



# ANNUAL REPORT 2022/2023 SUMMARY

for the period 1 July 2022 to 30 June 2023  
Adopted 23 November 2023

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# Kia ora from Kirsten Wise

TE KAHIKA O TE KAUNIHERA O AHURIRI  
NAPIER MAYOR



Kia ora koutou.

I am pleased to present to you the Napier City Council Annual Report Summary for 2022/23. Our Annual Report is an important tool in our continual improvement as an organisation. It gives us an opportunity to reflect on the year and on how we navigated all that it presented us with. The past year in particular has given us many challenges as a community and as a council. It has solidified our commitment to ensure, above all else, that we are doing the essentials well. Things like drinking water services and infrastructure, parking and transportation, and waste management and minimisation are all areas that, when done well, make a positive impact on people's lives. Looking back on the last year, despite knocks and shocks, we've delivered projects and services that go above and beyond in meeting the needs of our community.

On top of that, we've achieved some key milestones in strengthening our organisation. In doing so, we have strengthened our ability to provide our community with a high standard of service across all work areas. Our Māori advisory, Te Waka Rangapū, is well entrenched in the organisation with solidified networks and relationships. This brings a dedicated te ao Māori lens to our work programmes and engagement, advice and support for officers across the Council, te reo and tikanga expertise and policy, and cultural competency and capability. We have also, in the past year, bedded in Ngā Mānukanuka o te Iwi, our Māori committee. We have helped establish the Ahuriri Regional Park Advisory Board, progressed the Proposed District Plan, begun implementation of the Inner Harbour

Masterplan and secured seamless service delivery through the Ahuriri Alliance.

The Local Government Elections took place in the last year and we have a council that is experienced and diverse with a few new faces around the table. The knowledge and expertise we have on board has already proved invaluable through the complexities of 2023, and new approaches and views add a good amount of vibrancy, energy and fresh ideas.

We have already navigated the early stages of a number of central government reforms in the past year. These have brought their own challenges but have also given us opportunities to speak directly with our community, our partner councils and our officers about what is important to them.

It has been a big year with a lot of intricacies but we have steered a way through. We have delivered some major projects despite significant trials. We've been agile where needed but we've stayed the course, and we've ensured - through it all - that our commitment to serving Napier is our first priority.

Ngā mihi nui,

**Kirsten Wise**  
MAYOR OF NAPIER  
23 November 2023

# Kia ora from Louise Miller

TUMU WHAKARAE  
CHIEF EXECUTIVE



Kia ora koutou,

It is my pleasure to be delivering the first Annual Report since I started with Napier City Council in March 2023. In the eight months I have been here, I have consistently observed a team of dedicated staff who have got on with the job, no matter what has come our way. Our workforce was faced with an unprecedented work environment in the wake of Cyclone Gabrielle, which required their full focus for many months.

Despite this challenge, we've accomplished much. Our work in the recovery space has been significant and ongoing. It ultimately resulted in working on amending our Long Term Plan 2021-31 to enable Council to undertake the new activity of purchasing properties in areas zoned as Category 3. Our Wastewater Treatment Plant became completely inoperable after being inundated with flood waters from the cyclone. We channelled much time and energy into repairing the damaged plant in a few short months. We'll continue to invest in its resilience to ensure it will withstand any future weather events. Other recovery work we focused on included supporting affected communities and helping businesses recover in the badly affected Awatoto industrial area.

Recovery aside, we've successfully delivered some key projects. These include refurbishing Ocean Spa and taking over its management, completing the Napier War Memorial Restoration, and demolishing Council's old Civic building and progressing with design plans for the city's new library and governance area.

Looking towards next year, with government-led reforms on the horizon, we must focus on

making bold and prudent decisions to ensure our organisation and city has a financially sustainable future. We'll look closely at what Council's role in the community is, and what we're best placed to deliver for our city. We will make these decisions as we develop our Three-Year Plan next year, and we'll consult with our community on key topics as part of this process.

Ngā mihi nui,

A handwritten signature in black ink, appearing to read 'Louise Miller'.

**Louise Miller**  
CHIEF EXECUTIVE

23 November 2023

# Cyclone Gabrielle

## What happened?

February 14 2023 is a date etched in Hawke's Bay's history as one of the region's darkest days, as Cyclone Gabrielle caused widespread damage, flooding and extreme isolation for Napier.

On Monday 13 February, the Napier Emergency Operations Centre (EOC) was stood up. In the early hours of Tuesday 14 February, a State of Emergency was declared for Napier. Regional and national declarations followed soon after.

More than 70,000 people throughout Napier and surrounding communities were isolated without power, water, communications, health services and road connectivity. The Napier Wastewater Treatment Plant in Awatoto and associated industrial area were completely inundated as the stop banks of the Tūtaekurī River were breached.

The areas surrounding the Napier urban area including Puketapu, Meeanee, Brookfields, Awatoto, Pākōwhai, Whirinaki, Esk Valley and Tangoio communities, along with productive horticultural land were decimated. There was also flooding in Taradale, Bayview and Te Awa.

Napier residential and commercial buildings were impacted across several areas. The Eastern Institute of Technology was also damaged.

It took at least four days before power started to be restored, although some Napier residents went without power for up to 11 days. This meant that services and businesses without access to generators and fuel were unable to support the community. Only one supermarket was able to open two days after the cyclone, which quickly led to long queues, panic buying, and empty shelves. A lack of operational ATMs led to difficulties obtaining cash. A fear that fuel supplies may run out led to long queues and rationing at those service stations able to operate.

For displaced residents, shelter was provided at Kennedy Park Resort, Centennial Event Centre, St Joseph's Māori Girls College, Tamatea Intermediate, Pukemokimoki Marae, Bayview Hotel Pub, Equippers Church and Napier Central School. Community groups provided other support, such as food parcels, toiletries and wellbeing support.

## The impact on Council assets

Flooding from Cyclone Gabrielle resulted in the Wastewater Treatment Plant becoming inoperable, resulting in residents being asked to urgently conserve water.

In April, the site became partially operable, treating wastewater using its miliscreen process rather than the full operation, which includes two biological trickling filters.

The next step was to get the biological trickling filters up and running to add another layer of treatment.

## Land categories

The Hawke's Bay Regional Council, along with the Government's Cyclone Recovery Taskforce, assessed future severe weather risk in areas across the region. The risk assessment process provided a picture of how future severe weather events would pose a risk to life. Areas that do pose a risk to life had mitigation measures considered to provide assurance that it is safe for people to live in the area.

The Government outlined three main categories that were used to determine the future severe weather risk for specific areas across Hawke's Bay:

**Category 1** properties can be repaired, if required, and remain liveable

**Category 2** (A, P or C) require mitigation to either the property or the land surrounding the property;

**Category 3** properties face an unacceptable level of risk of future severe weather events, and the risk to life is too high to remain living there.

## Economic impact on facilities

Napier City Council's tourism facilities, particularly National Aquarium of New Zealand, Kennedy Park Resort, iSite, Napier Conferences & Events and Napier Municipal Theatre were affected significantly by Cyclone Gabrielle.

As well as the direct impacts of the cyclone, the facilities dealt with a misperception that accessibility into Napier was limited, and key attractions were not open. This had a knock-on effect for the April school holidays with dips in revenue from previous years.

Napier iSite experienced a large drop in revenue due to the cancelling of cruise ship visits to the city. However, thanks to swift work by Napier Port and Napier City Council staff, Napier was able to accept cruise ships four weeks following

the cyclone, which had a positive effect on local businesses.

Several large events had to be either cancelled or postponed at Napier Conferences & Events. Managing the accommodation needs of the community versus accommodating guests for corporate events proved challenging.

The Cyclone caused some delays to the re-opening of Ocean Spa, again impacting revenue generation from visitors.

Figures released from Hawke's Bay Tourism show the Hawke's Bay tourism market suffered a huge loss.

*"Hawke's Bay's market share of electronic tourism transactions has been reduced by 11 percent as a result of the cyclone, highlighting a very clear need for continued promotion of the region."*

## Long-term recovery

Phase two of the Wastewater Treatment Plant reparation saw the reinstatement of the Biological Trickling Filters in August. This moved the wastewater operation back to pre-cyclone treatment before it enters the outfall pipe.

Other ongoing work at the Wastewater Treatment Plant includes completion of the Power Distribution Centre refurbishment, waterway drains and silt removal.

Significant silt was deposited through the area when the Esk River broke its banks on 14 February sending a torrent of silt laden water towards Bayview. Council has been actively working to clear silt and vegetation from the network of open drains and culverts in the Bayview area to return the service to pre-cyclone levels.

## Building back safer and stronger

Due to the disruption caused by Cyclone Gabrielle, the Minister of Local Government

suspended the legislated requirement for Napier City Council to produce a Long Term Plan with a ten-year horizon.

Instead, Council will produce an unaudited, three-year plan for the period 2024-27. The focus of the three-year plan is to be on cyclone recovery, and as far as possible, budgets and plans proposed beyond 30 June 2027.

Napier City Council, along with Hawke's Bay's four other councils, agreed to a proposal from the Crown, which includes up to \$556m for the compensation of Category 3 properties, flood mitigation and transport repair for the region.

To access the funding, all Hawke's Bay councils had to agree to all portions of the package, including voluntary residential property purchases in Category 3 areas. For Napier City and Hastings District councils, this triggered the need for community consultation.

In order to accept the offer, Council was required to make a change to its Long Term Plan 2021-31 to take on the new activity to deliver a voluntary residential property rights compensation scheme for Category 3 residents.

The region-wide offer includes Crown funding of \$260m towards transport recovery, \$203m towards flood mitigation and \$92.5m towards Category 3 voluntary residential property purchases.

For Napier, this means \$32m towards full replacement of the Redclyffe Bridge, which the council co-owns with Hastings District Council (HDC will receive the same amount for their share of the bridge). Napier will also receive approximately \$3.5m (50% of the cost) to allow council to administer voluntary residential property purchases in Category 3 areas. Napier will benefit from the region-wide connectivity, resilience and broader economic benefits that the offer will provide the region.



# Key reforms in the local government sector

In the past financial year, central government has progressed four significant tranches of local government reform. These reforms may have impacts on Napier City Council's responsibilities, operations and financial statements in future periods.

## Water Services Reforms

The delivery of drinking water, wastewater and stormwater is changing.

All New Zealanders need safe, reliable drinking water, wastewater and stormwater – our water services. We depend on these for the health and wellbeing of our communities and our environment.

The Government has worked with local government, iwi and water industry leaders to create a detailed, affordable plan to make sure our water services system is in good condition to meet challenges like population growth, climate change and natural disasters.

Under this plan ten new publicly-owned Water Services Entities will run New Zealand's drinking water, wastewater and stormwater services – currently operated by councils on behalf of communities.

The Government's plan will build these new Water Services Entities (WSEs) on the foundations of existing council infrastructure, people, and expertise. The plan is designed to give the new water organisations the financial flexibility to make the necessary upgrades more affordable for everyone.

In April 2023, the Government announced some notable changes to the reform framework and timeline. The four water services entities originally proposed in 2021 increased to ten entities to better reflect existing regional collaboration and allow for more of a local voice in decision making.

The establishment timeline also changed from a national go-live on 1 July 2024, to a staggered establishment approach where the entities go-live between 1 July 2024 and 1 July 2026.

Previously known as the 'Three Waters Reform', this reset saw the programme rebranded as the 'Water Services Reforms'.

With this reset, Napier City Council's water services will now transfer to Entity F (Tairāwhiti – Gisborne Hawke's Bay) alongside Gisborne District Council, Wairoa District Council, Hastings District Council and Central Hawke's Bay District Council. The establishment date is yet to be determined. In the meantime, Napier City Council is continuing to fulfil our obligations and work alongside the National Transition Unit (operating out of the Department of Internal Affairs) to prepare for the transition.

Much work is still required to ensure Napier is ready to transition to the new model. We need to ensure the employment rights of our staff are maintained and our local knowledge is protected, as well as ensuring our systems are ready for the transition. Council is still working through the impacts and is awaiting further information from the Government.

## Local Government Reform

In April 2021, the Government announced an independent review of local government that would seek to identify how our system of local democracy and governance needs to evolve over the next 30 years. The Future for Local Government Panel was formed to lead the review and in June 2023, the Panel released its final report – the culmination of two years' of talking to local government, looking at best practice and considering all the trade-offs.

The report laid out 17 recommendations under five different themes:

- Embedding local government's purpose and wellbeing focus
- Growing authentic Te Tiriti-based partnerships
- System renewal
- Strengthening local democracy and leadership
- Increasing funding

The Local Government Minister at the time, Kieran McAnulty, advised that report would be considered by government after the 2023 central government election.

## Resource Management Reform

The resource management system shapes where and how we build roads, housing and other essential infrastructure. It also influences the state of Aotearoa New Zealand's air, water, land and native plants and animals.

Previously, the Resource Management Act 1991 (the RMA) set out how we should sustainably

manage the impact our day-to-day lives have on the environment. New laws are now being phased in that aim to help Aotearoa New Zealand protect and manage the environment and its resources.

The Spatial Planning Act (SPA) and the Natural and Built Environment Act (NBA) began coming into effect on 24 August 2023. They will gradually phase in over about a 10-year period. Some changes apply immediately. However, most will come into effect later on, and at different times in different regions. Many parts of the Resource Management Act 1991 (the RMA) will remain in place until then.

The main aim of the new system is to uphold Te Oranga o te Taiao. This is a concept that draws on te ao Māori. It's about the health of the natural environment, its importance to people's lives, and how everything is connected.

The new system also aims to enable development and allow use of resources that help people's wellbeing, both now and in the future. However, that must be done in ways that protect the natural environment.

These reforms will have significant implications for the way Napier City Council manages land use, development, sustainability, and the environment within city boundaries and together with regional neighbours.

## **Civil Defence and Emergency Management Review**

The Emergency Management Law Reform Programme will set the foundations for a modern, inclusive, responsive, fit-for-purpose, and

enduring regulatory framework for New Zealand's emergency management system.

The four priority areas of work in the Programme will:

- deliver a new modern, responsive, and enduring Emergency Management Act.
- effectively implement and transition to the new regulatory framework.
- develop an agreed operating model, governance arrangements, and transition thresholds and criteria to clarify lead and support agency roles and responsibilities.
- ensure iwi and Māori participation is recognised, enabled, and valued throughout the emergency management system.

An increase in the severity and frequency of emergencies, including the state of national emergency declared for the North Island Severe Weather Events (2023), has highlighted a pressing need to modernise and update the current emergency management regulatory framework.

The Emergency Management Bill establishes a more flexible regulatory framework for setting standards and managing the emergency management system across what is known as the 4Rs, risk reduction, readiness, response, and recovery.

The bill has passed its first reading in Parliament, and submissions are currently being accepted.

As a key player in emergency responses, Council will keep up to date with the programme to understand our role in the emergency management system going forward.



# Performance Overview

## Satisfaction with Council services at a glance

To identifying improvement opportunities, SIL Research engaged with Napier residents to determine satisfaction levels with and perceptions of Council services. Results from the survey help form Service Performance Measures for some of our activities (as detailed in the 'Our Performance by Activity Group' section). We considered how the selected measures align with our Strategic Direction and Community Outcomes as part of the 2021-31 Long Term Plan process.

A handful of results have been highlighted below. Please note, NZB refers to the SIL NZ benchmark.

### Drinking Water



|           |     |
|-----------|-----|
| NCC 2023: | 38% |
| NCC 2022: | 28% |
| NZB 2023: | 73% |

Drinking water remained the issue of greatest concern to the community. Satisfaction in Napier for the year was still well below the New Zealand benchmark. However, satisfaction increased by 10%, showing a significant improvement when compared to the 2022 results. The presence of chlorine in the water supply continued to be a significant factor and some respondents reported purchasing water filters or using alternative water sources.

### Car Parking Average



|           |     |
|-----------|-----|
| NCC 2023: | 46% |
| NCC 2022: | 48% |
| NZB 2023: | 57% |

Car parking once again remained one of the lowest ranked services. Respondents highlighted issues with availability and concerns about the two-hour maximum parking limit. Other notable concerns raised included the cost of parking, challenges during peak times such as events, weekends, and cruise ships, and accessibility of disability parking.

### Rubbish Collection



|           |     |
|-----------|-----|
| NCC 2023: | 83% |
| NCC 2022: | 74% |
| NZB 2023: | 73% |

Satisfaction with kerbside rubbish collection for the year exceeded the New Zealand benchmark by 10%. Satisfaction levels in 2023 also showed a 9% improvement on last year's results. Common themes from respondents included feeling as though the service provided was good and with no issues.

### Parks & Reserves



|           |     |
|-----------|-----|
| NCC 2023: | 84% |
| NCC 2022: | 83% |
| NZB 2023: | 82% |

Satisfaction with parks and reserves has remained consistently high over time and was the top performing service attribute in 2023. Satisfaction with parks and reserves sat above the New Zealand benchmark by 2% for the year.



# Summary of Non-Financial Performance

The following section summaries Council's performance against measures set out in the Long Term Plan. 2022/23 is the second year of reporting against this plan.

## Significant Initiatives

Council had 74 significant initiatives for the 2022/23 year. Of those:

- 12 initiatives were achieved (16.2%),
- 36 initiatives remain in progress (48.6%),
- 12 initiatives were partially achieved (16.2%), and
- 14 initiatives are on hold (18.9%).

## Levels of service and customer experience measures

Council tracks performance against 142 separate measures set out in the 2021 Long Term Plan. These measures relate either to the services Council provides (level of service), or how satisfied customers are with their interactions with Council (customer experience). Council sets targets for each measure and aims to meet or exceed that target. Some examples include a target for how many visitors will enter a facility each year, how quickly Council can respond to and fix requests for service, and how satisfied the community is with the different services we deliver.

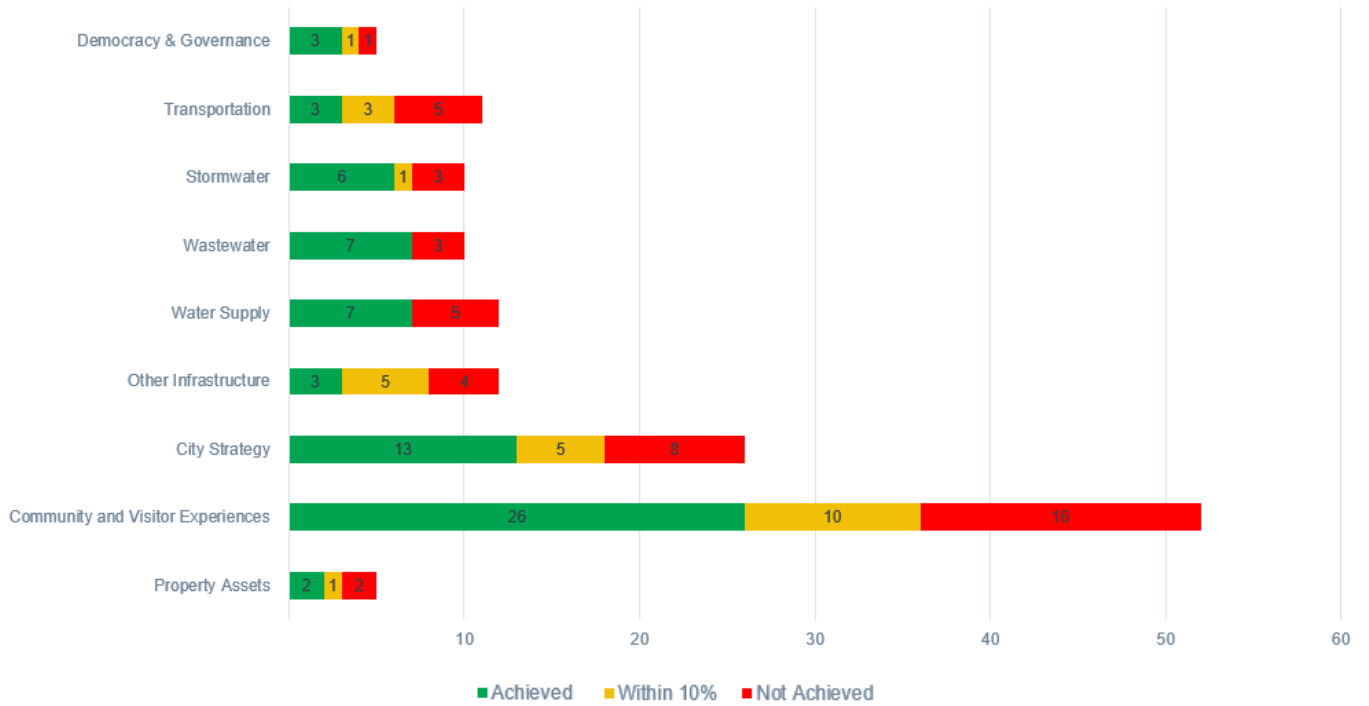
### Levels of service measures

| Activity Group                    | Number of measures | Target fully achieved | Within 10% of the target | Target not achieved |
|-----------------------------------|--------------------|-----------------------|--------------------------|---------------------|
| Governance and Representation     | 5                  | 3 (60%)               | 1 (20%)                  | 1 (20%)             |
| City Strategy                     | 21                 | 12 (57%)              | 5 (24%)                  | 4 (19%)             |
| Water Supply                      | 8                  | 5 (62.5%)             | -                        | 3 (37.5%)           |
| Wastewater                        | 8                  | 6 (75%)               | -                        | 2 (25%)             |
| Stormwater                        | 8                  | 6 (75%)               | 1 (12.5%)                | 1 (12.5%)           |
| Transportation                    | 8                  | 3 (37.5%)             | 1 (12.5%)                | 4 (50%)             |
| Other Infrastructure              | 9                  | 3 (33.3%)             | 4 (44.5%)                | 2 (22.2%)           |
| Community and Visitor Experiences | 42                 | 24 (57%)              | 6 (14%)                  | 12 (29%)            |
| Property Assets                   | 5                  | 2 (40%)               | 1 (20%)                  | 2 (40%)             |

### Customer experience measures (satisfaction/complaints)

| Activity Group                    | Number of measures | Target fully achieved | Within 10% of the target | Target not achieved |
|-----------------------------------|--------------------|-----------------------|--------------------------|---------------------|
| Governance and Representation     | -                  | -                     | -                        | -                   |
| City Strategy                     | 5                  | 1 (20%)               | -                        | 4 (80%)             |
| Water Supply                      | 4                  | 2 (50%)               | -                        | 2 (50%)             |
| Wastewater                        | 2                  | 1 (50%)               | -                        | 1 (50%)             |
| Stormwater                        | 2                  | -                     | -                        | 2 (100%)            |
| Transportation                    | 3                  | -                     | 2 (67%)                  | 1 (33%)             |
| Other Infrastructure              | 3                  | -                     | 1 (33%)                  | 2 (67%)             |
| Community and Visitor Experiences | 10                 | 2 (20%)               | 4 (40%)                  | 4 (40%)             |
| Property Assets                   | -                  | -                     | -                        | -                   |

The following graph depicts the proportion of targets met, almost met, or not met, across our Activity Groups:





# Financial Statements

## Summary Statement of Comprehensive Revenue and Expenses

For the Year Ended 30 June 2023

|   | Notes | Actual<br>2022/23<br>\$000 | LTP/AP<br>2022/23<br>\$000 | Actual<br>2021/22<br>\$000 |
|---|-------|----------------------------|----------------------------|----------------------------|
| Total revenue   | (i)   | 154,389                    | 149,029                    | 165,790                    |
| Total expenditure   | (ii)  | 162,805                    | 148,621                    | 129,761                    |
| Borrowing costs   |       | 14                         | 772                        | -                          |
| Share of associate surplus/(deficit)                                  |       | 723                        | 121                        | 2,405                      |
| Income tax expense  |       | -                          | -                          | -                          |
| <b>Surplus/(deficit) after tax</b>                                    |       | <b>(7,707)</b>             | <b>(243)</b>               | <b>38,434</b>              |
| Valuation gains/(losses) taken to equity                              |       | 238,434                    | 58,821                     | 127,278                    |
| Fair value gains/(losses) through comprehensive income on investments |       | (26)                       | -                          | 9                          |
| <b>Total comprehensive revenue and expenses</b>                       |       | <b>230,701</b>             | <b>58,578</b>              | <b>165,721</b>             |

The major variances between actual and the annual plan budget were:

(i) Total revenue greater than budget due to higher subsidies and grants related to Cyclone Gabrielle and higher than forecast financial contributions. This was offset by lower other revenue from Parklands Residential Development section sales and tourism and community facilities.

(ii) Total expenditure was higher than budget mainly due to unbudgeted costs relating to Cyclone Gabrielle.

## Summary Statement of Financial Position

As at 30 June 2023

|                                  | Notes | Actual<br>2022/23<br>\$000 | LTP/AP<br>2022/23<br>\$000 | Actual<br>2021/22<br>\$000 |
|----------------------------------|-------|----------------------------|----------------------------|----------------------------|
| Total current assets             | (i)   | 56,129                     | 40,986                     | 73,013                     |
| Total non-current assets         | (ii)  | 2,377,038                  | 2,144,213                  | 2,119,189                  |
| <b>Total assets</b>              |       | <b>2,433,167</b>           | <b>2,185,199</b>           | <b>2,192,202</b>           |
| Total current liabilities        |       | 24,826                     | 26,249                     | 24,861                     |
| Total non-current liabilities    | (iii) | 12,505                     | 67,899                     | 2,206                      |
| <b>Total liabilities</b>         |       | <b>37,331</b>              | <b>94,148</b>              | <b>27,067</b>              |
| <b>Total net assets</b>          |       | <b>2,395,836</b>           | <b>2,091,051</b>           | <b>2,165,135</b>           |
| Net assets / equity              |       |                            |                            |                            |
| Accumulated revenue & expenses   |       | 871,554                    | 852,199                    | 877,995                    |
| Other reserves                   | (ii)  | 1,524,282                  | 1,238,852                  | 1,287,140                  |
| <b>Total net assets / equity</b> |       | <b>2,395,836</b>           | <b>2,091,051</b>           | <b>2,165,135</b>           |

The major variances between actual and the annual plan budget were:

(i) Current assets were higher than budget mainly due to timing of term deposits maturing sitting in cash and cash equivalents and the upcoming requirement for cash outgoings.

(ii) Non-current assets and Equity in other reserves are higher than budget mainly due to higher than budgeted for the Infrastructural asset classes (including Three Waters and Rooding) as well as operational land and buildings. Investment properties were higher than budget due to the effect of prior year revaluations being higher than expected, despite current year movements decreasing.

(iii) Non-current liabilities are lower than budget mainly due to less borrowings which were not required due to less than budgeted capital spend over the past two years.

## Summary Statement of Changes in Equity

For the Year Ended 30 June 2023

|  | Notes | Actual<br>2022/23<br>\$000 | AP<br>2022/23<br>\$000 | Actual<br>2021/22<br>\$000 |
|--|-------|----------------------------|------------------------|----------------------------|
| Total net equity balance at 1 July         |       | 2,165,135                  | 2,032,473              | 1,999,414                  |
| Total comprehensive revenue for the period |       | 230,701                    | 58,578                 | 165,721                    |
| <b>Total net equity balance at 30 June</b> |       | <b>2,395,836</b>           | <b>2,091,051</b>       | <b>2,165,135</b>           |

## Summary Statement of Cash Flows

For the Year Ended 30 June 2023

|  | Actual<br>2022/23<br>\$000 | AP<br>2022/23<br>\$000 | Actual<br>2021/22<br>\$000 |
|--|----------------------------|------------------------|----------------------------|
| Net cash from operating activities   | 25,812                     | 35,474                 | 34,672                     |
| Net cash used in investing activities  | (22,917)                   | (89,029)               | (25,325)                   |
| Net cash from financing activities   | 10,000                     | 53,795                 | -                          |
| <b>Net increase/(decrease) in cash, cash equivalents &amp; bank overdrafts</b> | <b>12,895</b>              | <b>240</b>             | <b>9,347</b>               |
| Cash, cash equivalents & bank overdrafts at 1 July                             | 14,877                     | 5,529                  | 5,529                      |
| <b>Cash, cash equivalents &amp; bank overdrafts at 30 June</b>                 | <b>27,772</b>              | <b>5,769</b>           | <b>14,876</b>              |



# Notes to the Financial Statements

The full set of financial statements were prepared in accordance with the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10. The full statements comply with generally accepted accounting practice in New Zealand (NZ GAAP) and Tier 1 Public Benefit Entity (PBE) Standards. They are presented in New Zealand dollars and prepared on a going concern basis. This summary complies with PBE FRS 43: Summary Financial Statements. The specific disclosures have been extracted from the full financial reports that were adopted by Council on 23 November 2023. It does not include all the disclosures provided in the full financial statements and therefore cannot be expected to provide as complete an understanding. This summary financial report has been examined by the auditor for consistency with the full financial report. An auditor's report is included with this summary. The full financial report can be found on the Council's website here: [www.napier.govt.nz/documents-and-forms/reports/](http://www.napier.govt.nz/documents-and-forms/reports/).

The full annual report received a qualified audit opinion on the following information contained in the full annual report:

## **Water, Wastewater and Stormwater Below and Above Ground Assets and Operational Land and Buildings**

The 30 June 2022 financial statements had an audit opinion that was qualified on the water, wastewater and stormwater below and above ground assets and operational land and buildings assets classes not being revalued. As at 30 June 2022, Council completed fair value assessments on these assets, including taking advice from independent expert infrastructure valuers. These assessments shows that there was significant uncertainty over the asset values and the expected increase in fair value would be material.

Council did not prepare an early revaluation due to time and resource constraints, and the significant financial cost to undertake this exercise. Although a full revaluation was completed for 30 June 2023, any misstatement of the asset classes carrying value as at 30 June 2022 would consequently affect the revaluation movement recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2023.

It is for this reason that the Independent Auditor's Report contains a statement regarding the valuation of these assets.

## **Statement of service provision:**

Council received qualified audit opinions for the 2020/21, 2021/22 and 2022/23 audits relating to performance measures regarding response times for water supply, stormwater and wastewater. The reported results were not verifiable for attendance or resolution times due to the following reasons:

- Data entry errors meant the response times were not always accurately recorded in Council systems. Issues identified in the 2020/21 audit were to be remedied through the implementation of checking procedures to certify the accuracy of data entry on a regular basis, and that correct records are maintained. Checking procedures were planned for implementation by February 2023, but due to Cyclone Gabrielle, this has been delayed. Checking procedures will now be implemented by the end of 2023.
- Categorisation errors meant the request for service was not always recorded in the appropriate place for reporting against the mandatory measures. Often this was caused by multiple issues within the one request for service, or the category not being updated after service personnel had confirmed the issue.

This was also subject to qualification in 2020/21, and Council undertook to implement the following:

- Internal training for all staff entering or responding to service requests, so they are aware of the definitions provided by the Department of Internal Affairs for mandatory measures
- Reviewing our categories to ensure they are adequate and simplified for reporting purposes, and
- Checking procedures to certify the accuracy of categorisations on a regular basis.

The first two improvements listed have been successfully implemented, and we are working to have the third complete by the end of 2023.

## **Emphasis of matter - water services reform**

The annual report also received an Emphasis of Matter on the uncertainty over the water services reform programme. See page 6 of this document or page 16 of the full report for more details on this.

## **Legislative Compliance**

Section 98 of the Local Government Act 2002 requires the Napier City Council to prepare and adopt an annual report within four months after the end of each financial year.

The Annual Report 2022/23 was adopted by resolution of the Napier City Council on 23 November 2023. The delay was a result of receiving the valuation report of the water, waste water and storm water above and below ground assets later than expected due to asset data problems resulting from Cyclone Gabrielle.

## Events After the Balance Sheet Date

### Water services reform programme

The New Zealand Government is implementing a water services reform programme that is intended to ensure all New Zealanders have safe, clean and affordable water services. The Government believes this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. The reform will be enacted by three pieces of legislation:

- The Water Services Entities Act 2022, which (as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023) establishes ten publicly owned water services entities and sets out their ownership, governance and accountability arrangements. A water services entity is established (for transitional purposes) on the date on which the appointment of the entity's establishment board takes effect, and its establishment date (operational date) will be a date between 1 July 2024 and 1 July 2026.
- The Water Services Legislation Act 2023, which amended the Water Services Entities Act 2022 on 31 August 2023 to provide for the transfer of water services assets and liabilities to the water services entities.
- The Water Services Economic Efficiency and Consumer Protection Act 2023, which provides the economic regulation and consumer protection framework for water services. The consumer protection framework will come into force on 1 July 2024 and the rest of the Act came into force on 31 August 2023

### Cyclone Gabrielle – Category 3 Voluntary Residential Property and Property Rights Buy-out

Cyclone Gabrielle caused widespread damage, flooding and isolation when it came through the Hawkes Bay Region in February 2023. With the damage being so widespread it stretched the Council's resources and support was needed region wide from central government to support the community.

The Crown made an offer to the Hawke's Bay councils that included funding of \$260m towards transport recovery, \$203m towards flood mitigation and \$92.5m towards Category 3 voluntary residential property purchases. For Napier, this means \$32m towards full replacement of the Redclyffe Bridge, which the council co-owns with Hastings District

Council (HDC will receive the same amount for their share of the bridge).

To receive the forementioned funding, The Crown required The Council to agree to a 50/50 cost sharing arrangement for the voluntary buy-out of category 3 residential properties within the Napier City boundaries. Under this central government will contribute up to \$3.5m to allow council to administer voluntary residential property purchases in Category 3 areas. The remaining cost will be loan funded by Council. Following the consultation, the LTP amendment was adopted by Council on 14 September 2023.

To accept this offer, all Hawke's Bay councils had to agree to all portions of the package, including voluntary residential property purchases in Category 3 areas. For Napier City Council this triggered a 2021-31 Long Term Plan Amendment. This amendment was consulted with the community in August and September 2023. There was a consultation document and two public drop-in sessions held during this period. Council received 85 written submissions, and spoke to 34 attendees in person at the two drop-in sessions. On balance, while the submissions and feedback raised a number of questions, the general view was supportive of the process outlined.

The updated costings for repairing the Redclyffe Bridge was higher than the initial estimates. So a funding apportionment agreement has been reached with Hastings District Council in October 2023 for them to manage the rebuild within their funding arrangements.

The 2021-31 Long Term Plan Amendment can be accessed here: <https://www.napier.govt.nz/assets/Uploads/FINAL-FULL-VERSION.pdf>

### Settlement agreement with Local Government Mutual Funds Trustee Limited

The Local Government Mutual Funds Trustee Limited (Riskpool) provided professional indemnity cover to Council. In 2019 Council settled a claim brought by the owners of the Waterfront Apartment complex over various types of building defects. Council then sought indemnity from Riskpool for the portion of the remedial costs relating to non-weather-tightness defects and liabilities it incurred in defending and settling the claim.

On 1 August 2023 the Supreme Court determined that Riskpool was liable for the portion of the claim unrelated to weather-tightness. On 20 November 2023, both parties agreed to a settlement, based on the Judgement Sum from the High Court. The total Judgement Sum is \$4,698,995.41, with \$3,950,000 remaining payable to Council.

# Independent Auditor's Report

## To the readers of Napier City Council's summary of the annual report for the year ended 30 June 2023

The summary of the annual report was derived from the annual report of the Napier City Council (the City Council) for the year ended 30 June 2023.

The summary of the annual report comprises the following summary statements on pages 8 to 15

- the summary statement of financial position as at 30 June 2023;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2023;
- the notes to the summary financial statements that include other explanatory information; and
- the summary of statement of service provision (non-financial performance)

## Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43 Summary Financial Statements.

However, the summary financial statements and non-financial performance information include limitations in scope to the equivalent extent as the full audited financial statements and non-financial performance information. This limitation is explained below in The full annual report and our audit report thereon section.

## Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

## The full annual report and our audit report thereon

We expressed a qualified opinion on the financial statements and statement of service provision and an unmodified opinion on the other audited information in the full annual report for the year ended 30 June 2023 in our auditor's report dated 23 November 2023. The basis for our qualified opinion on the statement of service provision is explained below.

### Financial statements: Our work was limited in relation to the comparative year carrying value of the City Council's revalued property, plant and equipment and the asset revaluation movement in the current year

The City Council measures certain classes of its property, plant and equipment assets at fair value. PBE IPSAS 17 Property, Plant and Equipment requires entities that measure assets at fair value to carry out revaluations with sufficient regularity to ensure that the revalued asset classes are not included at a value that is materially different to fair value.

Our audit report on the 30 June 2022 financial statements was qualified because we considered that there were reliable indicators that there could be a collectively material change in the fair value of the water, wastewater and stormwater below and above ground assets and operational land and buildings assets classes not revalued during the 30 June 2022 financial year. However, because the City Council did not carry out a revaluation of these asset classes as at 30 June 2022, it was impracticable for us to determine the amount of any adjustment required.

As disclosed in note 17 to the financial statements, the City Council has valued its water, wastewater and stormwater below and above ground assets and operational land and buildings asset classes as at 30 June 2023 resulting in a revaluation movement of \$228,233,000 recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2023. We have obtained sufficient appropriate evidence over this valuation, however, any misstatement of the asset classes carrying value as at 30 June 2022 would consequently affect the revaluation movement recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2023.



# Independent Auditor's Report

Information about these matters is disclosed on 14 of the City Council's summary annual report.

## **Statement of service provision: Our work was limited with respect of water supply, wastewater and stormwater fault response times performance measures**

The City Council is required to report against the performance measures set out in the Non-Financial Performance Measure Rules 2013 (the Rules) made by the Secretary for Local Government. These include mandatory performance measures relating to the time taken to attend and resolve water supply, wastewater and stormwater faults.

The City Council was unable to accurately report on fault response times for each of the three water services. The information produced by the system used to report on fault response times was not reliable because the attendance and resolution times for service requests recorded were not always accurate or classified in line with the definitions set out in the Rules. Our opinion on these performance measures was also qualified for the 2022 performance year.

As a result of these issues, our work was limited and there were no practicable audit procedures we could apply to obtain assurance over the reported results for these performance measures.

Information about these matters is disclosed on page 14 of the City Council's summary annual report.

## **Emphasis of matter - uncertainty over the water services reform programme**

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the Government's three waters reform programme.

The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. The financial impact of the water

services reform on the City Council as outlined in note 35 remains uncertain until the relevant water services entity's establishment date is known, and the allocation schedule of assets, liabilities, and other matters to be transferred is approved.

This matter is disclosed on page 15 of the summary financial statements.

## **Council's responsibility for the summary of the annual report**

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS 43 Summary Financial Statements.

## **Auditor's responsibility**

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43 Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to reporting on the summary and full annual reports, we have carried out a limited assurance engagement related to the City Council's debenture trust deed. These engagements are compatible with those independence requirements.

Other than these engagements, we have no relationship with or interests in the City Council or its subsidiaries and controlled entities.

*Karen Young*

Karen Young  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand  
23 November 2023



**NAPIER**  
CITY COUNCIL  
*Te Kaunihera o Ahuriri*