>	<b>113,275</b>
<b>Non Current Liabilities</b>											
Trade and other payables	4,673	5,399	5,399	5,399	5,399	5,399	5,399	5,399	5,399	5,399	5,399
Provisions	3,251	3,174	3,236	3,306	3,373	3,453	3,537	3,619	3,714	3,815	3,918
Employee benefit liabilities	140	160	163	165	168	170	172	174	177	179	181
Derivative financial instruments	0	1,203	1,227	1,252	1,277	1,303	1,329	1,355	1,382	1,410	1,438
Non-current portion of borrowings	179,847	230,930	253,455	283,364	316,019	397,001	462,082	503,565	525,284	542,451	558,663
<b>Total Non-Current Liabilities</b>	<b>187,911</b>	<b>240,867</b>	<b>263,481</b>	<b>293,486</b>	<b>326,236</b>	<b>407,326</b>	<b>472,519</b>	<b>514,113</b>	<b>535,957</b>	<b>553,254</b>	<b>569,600</b>
<b>Total Liabilities</b>	<b>266,117</b>	<b>305,601</b>	<b>333,586</b>	<b>368,956</b>	<b>407,065</b>	<b>493,492</b>	<b>564,067</b>	<b>611,073</b>	<b>638,350</b>	<b>661,097</b>	<b>682,874</b>
<b>Net Assets</b>	<b>2,084,877</b>	<b>2,308,871</b>	<b>2,368,330</b>	<b>2,475,847</b>	<b>2,548,504</b>	<b>2,611,926</b>	<b>2,711,968</b>	<b>2,793,681</b>	<b>2,873,164</b>	<b>2,986,539</b>	<b>3,073,810</b>
<b>Ratepayer's Equity</b>											
Accumulated comprehensive revenue and expense	464,651	478,883	503,039	542,345	573,295	595,149	627,669	664,301	698,923	739,382	780,537
Other reserves	1,620,227	1,829,988	1,865,291	1,933,502	1,975,209	2,016,777	2,084,299	2,129,380	2,174,241	2,247,157	2,293,273
<b>Total Ratepayer's Equity</b>	<b>2,084,877</b>	<b>2,308,871</b>	<b>2,368,330</b>	<b>2,475,847</b>	<b>2,548,504</b>	<b>2,611,926</b>	<b>2,711,968</b>	<b>2,793,681</b>	<b>2,873,164</b>	<b>2,986,539</b>	<b>3,073,810</b>
The Long-term Plan 2024/25 balances at the beginning of the year are based on 2022/23 Annual Report closing balances plus a forecast for 2023/24.											

# Cash Flow Statement

	Annual Plan 2023/24	Long-term Plan 2024/25	Long-term Plan 2025/26	Long-term Plan 2026/27	Long-term Plan 2027/28	Long-term Plan 2028/29	Long-term Plan 2029/30	Long-term Plan 2030/31	Long-term Plan 2031/32	Long-term Plan 2032/33	Long-term Plan 2033/34
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>											
<b>Cash was provided from:</b>											
Receipts from rates revenue	94,499	110,017	116,994	123,694	130,714	138,516	146,723	153,875	160,692	166,460	170,413
Subsidies and grants received	33,674	31,199	29,850	43,023	34,661	23,305	28,204	30,272	29,312	30,228	32,022
Receipts from other revenue	36,145	37,581	37,047	38,184	41,169	42,483	43,372	45,031	47,315	49,085	51,950
Development and financial contributions	3,828	6,444	9,807	10,036	10,233	10,456	19,880	20,289	20,682	21,102	21,507
Interest Received	322	256	1,343	1,675	2,040	2,518	3,888	5,506	6,169	6,226	6,207
Dividends Received	3,621	3,150	4,029	4,110	4,192	4,275	4,639	4,813	4,910	5,008	5,108
	<b>172,089</b>	<b>188,647</b>	<b>199,070</b>	<b>220,722</b>	<b>223,009</b>	<b>221,553</b>	<b>246,706</b>	<b>259,786</b>	<b>269,080</b>	<b>278,109</b>	<b>287,207</b>
<b>Cash was disbursed to:</b>											
Payments to suppliers	90,098	90,497	88,606	91,178	96,859	99,046	105,177	106,786	112,727	111,933	116,459
Payments to employees	30,089	31,943	32,666	33,137	33,695	34,368	35,058	35,761	36,476	37,207	37,951
Interest Paid	7,743	11,960	12,567	13,924	16,102	18,903	23,662	27,703	29,869	31,203	32,347
Tax Paid/(refund)	0	0	0	0	0	0	0	0	0	0	0
	<b>127,930</b>	<b>134,400</b>	<b>133,839</b>	<b>138,239</b>	<b>146,656</b>	<b>152,317</b>	<b>163,897</b>	<b>170,250</b>	<b>179,072</b>	<b>180,343</b>	<b>186,757</b>
<b>Net Cash Flows from Operating Activities</b>	<b>44,159</b>	<b>54,247</b>	<b>65,231</b>	<b>82,483</b>	<b>76,353</b>	<b>69,236</b>	<b>82,809</b>	<b>89,536</b>	<b>90,008</b>	<b>97,766</b>	<b>100,450</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Cash was provided from:</b>											
Other Investments	0	0	0	0	0	0	0	0	0	0	0
Sale of Investments and properties for resale	0	0	0	0	0	0	0	0	0	0	0
Repayment of LGFA borrower notes	0	990	580	1,080	1,205	1,330	500	2,108	1,311	1,996	2,189
Sale of biological assets	7,112	0	0	0	0	0	0	0	0	0	0
Sale of fixed assets	0	110	0	0	0	0	0	0	0	0	0
Repayment of community loans and advances	193	152	177	177	177	177	135	93	93	93	93
	<b>7,305</b>	<b>1,252</b>	<b>757</b>	<b>1,257</b>	<b>1,382</b>	<b>1,507</b>	<b>635</b>	<b>2,201</b>	<b>1,404</b>	<b>2,089</b>	<b>2,282</b>
<b>Cash was disbursed to:</b>											
Investments in LGFA borrower notes	875	1,492	1,192	1,781	2,136	3,471	2,203	3,062	1,712	2,394	2,511
Community loans advanced	0	0	0	0	0	0	0	0	0	0	0
Other investments	1,146	(550)	4,956	5,156	2,071	17,090	27,192	11,538	(599)	(1,519)	(1,772)
Purchase of biological assets	5,592	1,173	942	1,104	1,032	1,007	913	922	931	996	1,266
Purchase of intangible assets	464	(332)	(357)	(355)	(367)	(378)	(390)	1,309	2,203	2,243	1,893
Purchase of fixed assets:		0	0	0	0	0	0	0	0	0	0
Renewals	26,973	27,728	27,505	30,489	36,629	50,079	60,806	56,132	56,860	54,339	44,608
New works - growth	12,069	18,260	27,750	41,057	33,910	14,324	15,842	17,844	20,319	27,972	33,961
New works - Increased level of service	50,238	37,040	31,669	39,332	39,894	71,047	46,916	47,414	36,706	35,597	41,477
	<b>97,357</b>	<b>84,811</b>	<b>93,657</b>	<b>118,564</b>	<b>115,305</b>	<b>156,640</b>	<b>153,482</b>	<b>138,221</b>	<b>118,132</b>	<b>122,022</b>	<b>123,944</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(90,052)</b>	<b>(83,559)</b>	<b>(92,900)</b>	<b>(117,307)</b>	<b>(113,923)</b>	<b>(155,133)</b>	<b>(152,847)</b>	<b>(136,020)</b>	<b>(116,728)</b>	<b>(119,933)</b>	<b>(121,662)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Cash was provided from:</b>											
Proceeds from borrowings	45,378	74,312	52,441	79,825	87,571	140,898	90,038	130,795	79,161	101,991	108,783
<b>Cash was applied to:</b>											
Repayment of borrowings	0	45,000	25,000	45,000	50,000	55,000	20,000	84,312	52,441	79,825	87,571
<b>Net Cash Flows from Financing Activities</b>	<b>45,378</b>	<b>29,312</b>	<b>27,441</b>	<b>34,825</b>	<b>37,571</b>	<b>85,898</b>	<b>70,038</b>	<b>46,483</b>	<b>26,720</b>	<b>22,166</b>	<b>21,212</b>
Net Increase/(Decrease) in Cash Held	(515)	0	(231)	0	0	0	0	0	0	0	0
Add Opening Cash Balance	16,793	7,520	7,520	7,289	7,289	7,289	7,289	7,289	7,289	7,289	7,289
<b>Closing Balance</b>	<b>16,278</b>	<b>7,520</b>	<b>7,289</b>	<b>7,289</b>	<b>7,289</b>	<b>7,289</b>	<b>7,289</b>	<b>7,289</b>	<b>7,289</b>	<b>7,289</b>	<b>7,289</b>
<b>Represented by:</b>											
Cash and Cash Equivalents	16,278	7,520	7,289	7,289	7,289	7,289	7,289	7,289	7,289	7,289	7,289
The Long-term Plan 2024/25 opening cash balance is based on 2022/23 Annual Report closing balance plus a forecast for 2023/24.											

# Financial Reserves Estimates

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

Name	Activity	Purpose	Projected Balance July 2024	Deposits	Withdrawals	Projected Balance June 2034
			\$	\$	\$	\$
<b>Nelson Institute Funds</b>	Nelson Library	Bequest to Nelson Institute	8,970	5,029		13,999
<b>L C Voller Bequest (ETL)</b>	Nelson Library	Youth Section of Elma Turner Library	25,048	14,046		39,094
<b>Nelson 2000 Trust</b>	Esplanade Reserves	Wakefield Quay Development	164,607	0		164,607
<b>Insurance Reserve</b>	Investment Management	To fund Insurance claim excess	1,014,919	4,009,709		5,024,628
<b>Health &amp; Safety Reserve</b>	Admin and Meeting Support	OSH Compliance	32,328	18,128		50,456
<b>Roading Contributions</b>	Roading	Financial Contribution for capital works	117,486	0		117,486
<b>Walker bequest</b>	Parks		10,273		10,274	(1)
<b>Dog Control Reserve</b>	Dog Control	Self funded activity balance	(186,106)	28,579		(157,527)
<b>Sport &amp; Rec Grants Reserve</b>	Physical Activity Fund	Ex Hillary Commission fund for Sport and Recreation	8,453		0	8,453
<b>Art Council Loan Fund</b>	Physical Activity Fund	Ex Sport & Rec Grants	10,000			10,000
<b>Events Contestable Fund Reserve</b>	Economic Development	Unspent allocation held for eligible events	232,180		232,180	-
<b>Housing Reserve</b>	Community Housing	Self funded activity balance	9,123,071		9,123,071	-
<b>Founders Park Reserve</b>	Founders	Founders development	408,822	1,096,184		1,505,006
<b>Forestry Fund</b>	Forestry	Self funded activity balance	(32,273)		6,042,496	(6,074,769)
<b>Landfill</b>	Solid Waste	Share of development of new landfill when required	4,663,482	2,614,975		7,278,457
<b>Solid Waste</b>	Solid Waste	Self funded activity balance	293,588	3,309,761		3,603,349