Te Kaunihera o Ahuriri
Napier City Council
LONG TERM PLAN 2021-2031

Volume Two: Our detailed budgets, strategies, and policies

Adopted 30 June 2021

ISSN 1173-4477 (print)
ISSN 1177-9896 (online)

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Prepared in accordance with the requirements of the Local Government Act 2002.

**Cover photo location is not a construction site*

NAVIGATING THIS DOCUMENT

The Local Government Act 2002 requires us to review and update our Long Term Plan every three years. That Act also sets out what information the plan must contain. This is a long document, so to make it easier to read, we've split it into two volumes, arranged as follows:

Volume One: An overview of our Long Term Plan

Introduction: this section sets the scene, containing opening remarks from Mayor Kirsten Wise and Napier City Council Chief Executive Dr Steph Rotorangi, and a brief overview of Napier city.

Long Term Plan summary: an introduction to our Long Term Plan, including our significant initiatives over the next 10 years, our aspirations and direction for the city, and how we developed this plan (including consultation and external circumstances we've had to consider).

Activity Groups: key information on what services Napier City Council delivers, how we'll measure performance, and the budgets for the next 10 years.

Volume Two: Our detailed budgets, strategies, and policies

Financial information: Financial reporting and prudence benchmarks, which give a high-level overview of our key financial information and explains how we fund our activities. This includes our Funding Impact Statement.

Council Controlled Organisations: an overview of Napier City Council's Council Controlled Organisations (also known as CCOs).

Key strategies: our Finance and Infrastructure Strategies, which describe how we intend to manage our infrastructure assets over 30 years, and how our financial settings will allow for required investment.

Policies: our full Significance and Engagement Policy and Revenue and Financing Policy, and information about finding our other policies.

Audit Report: an objective view of this plan, assessing the quality of planning information and whether the plan is fit-for-purpose.

Glossary of terms: definitions of any special terms used throughout this plan.

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PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

Forecast for the ten years 2021/22 to 2031/32

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
	Revenue										
63,854	Rates revenue	69,382	74,670	80,022	85,861	93,777	102,424	111,868	122,193	133,481	144,464
216	Finance revenue	-	-	-	-	-	-	-	-	-	-
3,391	Financial contributions	7,090	7,296	7,478	7,665	7,857	8,053	8,262	8,485	8,714	8,941
4,911	Subsidies and grants	5,249	7,204	7,260	7,031	7,045	6,871	7,140	9,671	7,115	6,594
47,631	Other revenue	59,099	65,347	59,194	60,280	64,254	63,705	49,366	50,700	51,782	53,013
1,564	Other gains/(losses)	2,094	2,151	1,947	1,989	2,101	2,077	2,266	2,305	2,424	2,323
121,567	**Total revenue**	**142,914**	**156,668**	**155,901**	**162,826**	**175,034**	**183,130**	**178,902**	**193,354**	**203,516**	**215,335**
	Expenditure										
40,727	Employee Benefit Expense	43,309	44,565	45,783	46,929	48,157	49,417	50,701	52,071	53,477	54,869
28,392	Depreciation and Amortisation	35,247	38,150	41,667	43,266	47,731	52,617	54,817	58,171	61,450	63,800
275	Finance Costs	339	626	850	1,639	3,057	4,482	5,432	6,199	6,701	6,918
52,721	Other Operating Expenses	62,770	72,308	69,317	69,162	74,540	76,629	66,685	69,820	71,890	74,483
122,115	**Total expenditure**	**141,665**	**155,649**	**157,617**	**160,996**	**173,485**	**183,145**	**177,635**	**186,261**	**193,518**	**200,070**
(548)	**Operating surplus/(deficit) before tax**	**1,249**	**1,019**	**(1,716)**	**1,830**	**1,549**	**(15)**	**1,267**	**7,093**	**9,998**	**15,265**
310	Share of associate surplus/(deficit)	(69)	165	1,209	1,239	1,270	1,302	1,336	1,372	1,409	1,330
(238)	**Surplus/(deficit) before tax**	**1,180**	**1,184**	**(507)**	**3,069**	**2,819**	**1,287**	**2,603**	**8,465**	**11,407**	**16,595**
-	Income tax expense	-	-	-	-	-	-	-	-	-	-
(238)	**Surplus/(deficit) after tax**	**1,180**	**1,184**	**(507)**	**3,069**	**2,819**	**1,287**	**2,603**	**8,465**	**11,407**	**16,595**
	Other comprehensive revenue										
5,640	Valuation gains/(losses) taken to equity	24,229	40,983	7,508	55,394	60,056	8,165	63,958	73,892	9,840	71,629
-	Fair value gains/(losses) through comprehensive income on investments	-	-	-	-	-	-	-	-	-	-
5,402	**Total comprehensive revenue and expenses**	**25,409**	**42,167**	**7,001**	**58,463**	**62,875**	**9,452**	**66,561**	**82,357**	**21,247**	**88,224**

NOTES TO PROSPECTIVE FINANCIAL STATEMENTS

Forecast for the Ten Years ending 2020/21 to 2030/31

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
688	**1. Income from targeted rates for metered water supply**	728	786	846	884	906	929	953	979	1,005	1,031
	2. Depreciation and Amortisation Expense by Group of Activity										
303	City Strategy	381	428	475	472	509	476	521	594	627	662
7,629	Community and Visitor Experiences	9,062	10,383	11,331	12,152	14,190	15,184	15,879	17,622	17,902	18,550
1,032	Other Infrastructure	1,022	1,121	1,126	782	869	868	775	840	872	870
728	Property Assets	786	811	813	768	1,247	1,618	1,617	1,731	1,680	1,728
2,642	Stormwater	4,204	4,307	4,647	4,695	4,507	5,039	5,277	5,597	6,235	6,339
2,035	Support Units	2,622	3,043	3,743	4,531	5,507	6,548	6,831	7,010	7,095	6,814
7,319	Transportation	7,996	8,488	9,032	9,567	10,089	10,465	11,026	11,659	12,301	12,988
4,791	Wastewater	5,904	6,089	6,690	6,495	6,880	8,147	8,300	8,383	9,433	10,055
1,913	Water Supply	3,270	3,480	3,810	3,804	3,933	4,272	4,591	4,735	5,305	5,794
28,392	**Total directly attributable depreciation and amortisation by group of activity**	**35,247**	**38,150**	**41,667**	**43,266**	**47,731**	**52,617**	**54,817**	**58,171**	**61,450**	**63,800**

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

Forecast for ten years ending 30 June 2020 TO 30 June 2031

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
	Assets										
	Current assets										
6,758	Cash and cash equivalents	5,220	5,584	5,747	5,796	5,676	4,929	4,547	4,183	4,030	3,876
15,789	Debtors and other receivables	19,834	21,379	20,697	21,032	22,160	22,645	20,922	22,160	22,553	23,286
297	Prepayments	821	851	875	896	917	938	959	980	1,002	1,024
5,821	Inventories	11,904	8,065	7,488	8,126	8,172	470	480	491	502	513
354	Biological assets	249	256	263	269	276	283	291	299	307	315
-	Other financial assets	-	-	-	-	-	-	-	31	156	161
29,019	**Total current assets**	**38,028**	**36,135**	**35,070**	**36,119**	**37,201**	**29,265**	**27,199**	**28,144**	**28,550**	**29,175**
	Non-current assets										
1,712,724	Property, plant and equipment	1,897,051	1,973,497	2,017,523	2,166,873	2,298,330	2,326,798	2,410,487	2,497,927	2,514,272	2,589,964
550	Intangible assets	1,438	1,147	922	802	815	829	852	884	919	954
19,570	Inventories	17,147	12,675	8,723	4,391	-	-	-	-	-	-
58,791	Investment property	61,097	62,930	64,566	66,244	68,033	69,802	71,756	73,766	75,905	77,954
9,367	Investment in associates	8,880	9,045	10,255	11,060	11,886	12,732	13,600	14,492	15,408	16,232
3,452	Other financial assets	4,896	5,541	6,291	7,917	9,199	9,611	10,095	10,386	10,415	10,439
1,804,454	**Total non-current assets**	**1,990,509**	**2,064,835**	**2,108,280**	**2,257,287**	**2,388,263**	**2,419,772**	**2,506,790**	**2,597,455**	**2,616,919**	**2,695,543**
1,833,473	**Total assets**	**2,028,537**	**2,100,970**	**2,143,350**	**2,293,406**	**2,425,464**	**2,449,037**	**2,533,989**	**2,625,599**	**2,645,469**	**2,724,718**
	Liabilities										
	Current liabilities										
19,079	Trade payables and other accruals	17,444	18,704	18,626	19,911	20,218	19,631	18,803	19,201	19,480	19,880
4,876	Employee benefit liabilities	4,895	5,201	5,397	5,582	5,877	6,293	6,728	6,917	7,130	7,477
-	Borrowings	-	-	-	-	-	-	-	1,910	9,750	10,043
23,955	**Total current liabilities**	**22,339**	**23,905**	**24,023**	**25,493**	**26,095**	**25,924**	**25,531**	**28,028**	**36,360**	**37,400**

PROSPECTIVE STATEMENT OF FINANCIAL POSITION CONTINUED

Forecast for ten years ending 30 June 2020 TO 30 June 2031

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
	Non-current liabilities										
723	Employee benefit liabilities	797	852	908	961	1,010	1,062	1,116	1,152	1,193	1,221
22,000	Borrowings	74,960	103,755	139,110	229,230	297,790	312,030	330,760	337,480	327,730	317,688
1,109	Provisions	1,462	1,312	1,162	1,112	1,084	1,084	1,084	1,084	1,084	1,084
23,832	**Total non-current liabilities**	**77,219**	**105,919**	**141,180**	**231,303**	**299,884**	**314,176**	**332,960**	**339,716**	**330,007**	**319,993**
47,787	**Total liabilities**	**99,558**	**129,824**	**165,203**	**256,796**	**325,979**	**340,100**	**358,491**	**367,744**	**366,367**	**357,392**
1,785,686	**Total net assets**	**1,928,979**	**1,971,146**	**1,978,147**	**2,036,610**	**2,099,485**	**2,108,937**	**2,175,498**	**2,257,855**	**2,279,102**	**2,367,326**
	Net assets / equity										
816,587	Accumulated revenue & expenses	812,013	813,703	812,675	819,397	822,093	824,236	826,484	835,277	846,377	864,054
969,099	Other reserves	1,116,966	1,157,443	1,165,472	1,217,213	1,277,392	1,284,701	1,349,014	1,422,578	1,432,725	1,503,272
1,785,686	**Total net assets / equity**	**1,928,979**	**1,971,146**	**1,978,147**	**2,036,610**	**2,099,485**	**2,108,937**	**2,175,498**	**2,257,855**	**2,279,102**	**2,367,326**

PROSPECTIVE STATEMENT OF CHANGES IN NET ASSETS/EQUITY

Forecast for the ten years 2021/22 to 2031/32

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
1,780,284	Total net equity balance at 1 July	1,903,570	1,928,979	1,971,146	1,978,147	2,036,610	2,099,485	2,108,937	2,175,498	2,257,855	2,279,102
5,402	Total comprehensive revenue for the period	25,409	42,167	7,001	58,463	62,875	9,452	66,561	82,357	21,247	88,224
1,785,686	**Total net equity balance at 30 June**	**1,928,979**	**1,971,146**	**1,978,147**	**2,036,610**	**2,099,485**	**2,108,937**	**2,175,498**	**2,257,855**	**2,279,102**	**2,367,326**
	Total comprehensive revenue and expenses attributable to:										
5,402	Napier City Council	25,409	42,167	7,001	58,463	62,875	9,452	66,561	82,357	21,247	88,224
5,402	**Total comprehensive revenue and expenses**	**25,409**	**42,167**	**7,001**	**58,463**	**62,875**	**9,452**	**66,561**	**82,357**	**21,247**	**88,224**

PROSPECTIVE STATEMENT OF CASH FLOWS

Forecast for the ten years 2021/22 to 2031/32

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2031/32 $000
	Cash flows from operating activities										
60,661	Receipts from rates revenue	66,683	74,405	79,755	85,569	93,382	101,991	111,396	121,677	132,916	143,915
216	Interest received	-	-	-	-	-	-	-	-	-	-
-	Dividends received	-	-	-	-	-	-	-	-	-	-
59,606	Receipts from other revenue	60,599	77,355	73,559	73,526	77,199	77,344	65,445	66,801	66,314	66,885
-	Goods and services tax (net)	(1,406)	(19)	62	113	(105)	(132)	117	(109)	(15)	(44)
(95,956)	Payments to suppliers and employees	(114,029)	(107,543)	(110,857)	(112,249)	(117,577)	(117,742)	(117,973)	(121,428)	(124,978)	(128,793)
(275)	Interest Paid	(339)	(626)	(850)	(1,639)	(3,057)	(4,482)	(5,432)	(6,199)	(6,701)	(6,918)
24,252	**Net cash from operating activities**	**11,508**	**43,572**	**41,669**	**45,320**	**49,842**	**56,979**	**53,553**	**60,742**	**67,536**	**75,045**
	Cash flows from investing activities										
250	Proceeds from sale of property, plant & equipment	250	250	250	250	250	250	250	250	250	250
27,000	Proceeds from withdrawal of investments	-	-	-	434	445	456	468	480	524	662
(57,001)	Purchase of property, plant & equipment	(61,390)	(71,262)	(75,937)	(134,074)	(117,547)	(71,856)	(72,478)	(69,706)	(65,913)	(65,704)
(127)	Purchase of intangible assets	(515)	(530)	(608)	(559)	(573)	(588)	(605)	(622)	(640)	(657)
(14,682)	Acquisition of investments	(1,199)	(461)	(566)	(1,442)	(1,097)	(228)	(300)	(138)	-	-
(44,560)	**Net cash from investing activities**	**(62,854)**	**(72,003)**	**(76,861)**	**(135,391)**	**(118,522)**	**(71,966)**	**(72,665)**	**(69,736)**	**(65,779)**	**(65,449)**

PROSPECTIVE STATEMENT OF CASH FLOWS CONTINUED

Forecast for the ten years 2021/22 to 2031/32

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2031/32 $000
	Cash flows from financing activities										
22,000	Proceeds from borrowings	52,960	28,795	35,355	90,120	68,560	14,240	18,730	8,630	-	-
-	Repayment of borrowings	-	-	-	-	-	-	-	-	(1,910)	(9,750)
22,000	**Net cash from financing activities**	**52,960**	**28,795**	**35,355**	**90,120**	**68,560**	**14,240**	**18,730**	**8,630**	**(1,910)**	**(9,750)**
1,692	Net (decrease)/increase in cash, cash equivalents & bank overdrafts	1,614	364	163	49	(120)	(747)	(382)	(364)	(153)	(154)
5,066	Cash, cash equivalents & bank overdrafts at 1 July	3,606	5,220	5,584	5,747	5,796	5,676	4,929	4,547	4,183	4,030
6,758	**Cash, cash equivalents & bank overdrafts at 30 June**	**5,220**	**5,584**	**5,747**	**5,796**	**5,676**	**4,929**	**4,547**	**4,183**	**4,030**	**3,876**

The GST (net) component of operating activities reflects the net GST paid or received to or from the Inland Revenue Department.

The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

STATEMENT OF ACCOUNTING POLICIES

In accordance with the Local Government Act 2002 Part 6 Section 93, Napier City Council (the Council) adopted for consultation the Consultation Document for Napier's 2021–2031 Long Term Plan document on 9 April 2021. The final 2021–2031 Long Term Plan (LTP) was authorised and adopted by the Council on 30 June 2021 following public consultation. As the authorising body, the Council is responsible for the LTP presented, along with the underlying assumptions, and all other required disclosures. The principal accounting policies adopted in the preparation of the LTP financial statements are set out below. The financial statements comprise the financial statements for the Council as an individual entity. The main purpose of the prospective financial statements outlined in the LTP is to provide users with information about core services that the Council intends to provide ratepayers, the expected cost of those services, and, as a consequence, how much the Council requires by way of rates to fund the intended levels of service.

Reporting Entity

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

The reporting entity consists of the Council only. The Council has investments in the following entities which are Council Controlled Organisations (CCO):

- Hawke's Bay Museum Trust classified as an investment, and
- Hawke's Bay Airport Limited (26% share of voting rights) equity accounted.

The Council provides local infrastructure, local public services and amenities, and performs regulatory functions for the community for social benefit rather than making a financial return. Accordingly, the Council has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

Basis of Preparation

Statement of Compliance

The prospective financial statements are for the Council as a separate legal entity and have been prepared in accordance with Section 93 of the LGA, which requires local authorities to prepare and adopt a Long Term Plan before the commencement of the first year to which it relates and continues in force until the close of the third consecutive year to which it relates.

These prospective financial statements have been prepared in accordance with the requirements of the Act Part 6, Section 98, and Part 1 of Schedule 10, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The accounting policies set out below have been applied consistently to all periods in these prospective financial statements.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

Changes in Accounting Standards

Financial Instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments which is an interim standard meant to replace PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021 with early application permitted. In March 2019, NZASB issued PBE IPSAS 41 Financial Instruments which is mandatory for application in January 2022. The NZASB subsequently deferred the effective date of PBE IFRS 9 to 1 January 2022 so that PBE IFRS 9 did not become mandatorily effective before PBE IPSAS 41. When applied, PBE IPSAS 41 supersedes PBE IFRS 9.

The Council intends to apply PBE IPSAS 41 in the financial year beginning 1 July 2022.

The initial consideration of the impacts the implementation of PBE IPSAS 41 is expected to have in the Council's financial statements is described below.

Classification and measurement

Currently the Council classifies its investment in listed and non-listed equity shares and listed debt instruments as available-for-sale (AFS) financial assets. For the equity shares currently classified as AFS, the Council expects to continue measuring them at fair value through other comprehensive revenue and expense.

Loans as well as receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Council has analysed the contractual cash flow characteristics of those instruments and concluded they meet the criteria for amortised cost measurement under PBE IPSAS 41. Therefore, reclassification for these instruments is not required.

Impairment

PBE IPSAS 41 requires the Council to record expected credit losses on all of its debt instruments classified at amortised cost or fair value through other comprehensive revenues and expenses. For all of such assets, except receivables, the Council expects to apply the simplified approach and record lifetime expected losses on all receivables. The Council does not expect the application of PBE IPSAS 41 to result in a significant impairment of its term deposits or debt instruments.

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021 with early application permitted. The Council does not intend to early adopt the amendment.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The Council does not expect the application of PBE FRS 48 will affect its statement of service performance.

Other changes in accounting policies

There have been no other changes in accounting policies.

Prospective Financial Information

These are prospective financial statements and have been prepared in accordance with the requirements of the Local Government Act 2002 and may not be appropriate for other purposes. The main purpose of the prospective financial statements in the LTP is to provide users with information about Council's plans for the next 10 years and the rates that will be required to fund these plans.

As a forecast, the LTP has been prepared on the basis of assumptions as to future events the Council reasonably expects to occur associated with the actions the Council reasonably expects to take as at the date the information was prepared. The Significant Planning Assumptions are included in the LTP and outline assessed potential risks that may impact future results. Actual results achieved for the LTP periods covered are likely to vary from the information presented and the variation may be material.

The LTP is based on actual results reported in the financial statements for the year ended 30 June 2020. The prospective financial statements have been prepared by using the best information available at the time for the 10 years of the LTP. The final adopted LTP will be updated no later than 30 June 2021.

In accordance with the Local Government Act 2002 Part 6, Section 93, the Council adopted and authorised for issue the Consultation Document on 9 April 2021. As the authorising body, the Council is responsible for the LTP presented, along with the underlying assumptions, and all other required disclosures. The prospective financial statements contained in this LTP are in full compliance with PBE Financial Reporting Standards 42 Prospective Financial Statements (PBE FRS 42).

Council reserves the right to change the statements should circumstances change.

Principles of Consolidation

The prospective financial statements comprise of the Council and its equity accounted investments.

Investments

Investment in Associates

The Council's associate investment is accounted for in the financial statements using the equity method. An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the financial statements is increased or decreased to recognise the Council's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

If the share of deficits of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further deficits. After the Council's interest is reduced to zero, additional deficits are provided for, and a liability is recognised only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the Council will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the Council transacts with an associate, surplus or deficits are eliminated to the extent of the Council's interest in the associate.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

Subsidiaries

Subsidiaries are all entities over which the Council has control. The Council controls an entity if all three of the following elements are present: power over the entity, exposure to variable returns from the entity, and the ability of the Council to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The Council has no subsidiaries during the periods presented in the financial statements.

Joint Arrangements

The Council is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Council and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

Joint Operation

The Council has an interest in a joint arrangement that is a jointly controlled asset. The Council recognises its share of the asset, classified as plant and equipment. In addition, the Council recognises its share of liabilities, expenses, and income from the use and output of the jointly controlled asset.

Foreign Currency Translation

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit of the Statement of Comprehensive Revenue and Expenses.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. The specific accounting policies for significant revenue items are explained below:

Non-exchange Revenue, and

Rates Revenue.

The following policies for rates have been applied:

General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised as revenue at the start of the financial year to which the rates resolution relates, and they are recognised at the amount due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue;

Rates arising from late payment penalties are recognised as revenue when rates become overdue;

Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis, and

Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

Grants and Subsidies

Grants and subsidies received are recognised as revenue when the Council obtains control of the transferred asset (cash, goods, other assets or services) and the transfer is free from conditions that require the Council refund or return the asset if the conditions relating to the asset are not fulfilled. When grants and subsidies include a condition, a liability is recognised until the Council has satisfied the conditions when revenue is recognised. The Council receives the majority of grants and subsidies revenue from Waka Kotahi New Zealand Transport Agency (Waka Kotahi), which subsidises part of the Council's costs in maintaining the local road infrastructure. The right to receive the funding from Waka Kotahi arises once the work is performed, therefore revenue is recognised when receivable as there are no further conditions attached to the funding.

Donated, Subsidised or Vested Assets

Donated, subsidised or vested assets are recognised when the right to receive them is established. Revenue is recognised at this time unless there are conditions attached to the asset which require the asset to be returned if conditions are not met. A liability is recognised until the conditions are met. Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

Parking and Traffic Infringement

Revenue is recognised when the ticket is issued as there are no conditions attached.

Exchange Revenue

Licences and Permits

Revenue derived from licences and permits are recognised on receipt of appropriate application.

Residential Developments

Sales of sections in residential developments are recognised when contracts for sale are unconditional as control is deemed to have been transferred.

Development and Financial Contributions

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

Sales of Goods (Retail)

Sales of goods are recognised when a product is sold to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in distribution costs.

Sales of Services

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed, on the basis of the actual service provided as a proportion of the total services to be provided.

Rental Revenue

Rental revenue is recognised on a straight line basis over the term of the lease.

Interest Revenue

Interest revenue is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Council reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest revenue. Interest revenue on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Dividend Revenue

Dividend revenue is recognised when the right to receive payment is established.

Building and Resource Consent Revenue

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Income Tax

In general, local authorities are only subject to tax from income derived through council-controlled organisations and as a port operator.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting surplus or deficit, or taxable surplus or deficit.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the controlling entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised in other comprehensive revenue and expense or directly in equity.

Goods and Services Tax (GST)

The Statement of Comprehensive Revenue and Expenses has been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

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

Leases

The Council is the Lessee

Leases of property, plant, and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the surplus or deficit in the Statement of Comprehensive Revenue and Expenses over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant, and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Revenue and Expenses on a straight line basis over the period of the lease.

The Council is the Lessor

Assets leased to third parties under operating leases are included in property, plant, and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant, and equipment. Rental revenue (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly-liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within borrowings under current liabilities in the Statement of Financial Position.

Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less impairment for doubtful debts.

Trade receivables are due for settlement no more than 150 days from the date of recognition for land development and resale debtors and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Revenue and Expenses.

When the receivable is uncollectible, it is written off against the provision account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Inventories

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value, and

- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first in, first out (FIFO) method, which assumes the items of inventory that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Any write-down from cost to net realisable value or for the loss of service potential is recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expenses in the period of the write-down.

Land held for development and future resale

When land held for development and future resale is transferred from investment property or property, plant, and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Non-current Assets Held For Sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell in the Council's operating expenses. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

Other Financial Assets excluding derivatives

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

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

Financial assets are classified into the categories below:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Council provides money, goods or services directly to a debtor with no intention of selling the receivable. Those with maturities greater than 12 months after the balance date are classified as non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Held to Maturity Investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are classified as non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Fair Value through Other Comprehensive Revenue and Expenses (Available for sale)

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category at initial recognition, or not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date. These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the surplus or deficit as gains and losses from investment securities.

Fair Value Changes

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Impairment of Financial Assets

The Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. Impairment losses are recognised in the surplus or deficit. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in surplus and deficit, is removed from equity and recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expenses. Impairment losses recognised on available- for-sale equity instruments are not reversed through surplus or deficit in the Statement of Comprehensive Revenue and Expenses. Instead, increases in the fair value of these assets after impairment are recognised in other comprehensive revenue and expenses in the Statement of Comprehensive Revenue and Expenses.

Refer to trade receivables for details of impairment testing of loans and receivables.

Property, Plant, and Equipment

Property, plant, and equipment consist of:

Operational assets: these include land, buildings, library books, plant and equipment, and motor vehicles;

Restricted assets: restricted assets are mainly parks and reserves owned by the Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions, and

Infrastructure assets: infrastructure assets are the fixed utility system owned by the Council and group. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

Additions

Items of property, plant, and equipment are initially recognised at cost, which includes purchase price plus directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of property, plant, and equipment is recognised as an asset only when 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.

Where a physical asset is acquired for nil or nominal consideration, it is recognised at its fair value at the date the asset was received with the fair value recognised as revenue. Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

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

Revaluations

Assets which are revalued are shown at fair value (which is based on periodic valuations by external independent valuers that are performed with sufficient regularity to ensure that the carrying value does not differ materially from fair value) less subsequent depreciation (except land which is not depreciated). The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Roading infrastructure assets and library collections are valued at depreciated replacement cost and revalued annually. Other infrastructural assets (except land under roads), Land and Buildings, and Council Restricted Reserves are revalued on a three-yearly valuation cycle.

Increases in the carrying amounts arising on a revalued class of assets are credited to a revaluation reserve in public equity. To the extent that the increase reverses a decrease previously recognised for the same class of assets in the surplus or deficit, the increase is first recognised in the surplus or deficit. Where the revaluation movement 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Revenue and Expenses during the financial period in which they are incurred.

Depreciation

Depreciation of property, plant, and equipment other than land is calculated on a straight line basis at rates that will write off the cost or valuation, less estimated residual value, over their expected useful economic lives. The following rates have been applied:

	Depreciation
Buildings & Structural Improvements	2 to 10%
Fixed Plant & Equipment	5 to 20%
Mobile Plant & Equipment	5 to 50%
Motor Vehicles	10 to 33.33%
Furniture & Fittings	4 to 20%
Office Equipment	8 to 66.67%
Library Book Stock	7 to 25%

Depreciation of infrastructural and restricted assets is calculated on a straight line basis at rates that will write off their cost or valuation over their expected useful economic lives.

The expected lives, in years, of major classes of infrastructural and restricted assets are as follows:

	Years
TRANSPORTATION	
Base Course	60-130
Surfacings	20-25
Concrete Pavers	80
Footpaths & Pathways/Walkways	15-80
Drainage	25-100
Bridges & Structures	20-100
Road Lighting	4-50
Traffic Services & Safety	10-25
WATER	
Reticulation	56-200
Reservoirs	100
Pump Stations	15-80
STORMWATER	
Reticulation	80-100
Pump Stations	15-80
WASTEWATER	
Reticulation	80-100
Pump Stations	15-80
Milliscreen	10-80
Outfall	60
OTHERS	
Grandstands, Community & Sports Halls	50
Sportsgrounds, Parks & Reserves Improvements	10-50
Buildings on Reserves	10-50
Pools	10-50
Inner Harbour	20-50

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investment Property

Investment property is held for long-term rental yields and capital appreciation and is not occupied by the Council or held to meet service delivery objectives.

Properties leased to third parties under operating leases will generally be classified as investment property unless:

- the property is held to meet service delivery objectives rather than to earn rentals or for capital appreciation;
- the occupants provide services that are integral to the operation of the owner's business and/or these services could not be provided efficiently and effectively by the lessee in another location;
- the property is being held for future delivery of services, and
- the lessor uses services of the owner and those services are integral to the reasons for their occupancy of the property.

Investment property is carried at fair value representing open market value determined annually by external valuers. Changes in fair values are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses.

Intangible Assets

Trademarks and Licences

Trademarks and licences have a finite useful life and are initially recognised at cost and subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives which vary from three to five years.

Computer Software

Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Council, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development, employee costs, and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives, not exceeding three years.

Impairment of Non-Financial Assets

Assets that have an indefinite useful life and capital work in progress are not subject to amortisation and are tested annually for impairment. All other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment will depend on whether the asset is deemed to be cash generating or non-cash generating. All cash-generating assets are assets held with the primary objective of generating a commercial return, all other assets are non-cash generating.

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. For non-cash-generating assets where the Council would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset. For cash-generating assets, value in use is determined using a present value of future cash flows valuation methodology.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) for assets that are cash generating. Once this assessment is made, this is adjusted through the revaluation reserve for revalued assets (where there is a positive reserve), or in the surplus or deficit in the Statement of Comprehensive Revenue and Expenses where revaluation does not occur or there is no positive revaluation reserve.

Trade and Other Payables

These amounts are initially recorded at their fair value and subsequently recognised at amortised cost. They represent liabilities for goods and services provided to the Council prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

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

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

Borrowing Costs

In line with PBE IPSAS 5 Borrowing Costs, all borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

Financial Guarantee

A financial guarantee contract is a contract that requires the Council to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone, arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that the Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

- The present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee, and
- The amount initially recognised less, when appropriate, cumulative amortisation as revenue.

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Any funds that are not spent for the approved purpose are returned to the Council by 30 June of the same financial year.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long Service Leave and Gratuities

The liability for long service leave and gratuities is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement Benefit Obligations

Current and former employees of the Council are entitled to benefits on retirement, disability, or death from the Council's multi-employer benefit scheme. The scheme manager, National Provident Fund, has advised Council there is no consistent and reliable basis for allocating the obligation scheme assets and cost of the multi-employer defined benefit scheme to individual participating employers. As a result, the scheme is accounted for as a defined contribution plan and contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset if a cash refund or a reduction in the future payments is available.

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.

Bonus Plans

The Council recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Biological Assets

Livestock

Livestock are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit. Changes in fair value are recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expense.

Net Assets / Equity

Net Assets/Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities.

Restricted and Council-Created Reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

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

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Cost Allocation

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

Critical Accounting Estimates and Assumptions

In preparing these financial statements, the 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 as follows:

Landfill Aftercare Provision

The Omarunui Landfill is owned jointly by the Hastings District Council (63.68%) and Napier City Council (36.32%). The landfill is operated by the Hastings District Council on behalf of a joint committee (comprising elected representatives from the two councils). The joint Landfill Committee gained a resource consent in 1985 to operate the Omarunui Landfill. The councils have responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

- Final cover application and vegetation;
- Incremental drainage control features;
- Completing facilities for leachate collection and monitoring, and
- Completing facilities for monitoring and recovery of gas

Post-closure responsibilities:

- Treatment and monitoring of leachate;
- Groundwater and surface monitoring;
- Gas monitoring and recovery;

- Implementation of remedial measures such as needed for cover and control systems, and
- Ongoing site maintenance for drainage systems, final cover, and vegetation.

The management of the landfill will influence the timing of recognition of some liabilities, for example, the current landfill will operate in four stages. A liability relating to stages three and four will only be created when the stage is commissioned and when refuse begins to accumulate in these stages.

Capacity of the Site:

The landfill is divided into four valleys as below:	Total Capacity (million)	Useful Life of Valley
Valley A - opened in December 1998, closed 2006	2.6 m3	17 years
Valley D - opened in December 2006 and currently in operation	2.1 m3	18 years
Valleys B & C - not yet in operation		

The cash outflows for landfill post-closure are expected to occur in 2025 for Valley D and began in 2007 for Valley A. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 2.3%.

The following major assumptions have been made in the calculation of the provision:

- Aftercare will be required for 30 years after the closure of each stage;
- The annual cost of aftercare for Valley A and D is $201,500, and
- The provision reported is for the Napier City Council's share only (36.32%).

Infrastructural Assets

There are a number of assumptions and estimates used when performing depreciated replacement cost 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 which are underground such as stormwater, wastewater, and water supply pipes. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset, and
- Estimating 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 the Council could be over or under in estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Revenue and Expenses. To minimise this risk, the 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 and deterioration and condition modelling are also carried out regularly as part of the Council asset management planning activities, which gives the Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations except for most above and below groundwater, wastewater and stormwater assets where the independent valuer peer reviews Council's valuations. In some cases, e.g., pumps are independently valued by independent valuers.

Critical Judgements in applying Napier City Council's Accounting Policies

Classification of Property

The Council owns a number of leasehold land and rental properties. The receipt of market-based rentals from these properties is incidental to the holding of these properties. In the case of residential leasehold properties, there are legal restrictions applying to how Council can manage these properties, and, in the case of rental properties, these are held as part of the Council's social housing policy or to secure the ability to undertake long-term city development projects. As some of these properties are held for service delivery objectives, they have been accounted for as property, plant, and equipment.

PROSPECTIVE STATEMENT OF CHANGES IN RESERVE FUNDS

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening Balance 1 July 2021 $000s	Deposits $000s	Expenditure $000s	Closing Balance 30 June 2031 $000s
COUNCIL CREATED RESERVES						
Aquarium Expansion	Derived from grants and donations for the Aquarium Expansion Project	Aquarium	4	-	-	4
Bay View Targeted Rate Fund	Established to recover the cost of connection to the Bay View Sewerage Scheme for properties connecting where the lump sum payment option was not elected. Income is derived from the Bay View Connection rate, and is used to recover loan servicing costs.	Wastewater	(64)	114	(50)	-
Capital Reserve	Derived from rating surpluses. The reserve is available to provide funding for capital projects or debt repayment.	All Activities	1,936	1,308	(3,236)	8
CBD and Taradale Promotional Levy Funds	Funds from the targeted rates for CBD and Taradale Promotion. The funds collected are paid in full to Napier Inner City Marketing and Taradale Marketing Association.	City and Business Promotion	(5)	2,376	(2,376)	(5)
Cycleway / Walkway Fund	Derived from donations and contributions for the construction and improvements of Cycleways/Walkways	Roading	-	41,533	(41,533)	-
Robson Collection Fund	This fund was set up by the Napier Pilot City Trust in memory of John Robson. Revenue is derived from community donations for the Robson Collection on restorative justice.	Libraries	13	-	(8)	5
Dog Control Fund	This fund is a requirement under the Dog Control Act 1996. All transactions related to the dog owner's share of the costs of Animal Control, both operating and capital, flow to this account. Amounts include dog related fees received and the operating and capital costs of the dog related activity of Animal Control.	Animal Control	1	8,852	(12,992)	(4,139)
Financial Contributions	Collected from financial contributions from developers on the subdivision of land and various land use activities. Used to fund capital works and services. Note: Council is itself a developer (Parklands) and contributions are transferred as internal charges.	Roading, Stormwater, Water, Wastewater, Reserves, Sportsgrounds, Libraries	1,861	87,570	(83,647)	5,784
Infrastructural Asset Renewal and Upgrade Funds*	Collected from the annual rate funded allocation as per the Capital Plan. Used for capital expenditure on infrastructural asset renewals and associated upgrades.	Water Supply, Stormwater, Wastewater, Solid Waste, Sportsgrounds, Reserves, Public Toilets, Cemeteries, Napier Aquatic Centre	20,244	132,586	(144,453)	8,377

PROSPECTIVE STATEMENT OF CHANGES IN RESERVE FUNDS CONTINUED

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening Balance 1 July 2021 $000s	Deposits $000s	Expenditure $000s	Closing Balance 30 June 2031 $000s
Plant & Equipment Renewals	This fund is derived from the depreciation and interest on capital portions of plant hire charges and profit on plant sold. The fund is used for the purchase of new and replacement plant and vehicles.	All Activities	7,233	35,755	(46,584)	(3,596)
Keep Napier Beautiful	Originally derived from surplus revenue in Keep Napier Beautiful project. Currently credited with annual grant for garden competition and used for competition expenses and administration costs.	Reserves	1	-	-	1
Mayor's Discretionary Fund	Interest on the fund is used for charitable purposes to assist the needy, including contributions to purposes such as the Christmas Cheer Appeal.	Community Planning	2	-	-	2
Pensioner Housing Upgrade Reserve	Established from a contribution from rates equivalent to the annual depreciation on pensioner flats and houses owned by Council. The reserve is available to provide capital upgrade of these facilities.	Retirement & Rental Housing	353	-	-	353
Parking Contributions Account	Funds derived for the provision of parking facilities.	Parking	3,952	1,746	(5,999)	(301)
Parking Equipment Reserve Account	To provide funds for replacement of parking equipment on a regular basis.	Parking	1,933	1,197	-	3,130
Taradale Parking Meters	Funds collected from Parking Meters in Taradale Town Centre to fund the 2010 upgrade of the Town Centre (including parking).	Parking	(198)	1,905	(1,530)	177
Parklands Residential Development Fund	Derived from proceeds of section sales of the Parklands Residential Development project less development expenditure.	Parklands Residential Development, Property Holdings, Sportsgrounds, Reserves, Napier Skate Park	4,991	100,166	(83,135)	22,022
Roading Property Reserve	Derived from the sale or lease of surplus roading property. The proceeds are available for Roading property purchases and improvements.	Roading	(273)	(62)	-	(335)
Property Reserve	Derived from the sale of miscellaneous property. The proceeds are available for the acquisition of other miscellaneous land and buildings. Its purpose in particular is for unscheduled property purchases related to district scheme designations and for private developments which occur from time to time.	Property Holdings	1,979	336	(500)	1,815

PROSPECTIVE STATEMENT OF CHANGES IN RESERVE FUNDS CONTINUED

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening Balance 1 July 2021 $000s	Deposits $000s	Expenditure $000s	Closing Balance 30 June 2031 $000s
McLean Park Property Reserve Account	Derived from rental income from the McVay Street and Vigor Brown Street houses less current loan servicing costs. As per Council resolution dated 15 May 2002, the fund may be used to fund future McLean Park property purchases or loan servicing costs on future purchases.	Sportsgrounds	292	2,463	(1,218)	1,537
Hawke's Bay Harbour Board Endowment Land Sale Account	Derived from proceeds from freeholding HB Harbour Board Endowment Land. The Hawke's Bay Endowment Land Empowering Act 2002 provides an unrestricted use of proceeds from leasehold land freeholded after 30 March 2002.	Property Holdings, Parklands Residential Development, Marine Parade Pools, Reserves	19,315	4,500	-	23,815
Investment Property Portfolio Sale Account	Derived from proceeds from freeholding HB Harbour Board Endowment Land.	Property Holdings	877	-	-	877
Solid Waste Disposal Income Account	Amount is derived from returns from the Joint Regional Landfill Committee for the operation of the Omarunui Regional Landfill and is used to fund capital development of the landfill and the net operating costs including loan servicing, of the Transfer Station.	Solid Waste	3,442	74,579	(68,659)	9,362
Reserve Subdivision of Land	Derived from contributions on the subdivision of land towards the development of reserves and subject to Council approval as part of the annual budget process.	Reserves	27	1,910	(1,904)	33
Lagoon Farm Account	Derived from the Lagoon Farm activity	Lagoon Farm	200	6,880	(7,453)	(373)
Subdivision and Urban Growth Fund	To service all borrowing in relation to Council's share of subdivision and urban growth projects, and to meet any servicing costs on financing the developer's share of projects where expenditure requirements precede the receipt of financial contributions. A part of the surplus is also used to reduce the general rate requirement.	All Activities	5,259	-	(5,218)	41
Total Council Created Reserves			**73,375**	**505,714**	**(510,495)**	**68,594**

PROSPECTIVE STATEMENT OF CHANGES IN RESERVE FUNDS CONTINUED

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening Balance 1 July 2021 $000s	Deposits $000s	Expenditure $000s	Closing Balance 30 June 2031 $000s
RESTRICTED RESERVES						
Endowment Land Account	Derived from the sale of BCP Faraday Street land and the transfer of the Criterion Account capital sum previously advanced to the Land Development Account. This account is now used for the sale and purchase of other endowment land.	Property Holdings	70	(674)	(3,795)	(4,399)
Hawke's Bay Harbour Board Endowment Land Income Account	Derived from proceeds from the sale of former Harbour Board leasehold properties up to 30 March 2002. To be used to fund maintenance and capital improvements of the Inner Harbour and any other future capital expenditure related to Napier Harbour as defined by the Act.	Inner Harbour, Reserves, Lagoon Farm, Property Holdings	(2,941)	18,205	(18,394)	(3,130)
Total Restricted Reserves			**(2,871)**	**17,531**	**(22,189)**	**(7,529)**
BEQUESTS AND TRUST FUNDS						
Colenso Bequest	Bequest is invested and the income derived used to: i) Provide a fund for the assistance of poor families. (Capital $2500) ii) Provide assistance for prisoners released from Napier jail. (Capital $500) iii) Provide a fund for the assistance of distressed seamen and strangers. (Capital $1000) iv) Provide prizes for senior scholars at Napier Boys, Napier Girls & Colenso High Schools. (Capital $1000)	Community Planning	29	4	(17)	16
Estate Henry Hodge	For charitable purposes, with a wish that it be used for the erection of flats for the needy.	Retirement & Rental Housing	177	40	-	217
Eskdale Cemetery Trust	This Trust fund, comprising a number of bequests totalling $1,400, was taken over from the former Hawke's Bay County Council, and is available for the maintenance and upkeep of the Eskdale Cemetery.	Cemeteries	26	6	-	32
Hawke's Bay Municipal Theatre	Funds held on behalf of Hawke's Bay Arts and Municipal Theatre Trust.	Napier Municipal Theatre	6	1	-	7

PROSPECTIVE STATEMENT OF CHANGES IN RESERVE FUNDS CONTINUED

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening Balance 1 July 2021 $000s	Deposits $000s	Expenditure $000s	Closing Balance 30 June 2031 $000s
John Close Bequest	Bequest is invested and income used in two ways: i) Cemetery Trust - for upkeep and maintenance of the Close burial plot, with surplus income to provide ham and ale at Christmas to the poor, old and needy. ii) Coal Trust - provided wood and coal to the needy. A scheme for arrangement for the disposition of income in terms of the Charitable Trusts Act 1957 was to have been initiated in 1993.	Community Planning	50	10	(11)	49
Morecroft Bequest	To provide a Municipal gymnasium or gymnasium equipment, either as a separate building or as part of any memorial or centennial hall which Napier City Council may decide to erect.	Sportsgrounds	16	3	-	19
Napier Christmas Cheer	For community fundraising through the HB Today for the preparation of Christmas parcels to be distributed to disadvantaged individuals and families within the Napier District.	Community Planning	34	142	(136)	40
Total Bequests Trust Funds			**338**	**206**	**(164)**	**380**

Positive numbers indicate a favourable balance; negative numbers indicate an unfavourable balance

CAPITAL PROGRAMME

Funding																
Loan Rates %	Reserve %	Waka Kotahi %	Activity	LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000	Renewals %	Growth %	Level of Service %
			City Strategy													
79	21	-	Animal Control	152	126	34	27	804	768	38	30	40	117	35	-	65
-	100	-	Parking	940	968	465	477	490	503	517	531	547	561	13	31	56
			Total City Strategy	**1,092**	**1,094**	**499**	**504**	**1,294**	**1,271**	**555**	**561**	**587**	**678**			
			Community and Visitor Experiences													
75	25	-	Bay Skate	184	230	26	81	30	34	84	39	43	38	50	19	31
95	5	-	Community Facilities (Halls)	129	891	4,309	5,197	4,491	131	212	219	376	130	31	3	66
95	5	-	Kennedy Park Resort	957	2,120	1,540	2,357	727	3,197	323	1,111	681	1,311	98	-	2
86	14	-	Marine Parade Pools	395	695	42	217	45	123	56	242	68	70	50	-	50
93	7	-	MTG Hawke's Bay	2,780	472	420	276	495	207	340	540	1,388	921	72	-	28
39	61	-	Napier Aquatic Centre	439	606	507	116	600	488	381	648	525	444	92	1	7
71	29	-	Napier Conferences & Events	321	349	227	222	398	1,383	477	430	485	530	95	-	5
56	44	-	Napier i-SITE Visitor Centre	84	48	20	91	39	208	105	39	50	69	100	-	-
99	1	-	Napier Libraries	1,136	4,491	550	11,424	11,792	732	592	-	-	-	2	-	98
56	44	-	Napier Municipal Theatre	474	347	554	1,088	1,116	725	291	236	857	592	100	-	-
97	3	-	National Aquarium of NZ	1,967	1,764	2,310	1,850	774	971	1,016	1,051	1,462	713	100	-	-
23	77	-	Par2 MiniGolf	16	35	27	8	12	37	111	31	14	8	59	-	41
55	45	-	Reserves	3,400	3,131	1,543	1,919	1,370	1,622	1,856	3,894	8,294	6,859	26	22	52
100	-	-	Retirement and Rental Housing	3,317	953	1,025	1,366	924	1,479	600	2,886	861	1,373	100	-	-
68	32	-	Sportsgrounds	1,730	1,411	645	2,732	457	537	2,126	833	758	1,250	77	8	15
13	87	-	The Faraday Centre	530	31	32	33	33	34	35	36	37	39	27	-	73
			Total Community and Visitor Experiences	**17,859**	**17,574**	**13,777**	**28,977**	**23,303**	**11,908**	**8,605**	**12,235**	**15,899**	**14,347**			

CAPITAL PROGRAMME CONTINUED

Funding																
Loan Rates %	Reserve %	Waka Kotahi %	Activity	LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000	Renewals %	Growth %	Level of Service %
			Other Infrastructure													
82	18	-	Cemeteries	655	268	137	146	106	126	2,437	694	112	734	18	74	8
29	71	-	Public Toilets	-	103	476	596	223	343	763	362	559	1,340	100	-	-
0	100	-	Waste Minimisation	2,217	2,407	2,537	2,450	1,996	1,981	1,971	1,043	1,028	1,075	100	-	-
			Total Other Infrastructure	**2,872**	**2,778**	**3,150**	**3,192**	**2,325**	**2,450**	**5,171**	**2,099**	**1,699**	**3,149**			
			Property Assets													
100	-	-	Inner Harbour	-	52	423	3,795	1,765	-	-	109	2,050	1,212	27	-	73
100	-	-	Lagoon Farm	-	31	-	33	-	34	-	36	-	38	-	100	-
90	10	-	Property and Investment Holdings	2,000	3,296	2,272	15,213	11,715	594	611	628	646	26	51	-	49
			Total Property Assets	**2,000**	**3,379**	**2,695**	**19,041**	**13,480**	**628**	**611**	**773**	**2,696**	**1,276**			
			Stormwater													
64	36	-	Stormwater	9,452	9,212	6,501	13,210	22,363	11,081	21,144	12,565	4,546	5,817	20	36	44
			Total Stormwater	**9,452**	**9,212**	**6,501**	**13,210**	**22,363**	**11,081**	**21,144**	**12,565**	**4,546**	**5,817**			
			Support Units													
100	-	-	Chief Executive	70	72	74	76	78	80	82	-	-	-	-	-	100
-	100	-	Finance	4,428	4,429	4,851	8,179	4,388	2,931	2,682	1,268	1,864	1,608	100	-	-
100	-	-	Information Services	1,008	1,038	1,129	1,093	1,123	1,152	1,184	1,217	1,252	1,286	-	-	100
-	100	-	Plant and Vehicles	900	1,082	1,110	976	1,058	1,085	1,175	1,208	1,243	1,276	100	-	-
82	18	-	Services Administration	102	99	60	85	177	289	111	118	415	1,361	100	-	-
			Total Support Units	**6,508**	**6,720**	**7,224**	**10,409**	**6,824**	**5,537**	**5,234**	**3,811**	**4,774**	**5,531**			

Funding															
Loan Rates %	Reserve %	Waka Kotahi %	Activity	LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000	Renewals %	Growth %	Level of Service %
			Transportation													
24	39	37	Transportation	8,194	11,709	10,523	11,184	10,097	10,410	10,653	16,688	11,493	10,470	39	23	38
			Total Transportation	**8,194**	**11,709**	**10,523**	**11,184**	**10,097**	**10,410**	**10,653**	**16,688**	**11,493**	**10,470**			
			Wastewater													
66	34	-	Wastewater	5,934	10,849	12,285	36,047	16,771	12,049	10,890	12,726	18,095	19,141	49	27	24
			Total Wastewater	**5,934**	**10,849**	**12,285**	**36,047**	**16,771**	**12,049**	**10,890**	**12,726**	**18,095**	**19,141**			
			Water Supply													
56	44	-	Water Supply	10,470	9,941	21,248	14,476	22,630	17,542	11,647	10,247	8,164	7,466	22	26	52
			Total Water Supply	**10,470**	**9,941**	**21,248**	**14,476**	**22,630**	**17,542**	**11,647**	**10,247**	**8,164**	**7,466**			
			Total Capital Programme	**64,381**	**73,256**	**77,902**	**137,040**	**119,087**	**72,876**	**74,510**	**71,705**	**67,953**	**67,875**			

CAPITAL PROGRAMME FUNDING REPORT

Funding Sources	LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
Rates Funded Loans	37,236	39,133	46,036	89,087	70,617	32,525	41,874	42,906	37,610	38,786
Waka Kotahi Subsidy	2,641	4,172	4,152	4,252	4,198	3,954	4,160	6,614	3,989	3,400
Infrastructural Asset Renewal and Upgrade Funds	8,114	9,372	7,631	8,809	12,973	14,276	12,522	10,676	14,404	16,243
Other Reserve Funds	16,390	20,579	20,083	34,892	31,299	22,121	15,954	11,509	11,950	9,446
Total Capital Programme	**64,381**	**73,256**	**77,902**	**137,040**	**119,087**	**72,876**	**74,510**	**71,705**	**67,953**	**67,875**

BORROWING PROGRAMME

Forecast for the Ten Years 2021/22 to 2030/31

	2021-51 LTP Budget 2021/22	2021-51 LTP Budget 2022/23	2021-51 LTP Budget 2023/24	2021-51 LTP Budget 2024/25	2021-51 LTP Budget 2025/26	2021-51 LTP Budget 2026/27	2021-51 LTP Budget 2027/28	2021-51 LTP Budget 2028/29	2021-51 LTP Budget 2029/30	2021-51 LTP Budget 2030/31
New Loans										
Rates Funded	37,691	40,853	48,388	89,342	70,110	29,962	34,455	29,745	18,199	12,201
Total New Loans	**37,691**	**40,853**	**48,388**	**89,342**	**70,110**	**29,962**	**34,455**	**29,745**	**18,199**	**12,201**
Less Repayments (Net)	-3,699	-4,827	-6,130	-7,610	-10,544	-12,913	-14,153	-15,561	-17,181	-18,583
Movement in Debt	**33,992**	**36,026**	**42,258**	**81,732**	**59,566**	**17,049**	**20,302**	**14,184**	**1,018**	**-6,382**
Opening Public Debt	80,255	114,246	150,272	192,530	274,262	333,829	350,879	371,180	385,364	386,382
Gross Public Debt	**114,247**	**150,272**	**192,530**	**274,262**	**333,828**	**350,878**	**371,181**	**385,364**	**386,382**	**380,000**
Internal Funding	-39,287	-46,517	-53,420	-45,032	-36,038	-38,848	-40,421	-45,974	-48,902	-52,270
Net Public Debt	**74,960**	**103,755**	**139,110**	**229,230**	**297,790**	**312,030**	**330,760**	**339,390**	**337,480**	**327,730**

FINANCIAL PRUDENCE BENCHMARKS

Local Government (Financial Reporting and Prudence) Regulations 2014

The Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations 2014) were developed to assist in identifying local authorities where further enquiry is warranted in relation to their financial management, and promote prudent financial management by local authorities.

Under Section 13 of the Regulations 2014, the Council must include in its LTP a Disclosure Statement that details the following benchmarks:

- For the 10 years of the LTP:
    - Rates affordability benchmarks; and
    - Debt Affordability benchmarks;
- For the year prior to the LTP plus the 10 years of the LTP:
    - Balanced budget benchmark;
    - Essential services benchmark; and
    - Debt servicing benchmark;

Section 101A of the LGA requires local authorities, to prepare and adopt a financial strategy that includes a statement that quantifies limits on rates, rate increase and borrowings. These limits are then used as the basis of the Rates and Debt Affordability benchmarks.

Long-term plan disclosure statement for period commencing 1 July 2021

What is the purpose of this statement?

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

The council is required to include this statement in its long-term 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.

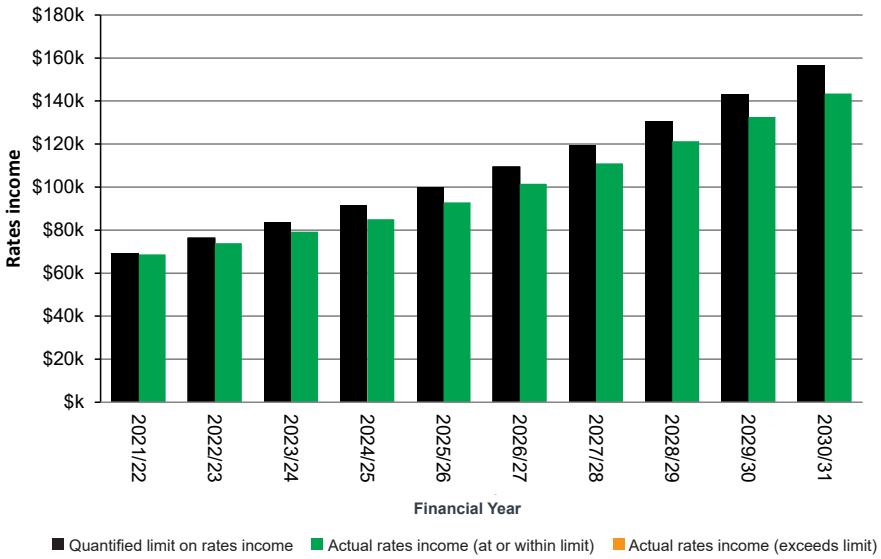
Rates Affordability Benchmark

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

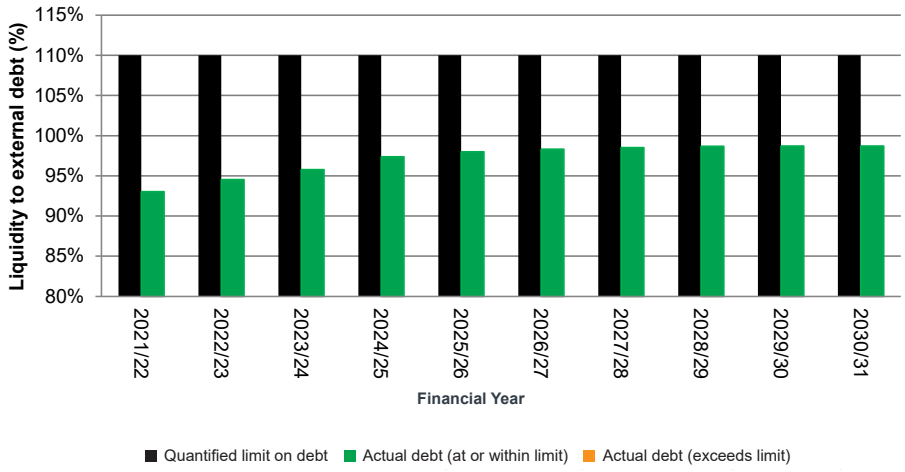
The following graph compares the council's planned rates with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is 8% in 2021/22 and thereafter no more than the Local Government Cost Index (LGCI) plus 6.5%, together with an allowance of 0.3% for growth in the rating base. The calculation excludes water by meter, rates remissions and rates penalties as these are not included in the rates collection calculation.



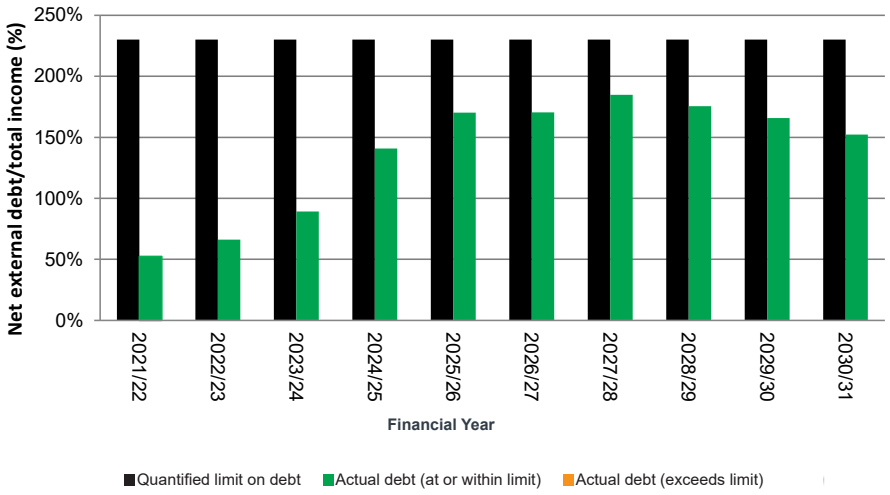
Debt Affordability Benchmark

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

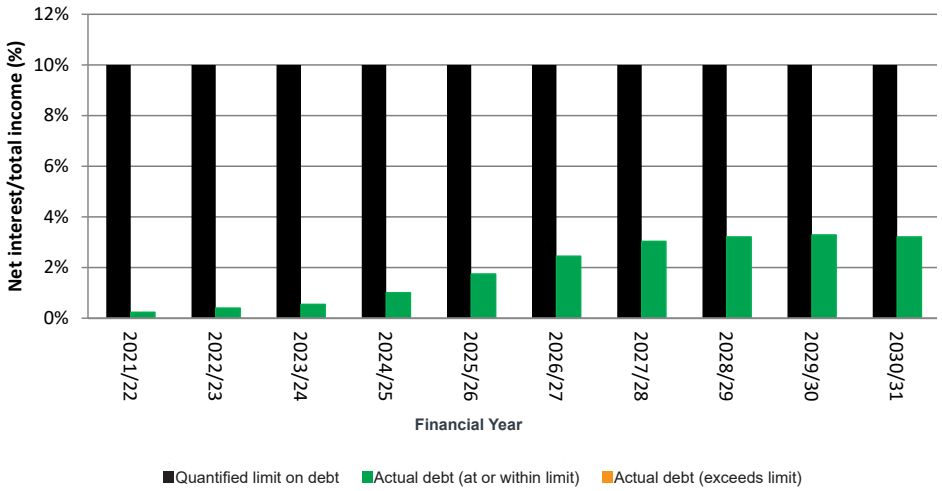
The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is liquidity (term debt plus committed bank facilities and liquid available financial investments) to external debt must be at least 110%.



The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is net external debt as a percentage of total income will not exceed 230%. Note, where the external debt is $0 in a particular year, net debt is shown as $0 as well.



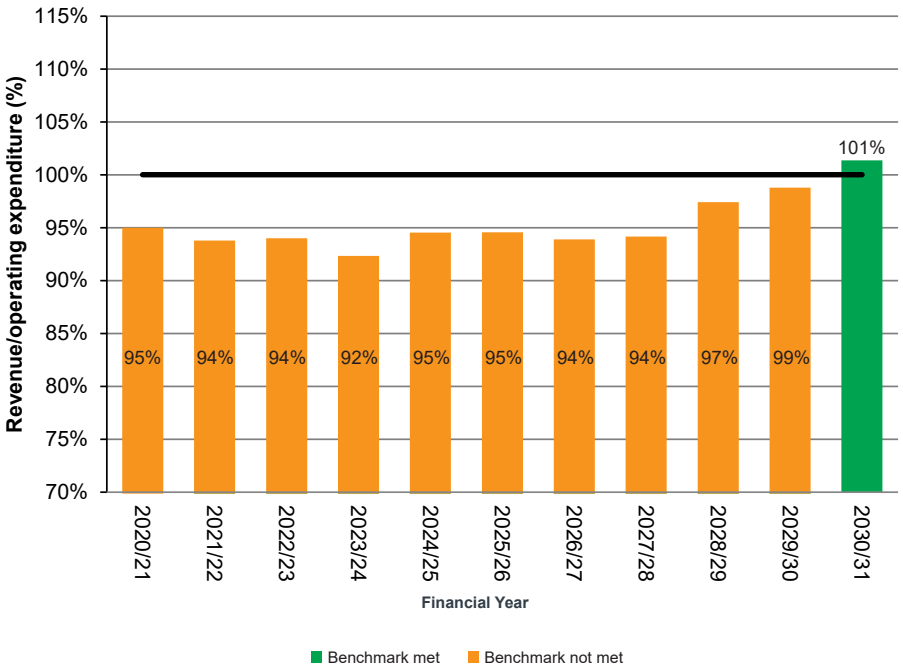
The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is net interest expense on external debt to total income will not exceed 10%.



Balanced Budget Benchmark

The following graph displays the council's planned revenue (excluding 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).

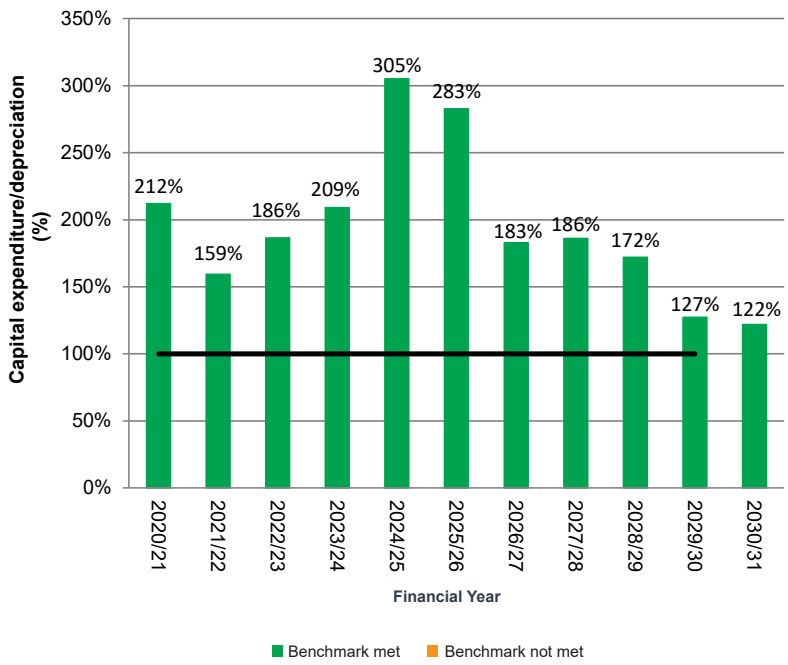
The council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



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.

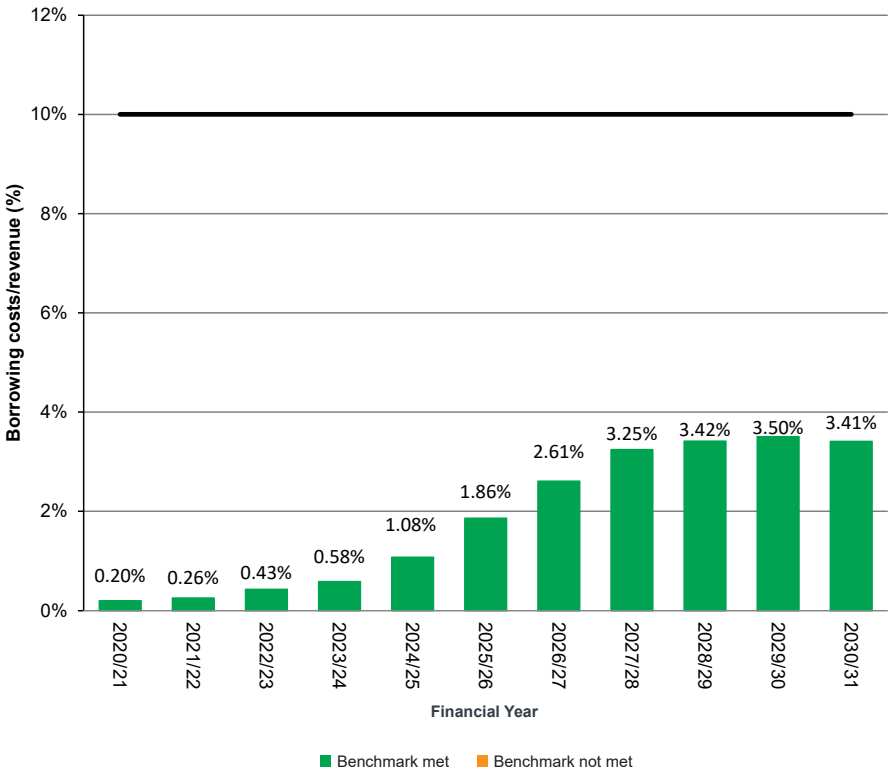
The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services



Debt Servicing Benchmark

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

Because Statistics New Zealand projects the council's population will grow more slowly than the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.



BALANCED BUDGET STATEMENT

Section 100 and clause 14 of schedule 10 of the Local Government Act requires Councils to have a balanced budget for each year of the Long Term Plan unless the Council resolves that it is financially prudent to not balance the budget.

In assessing a financially prudent decision, consideration is to be given to:

- the estimated expenses of achieving and maintaining the predicted levels of service provision set out in the Long-term Plan, including the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life;
- the projected revenue available to fund the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life;
- the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life, and
- the funding and financial policies adopted under Section 102.

Council acknowledges that it will not achieve a balanced budget for nine of the next ten years. Council has resolved that setting rate levels to immediately achieve this would be inequitable and extremely hard on ratepayers. The forecast gradual changes in rates will result in the best fiscal and sustainable outcome. While rates will be higher than people would like for the next few years, it will enable Council to support the capital investment required for the region while maintaining the levels of service that residents expect.

Following the 2020 asset revaluations the total depreciation expense increased significantly and Council does not believe it is appropriate to immediately increase rates to address the impact this has had on Council's ability to balance the budget. Council believes this is a prudent approach as it works through this fundamental shift in policy over time, and does not exhaust Council's debt headroom and ability to react to major failure or significant events during this period.

The following fiscal levers will be used to move progressively towards achieving a balanced budget within the life of this LTP:

- fees and charges;
- lifting rates revenue, and
- efficiencies.

NAPIER CITY COUNCIL: FUNDING IMPACT STATEMENT FOR 2021/2031 (WHOLE OF COUNCIL)

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
	Sources of operating funding										
43,373	General rates, uniform annual general charges, rates penalties	42,995	44,822	46,929	51,183	56,974	61,908	68,791	77,435	84,755	93,311
20,820	Targeted rates	26,387	29,847	33,093	34,678	36,803	40,515	43,077	44,759	48,726	51,153
2,787	Subsidies and grants for operating purposes	2,608	2,646	2,713	2,779	2,847	2,917	2,980	3,057	3,126	3,194
17,564	Fees and charges	23,833	25,151	26,119	27,122	27,942	28,770	29,650	30,588	31,554	32,520
216	Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-
28,870	Local authorities fuel tax, fines, infringement fees, and other receipts	34,078	38,973	31,821	31,870	34,990	33,578	18,321	18,677	18,752	18,978
113,630	**Total operating funding (A)**	**129,901**	**141,439**	**140,675**	**147,632**	**159,556**	**167,688**	**162,819**	**174,516**	**186,913**	**199,156**
	Applications of operating funding										
93,446	Payments to staff and suppliers	106,066	116,859	115,087	116,077	122,684	126,033	117,374	121,877	125,354	129,339
275	Finance costs	339	626	850	1,639	3,057	4,482	5,432	6,199	6,701	6,918
342	Other operating funding applications	13	13	13	13	13	13	13	13	13	13
94,063	**Total applications of operating funding (B)**	**106,418**	**117,498**	**115,950**	**117,729**	**125,754**	**130,528**	**122,819**	**128,089**	**132,068**	**136,270**
19,567	**Surplus/(deficit) of operating funding (A - B)**	**23,483**	**23,941**	**24,725**	**29,903**	**33,802**	**37,160**	**40,000**	**46,427**	**54,845**	**62,886**
	Sources of capital funding										
2,124	Subsidies and grants for capital expenditure	2,641	4,558	4,547	4,252	4,198	3,954	4,160	6,614	3,989	3,400
3,391	Development and financial contributions	7,090	7,296	7,478	7,665	7,857	8,053	8,262	8,485	8,714	8,941
22,000	Increase/(decrease) in debt	52,960	28,795	35,355	90,120	68,560	14,240	18,730	8,630	(1,910)	(9,750)
250	Gross proceeds from sale of assets	250	250	250	250	250	250	250	250	250	250
-	Lump sum contributions	-	-	-	-	-	-	-	-	-	-
-	Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-
27,765	**Total sources of capital funding (C)**	**62,941**	**40,899**	**47,630**	**102,287**	**80,865**	**26,497**	**31,402**	**23,979**	**11,043**	**2,841**

NAPIER CITY COUNCIL: FUNDING IMPACT STATEMENT FOR 2021/2031 (WHOLE OF COUNCIL) CONTINUED

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
	Application of capital funding										
	Capital expenditure										
6,482	- to meet additional demand	12,589	17,673	11,615	20,585	21,046	14,645	14,876	9,817	10,601	12,818
31,014	- to improve the level of service	20,535	21,348	33,776	45,744	47,780	20,035	32,381	34,069	28,480	23,006
20,822	- to replace existing assets	30,069	33,011	31,253	69,424	48,935	36,839	25,858	26,386	27,397	30,536
(10,986)	Increase (decrease) in reserves	23,231	(7,192)	(4,289)	(3,563)	(3,094)	(7,862)	(1,713)	134	(590)	(633)
-	Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-
47,332	**Total application of capital funding (D)**	**86,424**	**64,840**	**72,355**	**132,190**	**114,667**	**63,657**	**71,402**	**70,406**	**65,888**	**65,727**
(19,567)	**Surplus/(deficit) of capital funding (C - D)**	**(23,483)**	**(23,941)**	**(24,725)**	**(29,903)**	**(33,802)**	**(37,160)**	**(40,000)**	**(46,427)**	**(54,845)**	**(62,886)**
-	**Funding balance ((A-B) + (C-D))**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The Funding Impact Statement (FIS) is provided in accordance with Schedule 10 of the Local Government Act. The FIS is intended to make the sources and applications of Council funds in a more transparent manner than might be the case if only the usual GAAP financial statements were provided.

The FIS includes only transactions involving monetary funding and therefore excludes vested assets, revaluations and depreciation. It is therefore, by necessity, exempt from the GAAP requirements as it follows the prescribed format required under the Act.

The FIS links the Council's Revenue and Financing Policy, the annual setting of rates, fees, development contributions and annual borrowing requirements. The FIS sets out the revenue and financing mechanisms that will be used in each year along with an indicative level of rates, together with examples of the impact of rating proposals in year 1 of the LTP over a range of different categories of property and a range of different values.

Rating System

The following describes in full the rating system to apply from 1 July 2021:

General Rates

General rates are used to fund both operating and capital expenditure. They fund the remaining costs of Council operations after all other sources of funding have been applied.

General rates are assessed through a combination of a Uniform Annual General Charge (UAGC) and a rate in the dollar based on land value.

The amount of the UAGC is set to ensure that the total (excluding water and wastewater rates) uniform (or fixed) rates will be between 20% to 25% of total rates that are to be collected.

The general rate is set differentially using matters as prescribed in Schedule 2 of the Local Government (Rating) Act 2002 (LGRA) and as listed in the Funding Impact Statement. The LGRA Schedule 2 allows councils to set a general rate based on each of these matters.

General rate differentials

Rating units assessed for the general rate are categorised into one of four differential categories:

- Residential/Other;
- Commercial & Industrial;
- Rural, and
- Rural Residential.

Residential/Other

Any property that is not defined as Commercial & Industrial, Rural Residential, or Rural.

Commercial & Industrial

Any property that is in a commercial or industrial zone under the District Plan or used for any business activities, except properties categorised as rural or consented for residential use, will be rated as commercial and industrial properties.

Commercial and industrial activities include but are not restricted solely to:

- Rural support and other similar activities such as transport, supplies, packhouses, and wineries servicing multiple clients;
- Professional offices, surgeries etc;
- All retail, wholesale merchandising activities;
- All forms of manufacturing and processing;
- Bars, restaurants, cafés and other service activities;
- Storage facilities;
- Hotels, motels, B & Bs, and other short-term accommodation providers;
- Tourism operations, and
- Care facilities operated for profit.

Rural Residential

Any rating unit that would otherwise be classified as Residential but is not connected or able to be connected to either the city water system and the city sewerage system.

Rural

Any rating unit with an area of 5 hectares or more that is used predominantly for land-based agricultural or farming activities.

Differentials

A review of the Revenue & Financing Policy was conducted with adoption occurring in February 2021. New differentials were introduced. Based on the review, the following are the differentials to be applied based on the land value of properties in each differential category.

Differential Category	Group / Code	Differential
Residential / Other	1	100%
Commercial & Industrial	2	260%
Rural	3	85%
Rural Residential	4	90%

Due to significant increases being experienced for certain property types, general rate differentials will be phased in over 3 years from the start of the 2021/22 ratings year. The calculation is based on the difference between the old differential (as defined in the 2020/21 Annual Plan) and the target differential, split into 3 equal stages. The schedule for phasing is as follows:

Old Differential Category	Old Code	Old Diff Rate	New Differential Category	New Code	Target	Differ-ential 2021/22	Differ-ential 2022/23	Differ-ential 2023/24
City Resi-dential	1	100.00%	Residential / Other former Residential	11	100.00%	100.00%	100.00%	100.00%
City Resi-dential	1	100.00	Commercial & Industrial former City Residential*	21	260.00%	260.00%	260.00%	260.00%
City Resi-dential	1	100.00%	Rural Residential former City Residential	41	90.00%	96.67%	93.33%	90.00%
Commercial & Industrial	2	268.09%	Residential / Other former Commercial & Industrial*	12	100.00%	100.00%	100.00%	100.00%
Commercial & Industrial	2	268.09%	Commercial & Industrial	22	260.00%	265.39%	262.70%	260.00%
Miscella-neous	3	100.00%	Residential / Other former Misc.	13	100.00%	100.00%	100.00%	100.00%
Miscella-neous	3	100.00%	Commercial & Industrial former Misc.	23	260.00%	153.33%	206.67%	260.00%
Miscella-neous	3	100.00%	Rural former Misc	33	85.00%	95.00%	90.00%	85.00%
Miscella-neous	3	100.00%	Rural Residential former Misc.	43	90.00%	96.67%	93.33%	90.00%
Ex City Rural	4	63.47%	Residential / Other former Ex City Rural	14	100.00%	75.65%	87.82%	100.00%
Ex City Rural	4	63.47%	Rural Residential former Ex City Rural	44	90.00%	72.31%	81.16%	90.00%
Ex City Rural	4	63.47%	Rural former Ex City Rural	34	85.00%	70.65%	77.82%	85.00%
Other Rural	5	63.47%	Residential / Other former Other Rural	15	100.00%	75.65%	87.82%	100.00%
Other Rural	5	63.47%	Rural Residential former Other Rural	45	90.00%	72.31%	81.16%	90.00%
Other Rural	5	63.47%	Commercial & Industrial former Other Rural	25	260.00%	128.98%	194.49%	260.00%
Other Rural	5	63.47%	Rural former Other Rural	35	85.00%	70.65%	77.82%	85.00%
Bay View	6	72.80%	Residential / Other former Bay View	16	100.00%	81.87%	90.93%	100.00%
Bay View	6	72.80%	Commercial & Industrial former Bay View	26	260.00%	135.20%	197.60%	260.00%
Bay View	6	72.80%	Rural Residential former Bay View	46	90.00%	78.53%	84.27%	90.00%

* Recategorised due to land use change rather than policy change.

The purpose of the differentials applied to the general rate is to ensure that the amount payable by groups of ratepayers reflects Council's assessment of the relative benefit received and share of costs those groups of ratepayers should bear based on the principles outlined in the Revenue and Financing Policy.

Notes on allocation of properties into differential categories

Rating units which have no apparent land use (or are vacant properties) will be placed in the category which best suits the zoning of the property under the district plan, except where the size or characteristic of the property suggest an alternative use.

To avoid doubt where a rating unit has more than one use, the relevant predominant use will be used to determine the category. The predominant use relates to the main productive activity rather than just to the land area. Where there is uncertainty, the land will be categorised into the highest rated category.

Subject to the right of objection as set out in Section 29 of the Local Government (Rating) Act 2002, it shall be at the sole discretion of the Council to determine the use or predominant use of all separately rateable properties in the district.

Uniform Annual General Charge

Council's Uniform Annual General Charge (UAGC) is set at a level that enables all rates that are set on a uniform basis as a fixed amount, excluding those related to water supply and sewage disposal, to recover between 20% and 25% of total rates. For 2021-22 Council has determined that the UAGC will be set at a level to recover 22% of total rates from fixed amounts.

The charge is applied to each separately used or inhabited part of a rating unit.

Targeted Rates

Targeted rates are charged to fund both operating and capital expenditure. They are charged where Council considers it desirable to separate out the funding of an activity. They are charged to rating units including those units that are separately inhabited which have access to or are deemed to benefit from the service provided. Targeted rates are a funding mechanism that may be charged for activities deemed to have either a high public or a high private good to identified properties, an area of the city or the city as a whole.

Some targeted rates are applied differentially using either land or capital values, however, most targeted rates are applied on a uniform basis (same amount or rate in the dollar).

Council will not be accepting lump sum contributions for any targeted rates.

Water

Fire Protection Rate

This rate recovers a portion of the net costs of the water supply systems before the deduction of water-by-meter income.

The Fire Protection targeted rate is based on the capital value of properties connected to or able to be connected to the Napier City Council water supply systems.

This rate is differentially applied, in recognition that the carrying capacity of water required in the reticulation system to protect commercial and industrial properties is greater than that required for residential properties. The rate is further differentiated where a property is not connected but is within 100 metres of a water supply system. 50% of the base rate for each differentiated category applies for each property not connected but located within 100 metres of the systems.

Differential Categories	Connected (%)	Not connected but within 100 m (%)
Central Business District and Fringe Area	400%	200%
Suburban Shopping Centres, Hotels and Motels, and Industrial rating units outside of the CBD	200%	100%
Other rating units connected to or able to be connected to the Council water supply systems	100%	50%

Water Rate

These rates recover the balance of the total net cost of the water supply systems after allowing for revenue collected from the Fire Protection targeted rate and the Water-by-Meter targeted rate.

The targeted rates are differentially applied and are a fixed amount set on a uniform basis, applied to each separately used or inhabited part of a rating unit connected to or able to be connected to the Council's water supply system.

The differential categories for the water rates are:

- Connected – any rating unit that is connected to a Council system, and
- Service available – any rating unit that is not connected to a Council system but is within 100 metres of such system (charged 50% of the targeted rate for connected properties).

Differentials	Connected (%)	Not connected but within 100 m (%)
Rating units connected to or able to be connected to the Council water supply systems	100%	50%

Stormwater Rate

The primary beneficiary of stormwater assets are those properties that have a hard surface. There is a strong relationship between capital value and the hard surface area of a property.

This rate recovers the cost of stormwater activity. The Stormwater rate is based on the capital value of Residential, Rural Residential, and Commercial & Industrial properties within the recognised serviced area as per the Stormwater Coverage map (i.e. non-rural property as defined under the District Plan).

Rural properties are exempted.

The differential categories for stormwater rates are:

Differential Category	Differential
Residential / Other	100%
Commercial & Industrial	260%
Rural Residential	100%

Sewerage Rate

This rate recovers the net cost of the wastewater activity.

The Sewerage targeted rate is applied differentially as a fixed amount and is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit connected to or able to be connected to the sewerage system.

A differential of 50% of the rate applies to each rating unit not connected but located within 30 metres of the system.

Differential Category	Differential
Rating units connected to or able to be connected to the sewerage system	100%
Rating units not connected but within 30m of the Sewerage System	50%

Bay View Sewerage Connection Rate

The Bay View Sewerage Scheme involves reticulation and pipeline connection to the city sewerage system. Prior to 1 November 2005, property owners could elect to connect either under a lump sum payment option or by way of a targeted rate payable over 20 years.

The Bay View Sewerage Connection targeted rate is a fixed amount set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit connected to the Bay View Sewerage Scheme where the lump sum payment option was not elected.

The rate applies from 1 July following the date of connection for a period of 20 years, or until such time as a lump sum payment for the cost of connection is made.

The category of rateable land for setting the targeted rate is defined as the provision of a service to those properties that are connected to the sewerage system but have not paid the lump sum connection fee.

Refuse & Recycling

Refuse Collection and Disposal Rate

This rate recovers the cost of the kerbside refuse collection service including an allocation of the cost of Council support services.

The Refuse Collection and Disposal targeted rate of a fixed amount is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit for which a rubbish collection service is available and is multiplied by the number of times each week the service is provided. Rating units which Council officers determine are unable to practically receive the Council service and have an approved alternative service will be charged the waste service charge that excludes the approved alternative service.

Kerbside Recycling Rate

This rate recovers the net cost of the kerbside recycling collection service including an allocation of the cost of Council support services.

The Kerbside Recycling targeted rate of a fixed amount is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit for which the kerbside recycling collection service is available. Rating units which Council officers determine are unable to practically receive the Council service and have an approved alternative service will be charged the waste service charge that excludes the approved alternative service.

Off-Street Car Parking Rates

CBD Off-Street Car Parking Rate

This rate is used to provide additional off-street car parking in the Central Business District. Those commercial rating units in the mapped areas identified as the Central Business District Off-Street Car Parking 100% and 50% Parking Dispensation areas are charged the CBD Off-Street Parking targeted rate based on land value. This rate is set on a differential basis as follows:

Differential Category	Differential
Properties where Council provides additional parking due to the property receiving a 100% parking dispensation	100%
Properties where Council provides additional parking due to the property receiving a 50% parking dispensation.	50%

Refer Council maps:

- CBD Off-Street Car Parking – 100% Parking Dispensation Area
- CBD Off-Street Car Parking – 50% Parking Dispensation Area
- Taradale Off-Street Car Parking Rate

This rate is used to provide additional off-street car parking in the Taradale Suburban Commercial area.

Those commercial rating units in the Taradale Suburban Commercial area only are charged the Taradale Off-Street Parking targeted rate based on land value and set on a uniform basis.

Suburban Off-Street Car Parking Rate

This rate is used to provide additional off-street car parking at each of these areas served by Council-supplied, off-street car parking and to maintain the existing off-street car parking areas.

Those commercial rating units in suburban shopping centres and those commercial properties located in residential areas which are served by Council-supplied, off-street car parking are charged the Suburban Shopping Centre Off-Street Parking targeted rate based on land value and set on a uniform basis.

Promotion Rates

CBD Promotion Rate

This rate recovers at least 70% of the cost of the promotional activities run by Napier City Business Inc. The remainder is met from general rates to reflect the wider community benefit of promoting the CBD to realise its full economic potential.

Each commercial and industrial rating unit situated within the area as defined on Council map 'CBD Promotion Rate Area' is charged the CBD Promotion targeted rate based on land value and set on a uniform basis.

Taradale Promotion Rate

This rate recovers the full cost of the Taradale Marketing Association's promotional activities. All rating units in the Taradale Suburban Commercial area are charged the Taradale Promotion targeted rate based on land value and set on a uniform basis.

Other Rates and Charges

Swimming Pool Safety Rate

This rate recovers the cost of pool inspections and related costs to ensure owners meet the legal requirements of the Building Act 2004 and Building (Pools) Amendment Act 2016. A targeted rate of a fixed amount set on a uniform basis applied to each rating unit where a residential pool or small heated pool (within the meaning of the Building (Pools) Amendment Act 2016) is subject to a 3-yearly pool inspection.

Water-By-Meter Charges

This rate applies to all with a water meter and is charged based on a scale of charges as shown on the schedule of indicative rates each year.

Where any rating unit is suspected to have above average water usage, Council officers may require that a water meter is installed, and excess usage is charged based on the water-by-meter targeted rate.

The rate charged on actual water use above 300 m3 per SUIP per annum applies to select metered properties.

Targeted Rates Note:
For the purposes of Schedule 10, clause 15(4)(e) or clause 20(4)(e) of the Local Government Act 2002, lump sum contributions will not be invited in respect of targeted rates unless this is provided within the description of a particular targeted rate.

Separately Used or Inhabited Parts of a Rating Unit Definition

Definition
For the purposes of the Uniform Annual General Charge and all uniform (or fixed value) targeted rates, a separately used or inhabited part of a rating unit is defined as: Any part of a rating unit that is, or is able to be, 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, licence or other agreement.

This definition includes separately used parts, whether or not actually occupied at any particular time, which are provided by the owner for rental (or other forms of occupation) on an occasional or long-term basis by someone other than the owner.

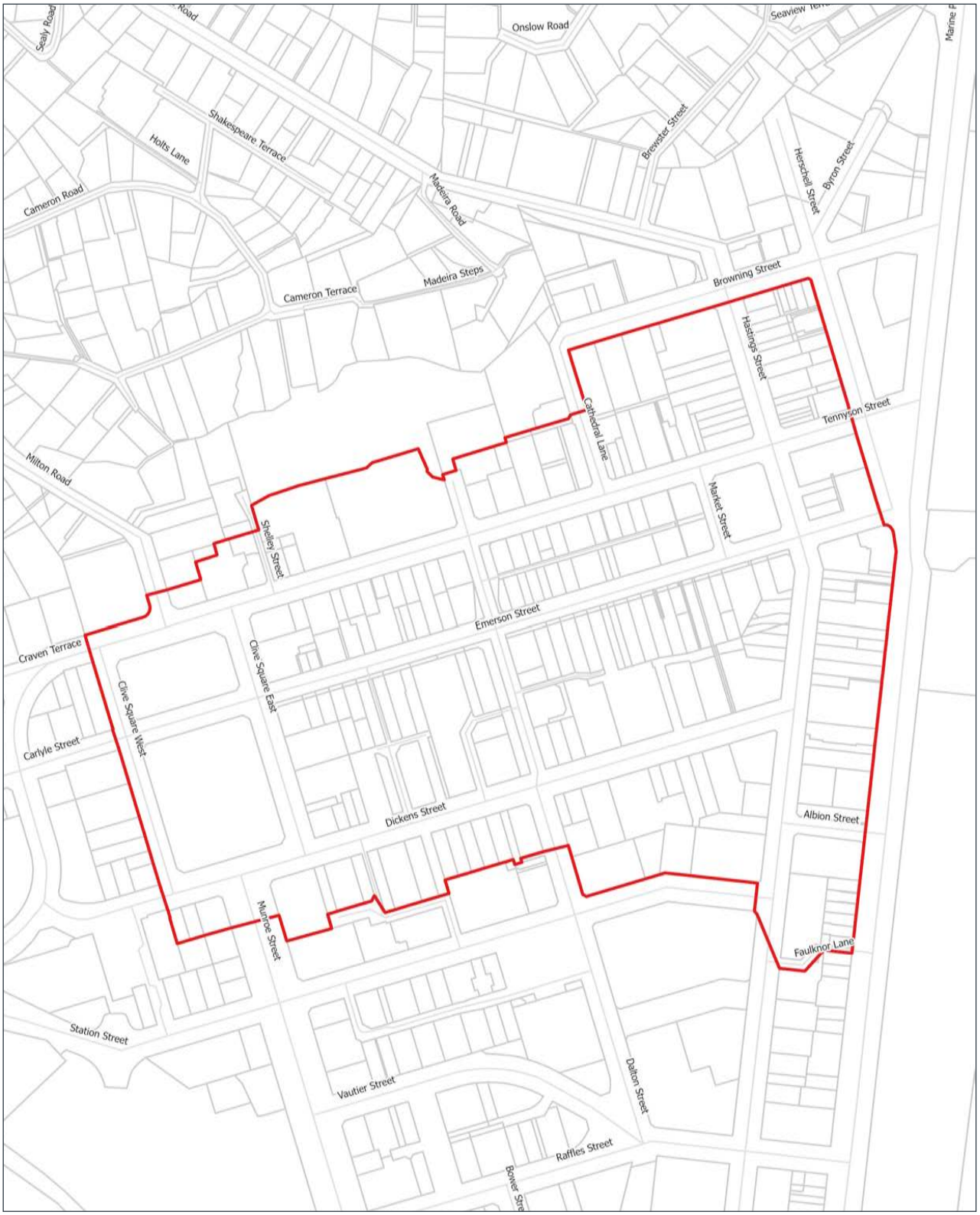
Examples of separately used or inhabited parts of a rating unit include:

- For residential rating units, each consented supplementary unit is considered a separately used or inhabited part. Each situation is assessed on its merits;
- Residential properties where a separate area that is available to be used as an area independent to the rest of the dwelling is used for the purpose of operating a business, such as a professional practice, dedicated shop\ display area, or trade workshop. The business area is considered a separately used or inhabited part;
- For commercial or industrial properties, two or more different businesses operating from or making separate use of the different parts of the rating unit. Each separate business is considered a separately used or inhabited part. A degree of common area would not necessarily negate the separate parts, and
- Where a single business comprises multiple buildings or multiple floors of a single building, each building or floor of a multi-storey building is deemed to constitute a separate part (SUIP).

These examples are not inclusive of all situations.

Council Maps

CBD Promotion Rate Area



CBD Promotion Rate Area

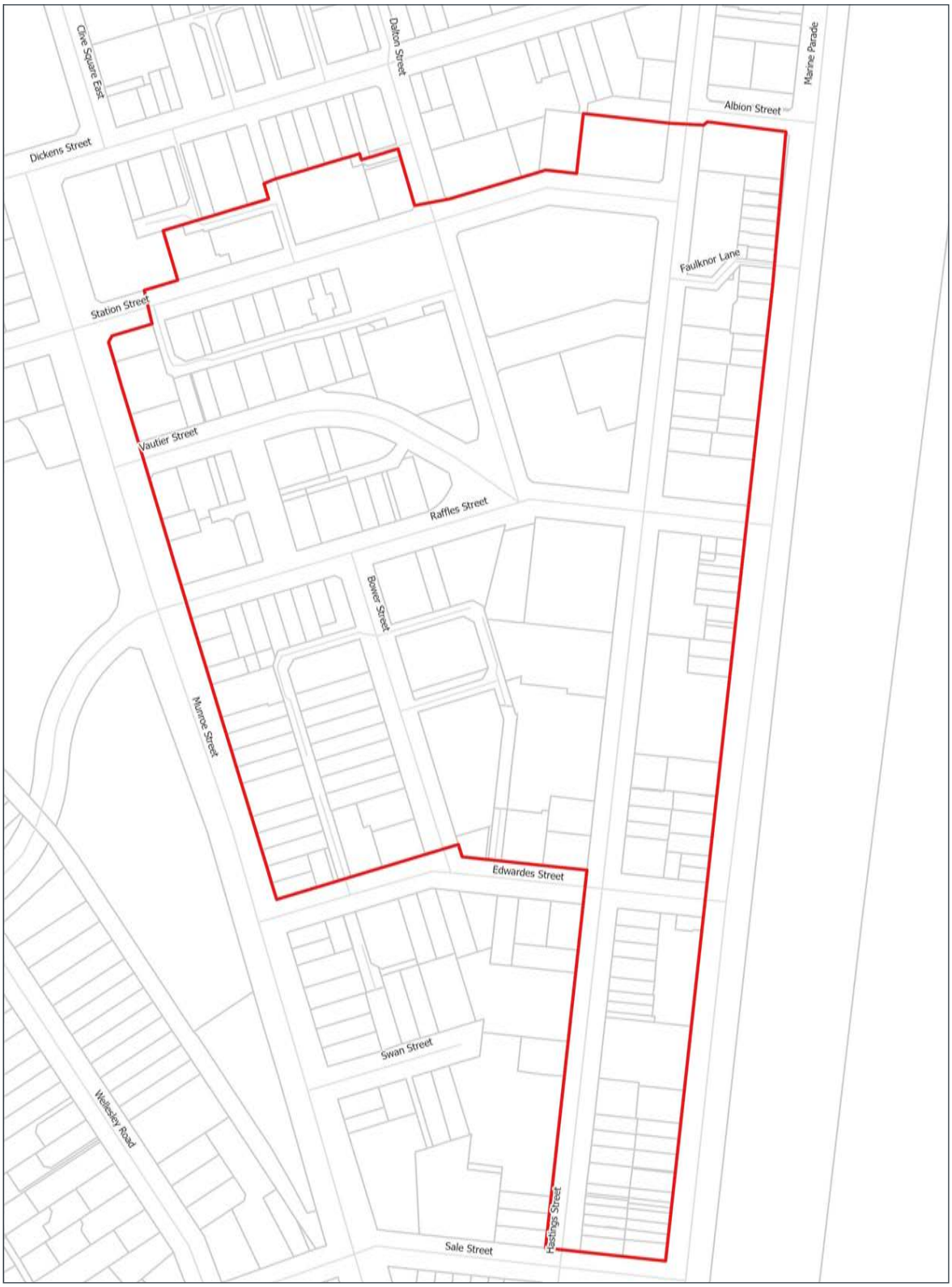
CBD Off Street Parking

100% Parking Dispensation Area

CBD Off-Street Parking - 100% Parking Dispensation Area

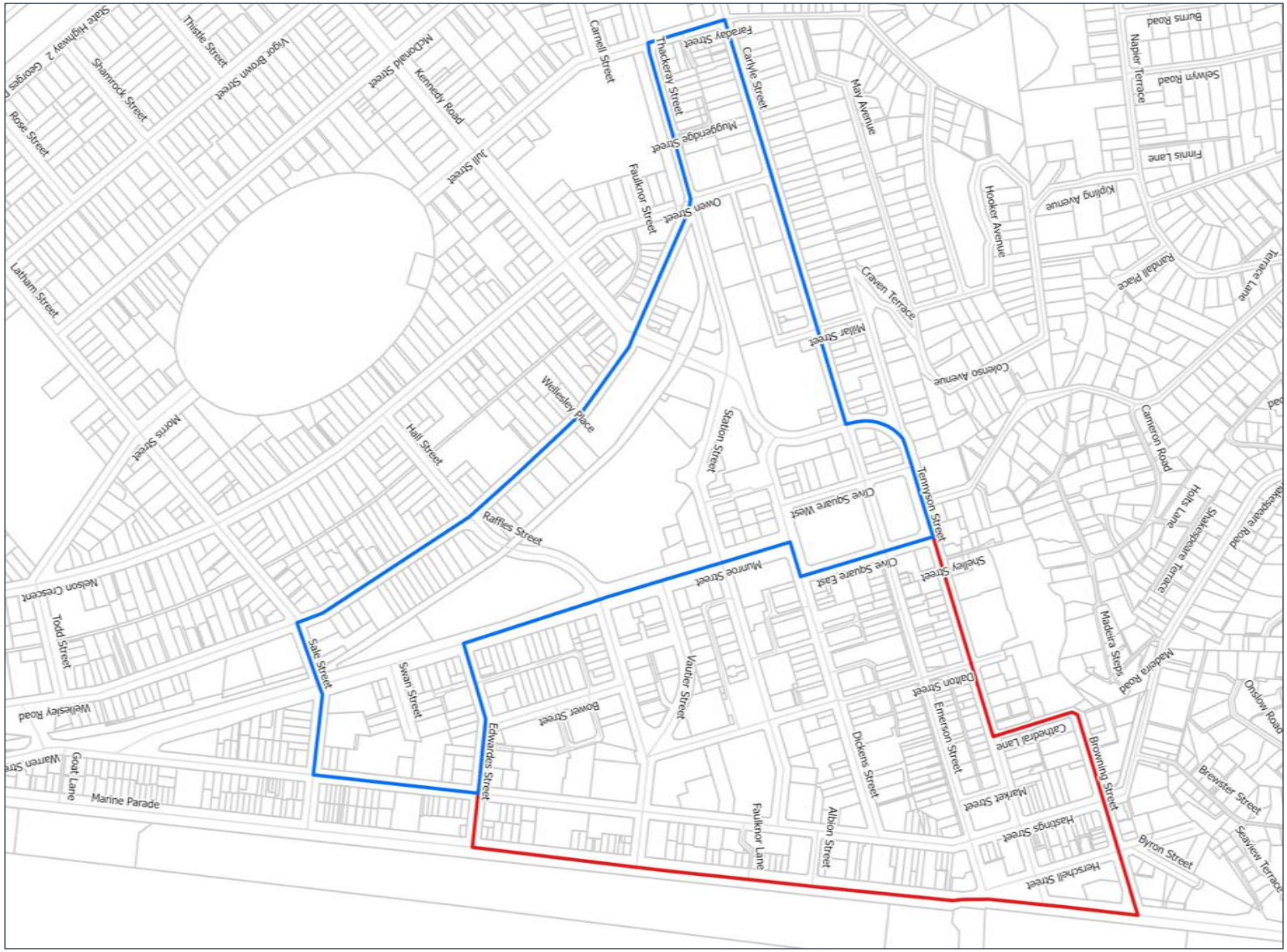
CBD Off Street Parking

50% Parking Dispensation Area



CBD Off-Street Parking - 50% Parking Dispensation Area

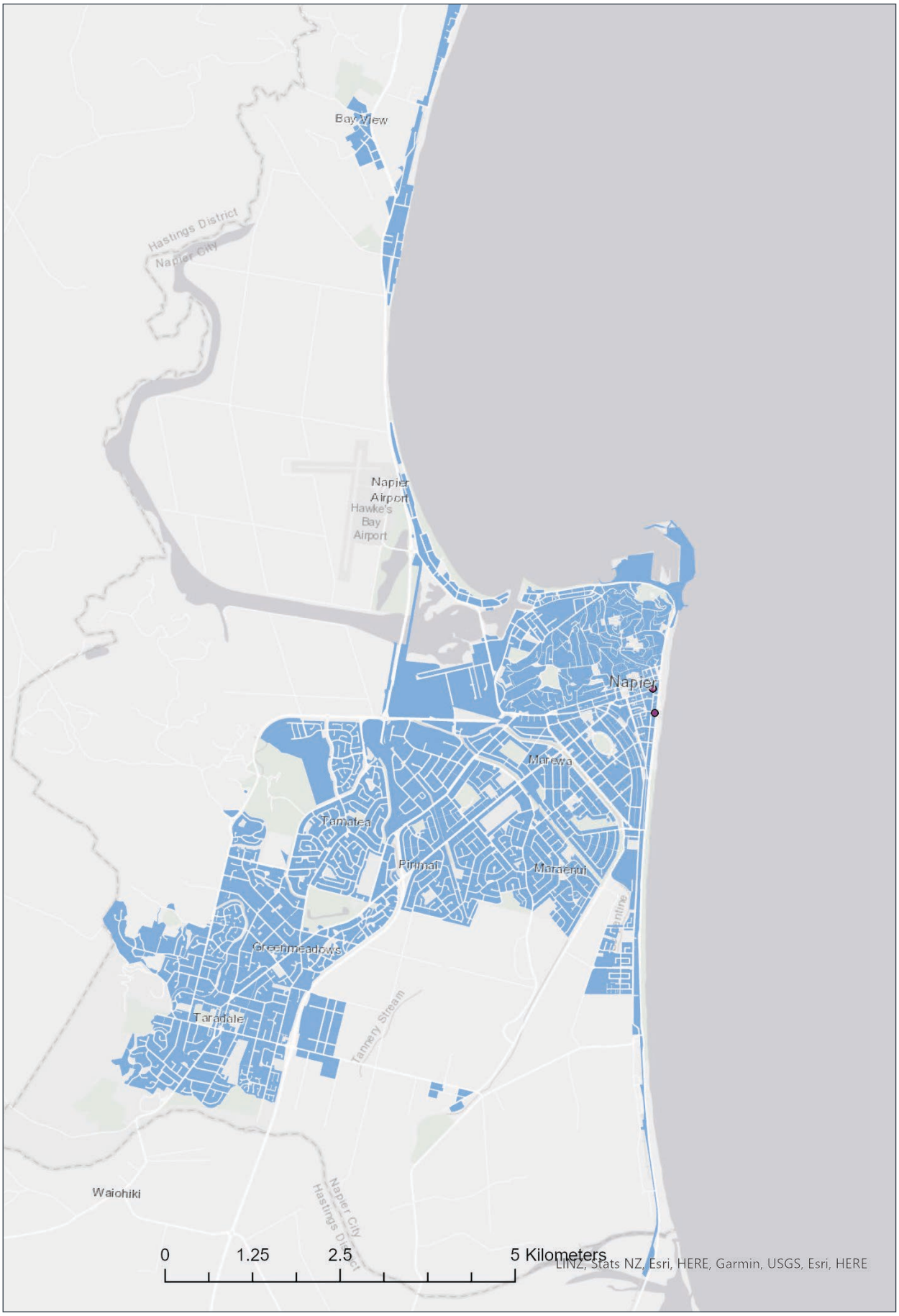
CBD Fire Protection Area



CBD

CBD Fringe

Stormwater Coverage



Other Rating Matters

Due Dates for Payment of Rates

Instalment Rating

Rates for 2021/22 are set and assessed effective from Instalment 1 and are due and payable in four equal instalments as follows:

- First Instalment due 18 August 2021;
- Second Instalment due 17 November 2021;
- Third Instalment due 16 February 2022, and
- Fourth Instalment due 18 May 2022.

Water-by-Meter Charges

Targeted rates for metered water supply are separately invoiced either quarterly in September, December, March, and June for non-domestic supplies or annually in June for metered domestic supplies.

The payment due date is the 20th of the month after the month of invoice.

Penalties

In accordance with sections 57 and 58 of the Local Government (Rating) Act 2002, a penalty of 10 per cent is added to each instalment or part thereof which is unpaid two full working days after the due date for payment. Previous years' rates which remain unpaid will have a further 10% added two full working days after the due date for instalments one and three.

Fees and Charges

Council applies a range of fees and charges to fully or partially recover the costs of various activities.

The level of fees and charges are reviewed annually, and a schedule of Council Fees and Charges is prepared as a separate document.

The schedule is available upon request from the Council office.

Indicative Rates

Description	Category	Factor			2021-22 Proposed Rate	2021-22 Proposed Revenue
General Rates			**Old**	**New**	**(Incl GST)**	**(Incl GST)**
General Rate (cents per $ Land Value)	All rateable property	Land Value	Differential	Differential		
Differential 1 Residential/Other						
Residential / Other			100.00	100.00	0.334	21,803
Residential / Other former Commercia & Industrial			268.09	100.00	0.334	2
Residential / Other former Miscellaneous			100.00	100.00	0.334	163
Residential / Other former Ex City Rural			63.47	75.65	0.252	3
Residential / Other former Other Rural			63.47	75.65	0.252	65
Residential / Other former Bay View			72.80	81.87	0.273	94
Differential 2 Commercial and Industrial						
Commercial & Industrial former Residential			100.00	260.00	0.868	38
Commercial & Industrial			268.09	265.39	0.886	12,762
Commercial & Industrial former Miscellaneous			100.00	153.33	0.512	31
Commercial & Industrial former Other Rural			63.47	128.98	0.430	26
Commercial & Industrial former Bay View			72.80	135.20	0.451	21
Differential 3 Rural						
Rural former Miscellaneous			100.00	95.00	0.317	103
Rural former Ex City Rural			63.47	70.65	0.236	604
Rural former Other Rural			63.47	70.65	0.236	
Differential 4 Rural Residential						
Rural Residential former Residential			100.00	96.67	0.323	27
Rural Residential former Miscellaneous			100.00	96.67	0.323	3
Rural Residential former Ex City Rural			63.47	72.31	0.241	4
Rural Residential former Other Rural			63.47	72.31	0.241	1,366

Description	Category	Factor			2021-22 Proposed Rate	2021-22 Proposed Revenue
Rural Residential former Bay View			72.80	78.53	0.262	399
Total - General Rates on Land Value						**37,513**
Uniform Annual General Charge (UAGC)	All rateable property	Fixed amount per SUIP*			$424.00	11,817
TOTAL GENERAL RATES						**49,331**

Targeted Rates			Old	New		Including GST
Stormwater Targeted Rate	Mapped service area	Capital Value				
				Differential		
Residential				100.00	0.023	3,214
Commercial				260.00	0.059	1,468
Rural Residential				100.00	0.023	124
						4,806
Fire Protection Rate	Service available / Connected	Capital Value		Not Connected	Connected	
CBD Commercial & CBD Fringe				0.010	0.021	160
Other Commercial & Industrial	Suburban, shopping centres, hotels, motels & industrial outside CBD			0.005	0.010	141
Residential & Other				0.003	0.005	816
						1,116
Water Supply	Service available / Connected	Fixed amount per SUIP*				
Water Rate (connected)					244.00	6,505
Water Rate - Serviceable (not connected) 50%					122.00	
Refuse Collection & Disposal Rate	Service available	Fixed amount per SUIP*				
1 collection per week					133.00	3,656
2 collection per week					266.00	
3+ collection per week					399.00	

Description	Category	Factor	2021-22 Proposed Rate	2021-22 Proposed Revenue
Kerbside Recycling Rate	Service available	Fixed amount per SUIP*	73.00	1,809
Sewerage	Service available / Connected	Fixed amount per SUIP*		
Sewerage Rate (connected)			434.00	11,316
Sewerage Rate - Serviceable (not connected) 50%			217.00	
Bay View Sewerage Connection Rate	Service available	Fixed amount per SUIP*	941.35	21
CBD Off Street Car Parking Rate	Commercial in catchment area	Land value		
100% Parking Dispensation area			0.082	107
50% Parking dispensation area			0.041	38
Taradale Off Street Car Parking Rate	Commercial in catchment area	Land value	0.078	22
Suburban Off Street Car Parking Rate	Commercial in catchment area	Land value	0.078	15
Promotion Rate - CBD	Commercial in catchment area	Land value	0.119	176
Promotion Rate - Taradale	Commercial in catchment area	Land value	0.151	70
Swimming Pool Safety Rate	Service provision	Fixed amount per rating unit	$54.00	87
Plus Allowance for Rate Penalties				270
Less Allowance for Rate Remissions				-339
TOTAL RATES (Excluding water by Meter)				**79,005**
Water By Meter Charges	Connected / Supply	Fixed amount per cubic metre		
Non-Domestic Supplies			0.602	782
Metered domestic supplies			1.118	
TOTAL RATES (Including water by Meter)				**79,787**

* SUIP = Separately used or inhabited part

Examples of Proposed Rates for 2021/22

Examples of the impact of rating proposals for 2021/22 are shown in the following table:

Differential Category	Land Value	Capital Value	Rates 2020-21	Rates 2021-22	Change $	Weekly Change $	Change %
Residential							
Average Value & Land Value Increase	299,500	638,300	2,379	2,484	105	2.03	4.4%
Average Value - above average LV movement	310,000	640,000	2,422	2,574	152	2.92	6.3%
Low Value residential	128,000	425,000	1,489	1,853	364	6.99	24.4%
Parklands Residential	320,000	840,000	2,540	2,609	69	1.33	2.7%
Te Awa Residential	290,000	740,000	2,511	2,481	-29	-0.57	-1.2%
Bay View Residential	284,200	614,300	1,964	2,255	290	5.59	14.8%
Ex Rural Residential (City fringe)	668,600	1,389,800	2,811	3,383	571	10.98	20.3%
Commercial / Industrial						`	
CBD Average	867,900	2,368,800	9,324	11,163	1,839	35.37	19.7%
Other Commercial Average	553,900	1,148,300	7,387	8,814	1,427	27.44	19.3%
Industrial Average	1,069,700	1,777,800	9,566	12,029	2,463	47.36	25.7%
Bay View Average Commercial	473,500	855,500	1,931	3,603	1,672	32.16	86.6%
Rural Average Commercial	457,200	1,610,600	1,527	2,524	996	19.16	65.2%
Rural							
Average Rural	1,832,800	2,320,400	4,392	4,949	558	10.72	12.7%
Rural Residential							
Bay View Average	375,400	782,700	1,853	2,075	223	4.28	12.0%
Other Rural Residential in Stormwater area	457,500	875,900	1,620	1,932	313	6.01	19.3%
Other Rural Residential outside Stormwater area	457,500	875,900	1,620	1,733	113	2.18	7.0%

The three -yearly revaluation for the city for rating purposes was undertaken in 2020 and those new valuations apply as the basis for setting the rates for 2021-22.

The rating examples should be read having regard for the following:

Council's total rates revenue for 2021/22, excluding rate penalties and water-by-meter charges, will increase by 8.30% which is an average increase of 8.00% for existing properties after an allowance of 0.3% is made for new properties added since last year.

Council has recently consulted on changes to differential categories and differential factors. The changes are proposed to be phased in over 3 years and this results in impacts, in particular on properties previously rated in the Rural and Bay View categories.

As property values directly affect the level of general and targeted rates charged on either land or capital value , changes in property value, above and below the average movements across the city will mean that the rate increase properties will be greater or less than the proposed 8% overall increase for individual properties.

Council Controlled Organisations

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- Hawke's Bay Museums Trust..... 62
- Council's other significant interest..... 63

COUNCIL CONTROLLED ORGANISATIONS

The Council has investments in the following CCOs to assist the Council to achieve its objectives:

Hawke's Bay Airport Limited

Policies and Objectives Regarding Ownership and Control

Hawke's Bay Airport Limited (HBAL) is incorporated under the Companies Act and is owned by the Crown 50%, Hastings District Council 24%, and Napier City Council 26%. The HBAL produces separate annual accounts and no payments are forecast to be made by the Council to HBAL in the Long Term Plan (LTP).

There are no Council-specific objectives, policies, or targets for HBAL. Council reviews and confirms HBAL objectives outlined below.

Nature and Scope of Activities

The nature and scope of activities to be undertaken by HBAL are outlined below.

The HBAL's mission is to enable safe, customer focussed, and sustainable air transport services in and out of Hawke's Bay. This is worked towards through the following strategic pillars:

- **Operations:** ensuring a safe, rewarding, and delightful journey for our travellers. Striving for excellence in everything we do;
- **Commercial:** maximising the returns across our aeronautical business while delivering greater value and a strong sense of place;
- **Property:** making the best use of our land while safeguarding our airport to optimise returns and increase value to our shareholders;
- **Partners:** engaging with our customers, stakeholders, business partners, and community to grow our airport in a way which benefits everyone;
- **People:** working together to get the best outcomes from our people in a great place to work and live, and
- **Sustainability:** growing business in a way that delivers financial returns while being/remaining environmentally excellent, socially responsible, and operationally efficient.

Performance Targets

The following table sets out the financial performance targets as per the Company's Statement of Intent for the year ended 30 June 2021 and the following two years.

Financial Performance Targets	2020/21 $000s	2021/22 $000s	2022/23 $000s
Group Revenue	4,179	6,859	8,397
Operating Expenses	3,154	3,517	3,838
Profit/(Loss) Before Tax	(2,176)	(330)	922
Profit/(Loss) After Tax	(1,567)	(266)	636
Total Debt	27,004	25,504	22,964
Total Assets	63,305	61,403	59,773
Shareholders' Funds	30,674	30,409	31,045
Operating Cashflow	573	3,161	4,482
Capital Expenditure	8,490	883	1,098
Dividend	-	-	-
Return on Equity	(5.1%)	(0.9%)	2.0%
Net Gearing Ratio	47%	46%	43%
Shareholders' Funds/Total Assets %	49%	50%	53%

Hawke's Bay Museums Trust

Policies and Objectives Regarding Ownership and Control

The Hawke's Bay Museums Trust (HBMT) is a Council Controlled Organisation as three of the five-member Board are Council nominees. This is in accordance with the revised Constitution and Rules adopted 30 October 2006, which were amended to reflect the change in role to that of owner and guardian of the regional collection.

The objectives of the Trust are:

- To hold and protect the regional collection for the people of Hawke's Bay;
- To encourage the development of quality cultural facilities capable of accessing or drawing upon the collection within Hawke's Bay;
- To advance and promote cultural heritage and arts through the use of the collection;
- To oversee collection management through the development of collection policy, conservation, and risk management strategies via a contract for services with the Napier City Council;
- To oversee collection development through the regulation of the acquisition and disposal of collection items, and
- To manage the bequests vested in the Trust in a way that maximises benefit to the collection.

Nature and Scope of Activities

The nature and scope of activities to be undertaken by Napier City Council are outlined below. These activities will be achieved in accordance with agreed best industry practice (Museum Industry Standards, MIS) and be consistent with HBMT policies and procedures.

- Protection:
  - Storage;
  - Security, and
  - Records management.
- Quality:
  - Conservation;
  - Accessioning, and
  - Deaccessioning.
- Access:
  - Exhibitions;
  - Research, and
  - Archives.
- Development:
  - Fundraising;
  - Reserves management, and
  - Relationship development.

Capital Expenditure

There is no planned expenditure on buildings or plant and machinery for the 2021-2023 periods. Accessions and conservation will be funded from grants, donations, deaccessions, bequests, and investment interest income.

Faraday Centre

Trustees are reviewing the future direction of the Faraday Centre. This includes potentially separating this activity from the HBMT when a sustainable model is identified.

Compensation from Local Authority

The costs of maintaining the collection will be equally funded by Napier City Council and Hastings District Council. Additional funding may be sought from other sources as appropriate.

The board estimates the commercial value of the HBMT collection (including the Faraday Collection) at approximately $41 million excluding GST.

Performance Targets

Performance targets set by HBMT for 2021-2023 are:

Key Result Area	Performance Indicator	2021-2023
Protection	Full insurance cover provided for the collection	Yes
	Collections are stored in an acceptable environment.	No items reported to have suffered deterioration due to environment
Quality	Every item accessioned into the collection has undergone a detailed selection process within the framework of the Collection Strategy	Yes
	Deaccessions are managed in accordance with the Collection Strategy and reported to the Board	Yes
Access	HBMT collections are used for academic and personal research	1,500 enquiries
	Collections are made available to the public through quality exhibitions	2 – 5 collection-based exhibitions
Development	Bequest funds income is used in the manner determined by the donor	Yes
	Conservation funds income is used solely for collection care	Yes
	Joint HBMT/Te Rōpū Kaiawhina Taonga meeting held	1 per annum

Council's other significant interest

Omarunui Landfill Operation

The Omarunui Landfill is owned jointly by the Hastings District Council (63.68%) and Napier City Council (36.32%). The landfill is operated by the Hastings District Council on behalf of a joint committee (comprising elected representatives from the two councils).

The Omarunui Landfill site is the disposal point for refuse from Napier City and Hastings District with charges set at a level to cover all operating and capital costs. The site is a 180-hectare farm located off Omarunui Road in the Hastings District.

The facility is operated as part of this Council's solid waste infrastructure with the charges set at a level to cover all operating and capital costs.


SWL5T
Printery

Financial Strategy

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- Capital expenditure 72
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FINANCIAL STRATEGY

Our financial strategy sets out the overall financial goals of the Council for the 2021–31 Long Term Plan. The strategy builds on our current financial position by setting out where we want to be positioned during and at the end of the Long Term Plan period.

The Local Government Act 2002 (LGA) is the guiding legislation for all councils' planning and activities. The LGA requires that the Long Term Plan period is for a minimum of 10 years and, because of the changes in approach, the financial strategy only covers 10 years. The infrastructure strategy covers a 30-year period and informs the financial strategy of the need to fund both operational expenditure and capital beyond the period of the Long Term Plan.

The financial strategy also provides guidance on how we consider and approach funding of expenditure proposals in the current Long Term Plan and informs all subsequent activity decisions made for the duration of the 2021–31 Long Term Plan.

This strategy outlines the Council's financial vision for the next 10 years and the impacts on rates, debt, levels of service, and investments. It will guide the Council's future funding decisions and, along with the infrastructure strategy, informs the capital and operational spending for the Long Term Plan 2021-2031 (LTP).

Executive summary

This proposed strategy is a significant change for the existing strategy contained in the 2018-2028 LTP. Historically we have not spent enough money on looking after our key assets – under the ground, on the ground, and in our community. Keeping our rates low has been the priority but it has come at a cost. It has started to affect our community wellbeing.

For too long, Napier has taken a short term and conservative view. At the same time, we have been a little too ambitious about what can realistically be achieved – setting a huge programme of projects. In addition, our costs are rising due to factors outside our control. These include increases in Government set levies, policies, and regulations as well as rising insurance costs. It's time to face our future. And our future is now.

Our goal now is focus on the essentials and to invest for the longer term, so that our situation will not worsen over time. We have a lot to do – replacing ageing assets, fixing infrastructure, and keeping up with an ever-changing environment.

So, how do we afford it? An easy option would be to increase our rates to pay for our plans. But we are committed to keeping our rates as affordable as we can. To achieve the right balance, we've had to make some tough calls on what can be done within the next 10 years. We've taken a hard look at our spending and have cut our costs down. We've had to move some projects out a few years to save money and we are also looking to borrow $339m to catch up on maintenance and replacement of our key assets. There are consequences to this approach. We're borrowing more than we ever have before, and our budget will not break even until 2031.

In addition, we have had the sale of residential properties in the Parklands subdivision to assist us in keeping rates low. From the 2027/28 year, we are not expecting any income from this subdivision and, to ensure that we still deliver the same level of service, we are going to be more reliant on rates.

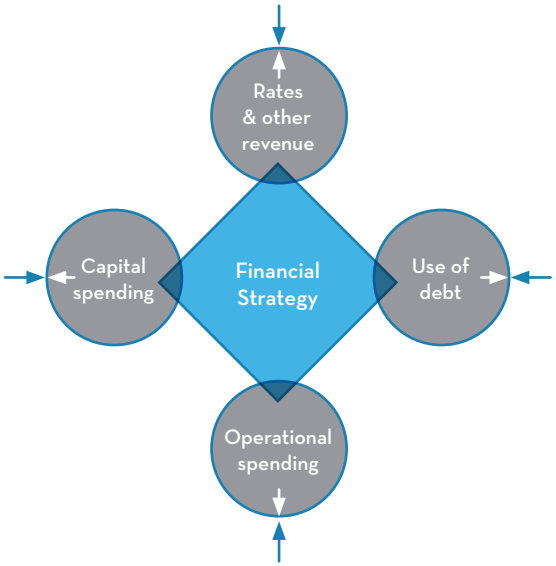
We operate a number of tourism-based facilities, and our income from these facilities took a hit, but we have almost returned to pre-Covid-19 levels. While there was been a slowdown in the economy due to Covid-19, the City's economy has recovered in part due to domestic visitors from other regions. However, we anticipate no income from our interest in the Hawke's Bay Airport until 2025.

Impacts of population growth

In addition, like the rest of country, there is strong demand for residential properties. This has put pressure on the need for additional infrastructure that the Council must build and then recover by use of financial contributions. We are expecting over the 10-year period to see a population increase of just over 5.4%, and, to support that additional population, we are expecting a further 1,853 additional residential lots to be created. As part of the Long Term Plan, we have included the necessary infrastructure and operational costs to support the expected increase in both population and number of residential dwellings.

Level of Service

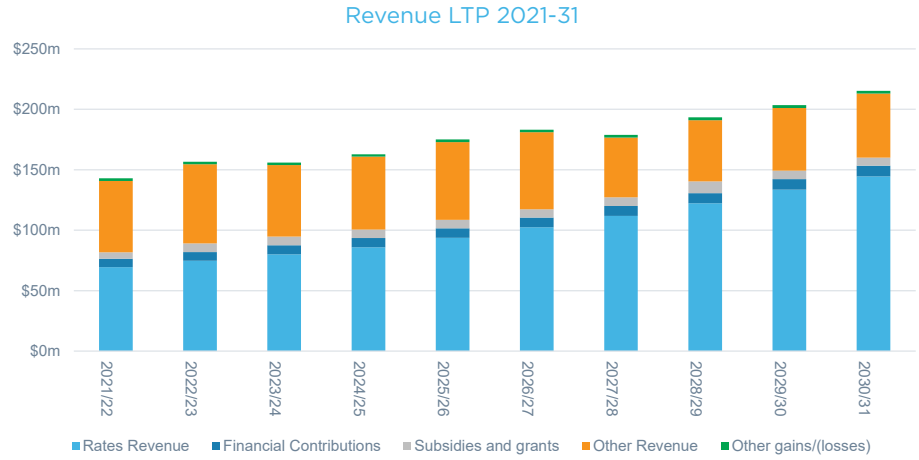
The financial strategy in the last Long Term Plan in 2018 aimed at achieving a balance by trying to deliver affordable rates to the community, minimise Council borrowings, and optimise capital spending. This balance can be represented by reflecting the four financial components of rates, operational expenditure, capital expenditure, and borrowings as levers, as shown in the diagram below.



The diamond represents the level of service provided by the Council. A larger diamond means an increased level of service (or new services). There is no intention to increase the levels of service, as this will require increased operational and capital expenditure. The proposed strategy is focussed on maintaining existing levels of service. The diamond is affected by the four levers: rates and other revenue, operational and capital expenditure, and debt. Changing only one lever can be achieved without affecting service levels by allowing the other components to adjust.

Rates and other revenue

Having completed a robust Revenue and Financing Policy review, the financial strategy considers the total dollars that are required and the annual increases rather than the allocation of the rates between types of rates and properties that pay rates.



The graph above reflects both increasing rates and total revenue over the period of the strategy, including the impact of the loss of revenue from Parklands subdivision from 2027/28. The rates revenue as a percentage of total revenue increases from 49% to 67% over the 10-year period, and this is predominantly driven by the reduction in other revenues from 41% to 25% as demonstrated in the table below.

Allocation of revenue	2021/22	2030/31
Rates Revenue	49%	67%
Development and Financial Contributions	5%	4%
Subsidies and grants	4%	3%
Other Revenue including Parklands	41%	25%
Other gains/ (increase investments)	1%	1%

Other sources of revenue

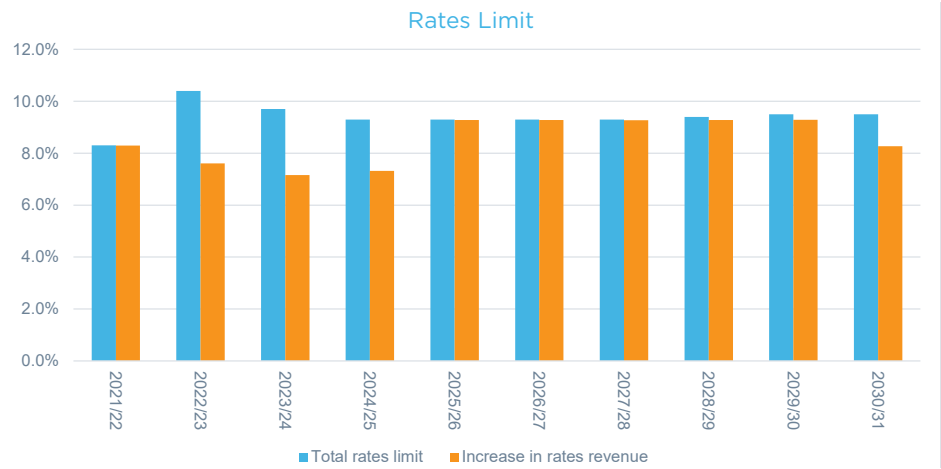
The non-rates revenue that we can draw upon comprises mainly fees and charges, grants and subsidies, and development and financial contributions. Other revenue includes fees and charges, building and resource consent fees, community housing rental income, and library and swimming pool charges. Unlike other local authorities, we have significant tourism-based facilities which, together with the sale of Parklands properties and some investment income, contribute to the other revenue stream.

Rates limits

Council has set itself the following quantified limits on rate increases over the 10-year period. Total rates increases will increase by no more than the Local Government Cost Index (LGCI) plus 6.5% to cover asset renewal costs and debt repayment, together with an allowance of 0.3% for growth in the rating base. The graph and table below demonstrate how we intend to remain within those limits.

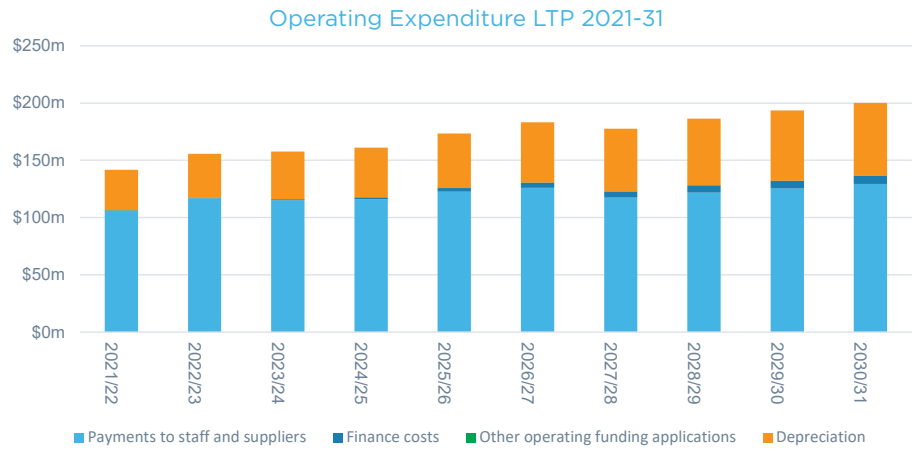
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Rates limit	8.0%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
LGCI	0.0%	3.6%	2.9%	2.5%	2.5%	2.5%	2.5%	2.6%	2.7%	2.7%
Growth in rating base	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Total rates limit	**8.3%**	**10.4%**	**9.7%**	**9.3%**	**9.3%**	**9.3%**	**9.3%**	**9.4%**	**9.5%**	**9.5%**
Rates increase to existing ratepayers	8.0%	7.3%	6.9%	7.0%	9.0%	9.0%	9.0%	9.0%	9.0%	8.0%

Note: Rates increases exclude water by meter, rates penalties, and rates remissions.



Operating expenditure

It is worth noting that the model incorporates capital expenditure. Clearly, a significant increase in capital expenditure would require a significant rates increase to fund it, which in turn would affect the other two levers of rates and debt. The proposed capital expenditure is focussed on replacing existing assets to maintain levels of service and providing additional capacity for growth. New capital expenditure has resulted in additional operating expenditure, e.g. payments to staff and suppliers to operate the additional capital, together with finance costs and depreciation.



Depreciation

Depreciation is a significant component of operating expenditure:

- Depreciation is recognition of the current use of the asset by residents and ratepayers;
- Depreciation is a charge that today's ratepayers should meet as it provides the funds for renewal of the asset. Applied like this, it recognises the key issue of intergenerational equity and will ensure that future generations are not left with an unsustainable fiscal burden. The cash or funding generated by the revenue may be used for present capital needs (including renewals), debt reduction, or set aside for future capital needs. This helps ensure sound asset management practice and continuity of service to future generations;
- The Council will steadily increase the amount of depreciation that is rate funded, and
- Debt will be used where funds from depreciation, capital subsidy, and financial contributions are insufficient to meet the capital programme expenditure.

Logic

Depreciation spreads the capital cost of assets over their useful lives, so that each generation of ratepayers pays for their fair share of use of the asset. By not rate funding, it places an unfair burden on future ratepayers, who have to pay for the asset replacement.

Rate funding depreciation supports the intergenerational equity principle whereby everyone who benefits from use of the asset pays their fair share over the asset's useful life.

By rating for depreciation, we are providing cash to fund the capital renewal programme.

Prudent financial management and a 'balanced budget'

There is a fundamental requirement for prudent financial management contained in section 101 Local Government Act 2002 (LGA) which requires all local authorities to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently.

The requirement to have a balanced budget is contained with the Local Government Act 2002 and requires all local authorities to set their budgeted revenues at a level to meet that year's budgeted operating expenses, until the authority resolves it is not prudent to do so.

As noted above, depreciation is an operating expense and must be included as an expense when considering the requirement to have a balanced budget.

The Council acknowledges that it will be running an unbalanced budget in years 1-9 of the Long Term Plan (LTP) because it will not include all depreciation when determining its revenue requirement in those years. Following the 2020 asset revaluations, the total depreciation expense increased significantly, and Council does not believe it is appropriate to immediately increase rates to address the impact this has had on Council's ability to balance the budget.

The following fiscal levers will be used to move progressively towards achieving a balanced budget within the life of this LTP:

- fees and charges;
- lifting rates revenue, and
- efficiencies.

We acknowledge that we will not achieve a balanced budget for nine of the next ten years. This is because we believe that setting rate levels to immediately achieve this would be inequitable and extremely hard on ratepayers. The Council continues to believe the gradual changes proposed will result in the best fiscal and most sustainable outcome. While rates will be higher than people would like for the next few years, it will enable us to support the capital investment required for the region while maintaining the levels of service that residents expect.

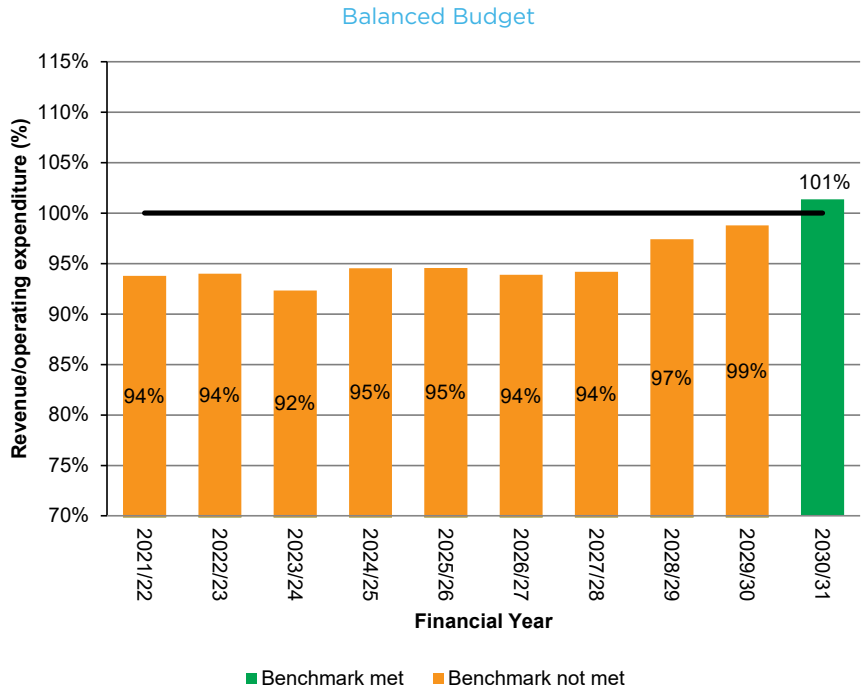
Throughout the Long Term Plan period, Council has programmed some significant rates increases, and the Balanced Budget graph shows that over time Council's budgets steadily move closer to being balanced, and will be fully balanced by year 10.

In 2014 the Government introduced the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) also known as the Prudence Regulations. The purpose of the Regulations was not to define what is prudent, nor is it a definitive measure. However, it is a test over a period of time that can be measured against other local authorities. This is one of many other measures that local authorities are required to report against both in long-term plans and annual reports. It is considered a useful guide rather than the definitive answer.

The Regulations define a balanced budget as:

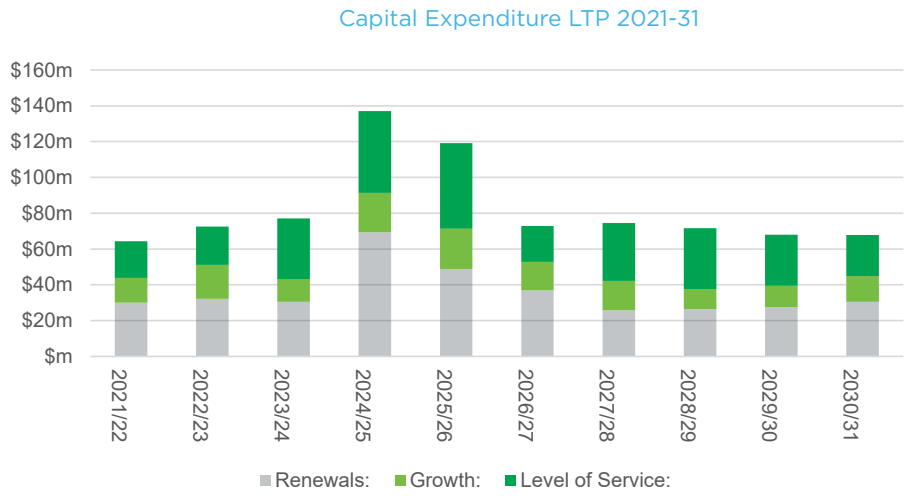
- "A local authority meets the benchmark for a year if its revenue (excluding financial contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) for the year exceeds its operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment) for the year."

Council has used this as an appropriate tool in setting its proposed financial strategy, however, as noted above, it must be considered against other measures of prudence.



Capital expenditure

As noted in the Infrastructure Strategy, we are investing significantly in replacing existing assets and creating new additional assets to meet both the needs of growth and increasing levels of service.



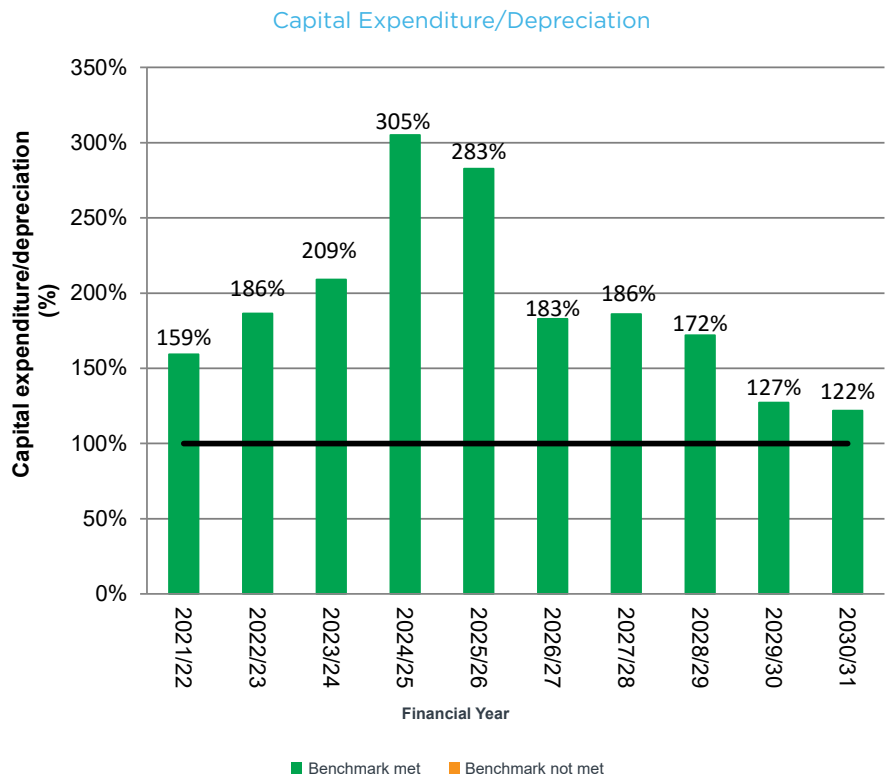
The capital expenditure profile spikes up in 2024/25 and 2025/26 mainly due to two big projects overlapping. They are:

Project	2024/25	2025/26
Napier Library Civic Precinct	$21.6M	$22.2M
Outfall	$31.7M	$9.7M
Total	**$53.3M**	**$31.9M**

If the two projects above were excluded, the capital plan profile would be fairly flat at approximately $70M each year.

The total planned capital expenditure spend of $404M for Three Waters for the 10 years makes up about half of the total capital plan ($811M).

All local authorities are required to measure the proposed capital expenditure on essential services against essential services depreciation expense and this is reflected in the graph below. This demonstrates that Council is maintaining its essential services.



Debt

Because of the increase in proposed capital expenditure and the need to smooth the rates increases over the period of time, we are now looking at a significant increase in our overall debt.

In order to borrow money externally, Council must offer some security just like people do with their mortgage. Like most Councils, when required, Council secures our debt by way of a debenture trust deed over its rates income. We generally do not offer assets security for any loan or performance of any obligation under an incidental arrangement. In exceptional circumstances, with prior Council approval, security may be offered as a charge over one or more specific assets.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Total rates revenue	69,382	74,670	80,022	85,861	93,777	102,424	111,868	122,193	133,481	144,464
Other revenue*	73,531	81,999	75,879	76,965	81,256	80,706	67,034	71,162	70,036	70,871
Total revenue	**142,914**	**156,668**	**155,901**	**162,826**	**175,034**	**183,130**	**178,902**	**193,354**	**203,516**	**215,335**
Financing costs	**339**	**626**	**850**	**1,639**	**3,057**	**4,482**	**5,432**	**6,199**	**6,701**	**6,918**
Gross debt	**74,960**	**103,755**	**139,110**	**229,230**	**297,790**	**312,030**	**330,760**	**339,390**	**337,480**	**327,730**
Debt to rates	108%	139%	174%	267%	318%	305%	296%	278%	253%	227%
Debt to total revenue	52%	66%	89%	141%	170%	170%	185%	176%	166%	152%
Financing cost to rates	0.49%	0.84%	1.06%	1.91%	3.26%	4.38%	4.86%	5.07%	5.02%	4.79%
Financing cost to total revenue	0.24%	0.40%	0.55%	1.01%	1.75%	2.45%	3.04%	3.21%	3.29%	3.21%

*Includes Financial Contributions, Subsidies and Grants, Other Revenue, and Other gains/(losses).)

Return on investments

Napier City holds investments for strategic reasons where there is some community, social, physical, or economic benefit accruing from the investment activity. Our primary objective when investing treasury funds is the protection of its investment capital and liquidity of its investments.

Investments and associated risks are monitored, managed, and regularly reported back to Council. We are risk averse in our management of cash. In addition, our preferred approach for funds available for long-term investment is that our investments support the Napier community.

In addition, Council maintains strategic equity investments in Hawke's Bay Airport Authority Ltd and the Omarunui Regional Landfill. Council's objective with these equity investments is to retain local airport ownership and ratepayer control of solid waste disposal facilities. Any investment in the Local Government Funding Agency (LGFA) will be to ensure Napier and other local authorities have access to low-cost debt funding. The primary driver of these investments is for strategic reasons.

We have in place control limits that are designed to manage interest rates and maturity risk on the financial investment portfolio. The portfolio comprises both cash and core treasury investments. Cash investments relate to matching investments with our working capital funding requirements and liquidity buffer amount requirements. An important objective of the financial investment portfolio is to match the portfolio's maturity term to planned expenditure, thereby ensuring that investments are available when required.

The following are the specified targets for returns on our financial and equity investments:

- The targeted minimum return on our financial investments will be the average of the 90-day and one-year government investment rates;
- The target rate of return for Hawke's Bay Airport Ltd is set through the company's Statement of Intent. In general, Council expects the company's return on equity to exceed Council's budgeted cost to borrow funds (2% in this LTP). However, as previously noted, due to Covid-19 the Council is not expecting a cash return on its investment until 2024/25, and
- No specific return on equity is sought from the Omarunui Regional Landfill. This facility is owned jointly with the Hastings District Council for the purpose of meeting both Councils legal obligations relating to the management and disposal of waste. The joint landfill committee uses a full cost accounting model to determine pricing for this facility.

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INFRASTRUCTURE STRATEGY

1. *Executive summary*

This Infrastructure Strategy covers the Council's provision of transportation, water supply, stormwater, wastewater, parks and reserves, and buildings.

Infrastructure is the area that oversees the physical assets that the Council owns and maintains to deliver services to the community. This includes cemeteries, public bathrooms, parks, and sportsgrounds as well as the water network, roads that are not state highways, and buildings such as libraries, aquariums, and theatres.

Infrastructure is the foundation upon which Napier is built; without these fundamental assets the town could not function and flourish.

What has happened since the last Long Term Plan?

Since the last Long Term Plan, our city has grown and development is occurring faster than expected. We have also come together in the national fight to contain COVID-19 and have experienced a one-in-250-year flooding event that left many without habitable homes and stretched infrastructure past its designed capacity.

On the heels of the Havelock North water crisis, there has been a Three Waters review by the Government, and we have undertaken a chlorine-free review. We have developed master plans and strategies for the majority of our key infrastructure, and Council is reviewing and moving forward with these plans.

These events have changed the way we view our infrastructure, how we maintain and use it, and ultimately has shaped the way that we have developed our infrastructure strategy.

History of Napier Infrastructure

- **1852** Napier first surveyed
- **1857** First main road built
- **1863** Severe earthquake
- **1867** Ngaururoro River bridged
- **1870** Napier-Taradale Rd built
- **1873** Flood destroys Napier - Taradale Rd
- **1877** Street forming and lighting (gas)
- **1883** Reservoir, pipeline, and well completed (150,000 gallons/day)
- **1886** Great fire (26 buildings destroyed)
- **1897** Major flooding (3/5 of Heretaunga Plains)
- **1910** Land donated for McLean Park
- **1912** McLean Park grandstand built
- **1915** Electric street lights
- **1931** Napier earthquake
- **1949** First streets in Onekawa sold
- **1950** Napier proclaimed city
- **1962** Andeson Park land acquired
- **1964** Hawke's Bay Airport opened
- **1973** New outfall pipline - Awatoto
- **1991** Milliscreen Plant opened
- **2013** MTG opened
- **2014** Biological Trickling Filter (Wastewater) Opened
- **2018** McLean Park drainage and re-turf

1.1 Context

Council provides various services to a community of around 25,000 households. The key infrastructure identified in this strategy includes:

- Water Supply;
- Wastewater;
- Stormwater;
- Roads and Footpaths;
- Community Property, and
- Parks and Reserves.

These assets contribute to the wellbeing and prosperity of Napier city and have a combined value of around $2 billion.

1.2 Key issues to be addressed

The internal and external landscape at Council has changed significantly over the last three years since the last Long Term Plan. There are a number of major factors that influence the decisions being made by staff and elected members to enable service levels to be maintained and for infrastructure to be kept at a level that compliance with legislation is maintained in a changing environment. The standards that are required, particularly in the Three Waters activities, are becoming more stringent and Council is planning for this.

Following are the nine key issues that have been identified for this Long Term Plan period and the main actions required to address the issues:

Affordability

Napier has historically operated with a very financially prudent perspective combining low debt and minimised operational spend. With increasing regulatory requirements and ageing assets, which require improved levels of operational and maintenance expenditure alongside capital upgrades, this promotes a change in the operating ethos for both the Council and the community.

Council's Response: Council is concentrating on maintaining what we already have, including increasing allowances for renewals and deferring a number of non-essential projects.

Enabling Growth

Napier is a medium-high growth city with a requirement to enable and provide affordable development under a National Policy Statement – Urban Development. This external driver coupled with increased regional migration, productive soil protection, low-lying risk-prone land, and a small geographical area make it a difficult balancing act to provide for sustainable growth.

Council's Response: Three major developments are underway or planned in Napier. Council is delivering properties through its own development - Parklands Residential Estate. Te Awa is experiencing significant development, and infrastructure is going in now to support this growth. The Mission development is progressing. Council is looking at how to encourage intensification through the District Plan Review.

Future-Proofing

Napier is moving from a small regional centre to a more modern, vibrant city. To support this change and to meet increasingly stringent regulatory and environmental guidelines, whilst balancing risks around natural hazards and climate change, the city needs to plan carefully to optimise its investment in the future. Providing for this growth is a large component of this strategy and the associated Long Term Plan.

Council's Response: Ultimately Council wants to deliver timely, robust infrastructure in a sustainable way. Part of this involves detailed planning, which was the focus of the last Long Term Plan. Now the teams are reviewing the long-term master plans and prioritising work to make our infrastructure more resilient and compliant. Superimposed on this is understanding the highest-risk areas in the city, and various studies are underway with external parties to understand the impact of natural hazards, evacuation routes, and what infrastructure is required to support the community during an incident. Together, these pieces of work, combined with climate change planning and growth planning, will assist Council to provide appropriate infrastructure that meets compliance and the city's needs.

Supporting Improved Environmental Outcomes

The environment sustains our city, is the cornerstone for our tourism sector, and the reason we love living here. There is a need to protect our natural resources in alignment with cultural values. This promotes the need to focus on supporting our natural heritage through meeting increased regulatory requirements, while working with the local community and stakeholders, and collaborating to ensure that all of us are invested in improving outcomes.

Council's Response: Over the last few years, Council has been building an Environmental Solutions team of scientists who are focussed on improving the quality of our open waterways and reducing the contamination of our stormwater network. This team and other infrastructure teams are working on projects such as: reduced leakage, optimised water use on parks and reserves, fixing and replacing the wastewater outfall pipe, and planning for increased requirements around wastewater treatment and discharge. Longer term, we are also going to store and treat stormwater at Lagoon Farm, assisting with the quality of water going into the estuary.

Natural Hazards and Climate Change

Until now, there has been no targeted approach to monitor and address climate change, hazards management, sustainability, and the journey towards being carbon neutral. The next 30 years will see significant changes in these areas and Napier needs to have sufficient resources to guide our local direction and a policy that is aligned with research and direction regionally and nationally. This will support the delivery of appropriate infrastructure and provide for a resilient and sustainable future.

Council's Response: In addition to the actions mentioned above around understanding natural hazard risks and how to manage these, the Council is focussing more closely on energy use, optimising equipment, setting materials standards, and is moving towards reducing our carbon footprint.

Capacity to Deliver and Support Economic Recovery

The government is driving economic recovery through stimulus packages. This will increase the number of projects to be delivered, which results in additional workload and reporting requirements over a condensed time frame, e.g. shovel ready projects and Three Waters reform projects. Council has been delivering capital plans over the last 4 years that range between $20 and $50M in total. The projections for the latest Long Term Plan significantly exceed this value (excluding stimulus work) and, given current staffing levels and potential industry constraints, there are hurdles to jump through to ensure that Council can deliver the planned capital programme.

Council's Response: Council has a large amount of work to deliver in a constrained industry with a lot of competition. Council is working with other regional territorial authorities to see how we can work together to deliver these programmes of work. This is already starting with five regional projects being delivered as part of the Three Waters reform. The opportunity for Council is to encourage new players into the Hawke's Bay market by reviewing our procurement methods, bundling work together, and also prioritising the work that is most important to complete. Where Council resources are stretched, we are looking at external assistance where needed, for example, where we need additional technical expertise or project management assistance.

Streamlining BAU Processes and Data Quality

The Council is in a state of transition, moving from outdated models of working to embracing new technology and an efficient future. The systems we use are outdated and no longer fit for purpose, which takes staff time away from delivering our services in the most efficient way and optimising our operational capacity.

Having the appropriate tools, systems, processes, and data to understand our current state, the risks, and improvements required will enable optimised decision making, reduce uncertainty, and will deliver cost savings.

Council's Response: This is a high priority area that is being worked on by a number of teams. Leading up to this Long Term Plan, Council is investing in new computer systems, one of which includes an upgrade of Council's main asset register. This is funded via the Three Waters Reform Programme. An Asset Management Continuous Improvement Plan (AMCIP) has been developed and this will guide the infrastructure-related BAU processes.

Preparing for Three Waters Reform Programme

Council is operating within an uncertain environment regarding the future of water. The industry is undergoing major reform that may result in these services being delivered at a regional or multi-regional level. The objectives of the reform are to provide everyone with more equitable access to safe and affordable water and improved environmental outcomes.

Napier has been provided with an initial $12.51M to work towards meeting the reform objectives between November 2020 and March 2022. This will enable Council to make good headway with the management of data, systems, tools, and processes in combination with some key capital projects. This stimulus package adds additional workload to teams that are already at or over capacity. The funding provides for additional staff or resources which should assist with these capacity constraints.

Council's Response: This is a great opportunity for Council to bolster the upfront work on the Three Waters capital programme and to set up the Three Waters team in a way that enables greater focus on operational planning, strategic planning, and project planning. In addition, the programme is enabling improvements in asset management tools, systems, and practices and will also assist the broader Council team when asset management practices improve in this area. There will be a balance to ensure that the Three Waters reform projects are delivered, this is why additional external resources have been engaged to assist.

Deferred Renewals

Council has not kept up with replacing and upgrading all of its assets. Some are well past the end of their useful life and are getting beyond repair. At the same time, the money historically put aside each year to save for when we need to work on our assets has been too low.

Council's Response: Costs to renew assets have increased alongside industry standards. It is simply unaffordable to commit to all the work that needs to be done at once.

Prioritisation of asset replacements and upgrades is taking place to identify what is essential and what is well utilised along with what is affordable.

Council's plan is to ensure that more money is set aside for depreciation over the next 10 years and ensure that we are proactive in our management of upcoming renewals rather than waiting for their end of life before attending to them.

1.3 Overall vision for council infrastructure

Council's overarching vision for infrastructure is:

> ***"Providing infrastructure that supports and enhances the quality of life in our city".***

Over the 30-year period of this plan the main vision for infrastructure is to maintain what we have, optimise our networks and services, and ensure that these are kept to a standard that meets levels of service and compliance. Due to affordability issues, there were discussions around potential changes to levels of service. The decision has been made to postpone some projects that are not core infrastructure and to loan fund some renewals to cover funding gaps.

1.3.1 What are the major projects?

The main projects that have been put forward in this strategy are summarised very briefly here:

Water:

- Install new borefields;
- Replace Enfield Reservoir, and
- Demand management - network and control zones.

These will help deliver the vision of safe, clean water.

Wastewater:

- Replace outfall pipe and pump station;
- Pump station improvements (SCADA), and

- Treatment plant upgrade.

These will assist with compliance, improved operation, and future-proof our network.

Stormwater:

- Stormwater storage at Lagoon Farm;
- CBD and Onekawa flood alleviation, and
- Marewa-Whitmore Park flood alleviation.

Improve the quality of discharged stormwater.

Parks, Reserves, Sportsgrounds, Cemeteries, and Public Toilets:

- McLean Park turf renewal and Harris Stand replacement;
- Onekawa Park upgrade;
- Purchase of cemetery land, and
- Ahuriri Master Plan.

To maintain and improve existing assets used by the community.

Community Buildings:

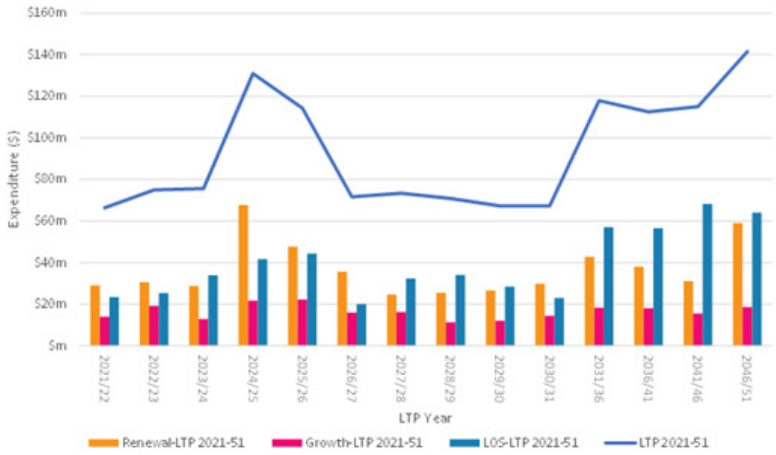
- Faraday Centre, and
- Civic Precinct.

To ensure that community buildings are fit for purpose.

1.3.2 What is the Cost?

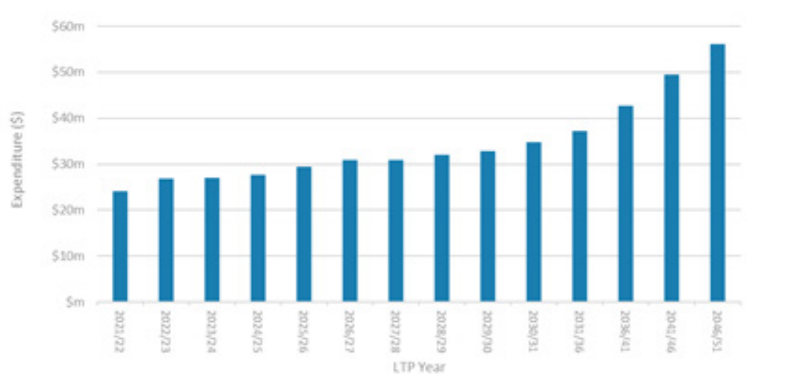
The capital cost for this 30-year plan equates to $825.95 million. The profile for this expenditure is shown below.

Figure 1: Total Capital Expenditure - Infrastructure



As compliance standards change, the city grows, and assets age, it is necessary to spend more to maintain assets to meet the level of service. The total operational spend for the 30 years is $482.3 million, an average of $16 million per year. The breakdown by activity group is provided later in the document.

Figure 2: Total Operational Expenditure - Infrastructure



NB: Amounts shown for the years 2031 through to 2051 (years 11-30) are an annual average over the period, rather than a total of multiple years.

2. Introduction

"Providing infrastructure that supports and enhances the quality of life in our city"

This is Napier City Council's 2021-2051 Infrastructure Strategy. The strategy sets out our longer-term plan for managing our assets over a 30-year period to ensure that Council continues to deliver on levels of service. It has been prepared from Council's 2020 suite of underlying documents including the activity management plans provided by each area of the infrastructure team and it ultimately forms part of Napier City Council's Long-Term Plan. The infrastructure strategy should be read in conjunction with the financial strategy.

The goal that underpins our strategy for Napier over the next 30 years is to provide infrastructure that supports and enhances the quality of life in our city. Through the provision of infrastructure that supports a good quality of life for all residents in the city, by addressing issues such as water quality, and an enhanced transport network, growth and positive environmental outcomes will naturally follow.

Our strategy is based on the Council's vision of

"A vibrant and innovative city that provides for the wellbeing of our community now and into the future"

The Council has identified community outcomes and from these we have formulated the top eight infrastructure issues that are addressed in this strategy.

Council is focussed on ensuring our infrastructure services meet both current and future requirements.

This infrastructure strategy covers the following core assets owned and managed by Council:

- Water Supply;
- Wastewater;
- Stormwater;
- Roads and Footpaths;
- Community Property, and
- Parks and Reserves.

The issues discussed within this document reflect the current legislative environment and the community's priorities across the city, anticipates the coming changes in requirements and standards in the water industry, and works towards achieving anticipated higher standards, which have not yet been set.

This infrastructure strategy:

- Identifies our significant infrastructure issues for roading, water, wastewater, stormwater, parks and reserves, and buildings over the next 30 years (2021-2051);
- Highlights our vision for the activities and where we would like to be by 2051;
- Summarises the main options we have for managing those issues, our strategic response, and likely course of action, and
- The likely cost implications of managing infrastructure over the next 30 years.

The financial forecasts are estimates and, while the reliability of the forecasts decreases beyond ten years, they are indicative of current thinking within Council and of the direction in the medium to long term.

Assets covered	Asset components	Replacement cost	Depreciated RC
Water supply	Pipes, valves and hydrants Treatment plants and pump stations	$205,625,903 $34,750,974	$106,874,424 $15,821,753
Wastewater	Pipes, manholes Treatment plants and pump stations	$337,936,600 $81,523,093	$139,815,551 $48,365,483
Stormwater	Pipes, manholes, outfalls, culverts and pump stations	$306,808,041 $34,588,944	$178,604,372 $25,497,022
Roads and footpaths	Roads, footpaths, bridges, streetlights	$451,498,542	$261,096,540
Community facilities	Community housing and facilities	*	$134,685,065
Parks, reserves, sportsgrounds and public toilets		*	$239,660,563

*This figure is not calculated

Council has set six community outcomes that support the overall vision for Napier. These are provided below in addition to the key infrastructure issues that are addressed in this strategy.

2.1 Serving our community

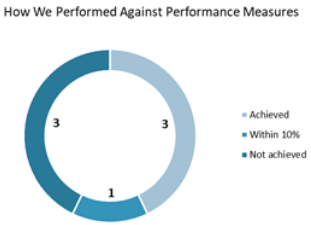
Council provides key services to the community and engages on a regular basis to understand what is important to our residents and ratepayers. During the last customer engagement survey (undertaken quarterly over the last year), it was clear that drinking water and wastewater services were not meeting the community's expectations. The results showed that, although satisfaction had increased over the year, there was still considerable dissatisfaction with drinking water. Sewerage had the largest fall in satisfaction in 2020. Sportsgrounds had the highest satisfaction rating at 94% and improvement is required in swimming pools and parking in the CBD. Overall customer satisfaction with Council has increased from 67% to 75% over the last year.

In August and September last year, Council undertook some pre-engagement work with the community. This involved empathy interviews, online and physical blackboards ("my big dream for Napier is…"), and focus groups to understand what the community needs. Key themes included safety, connectedness, water, fun, nature, and local amenity. A subsequent campaign went ahead in December. Respondents were asked to rank five statements in order of importance. The two themes about water were ranked as the most important, with drinking water being ranked slightly higher than wastewater and stormwater. Of those who responded, 51% rated drinking water as their top priority, 31% as their second priority.

Local and accessible amenities and safe communities were ranked as third most important, with city vibrancy and green/open spaces coming in fourth and fifth respectively.

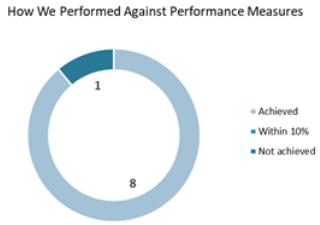
Council reports on a number of defined levels of service on a quarterly and annual basis. Overall, Council meets its levels of service across most of its activities, but the results from last year show that there are some areas for improvement. The graphic below shows how Council achieved across the key activity areas:

Transportation:



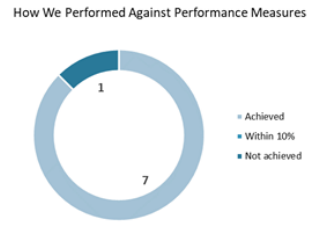
The three performance measures that were not met last year include residents' satisfaction with road maintenance and lighting, the adequacy of renewal of road surfacing, and maintenance of footpaths. The transportation team had an audit from Waka Kotahi last year where the audit showed that our reseal programme is outdated and the condition of road surfaces falls short of requirements. Footpaths need a greater focus.

Stormwater:



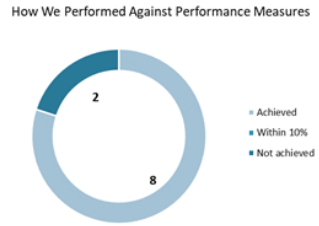
The one performance measure not achieved last year involved residents' satisfaction with the service. Satisfaction fell from 61% to 60%, the target being 89%. Customers in Ahuriri and Nelson Park wards were less satisfied with the urban drainage network.

Wastewater:



The reason for not meeting all performance measures in wastewater related to the leaks detected in the wastewater outfall pipe. These leaks initiated an abatement notice from the Hawke's Bay Regional Council. These repairs have now been completed.

Water Supply:



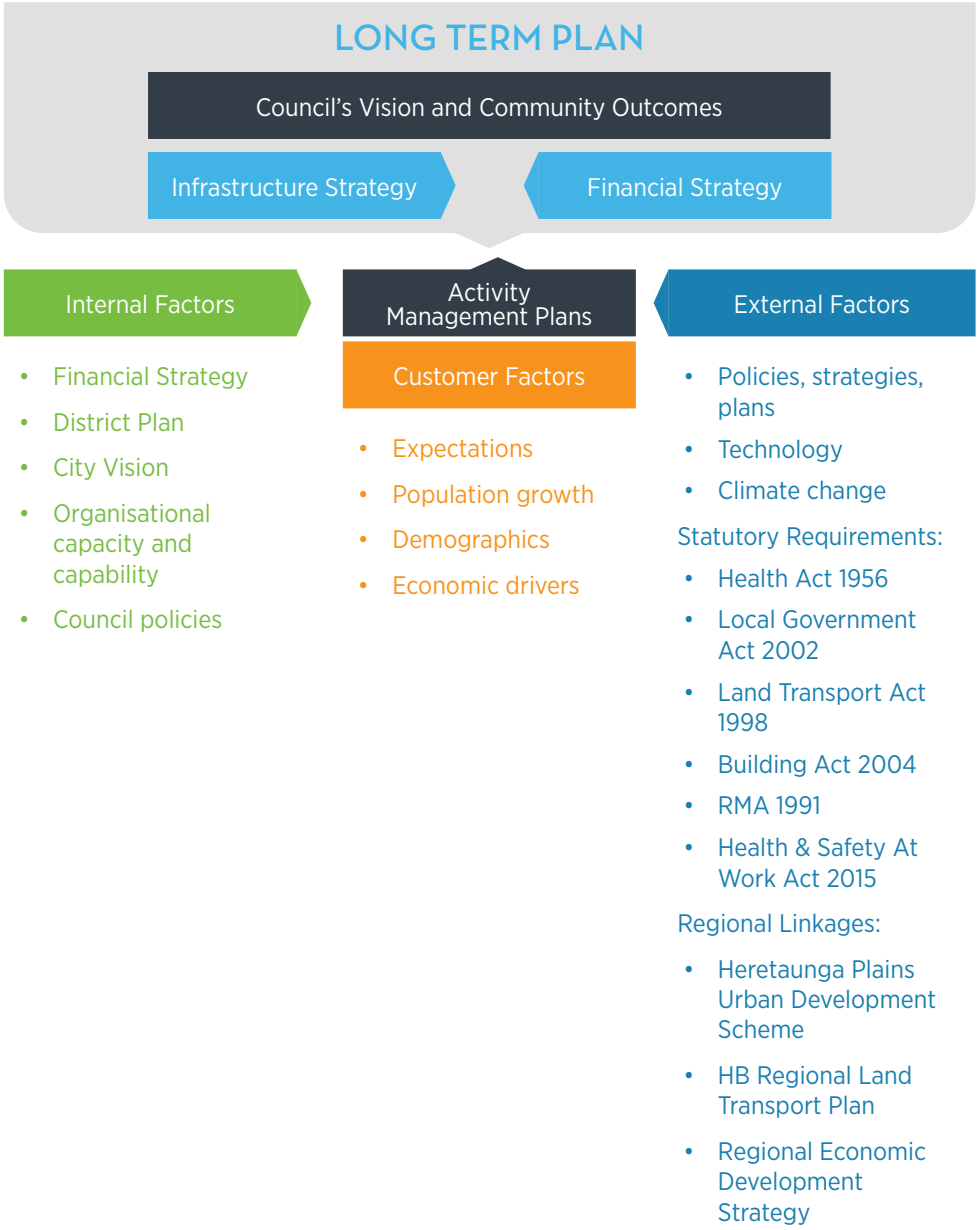
The two measures here relate to customer satisfaction with the service and the total number of complaints per 1,000 connections. Current complaints are excessive due to the current dirty water issues. Some work is required with service providers to better identify customer complaints and categorise these appropriately. A significant amount of work is underway to address the dirty water issues, and complaints fell in the second half of last year when reliance on two bores that are higher in manganese levels was reduced.

2.2 Purpose of this document

The Infrastructure Strategy is a legislative requirement under the 2014 amendments to the Local Government Act 2002. The aims of the strategy are to identify:

- the key infrastructure issues facing the Council;
- the implications of the identified issues, and
- the principal options for managing these issues.

It is a guiding strategy that sets out how we want to develop our various networks and assets into the long term so that we can meet required levels of service. The following figure shows how Council's various documents work together to form our Long Term Plan.



3. Introduction to Napier

3.1 Context

3.1.1 Location and geography

Napier city is situated on the Hawke's Bay coastline near the bottom of the Hawke's Bay bight. It extends from Bay View in the north to Awatoto in the south and into the hills near Poriati and Puketapu in the west. It is bounded on the eastern side by the Pacific Ocean (Hawke Bay). Napier's main topography is flat, with a large amount of land having been uplifted during the 1931 earthquake.

Napier covers 105.75 square km, with 43.04 square km of this being urban (this currently excludes both Parklands and Mission subdivisions that are not yet rezoned as urban), which means that approximately 41% of its territory is urban.

Napier's boundaries contain both Hawke's Bay Airport and the Port of Napier, both of which service the wider Hawke's Bay and East Coast regions. On the landside, it is bounded in all directions by the Hastings District, and both Napier city and Hastings District are located within the catchment area of the Hawke's Bay Regional Council.

Figure 3.1 Location Map

3.1.2 Climate

Napier, Hawke's Bay has a temperate, marine coastal climate that is, by global standards, mild with no dry season and warm summers. Heavier precipitation occurs during the mild winters which are dominated by mid-latitude cyclonic weather patterns (lows).

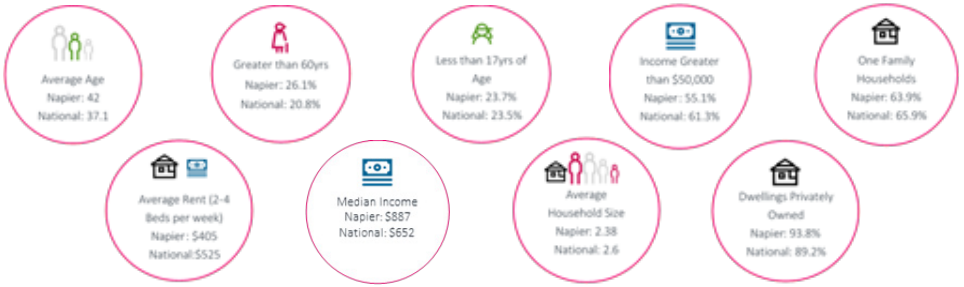
The average annual temperature is 14.3 degrees Celsius. Average monthly temperatures vary by 10.3 °C. Total annual precipitation averages 809.7 mm which is equivalent to 809.7 litres/m^2. On average, there are 2,281 hours of sunshine per year.

Average High and Low Per Season

3.1.3 Population

Napier has experienced a steady level of growth since 2001, increasing in population from 53,661 (2001 census) to 62,241 (2018 census), and is projected to rise to approximately 71,140 by 2051 (an increase of 11.3% over the next 30 years).

The city experienced 9% growth between 2013 and 2018. There were 500 applications for social housing and Council's own residential housing has a long waiting list. The need to provide and service additional growth is a necessity. With the rapid growth experienced over the last decade, the 11.6% projection to 2051 may be a conservative projection.



3.1.4 Natural hazards

Napier is located in a seismically active area adjacent to the Hikurangi Subduction Zone and has experienced a number of large magnitude earthquakes in known history.

The most recent substantial event was in 1931 which resulted in destruction of large parts of the city and the upthrust of large areas of the former estuary. This event provided additional land into which the city has grown and on which the airport is now located. The presence of the subduction zone and potential for megathrust earthquakes also poses a known tsunami risk to the city and wider coastal region. (Figure 3.2)

Napier contains suburbs which are built on hill formations including; Hospital and Bluff Hill, parts of western Taradale, Poriati, and Heipipi (above Bay View). However, approximately 90% of the city, by developed area, is low lying and very flat, ranging in elevation from at or just below sea level in some foreshore suburbs to about 5 m above sea level at the base of the northern and eastern parts of the hills. This means this infrastructure is vulnerable to movement during earthquakes and flooding events. It is also unfavourable for new development and is expensive to service.

Developments in this flat area are built on a mixture of alluvial gravels, former swamp, and the portion of the former lagoon bed that was lifted in the 1931 earthquake and subsequently drained to convert the swamp to useable land. As such, the low-lying suburbs not directly adjacent to the waterfront are vulnerable to both groundwater level rise and liquefaction (see Figure 3.3). This places additional pressure on the ability to convey wastewater and stormwater.

The map of Napier (Figure 3.3) illustrates the extent of low-lying land in Napier, where mean sea level (sea level at half tide) is set to 10 metres in elevation and the dark green shaded areas show land up to 12 metres in elevation (i.e. up to 2 metres above mean sea level).

Figure 3.2 Hikurangi Subduction Zone

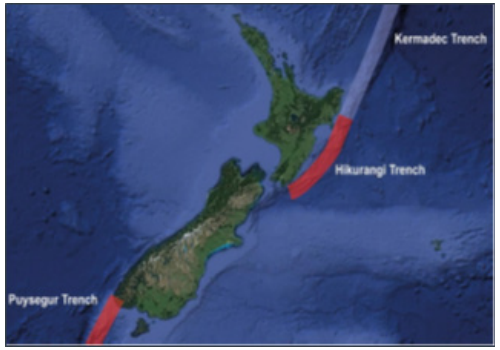
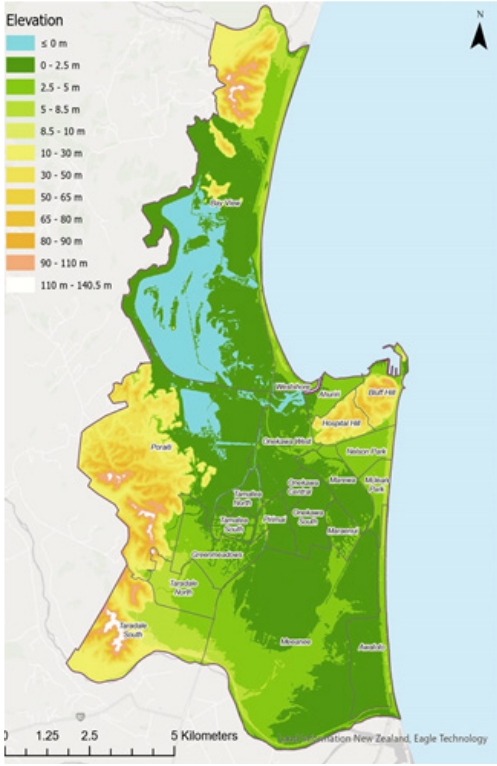


Figure 3.3 Land Topography, Napier



4. Key assumptions

In order to plan for the long term, it is necessary to understand the current internal and external environments to make assumptions about future scenarios.

Schedule 10 of the Local Government Act 2002 requires that the Council identifies the significant forecasting assumptions and risks underlying the financial information set out in the Long Term Plan. Where there is a high level of uncertainty, the Council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects on the financial assumptions. The level of uncertainty is determined by reference to both the likelihood of occurrence and the financial materiality.

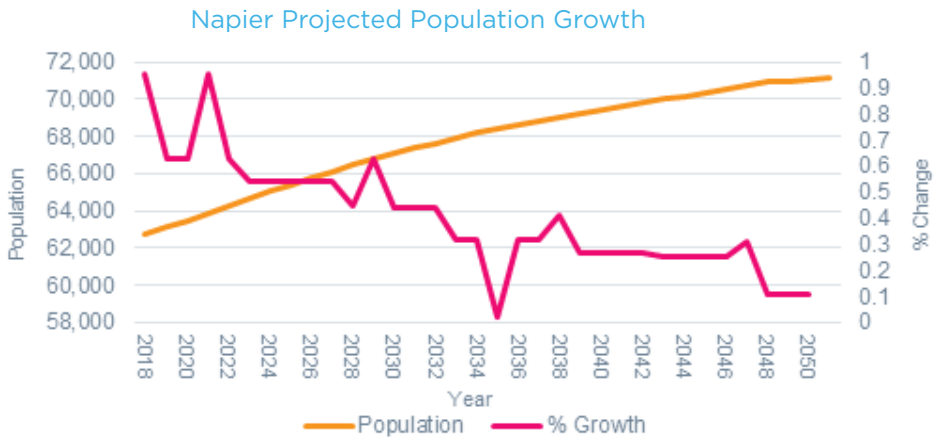
All key assumptions have an inherent level of uncertainty. The assumptions that have a high level of uncertainty include:

- Natural disasters causing significant harm;
- Outcome of the Three Waters reform and future delivery options;
- Exposure drafts for the new Drinking-water Standards, and
- Impact of Covid-19 and recovery.

The following sections summarise some of the underlying assumptions used to develop the infrastructure strategy.

4.1 Growth

Projected total city population growth over the 10 years of the Long Term Plan is 3,450 (5.4%). The projections are halfway between medium and high Statistics NZ projections. As previously noted, Napier experienced an increase in population of 9% between 2013 and 2018. There is, therefore, the potential that population increases may be higher than anticipated.



Variations in the projected population growth will impact the growth of households and the demand for community facilities over time. Changes may require acceleration or slowdown of growth-related projects. Council's financial strategy outlines how such projects are to be funded. Impacts on individual ratepayers will not be significant unless growth is significantly above that forecast or the cost of development in new greenfield areas is excessive. The following assumptions have been applied:

- Any impacts from the changing demographics of Napier's population during the term of this Long Term Plan is not considered significant;
- Napier's population will continue to age, and ethnic diversity will increase;
- The projected total city household growth over the next ten years is 1,853 (7.1%) The projections are halfway between medium and high Statistics NZ projections, and
- Based on historic data and the growth assumptions in this Long Term Plan, an allowance of 0.30% per annum has been included for additional rates revenue. As a result of growth in the rating base, it is possible that the rate of growth will differ materially from the above projections. This would impact the revenue from Development Levies/ Financial Contributions and Consents. Council will carefully monitor growth and adjust the timing of growth-related projects based on revised market demand and revenue

timing. Council is in the process of reviewing the current district plan and is proposing changes to the existing contributions policy to provide clarity around the way that contributions are charged and to ensure that sufficient funds are collected to support growth.

The current level of growth is evident in subdivision developments occurring, including those in Te Awa and multiple sites in the Western Hills near Puketitiri Road and Puketapu Road. These developments are being serviced by the existing infrastructure networks with no immediate risk to continued levels of service. Various network models currently being developed and/or updated will inform Council on the impacts of future development on these networks.

Two main greenfield developments are underway in Parklands (administered by Council) and Te Awa (private developments). The cost of servicing these developments is high and work is underway to address Council's responsibilities under the National Policy Statement –Urban Development and to plan for growth in a way that provides the best outcome for the city. Parklands will fund itself until it is complete when it is expected that a fund of around $30M will be available to fund other key projects.

4.1.2 Heretaunga Plains Urban Development Strategy (HPUDS) updated projections and forecasts 2015–2045

Napier City Council is a participant of the Heretaunga Plains Urban Development Strategy (HPUDS) which has shaped its approach to managing urban growth since the adoption of this regional strategy by the Council in 2010.

HPUDS considers the following growth drivers and the relative demands they place on land in both Hastings and Napier:

- Commercial and Industrial;
- Retirement sector;
- Rural residential development;
- Urban residential development;
- Intensification (infill), and
- Affordability and sustainability.

In the move towards more compact urban form for the Heretaunga Plains subregion, an increasing proportion of the residential growth has been identified to take place through intensification, by redevelopment within existing residential and rural residential areas.

Development is expected to transition from current development allocation levels to the following by 2045:

- 60% intensification (10–20% intensification of brownfields);
- 35% greenfield, and
- 5% in rural areas.

To achieve the intensification targets above, HPUDS aspires to a general residential density target of 15 households per hectare for greenfields/ suburban development and 20-30 households per hectare for intensification areas by the end of the strategy period.

During this period most new greenfield developments have been limited to the areas indicated in Map 3 below (note that this does not include greenfield sites already within the urban boundary which are not included in HPUDS).

Note that HPUDS is due to be reviewed over the next couple of years. As part of the preparation for this review, Council is working on the development of a spatial picture that will involve the community and help to form a summary vision for growth across the city.

Map 3: Heretaunga Plains Settlement Pattern

4.2 Covid 19- impacts

Covid-19 has had a minor impact on physical infrastructure works over the 2019/ 2020 year, as essential work could still be undertaken under the essential-work banner during lockdown. All maintenance activities and some operational activities were reduced during the lockdown but resumed as normal following return to level 1. Capital works were put on hold and Council's Parklands development fell marginally behind due to contractors being unable to continue to work. Remediation of the wastewater outfall pipe in Awatoto was also affected by the country lockdown and Auckland's lockdown (due to vessels being contained in Auckland). However, other factors such as weather have played a part in this also.

The effects across other areas of the Council have, however, been far reaching and primarily financial due to a reduction in revenue. In the case of Parklands, this has had a knock-on budgeting effect delaying anticipated revenue for the year, as sales of sections were completed after initial estimated dates.

With visitor numbers drastically reduced due to the cessation of cruises throughout the Pacific, there has been a flow-on effect with substantially less revenue for our main

tourist attractions, including the National Aquarium and the Art Deco festivals (the winter one primarily), which would have been held in a normal year.

Napier City Council conducted a wellbeing survey to identify the impacts of Covid-19 on the Napier Community. Overall, the residents felt that Napier is safer than other cities and the risk of catching the virus is considered low. The main concerns raised were related to the economy, loss of jobs, income, and business closures coupled with uncertainty around the severity and duration of these impacts. From the survey the council identified six goals for recovery:

- Everyone has access to safe drinking water, food, and housing;
- We are healthy and active;
- Our businesses and not-for-profit organisations are resilient and innovative;
- Our city centre and local centres are vibrant and sustainable;
- Our community is safe, fair, connected, and resilient, and
- Renewal of our city respects, protects, and celebrates our cultural heritage and environment.

This recovery plan was fed into a regional approach.

4.3 Three Waters reform

In July 2020, the Government launched the Three Waters Reform Programme - a three-year programme to reform local government's Three Waters service delivery arrangements. (Water Supply, Wastewater and Stormwater). The reform is an outcome of the Havelock North Inquiry and covers aspects of delivery and regulation of water services to communities. On 1 July 2021 a new regulator, Taumata Arowai, will come into existence. This Crown entity will be responsible for administering and enforcing a new regulatory system for drinking water. Water supply will be the initial focus with wastewater and stormwater to follow.

In 2019, the councils across Hawke's Bay worked together to develop a Three Waters review for the region. This was to investigate how a regional water supplier could be set up and the various issues surrounding the potential change. This project was co-funded by the government and the result was a report that was issued in July 2020. Due to the government's Three Water reform process the local review was halted.

The Government's starting intention is to reform local government's Three Waters services into a small number of multi-regional entities, which will remain in public ownership, to improve access to safe water and to manage affordability issues around meeting required standards. The exact size, shape, and design of these entities is still being worked through and is due to be consulted on in late 2021.

The Water Service Bill proposes the removal of the reasonableness provisions of the Health Act, which places the emphasis on service providers to meet the Drinking-water Standards, with affordability issues no longer being a valid reason for not undertaking required work. In addition, the Bill outlines powers of the regulator and mechanisms for enforcement.

Participation in the initial stage of the reform is voluntary, with local councils given the opportunity to receive funding to deliver Three Waters projects. To this end, Napier signed a Memorandum Of Understanding (MOU) with the Government and has $12.51 million to deliver projects that are additional to Council's annual plan 2020/21. A number of the projects agreed upon look to streamline the delivery of Three Waters services and address some of the key issues identified in this infrastructure strategy around data management, processes, and systems used for decision making.

The assumption applied to this infrastructure strategy and the Long Term Plan is that the Drinking-water Standards will change within the first year of the Long Term Plan (based on exposure drafts released in late 2020), and that suppliers will need to comply with these in the first year of the Long Term Plan. Funds have been set aside to address these changes through the early delivery of the water master plan. Council is committed to the permanent, resilient changes that need to be made to the water supply network. This means that instead of reaching compliance within the one-year time frame driven by central government it may take four to five years. The reason for this is to achieve a long-term, resilient solution that will hold the city in good stead for the next 30-50 years rather than taking a quick fix approach that would delay the modernisation of the supply.

Council is responsible for the ongoing delivery of the service and is, therefore, moving forward with the delivery of key projects that help to maintain our assets, our services, and to continue to meet current and future compliance requirements.

4.4 Natural hazards and infrastructure resilience

Seismic events in Canterbury and the Kaikoura/Marlborough regions as well as recent nation-wide flooding events have taught emergency management and infrastructure professionals that resilience to earthquakes, flooding, and other significant natural hazards is not solely an infrastructure matter.

Resilience to seismic and other significant natural hazards is now considered to be a matter of multi-faceted community resilience, of which infrastructure resilience is a part. This recognises that it is impractical and unaffordable to build network-wide infrastructure that can withstand significant seismic or flooding events.

The communities of Hawke's Bay and, in particular, Napier are at the beginning of the journey to develop robust community resilience. Napier City Council and Hawke's Bay Emergency Management are partners in this regard and have the benefit of the learnings of the Canterbury and Kaikoura events.

Progress towards community resilience will involve community education (underway with Hawke's Bay Civil Defence Emergency Management Group), planning-related initiatives (Building Act/RMA/District Plan), and infrastructure augmentation. These initiatives are identified by the Council and the community to enhance effective resilience within a realistic cost model. This will determine the most effective and practical actions for investigations into the likelihood of disruption events and relative time frames of inoperability of core infrastructure.

Insurance companies and GNS Science are starting to work with councils in this space. Council anticipates utilising its modelling knowledge to better assess Napier's challenges with a view to making Napier as resilient as it can be.

A programme of work to commence such investigations will need to be developed and implemented.

The main natural hazard events that have been identified for Napier have been summarised in Table 1.

Table 1: Summary of natural hazards and related actions

Natural hazard	Description	Risk for Napier	Action/Investigations
Seismic impacts	Risk of earthquakes up to MM8 (New Zealand Modified Mercalli Intensity). Location to the Hikurangi Trench	Risk of earthquakes with ground level changes, liquefaction, lateral spread, and tsunami	Council is working with various parties to better understand the risks associated with earthquakes, to identify evacuation routes, and to better support community resilience
Ground level changes	The 1931 earthquake raised significant parts of Napier. However, recent geological research indicates that over the long term the ground levels in the area have also gone down during earthquakes of similar or greater intensity	This could lead to widespread damage, particularly of underground infrastructure	Council needs to consider the consequences of this and what the appropriate infrastructure responses will be to this risk. This can include reviewing material types, redundancy, and emergency response
Liquefaction	Liquefaction is a known risk across all the low-lying suburbs and has recently been re-evaluated as part of the Hawke's Bay Liquefaction Hazard Assessment Report released in November 2017	The implications have yet to be properly considered. However, it is known that the liquefaction risk is amplified by the presence of high groundwater which will be exacerbated by forecast sea level rise	Spatial planning that is underway is considering the best areas for growth and intensification and takes into account natural hazards
Lateral Spread	This impacts ground conditions in close proximity to Napier's extensive open drain network	Damage to Napier's open waterways	Recent works undertaken in relation to open drains has involved the construction of gravel curtains flanking open drains, where space is available, as well as the installation of box culverts where required
Tsunami	As a coastal city located in a seismically active area, Napier's low-lying suburbs are considered to be vulnerable to a major tsunami	The HB Civil Defence Planning and Community Services Directorate have identified the need for the development of suitable evacuation routes throughout the city that are resilient to a severe earthquake	Studies are underway to assess the potential for strategic overland corridors and vertical evacuation routes (earthquake and tsunami resilient structures). These routes will require strategic consideration and likely collaboration between different public and/or private sector stakeholders to enable cost-effective solutions

4.4.1 Critical infrastructure

All infrastructure networks inherently contain critical assets. Critical assets are the key elements of our infrastructure that sustain a service and would have a major consequence if they failed.

To improve knowledge and ultimately mitigate its risk, Council has completed a criticality study of the Three Waters networks and has documented their critical assets. These include (but are not limited to):

- Awatoto Wastewater Treatment Plant;
- Enfield Reservoir water rising main;
- Trunk sewer main into the wastewater treatment plant;
- Stormwater pump stations;
- Water reservoirs, and
- Wastewater outfall pipe.

Transportation, whilst maintaining a lot of assets, has no one critical asset and retains a lot of redundancy within the network.

Building on Council's existing knowledge base, further work is required to identify specific plans incorporating operations, maintenance, and renewal approaches for each of the critical assets identified, in order to improve the resilience of the city networks to continue to operate when events may occur. This work will also need to consider what level of resilience is required of these assets to enable an appropriate level of service to be delivered in the wake of a significant disruption event.

Resilience has been a key requirement in the development of master plans over the last two years.

The criticality analysis undertaken to date has focussed on assets owned and operated by Council. It has been identified that Council's ability to provide infrastructure- related services is to some degree reliant on the availability of assets and/or services delivered by third parties, such as electrical and communications services. Another example is the reliance on Hawke's Bay Regional Council's assets to discharge stormwater.

Understanding the interdependences of council and non-council assets and what actions are necessary to provide a greater level of assurance of such critical enabling services being available during/following disruption events will form a key component of the future work programme.

Council recognises that this will require working together with many organisations, including energy and telecommunications companies and GNS to complete this work.

4.5 Climate change

A detailed review of the impacts of climate change has been provided within the Long Term Plan.

The following table summarises the predicted impacts on Council's infrastructure and the plans to address these issues.

Table 2: Summary of climate Change impacts

Activity	Main impacts	Action/Investigations
Water Supply	• Drier summers, low river flows, increased and competing demands for water • Sea level rise and potential saltwater intrusion potentially impacting water abstraction	• Water restrictions introduced each summer • TANK plan change implications on water takes • Likely cap on water take for Napier's supply in the future • Leak detection programme underway • Two borefields planned for resiliency
Wastewater and Stormwater	• High intensity rain events with stormwater network capacity exceeded • Ability to pump during storm events • Sediment runoff impacting plant • Infiltration into the wastewater network reducing capacity and potential overflows	• Projected rainfall changes are factored into the stormwater model and master plans • Additional storage being provided at the wastewater treatment plant to assist with flooding events and maintenance shutdowns • Storage to be provided at Lagoon Farm to assist with water being taken away from impacted areas faster • Review of materials for below ground assets
Parks and Reserves	• Reserve plantings and street trees may be impacted by drier weather, increased salinity in soils, and damage during severe rain events • Potential loss of coastal reserves	• Water conservation study completed for Parks and Reserves. • Water meters to be installed on parks and reserves • Move to drought-resistant plants and tree species • Ensuring sufficient reserve space is available
Council Buildings and Facilities	• Increased susceptibility to flooding due to increased intensity and frequency of flooding events • Key assets susceptible to sea level risk (aquarium, MTG, Bay Skate, Ocean Spa)	• Any investment in existing buildings must consider the impacts of climate change and be designed appropriately, and any proposed new builds must be underpinned by robust site analysis which takes climate projections into account
Transportation and Inner Harbour	• Roading network acts as storage during severe flooding events, reducing levels of service and likely damage • Potential tomo development due to rising groundwater levels • Rising sea levels impacting the inner harbour infrastructure	• Investment decisions will need to be made on those inner harbour assets owned and managed by Napier City Council, as well as involvement in future decisions of Council-owned leased land occupied by various clubs

4.6 Legislation change

Significant legislative changes that impact Council are either underway or are on the horizon.

This is a changing landscape that Council and its various teams need to adapt to. The main changes that will impact Council in the short to medium term include:

1. **Water Services Bill** – this Bill is currently being consulted on and various groups such as Water New Zealand, Taituarā, and many water suppliers are submitting feedback on the Bill. The main impacts of the Bill relate to role of the new regulator, Taumata Arowai, the need for water safety plans, a multi-barrier approach, and the provision of a residual disinfectant.

2. **Exposure Drafts** – Drinking-water Standards New Zealand – drafts of the new drinking water standards have been released and they indicate that 'bore security status' will not apply; meaning that source water treatment will be required, and additional monitoring of the source water and network will be required.

3. **Changing Discharge Standards** – the Government has signalled that changes are to be made to the standards applied to discharge of treated wastewater. These standards are not yet known. However, Council has prepared master plans to work towards increased wastewater treatment requirements.

4. **Climate Change Response (Zero Carbon) Amendment Act** – this Act sets the framework for New Zealand's transition to a low-emissions and climate-resilient economy. More emphasis will be placed on Council's emissions related to the delivery of services and development of infrastructure.

4.7 Technology change

Popular and mainstream discussions around new technologies suggest that there will be a considerable social shift over the coming years, as emerging and future technologies affect what work is done, how it is done, and how this flows on to affect economic and social paradigms. A variety of studies have been carried out, but as yet no definitive guidance is available as to what the future may hold, when any changes might occur, or how the city intends to respond to the various scenarios. Consideration of the following issues should be clearly articulated as part of the city's strategic development plan.

4.8 Asset management journey

Council has a number of systems, which are out of date and have not been optimised in the past, that support asset management functions. Council is in a position to really bring life back into transformation of asset management for Council, due to the teams it has set up, resources employed, and funding from the Three Waters reform.-.

Over the last three years, more emphasis has been placed on automating planned maintenance scheduling and this is moving into the next stage with teams using devices in the field and automating information and workflows. In addition, two reviews have been underway to identify the asset management improvements that need to be addressed and an assessment of the quality of our data.

These two pieces of work form the backbone of the Improvement Plan. By March 2022, it is anticipated that a new cloud-based asset management system will be in place and our data set will be vastly improved. There is a cultural change to occur within relevant teams to prioritise the management of asset data, and this will set the organisation up for the future and will support optimised decision making.

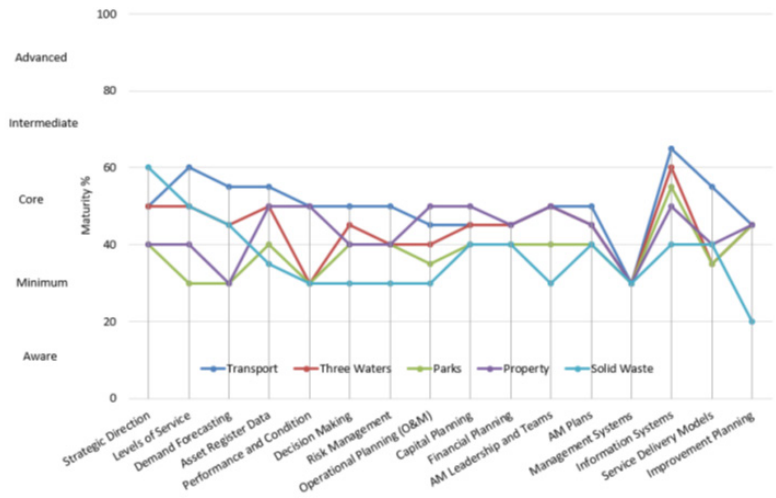
4.8.1 Data quality and confidence

In 2020, Council undertook an assessment of the completeness and accuracy of our asset data. This was an extensive piece of work and covered all attributes assigned to each asset. The outcome of this report highlighted that Council needed to review the data collected for each asset and to work towards asset completeness rates that align with the importance of the assets being managed.

An external review was also completed in 2019/2020 to look at Council's asset management practice. This highlighted that Napier's asset register data and performance and condition data is generally at a 'core' level which needs substantial improvement in order to assist with decision making and operational management.

Part of the data improvement strategy is to move towards a cloud-based version of Accela, Council's main asset register. This will enable greater functionality of the system. As part of the Three Waters reform, Council is specifically focussed on improving information on Three Waters assets. To enable this, an exercise to finalise the minimum attributes required for critical assets will occur, and existing datasets will be checked prior to starting field surveys. Council is distributing handheld devices to field staff, so that information can be captured real-time (out in the field) once the new system is in place.

Napier City Council data quality and confidence maturity 2019 / 2020



5. Key infrastructure issues

5.1 Our infrastructure teams

Napier City Council Infrastructure is comprised of nine teams: Transportation, Water Supply, Wastewater, Stormwater, Parks and Reserves, Building Asset Management, Major Developments, Environmental, and Asset Intelligence. Asset Intelligence and Environmental are not included in this Infrastructure Strategy – both are included in the overall Long Term Plan for the Council and therefore would be duplicated in this document.

Transportation is responsible for all roads that are not Waka Kotahi owned (state highways or parts thereof) footpaths, streetlights, bridges etc.

Water Supply, Wastewater and Stormwater sit under the Three Waters banner and have unique roles within this team. They are accountable for all drinking water and associated assets, wastewater, and the dispersal of stormwater.

The Parks and Reserves team manages all sportsgrounds, parks, reserves, and cemeteries within Napier including McLean Park and the Marine Parade foreshore.

Building Asset Management is a reasonably new team that looks after the planning and compliance requirements of all buildings owned by Napier City Council. They are responsible for maintaining the buildings to a high standard and the procurement of services to maintain them.

Major Developments oversees the development of large greenfield subdivisions across the city. The team manages the Parklands Residential Estate on behalf of Council and works closely with the development community to service growth in other areas such as The Mission and Te Awa areas. The Parklands subdivision provides revenue to the council though the sale of the serviced land to invest in further infrastructure across the city.

5.2 Key infrastructure issues

Council is going through an important period of change and the internal and external influences that Council experiences have changed significantly over the last three-year period. Over the last two years, water has become Council's number one priority and, subsequently, the government has signalled major reform of the industry which will have major implications. Through the development of the Infrastructure Strategy and the Long Term Plan, an assessment has been made, with elected members and staff, around the key issues that Council is currently facing. There are eight main issues that have been identified and these are explained below.

Affordability

Napier has historically operated with a very financially prudent perspective, combining low debt and minimised operational spend. With increasing regulatory requirements and ageing assets, which require improved levels of operational and maintenance expenditure alongside capital upgrades, this promotes a change in the operating ethos for both the Council and the community.

Council's Response: Council is concentrating on maintaining what we already have, including increasing allowances for renewals and deferring a number of non-essential projects. Significant discussions have been had with staff and elected members to look at non-essential work that can be pushed out of the 10-year plan, so that the workload is affordable and manageable in the medium term. This rationalisation means that rates increases can be capped at around 9% per year but it also means that Council will not have a balanced budget until year 10 of the plan.

Although this is the case, Council does have a strategy to get us back into balance and it means that some important and 'nice-to-have' projects are just not affordable at this stage. Council is concentrating on the core assets that need to be managed to continue to provide services and replacement where assets are at the end of their lives or don't meet compliance standards. Improving asset management practices, including data collection, and condition and performance modelling will also assist with the prioritisation process and optimising future expenditure.

Enabling Growth

Napier is a medium-growth city with a requirement to enable and provide affordable development under a National Policy Statement – Urban Development. This external driver coupled with increased regional migration, productive soil protection, low-lying, risk-prone land, and a small geographical area make it a difficult balancing act to provide for sustainable growth.

Council's Response: Three major developments are underway or planned in Napier. Council is delivering properties through its own development - Parklands Residential Estate. Te Awa is experiencing significant development and infrastructure is going in now to support this growth. The Mission development is progressing. Council is additionally looking at how to encourage intensification through the District Plan Review.

Various modelling exercises were run in 2020. These scenarios looked at future growth and the impacts of this growth on existing infrastructure. The National Policy Statement requires us to have a clear understanding of the influences on housing and have a plan for short, medium, and long-term affordable housing supply to the market. To inform this process, an assessment has been made to understand the infill capacity of the city, and there is a drive to encourage development in the CBD and in other key centres. The current master plans have growth projects identified which have been included in the Long Term Plan. These will be refined with the review of the models and master plans in 2021.

Council has recently started a collaborative process to develop a spatial plan that will help to form an idea of how Napier can grow in a sustainable way into the future. The Government has announced changes to planning legislation and processes and this looks more to regionally-based spatial planning.

Hawke's Bay already has a regional growth plan (Heretaunga Plains Urban Development Strategy (HPUDS)) which will need updating in order to highlight what we need to tie in all the key elements. These include land availability, cost of development and servicing, natural hazards, productive soils, and climate change alongside the new legislation that is expected to be passed in late 2022 or in 2023. With Napier being a small, land-constrained city, this work is essential to make sure that we can grow and that this is sustainable.

Future-Proofing

Napier is moving from a small regional centre to a more modern, vibrant city. To support this change and to meet increasingly stringent regulatory and environmental guidelines whilst balancing risks around natural hazards and climate change, the city needs to plan carefully to optimise its investment in the future. Providing for this growth is a large component of this strategy and the associated Long Term Plan.

Council's Response: Ultimately Council wants to deliver timely, robust infrastructure in a sustainable way. Part of this involves detailed planning, which was the focus of the last Long Term Plan. Now the teams are reviewing the long-term master plans and prioritising work to make our infrastructure more resilient and compliant. Superimposed on this is understanding the highest-risk areas in the city, and various studies are underway with external parties to understand the impact of natural hazards, evacuation routes, and what infrastructure is required to support the community during an incident.

Together, these pieces of work, combined with climate change planning and growth planning, will assist Council to provide appropriate infrastructure that meets compliance and the city's needs.

Supporting Improved Environmental Outcomes

The environment sustains our city, is the cornerstone for our tourism sector, and the reason we love living here. There is a need both locally and nationally to protect our natural resources in alignment with cultural values. This promotes the need to focus on supporting our natural heritage through meeting increased regulatory requirements, while working with the local community and stakeholders, and collaborating to ensure that all of us are invested in improving outcomes.

Council's Response: Over the last few years, Council has been building an environmental solutions team with scientists who are focussing on improving the quality of our open waterways and reducing contamination into our stormwater network. This team and other infrastructure teams are working on projects such as: reduced leakage, optimised water use on parks and reserves, fixing and replacing the wastewater outfall pipe, and planning for increased requirements around wastewater treatment and discharge. Longer term we are also going to store and treat stormwater at Lagoon Farm, assisting with the quality of water going into the estuary.

The National Policy Statement (NPS) for Freshwater became active in September 2020. This NPS prioritises the health and wellbeing of water bodies and gives effect to Te Mana o te Wai. Council has a current focus on stormwater management and, with dedicated Three Waters and Environmental Solutions teams, is working towards improved outcomes for the Ahuriri estuary and the Bay. Future improvements in stormwater and wastewater discharges will assist with this, by meeting the required outcomes and assisting with appropriate management of freshwater.

Addressing Natural Hazards and Climate Change

Until now, there has been no targeted approach to monitor and address climate change, hazards management, sustainability, and the journey towards being carbon neutral. The next 30 years will see significant changes in these areas and Napier needs to have sufficient resources to guide our local direction and a policy that is aligned with research and direction regionally and nationally. This will support the delivery of appropriate infrastructure and provide for a resilient and sustainable future.

Council's Response: In addition to the actions mentioned above around understanding natural hazard risks and how to manage these, the Council is focussing closely on energy use, optimising equipment, setting materials standards, and is moving towards reducing our carbon footprint. In 2019, Hawke's Bay Regional Council declared a climate emergency.

Regional Council is appointing an ambassador who will bring councils, mana whenua, youth, and other organisations together to form a meaningful plan for climate action in the region.

A NIWA report, commissioned by Hawke's Bay Regional Council in November 2020, called 'Climate change projections and impacts for Tairāwhiti and Hawke's Bay' indicates that changes to the future climate of Tairāwhiti and Hawke's Bay are likely to be significant. Some of the most significant impacts will include an increase in extreme hot days, a reduction in frost days, and a shift to more and larger extreme rainfall events.

Council will work with Regional Council and other key stakeholders to plan for climate change. The report also found: 'Napier City is the most exposed territorial authority to extreme coastal flooding and sea-level rise in terms of infrastructure. There is a large range of flood protection and three-waters infrastructure exposed to fluvial flooding across the Gisborne District and Hawke's Bay Region'. Long-term planning options will need to incorporate the impacts of climate change.

Capacity to Deliver and Support Economic Delivery

The government is driving economic recovery through stimulus packages. This will increase the number of projects to be delivered, which results in additional workload and reporting requirements over a condensed time frame, for example, shovel ready projects and Three Waters reform projects. Council has been delivering capital plans over the last four years that range between $20 and $50M in total. The projections for the latest Long Term Plan significantly exceed this value (excluding stimulus work) and, given current staffing levels and potential industry constraints, there are hurdles to jump through to ensure that Council can deliver the planned capital programme.

Council's Response: Council has a large amount of work to deliver in a constrained industry with a lot of competition. The impacts of Covid-19 are being felt in some areas, mainly in the extension of lead times for some key assets. There is also a more limited pool of contractors with overseas parties not being able to enter the country at this time.

With the economic recovery packages, such as the Three Waters reform, the Council is working with other regional territorial authorities to see how we can work together to deliver these programmes of work. This is already starting with five regional projects being delivered as part of the Three Waters reform and collaborating across the region via a regional procurement group.

The opportunity for Council is to encourage new players into the Hawke's Bay market by reviewing our procurement methods, bundling work together, and also prioritising the work that is most important to complete. Where Council resources are stretched, we are looking at external assistance, for example, where we need additional technical expertise or project management assistance. There has also been a concerted effort to reduce peaks in the delivery profile of our capital plan and to keep the annual quantum as low as possible. Projects have been moved around to make the plan as achievable as possible. This next Long Term Plan period is still an ambitious program of work to deliver, and there could be resourcing constraints both internally and externally that hinder completion of the program. Working on some of the solutions above should help to minimise the risks of underdelivery.

Streamlining BAU Processes

The Council is in a state of transition, moving from outdated models of working to embracing new technology and an efficient future. The systems we use are outdated and no longer fit for purpose, which takes staff officer time away from delivering our services in the most efficient way and optimising our operational capacity. Having the appropriate tools, systems, processes, and data to understand our current state, and the risks and improvements required, will enable optimised decision making, reduce uncertainty, and will deliver cost savings.

Council's Response: This is a high priority area that is being worked on by a number of teams. Leading up to this Long Term Plan, Council is investing in new computer systems, one of which includes an upgrade of Council's main asset register. This is funded via the Three Waters Reform Programme. An Asset Management Continuous Improvement Plan (AMCIP) has been developed and this will guide the infrastructure-related, business-as-usual processes. A greater focus has been placed on understanding our asset risks, the information requirements, and understanding the current and future performance requirements for our assets.

Preparing for Three Waters Reform

Council is operating within an uncertain environment regarding the future of water. The industry is undergoing major reform that may result in these services being delivered at a regional or multi-regional level. The objectives of the reform are to provide everyone with more equitable access to safe and affordable water and improved environmental outcomes.

Napier has been provided with an initial $12.51M to work towards meeting the reform objectives between November 2020 and March 2022.

There are significant alignments with the general infrastructure strategy themes and the Three Waters reform funding provided. This will enable Council to make good headway with the management of data, systems, tools, and processes in combination with some key capital projects. This stimulus package adds additional workload to teams that are already at or over capacity. The funding provides for additional staff or resources which should assist with these capacity constraints.

Council's Response: This is a great opportunity for Council to bolster the upfront work on the Three Waters capital programme and to set up the Three Waters team in a way that enables greater focus on operational planning, strategic planning, and project planning. In addition, the programme is enabling improvements in asset management tools, systems, and practices and will also assist the broader Council team when asset management practices improve in this area.

There will be a balance to ensure that the Three Waters reform projects are delivered, this is why additional external resources have been engaged to assist. In late 2021, Council will have a clearer understanding of how any future water entities will be set up and information around the opt-in process.

The Long Term plan and Infrastructure Strategy have been written with the assumption that Council will remain responsible for the delivery of the services. Regardless of who ends up providing these services in the long term, water is Council's number one priority, and we are moving forward with our master plans to ensure that this important work is progressed.

Deferred Renewals

Council has not kept up with replacing and upgrading all its assets. Some are well past the end of their useful life and are getting beyond repair. At the same time, the money historically put away each year to save for when we need to work on our assets has been too low.

Council's Response: Costs to renew assets have increased alongside industry standards. It is simply unaffordable to commit to all the work that needs to be done at once. Prioritisation of asset replacements and upgrades is taking place to identify what is essential and what is well utilised along with what is affordable. Council's plan is to ensure that more money is set aside for depreciation over the next 10 years and ensure that we are proactive in our management of upcoming renewals, rather than waiting for their end of life before attending to them.

5.3 Themes / summary/ impacts and key projects to address

The seven teams within Infrastructure have, through their Asset Management Plans (AMPs) identified the key projects that need to be delivered over the next 30 years. They are aligned with the infrastructure goal and the key infrastructure issues that have been identified as well as the overarching Council vision.

A recent survey of Napier residents highlighted that the top priority for them was solving the water issues that Napier currently faces. This aligns with the key projects that Infrastructure would like to prioritise over the next 30 years and with the overall goal of providing infrastructure that supports and enhances the quality of life in Napier.

The chart below shows which projects the teams consider to be their key ones for the period 2021-2051 and the following sections look at the key projects for each activity. More detail is provided in the activity sections around the options, timing, and costs.

Key projects to address

WATER SUPPLY	Install new Bborefields (x2)	Replace Enfield Reservoir	Demand Mmanagement network Mmonitoring and control zones	
WASTEWATER	Replace outfall pipe and Ppump station	Pump station limprovements (SCADA)	Upgrade treatment plant	
STORMWATER	Stormwater Sstorage at Lagoon Farm	CBD, Napier South and Onekawa flood Aalleviation	Marewa –- Whitmore Park flood Aalleviation	
PARKS AND RESERVES	Purchase Ccemetery Lland	Regional park*	McLean Park Ffacility and turf Rrenewals	Onekawa Park Uupgrade
MAJOR DEVELOPMENTS	Parklands Ddevelopment	Supporting city wide development		
BUILDING DEVELOPMENTS	Te Pihinga*	Faraday Centre*	Civic Precinct	
TRANSPORT	Asset Rrenewals –- kerb and Cchannels, Ffootpaths and Llighting	Safe Ffootpath and Ccycleway network		

*Consultation Matter

5.4 Introduction to Water Supply projects

Water, alongside transportation, is top of Napier City Council's priority list for this strategy. Napier's residents have identified through consultation that water is still the number one priority.

The vision for Napier's water supply is to provide safe, clean water via a resilient, compliant supply.

Water Supply				
Project	Issue	Options	Implications of options/benefits	Cost estimate and timing
Install New Borefields (x2)	Issue: Water quality	Install two new borefields and treatment facilities in Taradale and Awatoto areas	• Reduce the risk of water contamination through the source or bores • Reduce the water clarity issues • Facilitate growth • Meet compliance	$25.6M (2021-2028)
Replace Enfield Reservoir	Issue: Replacement of Enfield Reservoir	A new reservoir at Hospital Hill / Mataruahou	• Reliable asset, additional storage and resilience, enabling growth, maintain water quality	$20.1M (2021-2026)
Network Monitoring and Control Zones	Issue: Demand management	Create district monitoring and control zones	• Control leakage, better level of service in terms of flow and pressure	$4.6M (2025-2029)

5.5 Introduction to Stormwater projects

The recent flooding in Napier in November 2020 highlights the need to make our stormwater network more resilient and more responsive during a flooding event. A stormwater model and master plan have been developed over the last two years and the most important project that has come out of this work is the need for storage at Lagoon Farm. Additionally, Council is working on a programme to improve the quality of stormwater discharged to the estuary. Funds have been put aside for a treatment device and further work over the coming years will identify the most appropriate treatment solution.

Stormwater				
Project	Issue	Options	Implications of options/benefits	Cost estimate and timing
Stormwater Storage at Lagoon Farm	Issue: Flooding during high intensity or prolonged rainfall events and improve stormwater quality discharged into estuary	Install storage at Lagoon Farm and install additional water quality improvements later	• This will reduce the widespread flooding risk in urban areas during significant rain events	$22.2M (2021-2031)
CBD and Onekawa Flood Alleviation	Issue: Low- lying flood prone areas affected during high intensity or prolonged rainfall	Upgrade existing assets or install new assets	• This will reduce the widespread flooding risk in the CBD and Onekawa during significant rain events	$32.0M (2031-2036)
Marewa - Whitmore Park Flood Alleviation	Issue: Low-lying flood prone areas affected during high intensity or prolonged rainfall	Upgrade existing assets or install new assets	• This will reduce the widespread flooding risk in Marewa during significant rain events	$120.8M (2031- 2049)

5.6 Introduction to Wastewater projects

Council's wastewater network has a few critical parts that need some attention. The main projects that are planned for the wastewater network over the next ten years involve the replacement of the wastewater outfall pipe and outfall pump station, finalising additional storage at the wastewater treatment plant, and increasing capacity at the plant to meet our compliance requirements. Additionally, there is a focus on maintaining the assets that we already have and keeping up with renewals.

Wastewater				
Project	Issue	Options	Implications of options/benefits	Cost estimate and timing
Replace Wastewater Outfall Pipe & Pump Station	Issue: Wastewater outfall pipe leaks	Replace the existing outfall pipe and outfall pump station	• Meeting legislative requirements, reduce the environmental pollution due to waste-water leaks	$52.7M (2021-2028)
Pump Station Improvements	Issue: Pump station operational improvements	Upgrade existing SCADA system to meet best industry practice	• Improved reliability of operation of pump stations and the treatment plant, reduced service disruption, and less operational and maintenance cost	$8.9M (2021-2051)
Upgrade Wastewater Treatment Plant	Issue: Treatment plant requires upgrading	Upgrade the wastewater treatment plant as per recommendations of the master plan	• Improved environmental outcome, meeting the legislative requirements	$166.2M (2021.-2051)

5.7 Introduction to the Transportation projects

A new transportation master plan has been drafted which looks at the next 30 years for our network. Elected members have indicated that safety is a key focus for this Long Term Plan, and this is reflected in the size of the investment indicated below.

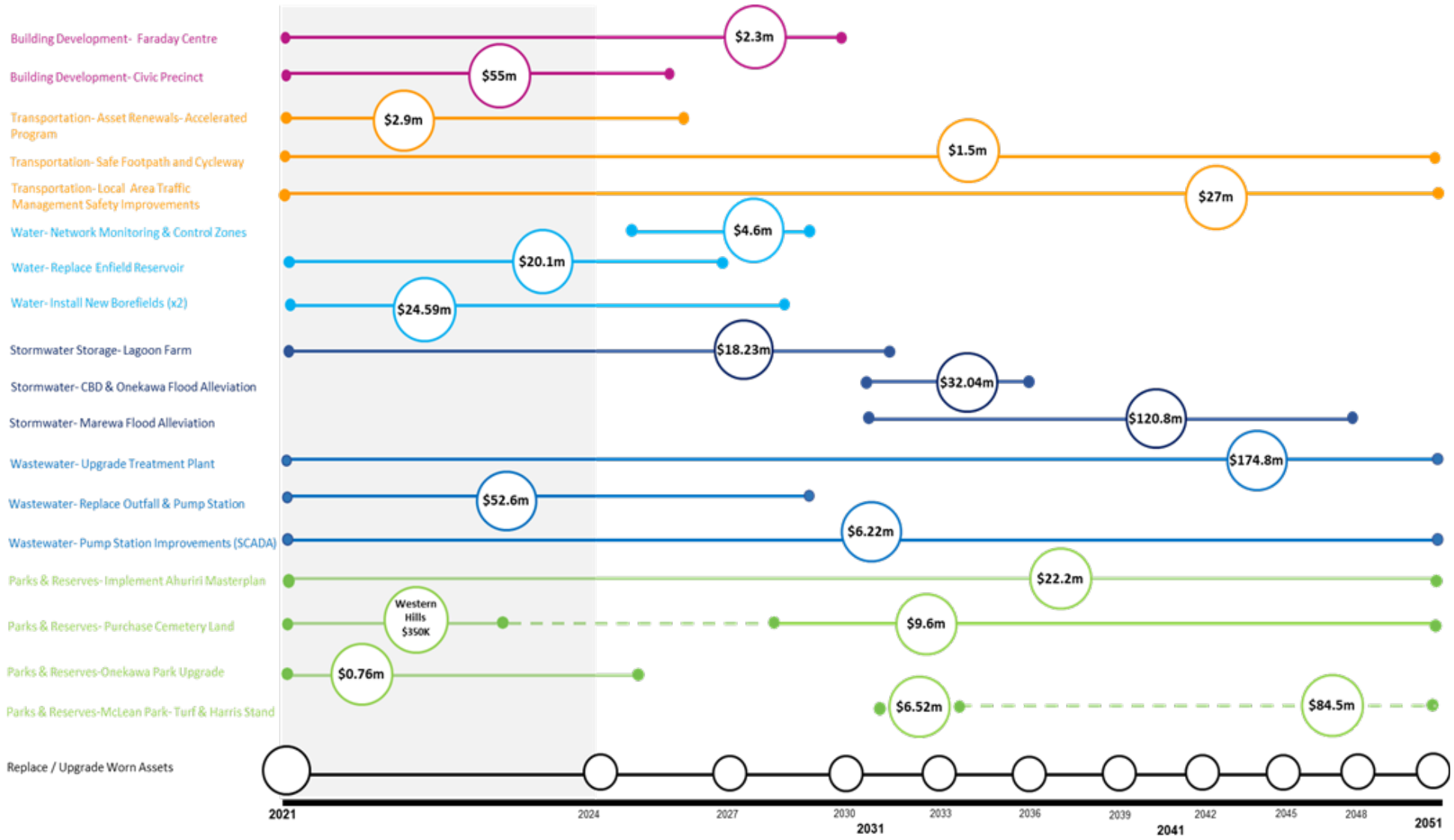
Transportation				
Project	Issue	Options	Implications of options/benefits	Cost estimate and timing
Asset Renewals	Issue: Historic underinvestment in asset renewals	Accelerated replacement programme	• Addresses highest risk assets early • Scale of contract can assist value • Allows for future application of asset management best practice • High initial cost	$2.9M (2021-2025)
Supporting increased mobility: safe footpath and cycleway network	Issue: Supporting increased mobility: demographic shift and uptake of micromobility	Upgrade defined areas and routes as a long-term programme	• Investment targeted at areas of greatest need • Rate of change can be aligned to demographic/ legislative shift	$1.5M (2021-2051)
Local Area Traffic Management - Safety Improvements	Issue: Increased safety for all residents	Increase the number of LATM schemes to three per year	• Greater coverage across the city • All schemes implemented will see reductions in traffic speeds, improved pedestrian and cycle safety • Process entails high levels of community engagement	$2.7M (2021-2023) $6.3M (2024-2031) $18.0M (2032-2051)

5.8 Introduction to the Parks and Reserves projects

Parks and Reserves projects also include cemeteries and public toilets. It has been identified that there is a requirement to procure new land to not only expand the Western Hills Cemetery but also purchase land for a new cemetery. McLean Park will require some upgrading from 2031, the first of its projects will be the replacement of its turf which has an approximate life of 20 years due to its synthetic components.

Parks and Reserves				
Project	Issue	Options	Implications of options/benefits	Cost estimate and timing
Park Facility Upgrades / Replacement	Issue: McLean Park facility replacement, McLean Park turf renewal	Renew, upgrade and maintain, and repair facilities	Sportsgrounds: accelerated replacement programme McLean Park: repair and maintenance of existing facilities & repair and maintain the turf at Mclean Park used for cricket and rugby	$59.2M (2031-2051)
Onekawa Park Upgrade	Issue: Upgrade of park post pool decision	Upgrade defined areas	Renewal work and may include monies for upgrade to some existing facilities (placeholder at this stage)	$760K (2021-2025)
Ahuriri Master Plan	Issue: Implementation of Ahuriri Master Plan	Upgrade West Quay South Streetscape and Reserve Upgrade Humber Street Reserve including Te Aratika	Rejuvenation of Ahuriri as per master plan	$31.1M ($1.1M- 2021-2024) ($1.4M – 2025-2031) ($28.6M – 2032-2051)
Purchase of Cemetery Land	Issue: Increasing population is placing pressure on cemeteries	Acquire additional land for Western Hills and more land for a new cemetery	There is no other option but to increase land owned for cemeteries	$350K (2021/ 2022) $9.6M (2028-2051)

5.9 Plan on a page: infrastructure programme of work 2021-2051



6. Infrastructure summaries

The following section summarises key information about each activity and the main capital projects planned over the 30-year period.

The core assets identified in the introduction have a combined capital expenditure of $307,793,601 over the 30-year period and this excludes any systems or IT capital projects and relates only to core physical infrastructure. The peak noted in year 30 relates to uncertainty around the timing and priority of stormwater projects. It is expected that the stormwater programme will be reviewed over the next year as the model is further calibrated and the master plan is peer reviewed. This will be reflected in the next Long Term Plan.

Figure 3: Summary of major capital projects for the Three Waters, transportation, parks and reserves, and community property activities.

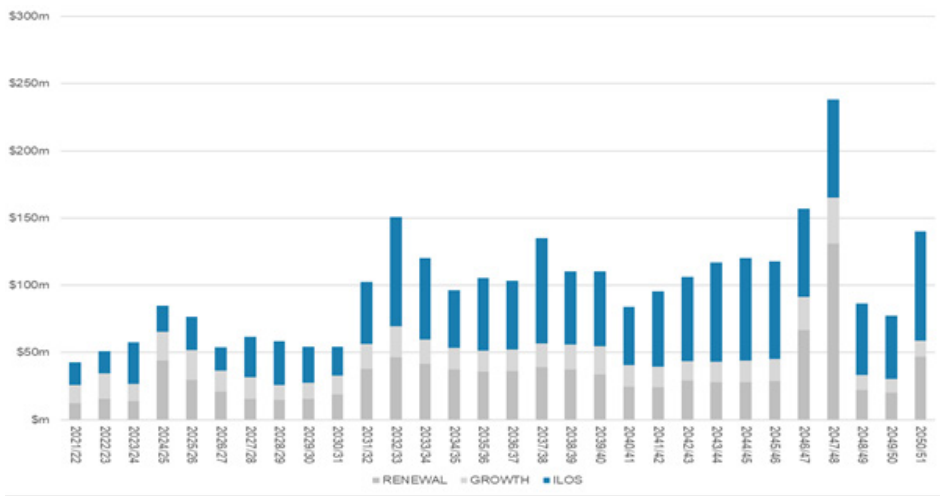
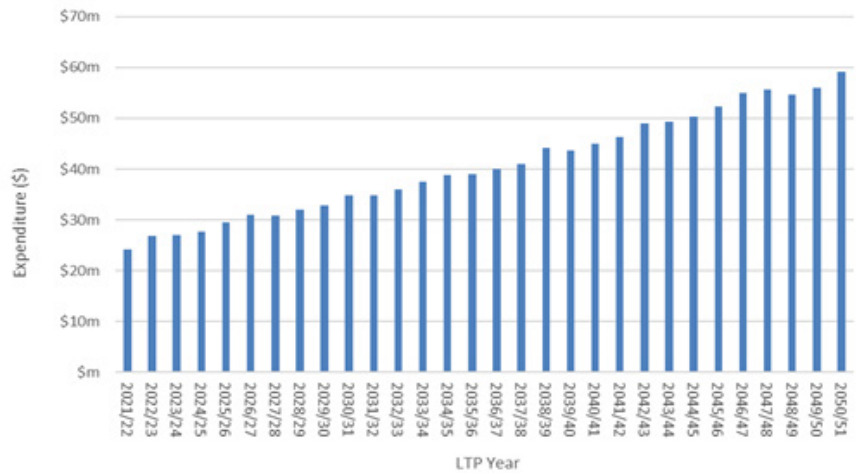


Figure 4: Summary of operational costs for the Three Waters, transportation, parks and reserves, and community property activities



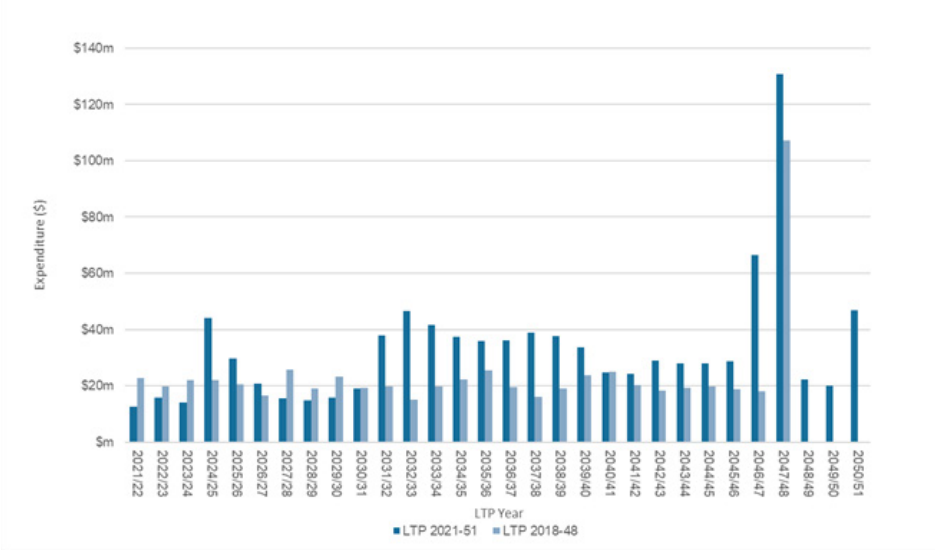
6.1 Renewals expenditure

Renewals expenditure in the past has not met the required level of replacement of our assets. This has been identified and Council has agreed a pathway whereby renewals funding is increased and key assets, particularly buildings which have historically had low levels of funding, will be renewed at a rate that will reduce the level of deterioration of the assets.

The figures below provide a snapshot of the renewals profiles planned in the last Long Term Plan compared with this one. You can see that overall renewals are higher than in the 2018 Long Term Plan.

This commitment to renewals is important for the ongoing operation of the services Council provides and leads to a fairer distribution of costs, with current generations contributing to asset replacements as required rather than future generations being lumbered with an outdated and failing infrastructure base.

Figure 5: Comparison of renewals funding between 2018 Long Term Plan and 2021 Long Term Plan



6.2 Transportation

We own, maintain, and develop the local transportation network. The city's road network provides accessibility to Napier residents and visitors within a safe, clean, and aesthetic environment. The activities within this group include the installation and maintenance of the physical components: roads, footpaths, traffic and pedestrian bridges and structures, street lighting, drainage, traffic services, and safety (e.g. street furniture, traffic lights, signage), as well as the planning, management and amenity, and safety maintenance to ensure the system is clean, safe, and able to cope with future needs.

Current state

There is generally high level of service across assets and the network. However, some asset groups require accelerated renewals following sustained underinvestment.

The transport network operates to a high level of safety with little delay. Car use for short journeys is high, and while recreational cycle use is high commute use is low, particularly given Napier's topography and climate.

Council's priorities for transportation are to maintain the assets that we have and to prioritise safety projects. Due to affordability issues, projects such as the Piazza and some CBD improvements have been deferred.

Key risks

- Road safety;
- Freight and industry;
- Growth;
- Multi-agency responsibility for transport;
- Transport investment;
- Car dependence;
- Public transport, walking, and cycling, and
- Resilience.

Key principles

Vision:

Napier has a safe, inclusive, and low-carbon transport system designed for the future.

Objectives:

- A transport system that supports safer journeys;
- An inclusive transport system that enhances access and provides feasible travel choices (multi-modal);
- A transport system that is efficient and resilient, providing reliable journeys for people and goods;
- A transport system that meets the needs of today and welcomes innovation and technology to meet the needs of the future;
- A transport system that supports wellbeing, providing access to social, economic, environmental, and cultural opportunities for residents, visitors, business, and industry;
- Key freight corridors that are managed to prioritise the safe and effective delivery of goods to the port, airport, and industry to support a prosperous and diverse economy, and
- A safe and attractive cycle network reinforced with a strong cycle culture that supports commuter, recreation, and tourist journeys.

301KM URBAN ROADS AND FOOTPATHS

56KM RURAL ROADS

45KM CYCLE PATHS

15,822M TRAFFIC ISLANDS

15,607 STREET LIGHTS

6,885 STREET SIGNS

72 BRIDGES AND LARGE CULVERTS

5,902 STREET TREES

24 BUS SHELTERS

5,441 SUMPS AND MANHOLES

6,374 SAFETY BARRIERS AND RAILINGS

480KM KERB AND CHANNEL

1,369 CULVERTS WITH DIAMETER <900MM

Where we want to be in 30 years

Network:

Compact city with true modal choice for a range of journey purposes.

Assets:

Evidence-based, monitored asset maintenance and renewal strategies providing a high level of confidence for Council and community around future levels of service and investment.

Strategy:

Well underway with climate change impact planning, with clear understanding of critical interventions for mitigation and avoidance.

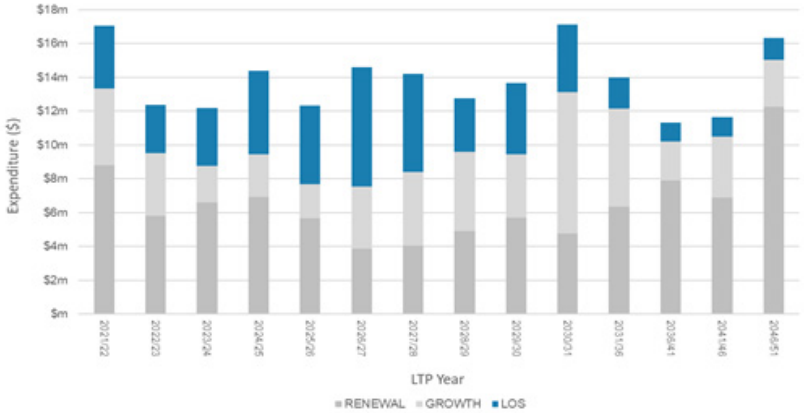
Opportunities

- Open network, wide road reserve corridors offering flexibility of use;
- Regional collaboration;
- Scope for improvement in asset data quality and utilisation;
- Ongoing financial of new technologies and materials, and
- IT supports a smart network management.

Capital expenditure forecast

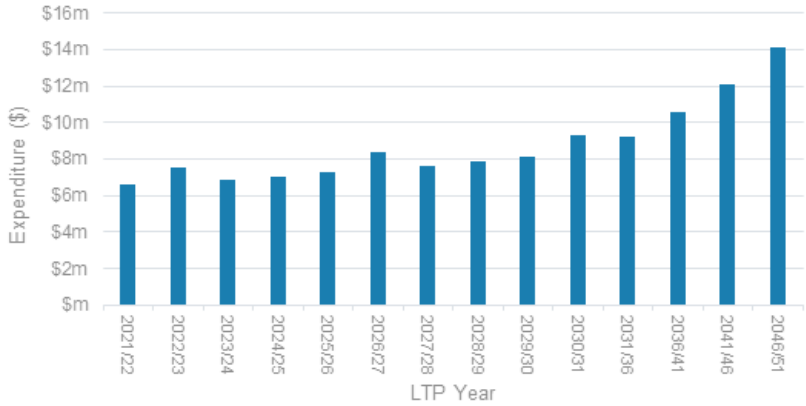
Total capital expenditure for transportation and the inner harbour over the 30-year period is $298M. The large peaks at the end of the 30-year period relate to the replacement of Nelson Quay at $18M. The other two major peaks also relate to renewal of major assets, in this case bridges and structures with an estimate of $15M of renewals over both years.

Figure 6: Transportation 30-year Capital Expenditure Profile



Operational expenditure forecast

Figure 7: Transportation 30-year Operational Expenditure Profile



NB: Amounts shown for the years 2031 through to 2051 (years 11-30) are an annual average over the period, rather than a total of multiple years.

Significant expenditure decisions - 1

Issue to resolve:

- Historic underinvestment in Asset Renewals

Outcome Required:

- Safe, resilient assets that are fit for use

Summary:

- Napier has historically under invested in the renewal of streetlight columns, kerb & channel and footpaths, leading to higher levels of risk, lower levels of service and less predictable future expenditure
- Some assets, such as lamp columns, have outlasted their design life and many are no longer electrically compliant
- Options assessment and financial forecasts below are for Street Light columns; other assets require additional data improvement, condition assessment and prioritizing before replacement programme can be developed

Assumption:

		Options:	Implications of options/benefits	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred options	1	Extended replacement programme	+ Addresses highest need + Low, long duration expenditure profile + Allows for future application of AM best practice - Risk remains high	$2.9M (2021-2030)				✓
Preferred options	2	Accelerated replacement programme	+ Addresses highest risk assets early + Scale of contract can assist value + Allows for future application of AM best practice - High initial cost	$2.9M (2021–2025)				✓
Other options	3	Do nothing	- Risk increasing over time - Operational costs likely to increase	No extra cost (2020-2050)				✓
Other options	4	Renew at historic levels	+ Minimal impact on rates - Risk increasing over time - Operational costs likely to increase - Renewal will still be required eventually	No extra cost (2020-2050)				✓

Year on year costs

(Gross expenditure values – preferred options eligible for 51% Waka Kotahi funding assistance)

Option	Year 1-3	Yr 4-10	Yr 11-20	Yr 21-30
1	$0.87M	$2.9M	$0	$0
2	$1.7M	$1.2M	$0	$0
3	$0	$0	$0	$0
4	$0	$0	$0	$0

Significant expenditure decisions - 2

Issue to resolve:

- Supporting increased mobility: Demographics shift, uptake of micro-mobility

Outcome required:

- Safe footpath and cycleway network which meets the needs of our current and future communities

Summary:

- Napier is seeing and forecasting a significant increase in older, active residents. These will utilise all forms of transport, but with high proportional use of walking, cycling (self-propelled and e-bike) and mobility scooters. Most of this additional demand will be concentrated on footpaths and shared paths. Most of Napier's footpath network is 1.4 to 1.5m wide and does not provide adequate capacity for such use levels
- Further, legislation is being processed which will allow cycling and micro-mobility devices (such as e-scooters) on footpaths and to safely accommodate this range of users, wider footpaths should be considered

Assumption:

		Options:	Implications of options/benefits	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred options	1	Upgrade defined areas and routes as a long-term programme	+ Rate of change can be aligned to demographic/legislative shift + Renewals can be included in programme if required + Investment targeted at areas of greatest need - Slow progress. Some suburbs will have to wait	$250K (Every 4 years)			✓	✓
	2	Do nothing	+ No increase in expenditure - Poor level of service will result in greater use of carriageway	No extra cost (2020-2030)				
Other options	3	Upgrade defined areas and routes as an intensive programme	+ Increased level of service across wider portion of the network - Significant capital commitment $8M will upgrade 10% of network	$1M p.a. (2021-2028)	✓		✓	✓
	4	Upgrade as footpaths are renewed	+ Minimal financial impact - Slow, piecemeal upgrades - Unable to prioritise high use areas	$100K p.a.			✓	✓

Year on year costs

(Gross expenditure values – preferred options eligible for 51% Waka Kotahi funding assistance)

Option	Year 1-3	Yr 4-10	Yr 11-20	Yr 21-30
1	$0.25M	$0.25M	$0.5M	$0.5M
2	$0	$0	$0	$0
3	$3M	$5M	$0	$8M
4	$0.3M	$0.7M	$1M	$1M

Significant expenditure decisions - 3

Issue to resolve:

- Local Area Traffic Management - Safety Improvements

Outcome required:

- Safer neighbourhoods for all residents

Summary:

- These plans aim to increase safety and enjoyment on local streets for all users by managing traffic using physical tools such as installing speed bumps, bollard, chicanes, cycle lands and other measures such as speed limit restrictions and other road changes (e.g. changing intersections, reducing road width etc). These plans take an area wide view rather than a focus on a problematic street / intersection. The plans are developed by Transportation Engineers who look at the accident data, monitoring data (speed and volume) and community and stakeholder feedback

Assumption:

		Options:	Implications of options/benefits	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred options	1	Increase the number of LATM schemes to three per year	Greater coverage across the city. All schemes implemented will see reductions in traffic speeds, and improved pedestrian and cycle safety Process entails high levels of community engagement	c. $900K p.a. Demand for new schemes likely to reduce after 10 to 12 years Budget allows for ongoing programme			✓	
Other options	2	Continue to complete one LATM scheme per year	Outcomes will match higher investment programme but will take 3 times longer to achieve benefits				✓	

Year on year costs

(Gross expenditure values – preferred options eligible for 51% Waka Kotahi funding assistance)

Option	Year 1-3	Yr 4-10	Yr 11-20	Yr 21-30
1	$2.7M	$6.3M	$9M	$9M
2	$1.5M	$1.2M	$2.1M	$3.5M

6.3 Drinking Water Supply

Council has a financial legal obligation under the Health Act 1956 to improve, promote, and protect public health within the city. The Health (Drinking Water) Amendment Act 2007 places a further obligation on Council to comply with the Drinking Water Standards for New Zealand.

Section 11a of the Local Government Act states 'that, in performing its role, a local authority must have particular regard to what its core services, including network infrastructure, contribute to the community'.

The Council considers the provision of reliable and safe drinking water to the community as a major contribution to the community's wellbeing and the city's economy.

Water is drawn from the Heretaunga Plains aquifer, which has sufficient capacity to supply present and next 30-year demand in Napier. Water is reticulated to the Napier urban area and to Bay View.

The long-term goals Council has identified for this activity are:

- Provide and maintain an adequate and safe supply of potable water to consumers meeting the New Zealand Drinking Water Standards;
- Supply water for fire-fighting purposes, and
- Provide affordable service to the community.

Current state

Water is supplied from Heretaunga Plains aquifer through seven bores. The water system consists of approximately 485 km of pipes, 11 reservoirs, and seven booster pump stations and annually produces approximately 10 million cubic metres of water.

The drinking water assessor has assigned all water bores as secure water bores. Water is chlorinated at the bore site before it enters into reticulation.

At present, our water supply meets the current Drinking- water Standards. Some bore water contains high manganese levels which has contributed to water clarity issues in some areas. A study is currently underway to understand the feasibility of providing non-chlorinated water and compare costs of chlorinated water supply and non-chlorinated supply.

Key risks

- Contamination of water through the aquifer;
- Contamination of water in the reticulation system;
- High manganese levels in the water;
- Demand exceeds production, and
- Ageing infrastructure.

Key Principles

- Safeguarding public health and safety;
- Sufficient and reliable water supply to the community and businesses for their reasonable needs;
- Environmentally sustainable supply;
- Affordability, and
- Customer satisfaction.

485KM PIPES

11 RESERVOIRS

7 BOOSTER PUMP STATIONS

10 MILLION CUBIC METERS PER YEAR

Where we want to be in 30 years

The overarching vision is to minimise public health risk, improve the aesthetic quality of water to the satisfaction of our customers, and ensure reliable and resilient supply.

In 30 years' time, we will have a water system with two borefields that will supply water to the network- following appropriate treatment- to meet best industry practices alongside a much younger water network with reduced water leakage.

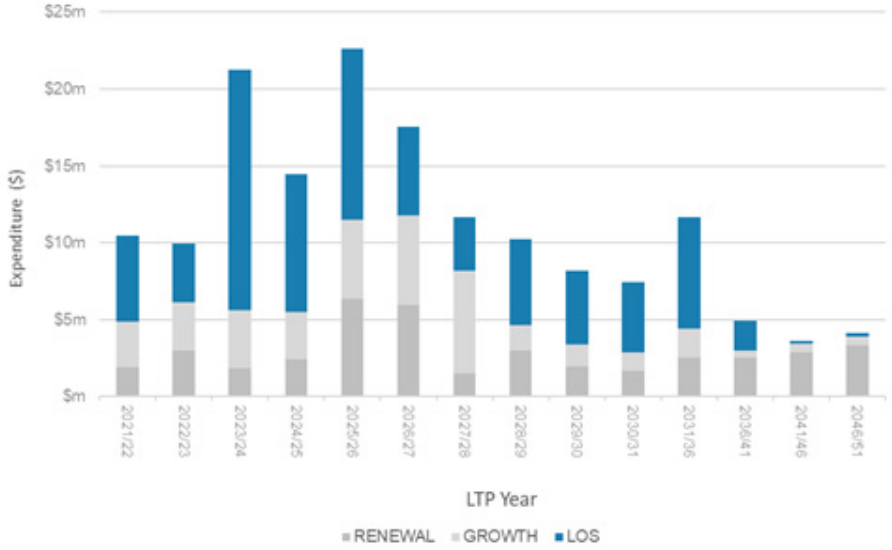
Opportunities

- Update water by-laws;
- Better water pricing;
- Improved automated monitoring and control system;
- Improve data collection and data management;
- Develop an up-to-date asset register, and
- Develop standards, processes, and procedures for management and operation of the water system.

Capital expenditure forecast

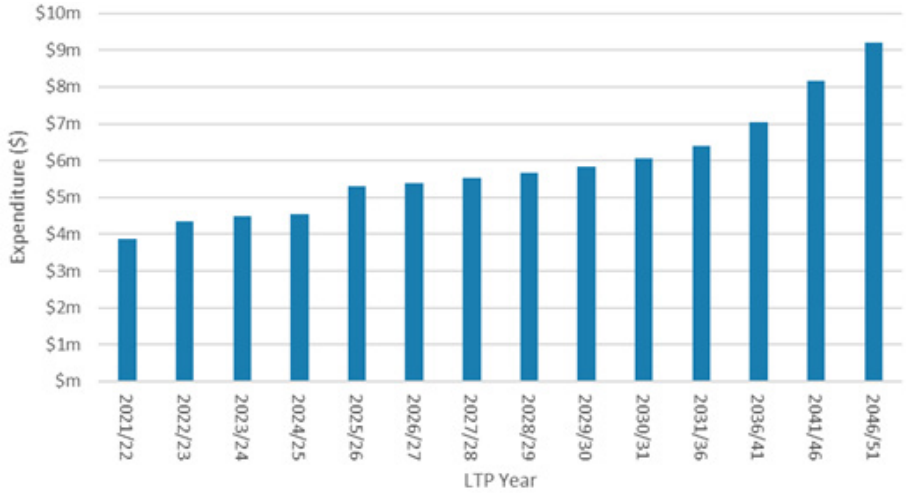
The bulk of expenditure for water supply occurs in the first 10-year period as the network is modified to meet current and future standards and is made more resilient. In year three, water treatment plants are developed and in year five the Enfield reservoir is replaced.

Figure 8: Water Supply 30-year Capital Expenditure Profile



Operational expenditure forecast

Figure 9: Water Supply 30-year Operational Expenditure Profile



NB: Amounts shown for the years 2031 through to 2051 (years 11-30) are an annual average over the period, rather than a total of multiple years.

Significant expenditure decisions - 1

Issue to resolve:

- The existing network is not fit for purpose moving into the new era of Taumata Aorwai and changes to the Drinking Water Standards. The network is not easily managed and controlled, and treatment processes are temporary and will not last long term. The dirty water issues experience by residents can be alleviated through better source water, consistent treatment and a well-designed and managed system that performs in a predictable way

Outcome required:

- A modernised, resilient network that helps to manage public health risks, water quality and provides a resilient network that will take us into the longer term – 30-50 years

Issues:

- Most of the current bores are situated in the urban area where the risk of contamination is high, and it is difficult to install appropriate treatment methods
- A high level of manganese in the source water from some bores is causing dirty water in the reticulation and affecting residents

Summary:

- The resolution would be to Install two bore fields: one in Taradale area and one in Awatoto area, alongside the installation of appropriate treatment. If water with low manganese levels is not available, there would be the need to install additional treatment to remove the manganese

Assumption: Suitable sites can be found following investigations with good quality water and sufficient quantities to make them viable.

A resource consent will be granted to the future bore fields.

		Options	Implications of options/benefits?	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred option	1	Install two new borefields and treatment facilities in Taradale and Awatoto areas	Reduce the risk of water contamination through the source or bores Reduce the water clarity issues Facilitate growth	$22.6M (2021-2028)		✓	✓	✓
Other options	2	Do nothing	High risk to public health from drinking water Public dissatisfaction due to water clarity issues	Additional annual opex $400K	✓			
Other options	3	Replace at existing sites	High risk of contamination taking water in close proximity to sewer network Difficulty installing treatment Not a resilient design to meet compliance requirements moving forward	$14M (2021-2028)				✓

Year on year costs

Option	Year 1-3	Yr 4-10	Yr 11-20	Yr 21-30
1	$17.5M	$5.1M	$0	$0
2	$0.6M	$1.2M	$1.8M	$1.8M
3	$2M	$12M	$0	$0

Significant expenditure decisions - 2

Issue to resolve:

- Replacement of Enfield reservoir due to age and condition and implications regarding water safety

Outcome required:

- Install a new reservoir on Hospital Hill / Mataruahou with increased capacity to futureproof for the city's growth

Issues:

- The Enfield reservoir needs replacement and it has reached the end of its useful life due to capacity and its overall condition. The need to increase capacity (additional water storage) is paramount to futureproofing the city for growth

Summary:

- There are few options for this as the reservoir is at the end of its useful life and the size of the land it currently occupies does not enable additional capacity to be added

Assumption: A site is to be procured on Mataruahou for a new reservoir – complete.

		Options	Implications of options/benefits?	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred option	1	A new reservoir at Hospital Hill	Reliable asset, additional storage and resilience, enabling growth	$18.0M (2021-2026)		✓	✓	✓
Other options	2	Do nothing	Risk of contamination, reservoir failure in earthquake scenario, and not future-proofed	No extra cost	✓			
	3	Replace	Like for like at the same location- not future proofed as same capacity and construction difficulties and difficulties installing rising and falling mains under properties around the site	$8M	✓		✓	✓

Year on year costs

Option	Year 1-3	Yr. 4-10	Yr. 11-20	Yr. 21-30
1	$1.2M	$16.8M	$0	$0
2	$0	$0	$0	$0
3	$1.5M	$6.5M	$0	$0

6.3.2 Wastewater

Under the Local Government Act 2002, the Resource Management Act 1991, and the Building Act 2004, Council is obliged to provide a sewerage service which collects, transports, and disposes of household wastewater.

Council aims to protect human health and the environment and is best placed to provide this 'public good' service. Section 11a of the Local Government Act states 'that, in performing its role, a local authority must have particular regard to what its core services, including network infrastructure, contribute to the community'.

The Council considers the provision of safe, effective, and efficient domestic sewage collection, treatment, and disposal system as a major contribution to the community's wellbeing and the city's economy.

The long-term goals the Council has identified for this activity are:

- To provide and maintain an adequate wastewater collection, treatment, and disposal system;
- To protect community health, and
- To minimise adverse environmental effects.

Current state

The wastewater system comprises of 390 km of pipes, 49 pump stations, a milliscreen plant, a (BTF) biological trickling filter plant, and a sea outfall pipe. Wastewater is collected through the reticulation system and pumped into the treatment plant situated at Awatoto. After treatment, it is discharged into the sea via a 1.6 km long sea outfall pipe.

At present, there are issues with overflows from the reticulation during wet weather events due to inflow and infiltration.

The outfall pipe is in a bad condition and has had a number of leaks. Some repairs have already been completed, and two more repairs are currently underway.

Key risks

- Failure of the outfall pipe due to its condition;
- Increased overflows from the reticulation during wet weather events due to inflow and infiltration resulting in polluting the receiving environment;
- Service disruption due to ageing asset failures;
- Not meeting regulatory requirements due to insufficient treatment and unauthorised overflows, and
- Increased public dissatisfaction due to wastewater overflows.

Key principles

- Safeguarding public health and safety;
- Reliable service to the community and businesses for their reasonable needs;
- Affordable, and
- Customer satisfaction.

390KM PIPES

49 PUMP STATIONS

1 BIOLOGICAL TRICKLING FILTER PLANT

1 MILLISCREEN PLANT

1 SEA OUTFALL PIPE

Where we want to be in 30 years

We want to provide a reliable wastewater service to the community that meets community expectations, reduced wastewater overflows, minimise negative environmental impacts on the receiving environment following treatment, facilitate growth, and meet regulatory requirements consistently.

Opportunities

- Up-to-date wastewater and trade waste by-laws;
- Improved automated monitoring and control system;
- Improve data collection and data management;
- Develop an up-to-date asset register;
- Develop standards, processes, and procedures for management and operation of the wastewater system, and
- Improved wastewater discharge quality.

Capital expenditure forecast

The wastewater network has a few major renewals that will occur in the early part of the 30-year plan.

The most important and high-cost replacement is the wastewater outfall pipe which is expected to be replaced in year four to assist with network operation consent compliance and asset integrity. This has been brought forward to meet compliance and levels of service.

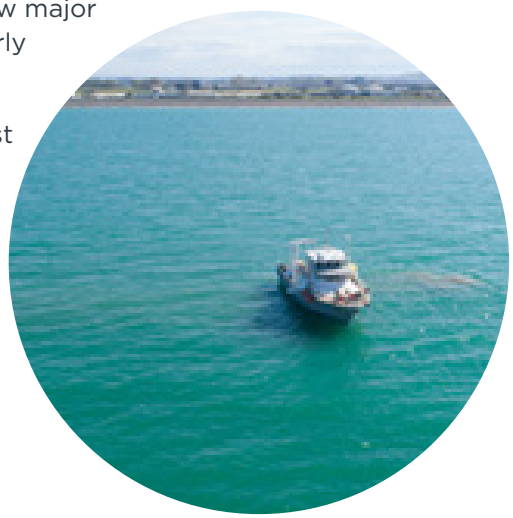
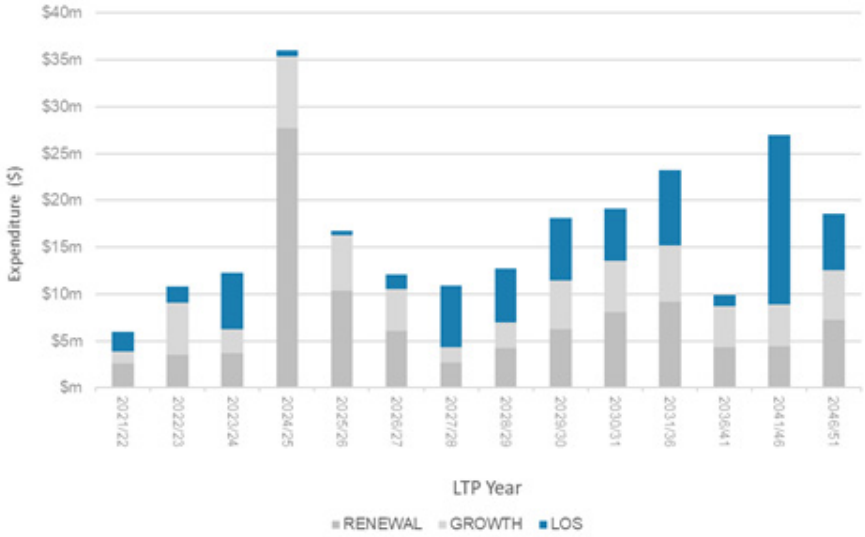
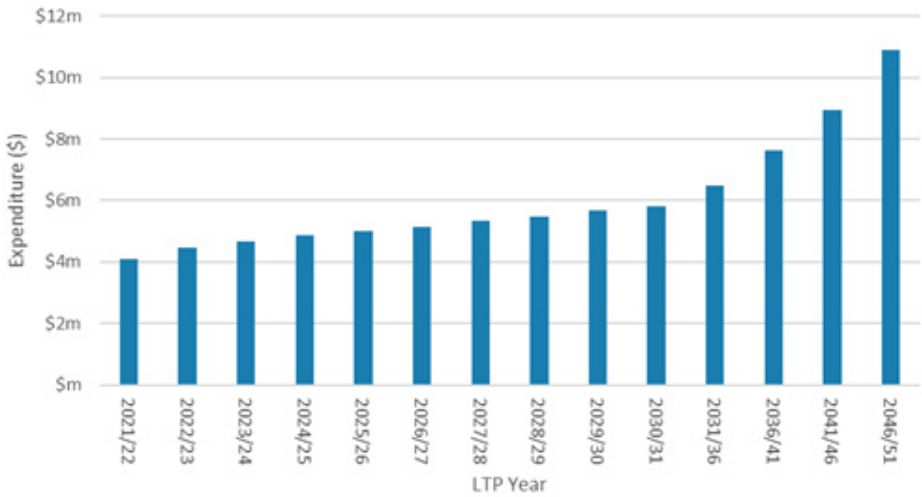


Figure 10: Planned 30-year Capital Expenditure for Wastewater



Operational expenditure forecast

Figure 11: Planned 30-year Operational Expenditure for Wastewater



NB: Amounts shown for the years 2031 through to 2051 (years 11-30) are an annual average over the period, rather than a total of multiple years.

Significant expenditure decisions - 1

Issue to resolve:

- Wastewater outfall pipe leaks

Outcome required:

- Replace the outfall pipe to ensure compliance with legislative requirements, also ensure that increased flow can be accommodated with the growth of the city

Summary:

- Replacement of existing outfall pipe with upgraded pipe

Pipe,

Assumption: Outfall Pipe can be replaced with a variation to the existing resource consent. Costs include consent, outfall pipe replacement and a new pump station.

		Options:	Implications of options/benefits?	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred option	1	Replace the existing outfall pipe and outfall pump station	Meeting the legislative requirements, reduce the environmental pollution due to wastewater leaks	$48.28M (2021-28)		✓	✓	✓
Other options	2	Do nothing	Significant increase in maintenance and not meeting resource consent condition and risk of abatement notices from HBRC and infringements	$10M (2021-36)	✓			
	3	Repair	Increased maintenance costs and not meeting existing consent conditions	$10M (2021-36)	✓			✓

Year on year costs

Option	Year 1-3	Yr 4-10	Yr 11-20	Yr 21-30
1	$4M	$41.3M	$0	$0
2	$3.3M	$3.3M	$3.3M	$0
3	$3.3M	$3.3M	$3.3M	$0

Significant expenditure decisions – 2

Issue to resolve:

- Upgrade the existing treatment plant

Outcome required:

- Improved wastewater treatment

Summary:

- Upgrade the existing treatment plant as recommended in wastewater treatment plant masterplan

Assumption: No significant changes to legislative requirements and growth assumptions are correct

		Options	Implications of options/benefits?	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred option	1	Upgrade the wastewater treatment plant as per recom-mendations of the master plan	Improved environmental outcome, meeting the legislative requirements	$104.7M		✓	✓	✓
Other options	2	Do minimum	Additional biological trickling filter to meet current standards and provide for some growth, no additional improvement of wastewater quality	$13.4M				
	3	Do nothing	Unable to meet conditions of the existing resource consents, constraints obtain a new resource consent in 2036 at the expiry of existing consent to discharge treated effluent into the sea		✓			

Year on year costs

Option	Year 1-3	Yr 4-10	Yr 11-30
1	$6.2M	$24.9M	$73.6M
2	$0	$1M	$12.4M
3	$0	$0	$0

6.3.3 Stormwater

Council has a statutory responsibility to ensure stormwater is managed through ownership and management of its own stormwater drainage network. Council is the only viable provider of this 'public good' service for the wellbeing of the community.

Council provides and maintains a stormwater disposal system for Napier with the aim of minimising the effects of flooding. The system, serving approximately 97% of the city's population, consists of open drains, stormwater mains, and pump stations with about 75% of Napier reliant on pumped systems for stormwater drainage.

The long-term goals the Council has identified for this activity are:

- Provide and maintain an adequate stormwater system;
- Protect community health and property, and
- Minimise adverse environmental effects.

Current state

Napier's stormwater drainage system mainly relies on open drains and pumping systems to dispose of stormwater.

There are approximately 241 km of pipes, 9 pump stations, over 100 km of channels/drains and 2 detention dams owned and operated by the Council.

Approximately 70% of stormwater from Napier city is discharged into the Ahuriri Estuary.

Although our desired level of service is providing stormwater protection for houses and habitable floors from a one-in-fifty-year rainfall event, currently, we are not meeting this level of service in all areas due to the inadequate capacity of our stormwater system.

Key risks

- Flooding of properties during high intensity rainfall events due to capacity issues;
- Impact on receiving environment due to stormwater contamination, and
- Climate change impacts.

Key principles

- Safeguarding public health and safety;
- Protection of properties from flooding;
- Minimise negative environmental impacts;
- Affordable, and
- Customer satisfaction.

Where we want to be in 30 years

Our desired level of service is to provide flood protection to houses and habitable properties from one in one-hundred-year rainfall event. However, this is not possible to achieve in all areas in Napier due to the flat nature of the majority of the catchment and high cost. Instead, we will have a stormwater system that provides maximum protection for an affordable cost. This means some areas in the catchment will have a lesser degree of flood

241KM PIPES

9 PUMP STATIONS

100KM DRAINS AND CHANNELS

2 DETENTION DAMS

70% DISCHARGED TO AHURIRI ESTUARY

protection than others. We also will reduce the negative environmental impact on the receiving environment by improving the stormwater quality.

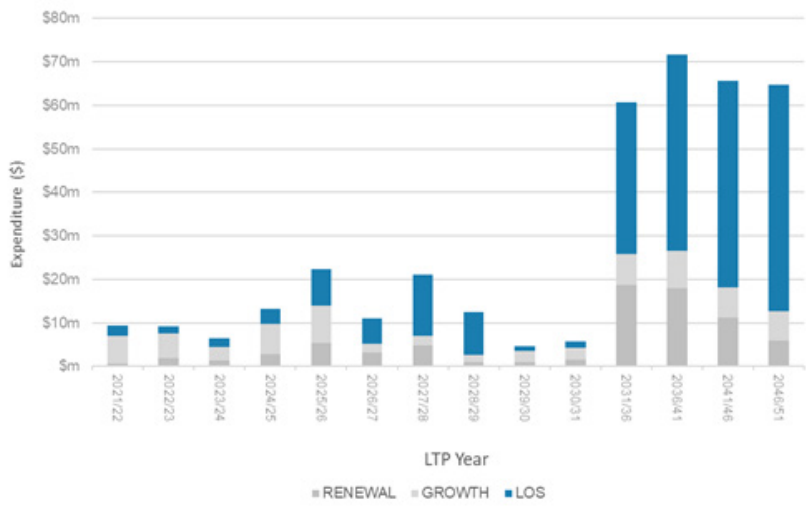
Opportunities

- Up-to-date and calibrated hydraulic model;
- Improved automated monitoring and control system;
- Improve data collection and data management;
- Develop an up-to-date asset register, and
- Develop standards, processes, and procedures for management and operation of the water system.

Capital expenditure forecast

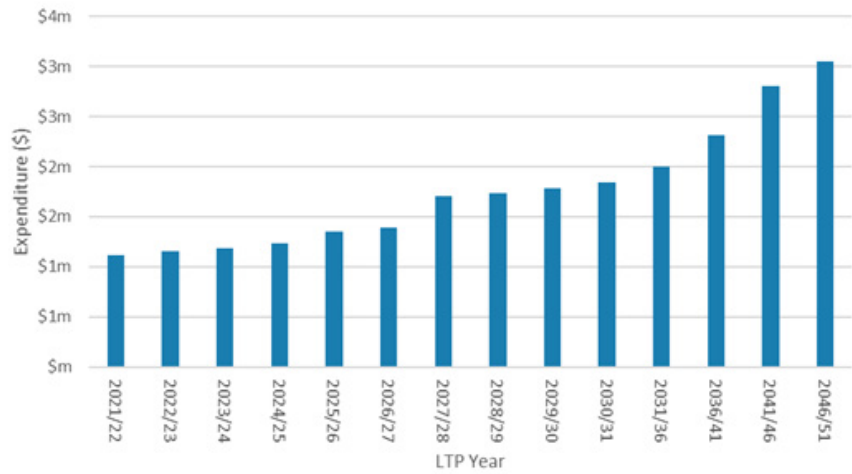
Following the flood in November 2020, Council has prioritised stormwater storage at Lagoon Farm, in addition to a treatment solution that will be developed as part of the new discharge consent to the estuary. As noted, the peer-reviewed master plan will provide more guidance regarding the wider city and project priorities.

Figure 12: Planned 30-year Capital Expenditure for Stormwater



Operational expenditure forecast

Figure 13: Planned 30-year Operational Expenditure for Stormwater



NB: Amounts shown for the years 2031 through to 2051 (years 11-30) are an annual average over the period, rather than a total of multiple years.

Significant expenditure decisions – 1

Issue to resolve:

- Flooding during high intensity or prolonged rainfall events and improve the stormwater quality discharged into estuary.

Outcome required:

- Install storm water storage/detention facility at Lagoon Farm to enhance stormwater quality.

Summary:

- The stormwater masterplan has recommended installing additional storage at Lagoon Farm to reduce the flooding risk in the Napier urban catchment with the total storage to be 450,000m3. This facility also will contribute to the improvement of stormwater quality. This can be further improved by adding additional treatment such as wetlands.
- This project includes only a stormwater storage requirement and the removal of sedimentation from the stormwater.

Assumption:

		Options	Implications of options/benefits?	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred option	1	Install storage at Lagoon Farm and install additional water quality improvements	This will reduce the widespread flooding risk in urban areas during significant rain events and improve discharge water quality substantially	$40M (high level estimation)			✓	✓
	2	Install storage at Lagoon Farm and install additional water quality improvements later	This will reduce the widespread flooding risk in urban areas during significant rain events	$18.2M			✓	✓
Other options	3	Do nothing	Flooding in urban areas during significant rainfall events will be more frequent. Not enough measures in place to reduce the impact of floodwater on the estuary	Clean up costs from events (2020-2050)	✓			

Year on year costs

Option	Year 1-3	Yr 4-10	Yr 11-20	Yr 21-30
1	$0.15M	$17.9M	$21.8M	$0
2	$0.15M	$17.9M	$0	$0
3	$0	$0	$0	$0

6.4 Parks, Reserves, Sportsgrounds, Cemeteries, and Public Toilets

The reserves portfolio of Napier city exists to enhance the quality of life of Napier's citizens, by providing high quality passive and recreational facilities throughout the city.

Napier is fortunate to have a wide range of parks, reserves and public gardens uniformly located throughout the urban environment. The reserves assets support a large number of tourism events and local events, delivering highly-maintained grounds and gardens ranging in location from coastal foreshore to formal botanical gardens.

Capital expenditure forecast

The following graph shows the planned 30 year spend for parks, reserves, sportsgrounds, cemeteries, and public toilets. The major renewal within the 30-year plan is the upgrade of the Harris Stand at McLean Park which is anticipated to occur in year 27 of the plan and is estimated to cost $84.5 million. A breakdown for each asset group is provided in the following sections.

Figure 14: Planned 30-year Capital Expenditure for Parks and Reserves, Sportsgrounds, Cemeteries, and Public Toilets

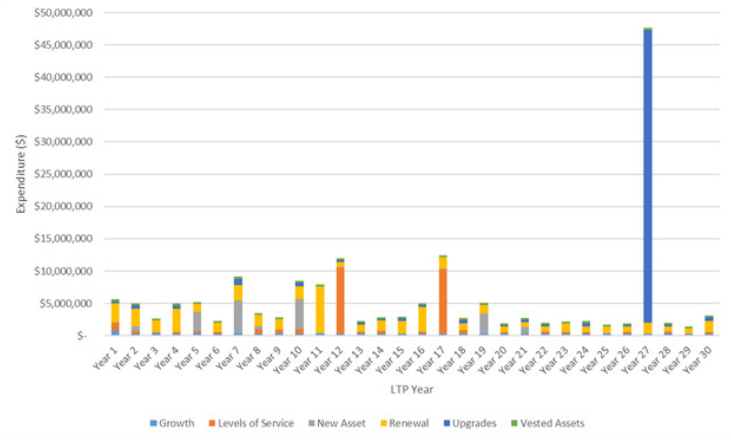
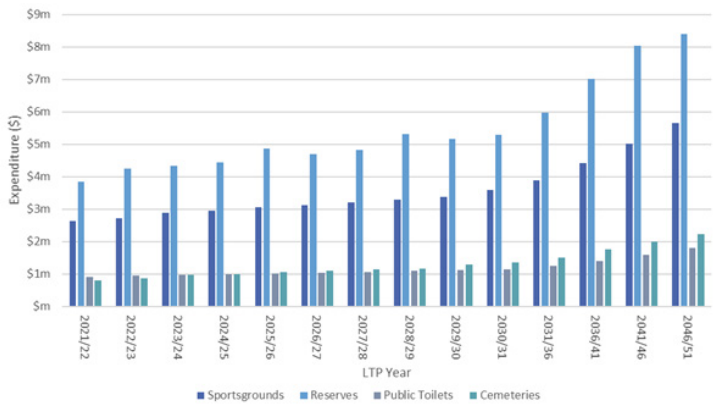


Figure 15: Planned 30-year Operational Expenditure for Parks and Reserves, Sportsgrounds, Cemeteries, and Public Toilets



NB: Amounts shown for the years 2031 through to 2051 (years 11-30) are an annual average over the period, rather than a total of multiple years.

6.4.1 Sportsgrounds

Council provides and maintains 16 sportsgrounds throughout Napier equating to an area of 213 hectares of land set aside for sports purposes across the city.

Napier's sportsgrounds range from facilities of regional and national significance; McLean Park, Nelson Park and Park Island, to grounds principally serving local club demand; for example, Petane War Memorial Reserve, Bledisloe Park, and Whitmore Park.

The sportsground portfolio of Napier city exists to enhance the quality of life of Napier's citizens, by providing high quality sport and recreational facilities throughout the city.

Council's sportsgrounds and associated facilities provide for the majority of the city's sporting demand, although increasing pressure from population growth, diversification of sport, crossover between seasons, and more extreme weather events is making it increasingly challenging to meet all demands.

In a rapidly changing local sports environment and a highly competitive market for major events, Council needs to be nimble in its response to pressure points and changes in demand. Council's provision of sports facilities needs to respect traditional aspects of sport (for example, club structures), while ensuring decisions now are sufficiently flexible to respond to changing future demand.

Key risks

- Viability of clubs;
- Ageing facilities and infrastructure;
- Changing recreation trends;
- Documentation and procedures, and
- McLean Park.

Key principles

- Encourage recreation;
- Involve and collaborate;
- Encourage innovation;
- Enhance networks and corridors, and
- Promote sustainability.

2 PREMIER SPORTSGROUNDS

14 GENERAL SPORTSGROUNDS

213 HECTARES OF LAND

SUBURBAN SPORTS-GROUNDS

- Bledisloe Park
- Maraenui Park
- Petane War Memorial Reserve
- Tamatea Park
- Taradale Park

REGIONAL SPORTSGROUNDS

- Nelson Park
- Park Island
- Sir Donald McLean Memorial Park

CITY SPORTSGROUNDS

- Marewa Park
- Onekawa Park
- Tareha Park
- Withmore Park

RESTRICTED USE FACILITIES

- Marewa Park
- Nelson Park
- Onekawa Park
- Papakura Domain
- Park Island
- Petane War Memorial Reserve
- Sir Donald McLean Memorial Park
- Tareha Park
- Port Ahuriri Bowling Club
- Napier Sailing Club

Where we want to be in 30 years

- Accessible, equitable, and connected with our community;
- Diverse and appropriate- sports facilities that can be used by all and for a wider range of uses;
- Safe and secure so that all who participate or spectate can feel safe doing so;
- Well maintained and clean- our sports facilities are of a standard that the city can be proud of;
- Enhanced and protected ;
- Sustainable and resilient- leading the way towards carbon zero, and
- Community collaboration and partnerships- ensuring that the community has a say about how these grounds are used and by whom.

Opportunities

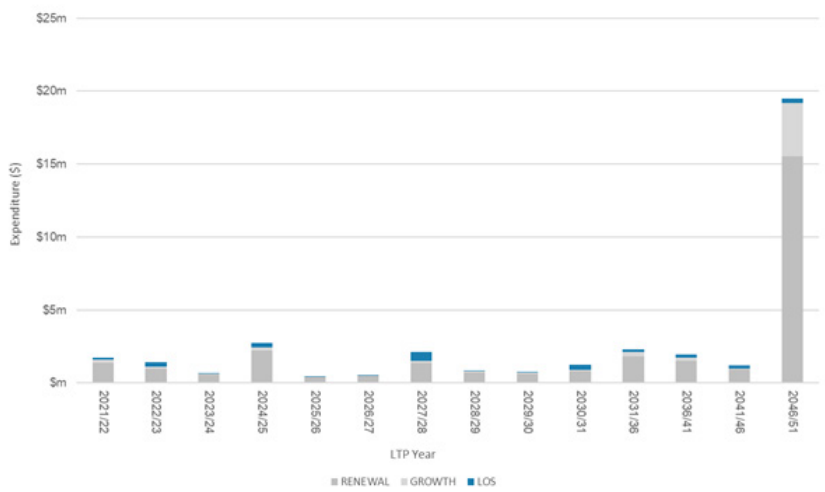
Diversifying the use of facilities like McLean Park for different events including concerts and other events.

Adapting facilities to changing trends that have a positive environmental impact to allow a more diverse population use.

Capital expenditure forecast

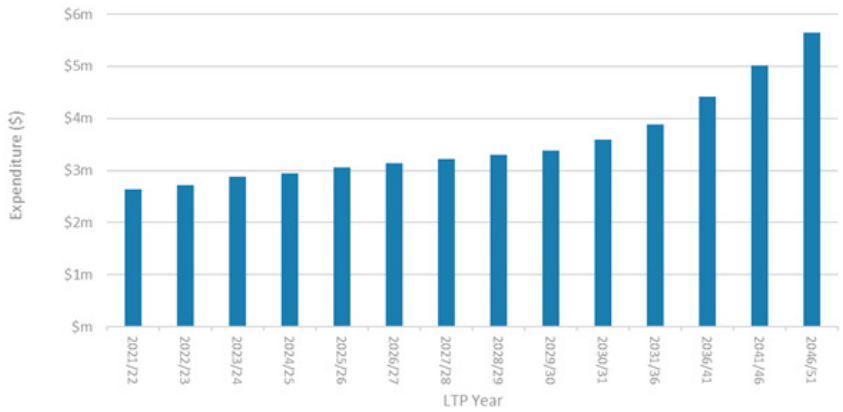
Renewals and minor upgrades for Council-owned sportsgrounds are fairly static at around $1.2M a year except for year 11 which has the renewal of the McLean Park turf, estimated at $5M and the replacement of the Harris Stand in year 27.

Figure 16: Planned 30-year Capital Expenditure for Sportsgrounds



Operational expenditure forecast

Figure 17: Planned 30-year Operational Expenditure for Sportsgrounds



NB: Amounts shown for the years 2031 through to 2051 (years 11-30) are an annual average over the period, rather than a total of multiple years.

Significant expenditure decisions - 1

Issue to resolve:

- McLean Park Renewals- capacity issues and turf renewals

Outcome required:

- McLean Park Facility Renewals- Replacement of the Harris Stand which is coming to the end of its useful life, as well as scheduled replacement of the turf which has a 20-year life span.

Summary:

- McLean Park is used for high profile sporting fixtures and other large events. Its composite turf requires replacement every 20 years approximately to maintain quality of the pitch as the artificial component of the turf has a 20-year shelf life. The Harris stand will be at the end of its life both physically and capacity wise by 2047 and will need to be replaced with a more user friendly stand – it is currently challenging for those who are not able bodied to move with ease around the stand.

Assumption:

		Options	Implications of options/benefits?	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred option	1	Repair	Turf renewal for the whole pitch enabling the continuation of major sporting events	$6.5M (2032)	✓	✓	✓	✓
			Rebuild of the Harris Stand to increase capacity and improve accessibility	$84.5M (2047)				✓
Other Options	2	Establish new				✓		
	3	Do nothing		No extra cost (2021-2051)	✓			
	4	Replace existing	Requires further investigation					

Year on year costs

Option	Year 1-3	Yr 4-10	Yr 11-20	Yr 21-30
1	$0	$0	$6.5M	$84.5M
2	$0	$0	$0	$0
3	$0	$0	$0	$0
4	$0	$0	$0	$0

6.4.2 Cemeteries

Current state

The team currently administers six cemeteries with a total footprint of 35 hectares. These cemeteries are Eskdale, Wharerangi, Napier, Taradale, Western Hills, and Park Island, with some of these nearing capacity.

The response to this upcoming shortage of space will require some thought as to how this is managed going forward and the viable options available to the Council.

Key risks

- Procedural (operational);
- Inadequate land to provide for interments (management);
- What we don't know (management);
- Heritage protection responsibilities (management and operational), and
- Not understanding our service role (management and operational).

Key principles

- Encourage recreation;
- Involve and collaborate;
- Encourage innovation;
- Enhance networks and corridors;
- Promote sustainability, and
- Culture and heritage.

Where we want to be in 30 years

- Accessible, equitable and connected;
- Diverse and appropriate;
- Safe and secure;
- Well maintained and clean;
- Enhanced and protected;
- Sustainable and resilient;
- Engaged in community collaboration, and
- Partnerships.

6 CEMETERIES

35 HECTARES OF LAND

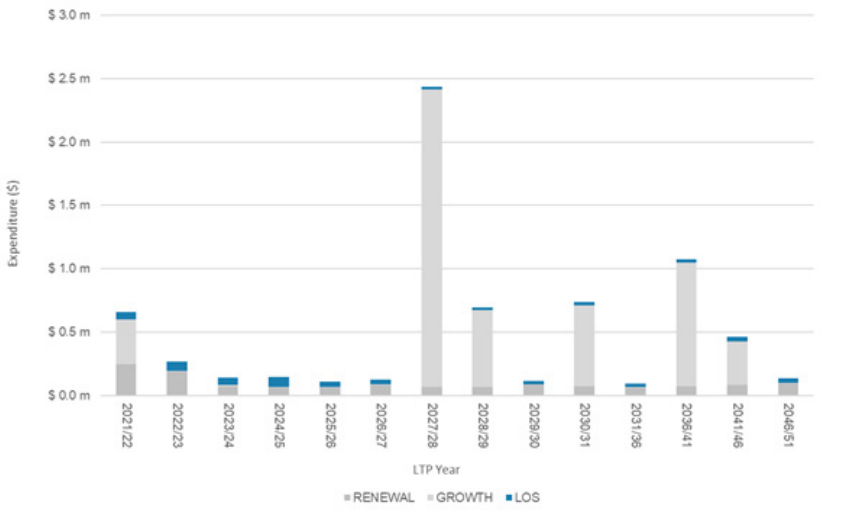
Opportunities

- The development of clear processes and policies;
- Work with the community and the funeral industry to achieve more sustainable interment practices;
- Planning for the future as bare land becomes scarcer and increasingly costly to buy;
- To incorporate more multi-cultural design into new cemeteries as Napier's population continues to be more diverse, and
- Work to make cemeteries more accessible for those with disabilities, incorporating new designs and practices.

Capital expenditure forecast

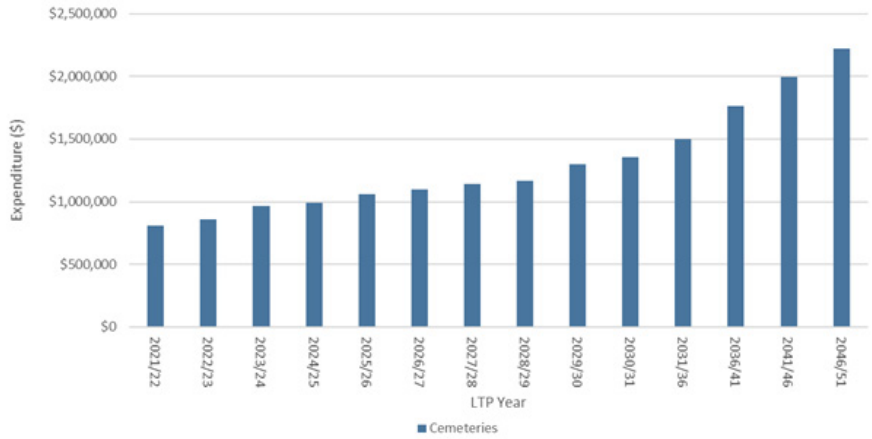
Cemetery space is Napier is now in short supply; therefore, in years 7, 8, 10, 19 and 21 additional land is planned to be purchased to keep up with demand.

Figure 18: 30-Year Capital Expenditure for Cemeteries



Operational expenditure forecast

Figure 19: 30-Year Operational Expenditure for Cemeteries



NB: Amounts shown for the years 2031 through to 2051 (years 11-30) are an annual average over the period, rather than a total of multiple years.

Significant expenditure decisions - 1

Issue to resolve:

- Purchase Land for new cemetery

Outcome required:

- More land to cater for Napier's increasing population to be purchased within easy reach of town and at a competitive price

Summary:

- Napier is running out of cemetery space, and while stage 2 of the Western Hills Cemetery is currently being progressed, the space provided will not be enough as Napier's population, and therefore the number of interments increases. The only viable option is to establish a new cemetery within the Napier area

Assumption: That there will be land available to procure

		Options	Implications of options/benefits?	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred option	1	Establish new	Acquire additional land for a new cemetery. Cost is the biggest factor in this option. Addition to Western Hills	$9.6M (2028-2051) $0.35M (2021-2022)		✓		
Other option	2	Do nothing	This is not an option as we will run out of space within the next few years	No extra cost (2020-2050)	✓			

Year on year costs

Option	Year 1-3	Yr 4-10	Yr 11-20	Yr 21-30
1	$0.35M	$0	$4.8M	$4.8M
2	$0	$0	$0	$0

6.4.3 Public Toilets

Current state

Napier City Council provides, maintains, and develops public toilet facilities to meet the needs and demands of the community and visitors to the city. Currently the city has 48 operational public toilets.

Public toilets are provided in key areas generally related to tourism (e.g. i-SITE Visitor Centre), recreation (both at sportsgrounds and passive recreation areas), and shopping activities e.g. Dickens Street and Maraenui Shopping Centre. Facilities are cleaned and inspected at least daily with the emphasis on hygiene, safety, and discouragement and removal of graffiti.

Key risks

- Covid-19 (changing trends and expectations);
- Lack of clarity around asset responsibility;
- Understanding utilisation, and
- Changes in legislation (e.g. freedom camping).

Key principles

- Encourage recreation;
- Involve and collaborate;
- Encourage innovation;
- Enhance networks and corridors;
- Promote sustainability, and
- Culture and heritage.

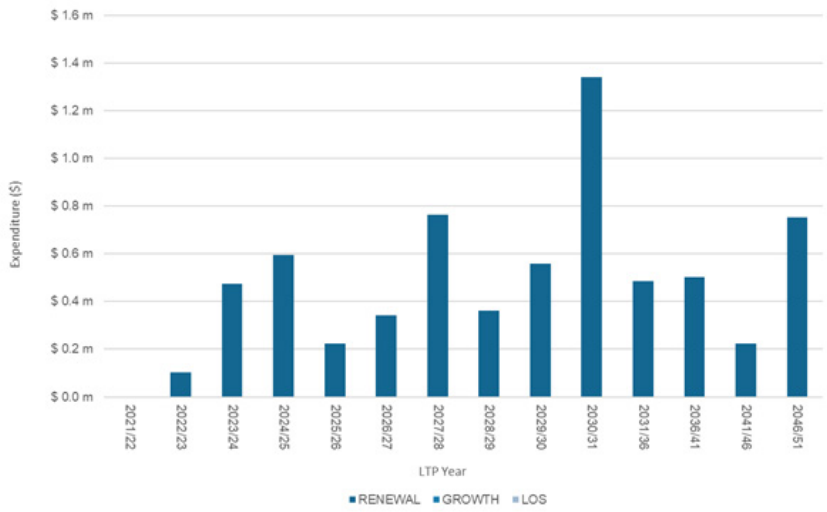
Where we want to be in 30 years

- Accessible;
- Equitable and connected;
- Diverse and appropriate;
- Safe and secure;
- Well maintained and clean;
- Enhanced and protected;
- Sustainable and resilient, and
- Community collaboration and partnerships.

48 OPERATIONAL PUBLIC TOILETS

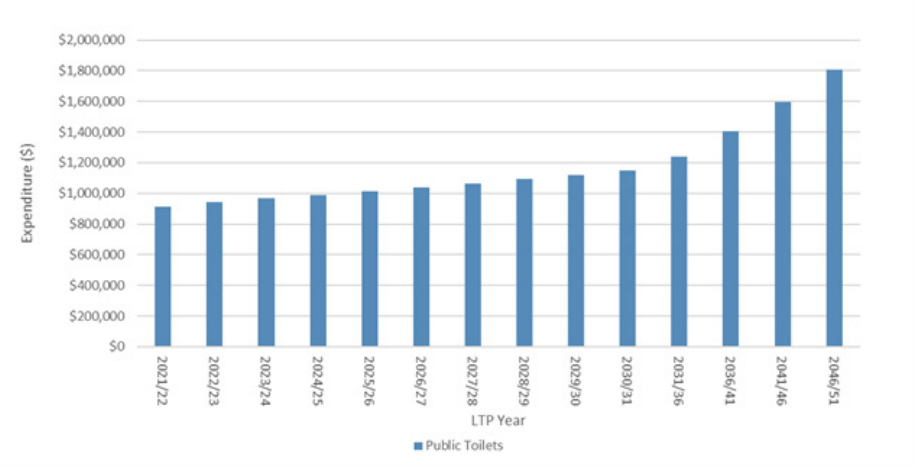
Capital expenditure forecast

Figure 20: 30-Year Capital Expenditure for Public Toilets



Operational expenditure

Figure 21: 30-Year Operational Expenditure for Public Toilets



NB: Amounts shown for the years 2031 through to 2051 (years 11-30) are an annual average over the period, rather than a total of multiple years.

6.4.4 Reserves

Current state

Napier City Council's reserves cover a total of 398 hectares around the city including 38 neighbourhood reserves (16 ha), 46 greenbelt reserves (252 ha), 9 foreshore reserves (118 ha) and 9 public gardens (12 ha).

These reserves assets support a large number of tourism events and local events, delivering highly-maintained grounds and gardens ranging in location from coastal foreshore to formal botanical gardens. These areas enjoy a high profile within the city, resulting in increased expectations and standards. The Reserves department also manages the day-to-day maintenance and operation of play equipment located throughout the city, including destination playgrounds with enhanced accessibility.

Key risks

- Data (management); Asset and Compliance (Reserves Act and RMA Matters);
- Risk Assurance (management) – Audit/ Quality Control;
- Coastal Erosion/Sea Level Rise (strategic and management);
- Bluff Hill Rock Fall (management);
- Tree Management (management);
- Heritage Management (management), and
- Procedural.

Key principles

- Encourage recreation;
- Involve and collaborate;
- Encourage innovation;
- Enhance networks and corridors, and
- Promote sustainability.

Where we want to be in 30 years

- Accessible, equitable and connected;
- Diverse and appropriate;
- Safe and secure;
- Well maintained and clean;
- Enhanced and protected;
- Sustainable and resilient, and
- Community collaboration and partnerships.

34 NEIGHBOURHOOD RESERVES (16 HECTARES)

46 GREENBELT RESERVES (252 HECTARES)

8 FORESHORE RESERVES (118 HECTARES)

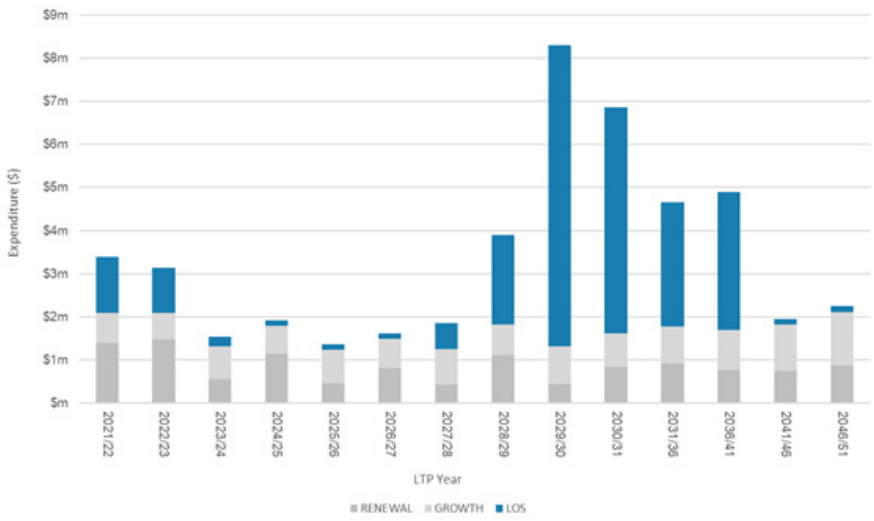
9 PUBLIC GARDENS (12 HECTARES)

Opportunities

- Work with the community to realise our sustainability goals;
- Work with community groups to improve accessibility for all;
- Contribute to the work being done nationally in the fight against coastal erosion and inundation;
- Create more reserve space to balance the increase in new housing developments, and
- The ability to support more local and tourism events.

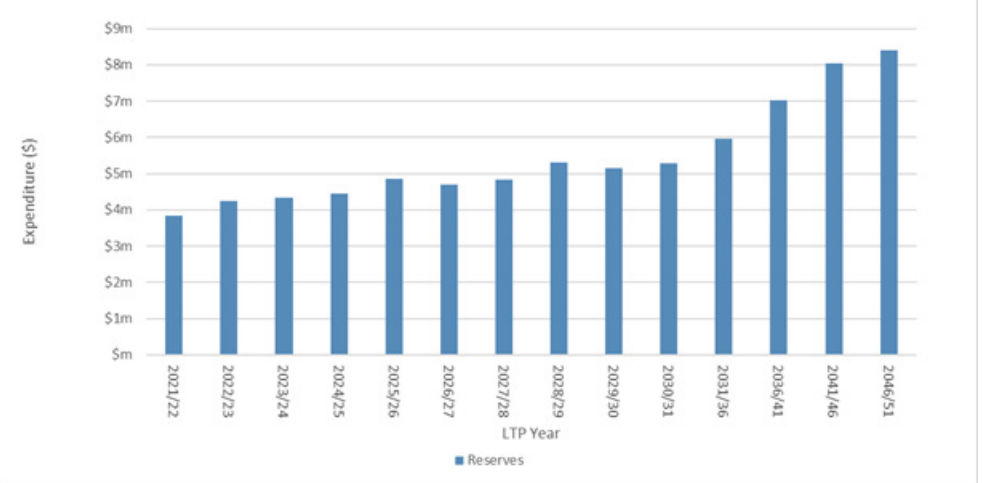
Capital expenditure forecast

Figure 22: 30-Year Capital Expenditure for Parks and Reserves



Operational expenditure forecast

Figure 23: 30-Year Operational Expenditure for Parks and Reserves



NB: Amounts shown for the years 2031 through to 2051 (years 11-30) are an annual average over the period, rather than a total of multiple years.

6.5 Building Asset Management

The building assets consist of 85 buildings, 377 rental units, 7 memorials, 12 pools, and a variety of plant and equipment. Napier city has an extensive portfolio of properties and buildings used to accommodate staff and to provide services to residents and visitors. The Building Asset Management (BAM) activity involved management of the building assets on behalf of the community of Napier City.

The activity aims to ensure that the buildings are maintained for their specific purposes throughout their life cycle.

Building Asset Management (BAM) at Napier City Council is at a low level of maturity and is being developed as specific needs are identified and resourcing allocated to support the respective activities that own the building assets.

The BAM team is under development and proposing to grow capacity. It is currently in a discovery phase across the buildings portfolio.

Key risks

- Levels of service have not been clearly set;
- Over or underinvestment in buildings;
- Buildings and/or critical plant and machinery becoming unsafe;
- Levels of service not met, and
- Incomplete risk analysis.

Key principles

- Ensure buildings and associated plant are safe and fit for purpose;
- Service, maintain, and renew buildings to agreed levels of service;
- Provide specialist advice to activity managers regarding building development, refurbishment, and renewals;
- Building compliance – ensure that Napier-City-Council-owned buildings meet legislative requirements, and
- Gather, interpret, and use quality data to implement maintenance and renewal programmes.

85 BUILDINGS

377 RENTAL UNITS

7 MEMORIALS

12 POOLS

PLANT AND EQUIPMENT

Where we want to be in 30 years

We want to have a mature building asset management strategy with resources, systems, reliable data, and good decision-making tools. These will ensure that buildings are safe, the value of buildings is maximised, and lifecycle (total) cost of ownership is minimised whilst taking into account zero carbon philosophies.

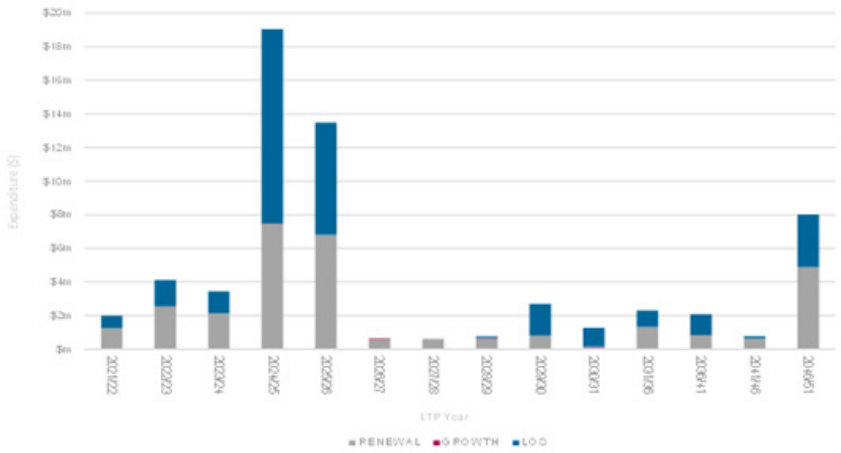
Opportunities

- Develop clear policies, processes, and procedures aligned with best practice and wider Council objectives;
- Embrace modern and developing technology to improve and enhance reporting and provide real-time information, and
- Collaborate with similar-sized Councils to share resources and minimise duplication of effort where practicable.

Capital expenditure forecast

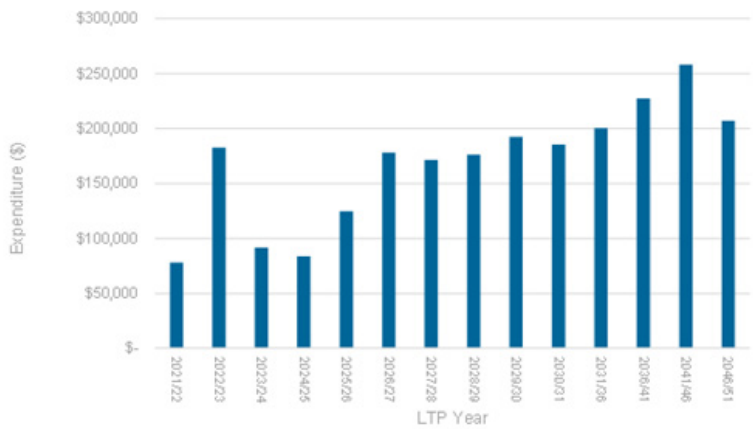
$36.05M is planned to be spent in the first five years and the main contributors to this expenditure are the new community centre in Maraenui – Te Pihinga, estimated at $10.25M over years one to three, and the rebuild of the Napier Library and Civic Precinct during the first five years of the plan, at an estimated total of $54M.

Figure 24: 30-Year Capital Plan for Council Buildings and Facilities (note: excludes Te Pihinga and Kennedy Park)



Operational expenditure forecast

Figure 25: 30-Year Operational Plan for Council Buildings and Facilities (note: excludes Kennedy Park)



NB: Amounts shown for the years 2031 through to 2051 (years 11-30) are an annual average over the period, rather than a total of multiple years.

Significant expenditure decisions - 1

Issue to resolve:

- The Faraday Centre building is not owned by the Council, and needs upgrading

Outcome required:

- To be able to maintain the building and the collection in its current place.

Summary:

- The building that the Faraday Centre occupies is leased by the Hawke's Bay Museums Trust for a very low cost. The building has been assessed as 'earthquake-prone' and needs to be strengthened. There has been little spent on the building over the years and even without the need for strengthening, it is in need of an upgrade to make it function safely and more effectively for staff and volunteers, visitors and the collection itself. Making these improvements would also open the opportunity to offer education programmes and school visits. To enable the works to proceed the Council would have to purchase the building from the Hawkes Bay Museums Trust.

Assumption: That there will be land available to procure

		Options	Implications of options/benefits?	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred option	1	Keep the centre open	Continue to provide operational support to keep the Faraday Centre open until the business case is completed and options are considered. Would allow the centre to continue to provide a unique experience to visitors and residents, and further develop its collection and services.	$2.3M (2021-2031)	✓	✓		✓
Other option	2	Close the centre	Close the centre until the business case is completed and options are considered. This would save staff costs, but some operating costs would remain.	$1.92M ($30K approx. to close, $10K per annum for 9 years) $1.8M held	✓			

Year on year costs

Option	Year 1-3	Yr 4-10	Yr 11-20	Yr 21-30
1	$1M	$2M	$0	$0
2	$0.05M	$1.8M	$0	$0

Significant expenditure decisions - 2

Issue to resolve:

- Civic Precinct is no longer habitable due to earthquake prone status and needs regeneration

Outcome required:

- Library to return to its original site and the return of Council staff to a single office.

Summary:

- We have brought these two projects together and have started developing a masterplan for the entire site and will consult with the community in the coming months. Dealing with the project as one means that we can avoid duplication in the facilities themselves and save money overall.

Assumption: That there will be land available to procure

		Options	Implications of options/benefits?	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred option	1	Rebuild	Dealing with the project as one means that duplication can be avoided in the facilities themselves thus saving money overall	$55M (2021-2027)	✓			✓
Other option	2	Do nothing	Not an option					

Year on year costs

Option	Year 1-3	Yr 4-10	Yr 11-20	**Yr 21-30**
1	$1.2M	$53.8M	$0	$0

Significant expenditure decisions - 3

Issue to resolve:

- An urban development plan focussing on growing economic and social prosperity in the area.

Outcome required:

- A facility that provides a flexible environment that can respond to changing needs while recognising the community's identity and values. A focus on employment, training and entrepreneurship will provide facilities that grow talent and enable the community to thrive.

Summary:

- We have been working with appropriate agencies to come up with an urban development plan focussing on growing economic and social prosperity in the area. Changes have already started to happen in the area with new houses being built and more planned. To support this growth and to create positive opportunities for whānau development, particularly for rangatahi, we have developed a concept for a new community facility.

Assumption: That there will be land available to procure

		Options	Implications of options/benefits?	Cost estimate and timing	Operational	Growth	Levels of service	Renewal
Preferred option	1	Build Now	If we spend 2021 finishing the design, working up the operating model and completing tendering processes, it will be a challenge to achieve added benefits such as social procurement (jobs and training for locals) and environmental outcomes (smart building practice etc)	$10.5M (2021-2023) $740K (2024 onward)	✓			✓
Other option	2	Build Later	Develop our design, explore options for the operating model, confirm partnerships and other funding sources, and develop a social procurement plan to achieve jobs and training for locals	$10.5M (2023-2025) $740K (2026 onward)	✓		✓	✓

Year on year costs

Option	Year 1-3	Yr 4-10	Yr 11-20	Yr 21-30
1	$10.5M	$0.44M	$0.74M	$0.74M
2	$0	$10.5M	$0.74M	$0.74M

Appendix A:

COUNCIL VISION

A VIBRANT AND INNOVATIVE CITY THAT PROVIDES FOR THE WELLBEING OF OUR COMMUNITY NOW AND INTO THE FUTURE

COMMUNITY OUTCOMES

- OUR COMMUNITY AND COUNCIL ARE ONE
- OUR WATER IS CLEAN AND SAFE
- WE ARE A CITY THAT THRIVES WITH ITS COMMUNITY
- OUR SERVICES AND INFRASTRUCTURE MEET OUR COMMUNITY'S NEEDS
- OUR COMMUNITY IS CONNECTED, SAFE, HEALTHY, AND RESILIENT
- WE TREASURE OUR CULTURE, OUR HERITAGE, OUR ENVIRONMENT

KEY INFRASTRUCTURE ISSUES

- Affordability
- Enabling Growth
- Future-Proofing
- Environmental Outcomes
- Addressing Natural Hazards & Climate Change
- Supporting Economic Recovery
- Streamlining BAU Process & Data Quality
- Three Waters Reform
- Deferred Renewals

INFRASTRUCTURE GOAL

PROVIDING INFRASTRUCTURE THAT SUPPORTS AND ENHANCES THE QUALITY OF LIFE IN OUR CITY

HOW TO GET THERE

- Manage Change Effectively
- Optimise Infrastructure Funding
- Improved Community Engagement
- Review Funding Mechanisms
- Use Existing Opportunities & Initiatives
- Investigate Future Needs
- Investment in People
- Strategic Asset Management

OUR INFRASTRUCTURE PRIORITIES

WATER SUPPLY	WASTEWATER	STORMWATER	BUILDING ASSET MANAGEMENT	PARKS AND RESERVES	TRANSPORT	MAJOR DEVELOPMENTS
Install new borefields (x2)	Replace outfall pipe and pump station	Stormwater storage at Lagoon Farm	All NCC buildings meet legislation	Sportsground asset replacement	Asset renewals - kerb, channels, and footpaths	Parklands development
Network backbone upgrades	Upgrade treatment plant	CBD, Napier South and Onekawa flood alleviation	Te Pihinga	Onekawa Park upgrade	Safe footpath and cycleway network	Supporting city wide development
Replace Enfield Reservoir	Upgrade or create new assets	Marewa - Whitmore Park flood alleviation	Civic Precinct	McLean Park facility and turf renewals		
End of life asset replacement	Network backbone upgrades			Park Island development		
				Reserve asset maintenance and renewal		
				Westshore erosion		
				Purchase cemetery land		
				Regional Park		

Appendix B: Key facts at a glance

TRANSPORTATION

- 301KM URBAN ROADS AND FOOTPATHS
- 5,902 STREET TREES
- 56KM RURAL ROADS
- 24 BUS SHELTERS
- 45KM CYCLE PATHS
- 5,441 SUMPS AND MANHOLES
- 15,822M TRAFFIC ISLANDS
- 6,374 SAFETY BARRIERS AND RAILINGS
- 15,607 STREET LIGHTS
- 480KM KERB AND CHANNEL
- 6,885 STREET SIGNS
- 1,369 CULVERTS WITH DIAMETER LESS THAN 900MM
- 72 BRIDGES AND LARGE CULVERTS

WATER SUPPLY

- 485KM PIPES
- 11 RESERVOIRS
- 7 BOOSTER PUMP STATIONS
- 10 MILLION CUBIC METERS PER YEAR

WASTEWATER

- 390KM PIPES
- 49 PUMP STATIONS
- 1 BIOLOGICAL TRICKLING FILTER
- 1 MILLISCREEN PLANT
- 1 SEA OUTFALL PIPE

STORMWATER

- 241KM PIPES
- 9 PUMP STATIONS
- 100KM DRAINS AND CHANNELS
- 2 DETENTION DAMS
- 70% DISCHARGED TO AHURIRI ESTUARY

PARKS AND RESERVES

- 2 PREMIER SPORTSGROUNDS
- 14 GENERAL SPORTSGROUNDS
- 6 CEMETERIES (35 HECTARES)
- 48 OPERATIONAL PUBLIC TOILETS
- 38 NEIGHBOURHOOD RESERVES (16 HECTARES)
- 46 GREENBELT RESERVES (252 HECTARES)
- 9 FORESHORE RESERVES (118 HECTARES)
- 9 PUBLIC GARDENS (12 HECTARES)

BUILDING ASSETS

- 85 BUILDINGS
- 377 RENTAL UNITS
- 7 MEMORIALS
- 12 POOLS
- PLANT AND EQUIPMENT

VARIATION BETWEEN OUR LTP AND OUR ASSESSMENT OF WATER/ SANITARY SERVICES AND WASTE MANAGEMENT AND MINIMISATION PLAN

Clause 6 of Schedule 10 of the Local Government Act 2002 requires NCC to identify and explain any significant variation between the proposals outlined in this plan and:

- Our assessment of water and other sanitary services, and/or
- Our Waste Management and Minimisation Plan which we adopted jointly with Hastings in 2018.

There are no significant variations to note.

Council Policies

- Significance and Engagement Policy.....149
- Revenue and Financing Policy 159
- Other council Policies 182

SIGNIFICANCE AND ENGAGEMENT POLICY

Purpose

This policy provides clarity on how and when the community can expect to be engaged in Napier City Council's decision-making processes and lets the Council and the community identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.

Rationale

Community engagement is important to enable the community to participate and have confidence in the decision-making process and to help council understand varied points of view to make better decisions and deliver better services for Napier, reflecting the aspirations of mana whenua, residents, ratepayers, community groups, and businesses.

At times, engagement and consultation is a requirement of legislation.

Principles

We align with the following principles in our approach to engagement:

- Open and transparent

  We will:

  - interact in an open, honest, and respectful way;
  - be clear about why and how we are engaging;
  - provide clear and relevant information;
  - provide enough time for feedback to be provided;
  - be open to and consider all feedback received, and
  - advise the community of the decisions made.

- Inclusive and accessible

  We will:

  - consider the engagement preferences of the community while reflecting the appropriate level of engagement needed;
  - ensure information is understandable and accessible to a range of people;
  - consider a range of ways people can express their views, and
  - provide opportunities for Māori to contribute to our decision-making processes in a meaningful way, through engagement and/or partnership approaches.

Policy Statement

On every issue requiring a decision, Council will consider the degree of significance and the most appropriate level of engagement. Officers will use the criteria for significance to help identify matters, issues, or proposals that are significant. The appropriate level and type of engagement will be determined using the engagement spectrum.

Significance

General Approach

An assessment of the degree of significance of proposals and decisions and the appropriate level of engagement will be considered in the early stages of a proposal before decision making occurs. Significance means the degree of importance of the matter, issue, proposal, or decision relating to its likely impact on and consequences for:

- Parts of the city, the city as a whole, or the region;

- Any persons who are likely to be particularly affected by or interested in the matter, issue, proposal, or decision;
- The achievement of or means to achieve Council's stated levels of service as set out in the current Long Term Plan;
- The capacity of the Council to perform its role and carry out its activities now and in the future, and
- The financial resource and other costs of the decision or whether these are already included in an approved Long Term Plan.

Criteria for Significance

- the level of community interest;
- the impact or consequences for affected individuals and groups in the city or region;
- consistency with current Council policy, strategy, outcomes, or priorities;
- impact on levels of service;
- financial impact on Council's overall resources and rating levels;
- the cost of the decision;
- the involvement of a strategic asset, and
- the extent to which the decision can be reversed.

The criteria to assess significance are outlined in Schedule 3. The criteria are a guide to help Council identify whether a matter is likely to be significant. Ultimately, in assessing the significance of a decision, Council will need to have regard to all relevant circumstances.

Strategic assets

Our strategic assets or groups of assets are those physical assets vital for delivering services to Napier and/or are important to achieve or promote any outcome that is important to the current or future wellbeing of our community. Strategic assets are the group of assets or the asset as a whole entity and not the individual elements of the asset. We also have some iconic assets of significance that are dealt with through heritage requirements. Council's strategic assets are listed in Schedule 2.

Any decision that transfers ownership or control of a strategic asset to or from Council can only be taken if explicitly provided for in the Long Term Plan and consulted on in accordance with section 93E of the LGA 2002.

Engagement or consultation on other decisions regarding strategic assets will be determined by the level of significance of any proposal (see section on significance above).

Engagement approach

Community engagement is a process involving all or some of the community and is focussed on decision making or problem solving. Council will engage when a matter, issue, proposal, or decision is significant or when legislation requires that consultation is undertaken.

Engagement will be proportionate to the matter being considered. In general, the more significant the issue, the greater the need for community engagement. Even if not required to by legislation, we may decide to use a special consultative procedure (outlined below) if the matter is of high significance, or we may choose to use another form of appropriate consultation. A low level of engagement does not mean the quality of the engagement is diminished.

Council uses the engagement spectrum, based on the International Association of Public Participation (IAP2), to assess the approach we might take to engage with the community on a case-by-case basis. A combination of approaches may be used on any given engagement process. The detailed engagement spectrum (Schedule 4) outlines approaches, methods, and tools. The approach and methods will be outlined in an engagement plan. Engagement processes will be documented and reported to Council to inform their decision making.

Engagement will be carried out in line with our principles outlined in the first section of this policy.

Engagement spectrum – overview

Engagement with Māori

Council acknowledges the unique status of Māori, with particular regard to mana whenua. We will continue to build and strengthen our relationships with mana whenua representative entities and engage in a range of ways to ensure their views are appropriately represented in the decision-making process.

Council will engage with mana whenua where any matter involves a significant decision in relation to land or a body of water to ensure that the relationship of mana whenua and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other tāonga is considered.

Council recognises that there are differences between mana whenua and tāngata whenua and that different approaches are needed for Māori who live in Napier but do not have genealogical connections to mana whenua hapū. Council will engage with tāngata whenua where any matter involves a significant decision in relation to matters concerning community wellbeing.

Engagement with Māori will follow the principles set out in Council's Maori Engagement Framework.

Special Consultative Procedure

A special consultative procedure (SCP) is required by the Local Government Act (Part 6) to be undertaken for some plans and processes, including:

- Long Term Plan (and any amendments), and
- by-laws of significant public interest or significant impact on the public – including changes or revocation.

If other legislation instructs use of SCP to consult, then the SCP must be used regardless of this policy. If other legislation instructs consultation apart from the SCP, that process must be used regardless of this policy, for example the Resource Management Act or the Reserves Act.

Council may choose to use the SCP for other matters.

When the SCP is used, we will:

- prepare and adopt a statement of proposal in accordance with Part 6 of the LGA and in some cases a summary of the statement of proposal (section 83AA);
    - the statement of proposal will include:
        - the reason for the proposal,
        - an analysis of the options,
        - other relevant information including any plans or policies (or any amendments if relevant),
    - for by-laws – the statement of proposal will include:
        - a draft of the proposed by-law or the proposed amendment of the by-law,
        - the reasons for the proposal,
        - a report on any determinations made under the Act on whether a by-law is appropriate,
- make the following information available to the public;
        - the statement of proposal,
        - advise how people can present their views,
        - state how long the proposal is open for submissions,
- make the summary of the statement of proposal and/or the statement of proposal widely available, and

- provide a reasonable opportunity for people to present their views to the Council through spoken interaction (or using sign language). This can be done via audio link or audiovisual link.

Council may request advice or comment from a Council officer or any other person.

When Council may not engage

There may be situations when engagement is impractical or unnecessary because:

- of time constraints e.g. failure to make a decision urgently would result in unreasonable or significant damage to property, risk to people's health and safety[1], or the loss of a substantial opportunity to achieve the Council's strategic objectives;
- the matter is not significant and/or is regarded as business as usual;
- the Council considers that the views of the community are already known, and
- the timing of the decision means it would be better dealt with through the Long Term Plan.

1 this includes any physical alterations to strategic assets that are required to:
- prevent an immediate hazardous situation arising, and
- repair an asset to ensure public health and safety.

Schedule 1: Definitions

Community

A group of people living in the same place or having a particular characteristic in common (i.e. community of interest). This includes interested parties, affected people, and key stakeholders.

Engagement

The process of sharing information and seeking feedback or input to inform and assist decision making.

Long Term Plan

Council's 10-year plan. The plan is reviewed every three years for the following 10 years. Any significant amendments to the plan must take place either every three years or by an additional process requiring consultation.

Significance

Significance, in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of that matter as assessed by the local authority, in terms of its likely impact on and likely consequences for:

- the district or region;
- any persons who are likely to be particularly affected by or interested in the issue, proposal, decision, or matter, and
- the capacity of the local authority to perform its role and the financial and other costs of doing so.

Significant

Any matter that is determined by Council as having a high degree of significance.

Strategic Asset

As defined in Section 5 of the LGA 2002 in relation to the assets held by a local authority, a strategic asset means an asset or group of assets that the local authority needs to retain if the local authority is to maintain the local authority's capacity to achieve or promote any outcome that the local authority determines to be important to the current or future wellbeing of the community and includes:

- any asset or group of assets listed in accordance with section 76AA(3) by the local authority;
- any land or building owned by the local authority and required to maintain the local authority's capacity to provide affordable housing as part of its social policy, and
- any equity securities held by the local authority in:
    - a port company within the meaning of the Port Companies Act 1988,
    - an airport company within the meaning of the Airport Authorities Act 1966.

Schedule 2: Strategic Assets

Refer to section on Strategic Assets

Assets Council owns that are strategic assets under Section 5 of the Local Government Act 2002:

- Share of Hawke's Bay Airport Ltd, and
- Rental housing (as a whole).

Assets Council has determined to be strategic assets and strategic group of assets:

Strategic Group of Assets:

- Sewage conveyance, treatment, and disposal system, including the sewer network, pump stations, and treatment works;
- Water supply distribution systems, including reservoirs, pump stations, and reticulation;
- Land drainage system, including the stormwater pipe network, waterways, retention areas, and pump stations;
- Roading network;
- Sports grounds and reserves;
- Cemeteries;
- Commercial property investments;
- Swimming pool facilities, and
- Literary collections held by the libraries (as a whole).

Strategic Assets:

- Refuse transfer station;
- Share of Omarunui Landfill;
- McLean Park (land and buildings);
- Inner harbour;
- Napier Municipal Theatre (building only);
- Kennedy Park Resort (land only);
- MTG Hawke's Bay (building only);
- Civic Building;
- Napier Conference Centre (building only);
- Napier i-Site (building only);
- Bay Skate (grandstand only), and
- National Aquarium of New Zealand (building only).

Schedule 3: Significance criteria and factors

Criteria	Degree of Significance	
	LOW	HIGH
Residents or ratepayers affected	Small impact on large proportion Or Moderate impact on small proportion	Moderate impact on large proportion Or Large impact on moderate proportion
Particular grouping in the community affected	No particular group affected	Large impact on specific group(s) e.g. youth, Māori, suburb
Financial impact on Council's overall resources and rating level including cost of the decision	Small impact <0.05% increase on rates and/or <$500,000 external borrowing	Large impact >1% increase on rates and/or debt cap exceeded
Impacts to levels of service	No change to an activity group Little or no change to levels of service	Creates or ceases an activity group Large spending increase on activity group Large reduction in levels of service
Strategic asset	Involves minor changes to a strategic asset	Involves changes to ownership or control of strategic assets
Consistency with policy/strategy	Consistent	Large inconsistency
Community interest	General agreement	Large divisions in the community Disagreement from large proportion of community
Reversibility	Ability to reverse Has low to medium impact on future generations	Is irreversible and/or will impact negatively on future generations to a high degree
Legal requirements	Has no legal obligation to consult	Has specific legal obligation to consult

Schedule 4: Engagement Spectrum

		INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
Approach		Provide information	Obtain feedback	Have dialogue	Partner	Community decides
When the community can expect to be involved		Informing once a decision has already been made	Seek ideas or input on options already developed	Community participates in the process and has input into the matter before a decision is made	Work together to develop options and identification of preferred solutions	The final decision is made by the community
Types of issues		• Annual report • Updates on significant projects • Council papers • Annual Plan where there are no significant changes from LTP	• Long Term Plan • Significant amendments to Annual Plan • By-law –including changes	• Policy development • Long Term Plan development • Some major projects	• Community plans • Sector-wide issues • Projects with significant community focus/impact or implementation	• Local body elections • Locally-based policies and initiatives
Tools	INFORMAL	• Social media • Newsletters • Radio • Posters	• Social media • Focus groups • Informal meetings • Roadshows • Expos	• Interactive digital platforms • Workshops • Forums • Panels (peoples panel) • Engagement events	• 'Advisory groups	• Community-led groups
	FORMAL	• Fact sheets • Public notices publications	• Surveys • Formal submissions • Hearings	• Public meetings • Expert panels	• Project teams • Steering groups • Technical experts	• Referenda • Ballots

Schedule 5: Strategic Asset linkage to Council Outcomes

Strategic Asset	Link to Outcomes
Share of Hawke's Bay Airport Ltd Commercial property investments Kennedy Park Resort (land only)	Sustainability
Cemeteries Sewage conveyance, treatment, and disposal system, including the sewer network, pump stations, and treatment works Water supply distribution systems, including reservoirs, pump stations, and reticulation Land drainage system, including the stormwater pipe network, waterways, retention areas, and pump stations Refuse transfer station Share of Omarunui landfill Bay Skate (grandstand only) Swimming pool facilities Rental housing (as a whole)	Health and Wellbeing
Roading network Sports grounds and reserves Inner harbour	Infrastructure
Literary collections held by the libraries (as a whole) Marine Parade Attractions (as a whole) McLean Park (land and buildings) Napier Municipal Theatre (building only) MTG Hawke's Bay (building only) Napier Conference Centre (building only) Napier i-Site (building only) National Aquarium of New Zealand	Vibrancy and Innovation
Civic Building	Engagement

REVENUE AND FINANCING POLICY

Adopted by Council 01 June 2021

Purpose

The Revenue and Financing policy is adopted under Sections 102(1) & 103(1) of the Local Government Act 2002 and must contain Napier City Council's general policies on the funding of operating and capital expenditure and show how the local authority has, in relation to the sources of funding identified in the policy, complied with Section 101(3) which has two parts.

Policy Background

Napier City Council (Council) has reviewed the proposed sources of funding for operating and capital expenditure and has reviewed the funding for each activity to determine the funding policy for each. In accordance with the Local Government Act 2002 (LGA) Council has considered each activity with regard to the following:

- Community outcomes to which an activity contributes;
- The distribution of the benefits between the community as a whole, identifiable parts of the community and individuals;
- The period in or over which those benefits are expected to occur;
- The extent to which actions or inactions of individuals or groups contribute to the activity; and
- Costs and benefits of funding the activity distinctly from other activities.

Council has considered each activity to determine what it considers an appropriate funding source for both operating and capital expenditure (refer to the schedule in the appendix).

Then it has considered the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community. It considered the following in determining the final funding source:

- The nature of Napier City as a whole including as a visitor and tourist destination;
- The different costs of providing services and facilities and the associated benefits that the commercial (including accommodation providers) and industrial properties receive from those services;
- The impact of rates on residential properties, and in particular on the affordability of rates for low, average and fixed income households;
- The complexity of the rating system and the desirability of improving administrative simplicity; and
- The appropriate use of the General Rate.

Council has concluded that the General Rate and storm water targeted rate on commercial and industrial should have an appropriate differential recognising the issues considered above.

Council has also considered the impact of fees and charges. Council uses the market rate (where permissible) as the upper limit used for determining fees or charges. Where Council believes the imposition of fees or charges at a rate above the market rate will reduce usage of the activity or facility and lead to the imposition of a greater cost on ratepayers it will modify the amount chargeable to the market rate. In selecting the market rate, the Council has made a judgement that the community values the existence of the facility and would rather fund it from rates than for the facility to close.

Following consideration of the above the Council is proposing the use of the following funding tools.

Council's policies on funding operating expenses and capital expenditure

General Rates

General Rates are used to fund both operating and capital expenditure. They fund the remaining costs of Council operations after all other sources of funding have been applied.

The General Rate has a significant component of public good or activities when the community benefits as a whole, and as the General Rate is a general taxing mechanism shifting the "differential factor" for each sector's share of the city's overall land value is the principal means that the Council has used to of achieving the desired overall rates impact on the wider community. It cannot achieve precise equity or allocation of costs to each type of property.

In determining differentials for General Rates, the intensity of development (i.e. building and surfaces) is considered a significant factor. With reference to observed property size and as the most common differential, Residential/Other was set as the base property type. Other differentials are set in reference against Residential/Other.

General Rates are assessed through a combination of a Uniform Annual General Charge (UAGC) and a rate in the dollar based on land value.

Council has set the following land value differential categories:

- Residential/Other
- Commercial & Industrial
- Rural Residential
- Rural

The amount of the UAGC is set to ensure that the total (excluding water and wastewater rates) uniform (or fixed) rates will be between 20% to 25% of total rates that are to be collected.

Differential rating category definitions

Residential/Other properties

Any property that is not defined as Commercial & Industrial, Rural Residential or Rural.

Commercial and Industrial

Any property that is in a commercial or industrial zone under the District Plan or used for any business activities, except properties categorised as rural or consented for residential use, will be rated as commercial and industrial properties.

Commercial and industrial activities include, but are not restricted solely to:

- Rural and other support activities such as transport, supplies, packhouses and wineries servicing multiple clients
- Professional offices, surgeries etc.
- All retail, wholesale merchandising activities
- All forms of manufacturing and processing
- Bars, restaurants, cafes and other service activities
- Storage facilities
- Hotels, motels, B & B's and other short-term accommodation providers
- Tourism operations
- Care facilities operated for profit

Rural Residential

Any rating unit that would otherwise be classified as Residential, but is not connected or able to be connected to both the city water system and the city sewerage system.

Rural

Any rating unit with an area of 5 Hectares or more that is used predominantly for land based agricultural or farming activities.

Targeted Rates for specific areas and/or activities

Targeted Rates are charged to fund both operating and capital expenditure. They are charged where Council considers it desirable to separate out the funding of an activity. They are charged to rating units including those units that are separately inhabited which have access to or are deemed to benefit from the service provided. Targeted rates are a funding mechanism that may be charged for activities deemed to have either a high public or a high private good to identified properties, an area of the city or the city as a whole.

Some targeted rates are applied differentially using either land or capital values, however most targeted rates are applied on a uniform basis (same amount or rate in the dollar).

Lump sum contributions

Council does not normally use any lump sum contributions.

Fees and charges:

Fees and charges are used to fund both operating and capital expenditure.

They are applied where there is a benefit to an individual from the delivery of goods and or services and this can be charged in a cost-efficient manner. If it is possible to efficiently impose a charge, then the Council does so, on the basis of either recovering the full cost of the service, the marginal cost added by users, or at a level that the market will pay. Fees & charges includes retail sales, ticketing, & corporate sponsorship

The following specific types of revenue are included in fees and charges:

Licence Fees

Licence fees are charged where applicable and may be set by Council or by regulation.

Enforcement Fees including fines and infringement fees

Enforcement fees are charged where applicable. Their purpose is to promote compliance rather than to raise revenue; consequently, revenue collected may be insufficient to meet the full costs of the enforcement activity. The level of enforcement fee may also be restricted by statute or the courts. Use of enforcement fee revenue collected may also be directed to a specific purpose by statute.

Rental and Lease Income

Rental and lease income are attributed to the activity with primary responsibility for the asset generating the rental or lease income. This revenue generally offsets costs of maintaining the asset and costs generally within the activity area receiving the revenue. However, in the case of leasehold land subject to the Hawke's Bay Endowment Land Empowering Act 2002, ground rental revenue is credited to a special fund within equity being the HB Endowment Income Account. In accordance with the Act this income is used to fund the net cost of the Napier Inner Harbour and certain foreshore reserves and other permitted activities. The land subject to the Act was vested in Council in 1989 from the Hawke's Bay Harbour Board at the same time that Council assumed liability for the Napier Inner Harbour and former Harbour Board foreshore reserves.

Waste Levy Income

This is the Council share of waste levy fees collected by the Ministry for the Environment. Income is received from the Waste Levy Fund and must be applied to waste minimisation activities.

Interest and dividends from investments

Interest and dividends from investments are used to fund operating and capital expenditure.

Council receives interest from its investments. Interest generated from defined funds held or collected, where Council has determined that interest will be added, are credited to the fund at year end and applied to the purposes of the fund. Any remaining interest income is used to reduce the requirement for General Rates.

Council also receives a minor amount of dividend revenue from time to time. Where applicable, this is applied to offset the cost of the activity related to the dividend income. Where dividend income relates to Council operations in general, this is applied to the same purposes as general rates.

Borrowing

Borrowing is primarily used as a tool to smooth cash requirements for capital acquisitions and replacements, and can be used to smooth cash requirements for large one-off operating expenditure. In certain circumstances, in accordance with Council's financial strategy, borrowing may be used to fund operating expenditure.

Proceeds from Asset Sales

Proceeds from asset sales are used to fund operating and capital expenditure.

Council's preference is that proceeds from asset sales are used to fund capital projects, repay debt to external parties or repay internal debt, thus replenishing reserves. The main planned asset sales programme of Council is the ongoing freeholding of HB Endowment Land Residential Leases and the sale of land associated with the development and sale of sections in the Parklands residential subdivision. Council also intends to review assets for potential sale to reduce debt or replace with higher yielding investments.

Development and Financial Contributions

Proceeds from development and financial contributions are used to fund operating and capital expenditure. They are primarily to fund capital expenditure associated with growth however some operating costs such as finance costs may be funded from this source.

The existing Development Contribution policy has had limited application and as the Council has an operative Financial Contributions policy under the Resource Management Act 1991, it was decided that this was currently the preferred method of recovery of the costs relating to development. The Financial Contributions Policy will be updated as part of the review of the District Plan.

Grants, subsidies and donations

Revenue from these sources is actively sought to offset both operating and capital costs.

Petrol Tax

This is the local government share of the petrol tax levied by central government. It is used to contribute to the costs of road maintenance.

Other funding sources

Council continues to actively explore all possible sources of funding to assist with the funding of both operating and capital expenditure. Any other funds derived will be used to either fund capital expenditure or to reduce the amount Council collects from rates.

Council policies in relation to various funding sources to fund operating and capital expenditure (section 103 Local Government Act 2002)

The table sets out for each activity funding sources that are to be used for both operating and capital expenditure. The rationale is explained in schedule in the appendix.

Activity	Funding sources	
	Operational[1]	Capital
Animal control	Primary source • Fees & charges (including infringement fees) 65% to 70% Other sources • General Rates	• Accumulated surpluses • General Rates • Fees & charges • Loans • Reserves
Bay Skate	Primary source • General Rates 60% - 70% Other sources • Fees and charges (including Leases, retail sales, & sponsorship)	• Accumulated surpluses • General Rates • Fees & charges • Loans • Reserves
Building consents	Primary source • Fees and charges 80% Other sources • General Rates • Targeted Rates • Reserves • Loans	• Nil
Cemeteries *This includes the contribution that NCC makes towards HB Crematorium in Hastings*	Primary source • General Rates 70% to 80% Other sources • User fees & charges	• Accumulated surpluses • General Rates • Fees & charges • Loans • Reserves

Activity	Funding sources	
	Operational[1]	Capital
City development	Primary source • General Rates 100% Other sources • Reserves • Loans • Fees and charges (where appropriate)	• No significant capital expenditure but minor capital expenditure is funded from General Rates, Reserves and Loans
Community facilities	Primary source • General Rates 80% – 90% Other sources • Fees & charges, including lease income, one off grants, naming rights	• Accumulated surpluses • General Rates • Fees & charges, • Loans • Reserves • Grants & donations
Community strategies	Primary source • General Rates 100% Other sources • Fees & charges, including bequest and external funding • Reserves	• Accumulated surpluses • General Rates • Fees & charges • Loans • Reserves
Democracy and Governance	Primary source • General Rates,100% Other sources • Fees & charges, including for LGOIMAs • Reserves	• Nil

1 The stated percentages indicate the target set by Council. The actual percentages will vary from year to year as explained in the footnote at the bottom of the table in the appendix. Also subsidies, grants and donations can be considered as a possible source of funding for all activities as Council will actively seek other sources of external funding where available for both operating and capital expenditure.

Activity	Funding sources	
	Operational[1]	Capital
Events and marketing	Primary source • General Rates 90% – 95% Other sources • Grants • Fees & charges, including ticketing, corporate sponsorship, vendors	• Accumulated surpluses • Loans
Housing	Primary source • Fees & charges 100% (rentals) Other sources • General Rates • Loans	• Accumulated surpluses • Fees & charges (rentals) • Loans • Grants • Reserves • General Rates
Inner harbour	Primary source • General Rates 50% to 60% Other sources • Fees and charges • Reserves, surplus revenue from inner harbour land holding	• Accumulated surpluses • Fees and charges • General Rates • Reserves • Loans • Financial and/or Development Contributions.
Kennedy Park Resort	Primary source • Fees and charges 100%	• Accumulated surpluses • Fees and charges • Loans • Reserves
Lagoon farm	Primary source • Fees and charges 90% - 100% Other sources • Reserves	• Accumulated surpluses • Fees and charges • Reserves • Loans
Libraries	Primary source • General Rates 90% - 95% - Other sources • Fees & charges (fines) • Grants & bequests	• Accumulated surpluses • Fees & charges, fines • General Rates • Grants & bequests • Loans • Reserves • Financial and/or Development Contributions

Activity	Funding sources	
	Operational[1]	Capital
Marine Parade pools	Primary source • General Rates 60% - 80% Other sources • Fees & charges	• Accumulated surpluses • General Rates • Fees & charges • Loans • Reserves • Financial and/or Development Contributions
McLean Park	Primary source • Fees and charges, 100% tickets, sponsorship, corporate box revenue, naming rights • General Rates	• Accumulated surpluses • Fees and charges • General and targeted rates • Ticket sales • Loans • Reserves, • Grants & bequests • Sponsorship, & corporate box revenue, naming rights
MTG Hawkes Bay	Primary source • General Rates 65% - 75% Other sources • Fees and charges • Contribution from other local authorities • Bequests • Grants, donations & retail sales	• Accumulated surpluses • General Rates • Fees and charges • Contribution from other local authorities • Bequests • Grants • Donations • Loans • Reserves • Sponsorship, & naming rights
Napier Aquatic Centre	Primary source • General Rates 65% - 75% Other sources • Fees & charges	• Accumulated surpluses • General Rates • Fees & charges • Loans • Reserves
Napier I-Site	Primary source • Fees and charges 65% to 75% Other sources • General Rates	• Accumulated surpluses • General Rates • Fees and charges • Targeted rates • Loans • Reserves

Activity	Funding sources	
	Operational[1]	Capital
Napier Municipal Theatre	Primary source • General Rates 50% - 55% Other sources • Fees and charges • Bequests • Grants, donations & sponsorship	• Accumulated surpluses • General Rates • Fees and charges • Bequests • Grants, donations & sponsorship • Loans • Reserves • Naming rights
Napier Conferences and Events	Primary source • Fees and charges 90% to 95% Other sources • General Rates	• Accumulated surpluses • Fees and charges • General Rates • Targeted rates • Loans • Reserves
National Aquarium of NZ	Primary source • Fees and charges 75% - 80% Other sources • Grants • Sponsorships, bequests & philanthropic • General Rates	• Accumulated surpluses • Fees and charges • General Rates • Targeted rates • Grants • Sponsorships, bequests & philanthropic • Sponsorship • Loans • Reserves • Naming rights
Par2 Mini golf	Primary source • Fees and charges • Retail sales 100%	• Accumulated surpluses • Fees and charges • Reserves • Loans
Parking	Primary source • Fees and charges 80% to 90% Other sources • Targeted rates • Reserves	• Accumulated surpluses • Targeted rates • General Rates • Loans • Reserves • Financial and/or Development Contributions

Activity	Funding sources	
	Operational[1]	Capital
Parklands residential development	Primary source • Fees and charges 100% Other sources • Reserves	• Loans • Reserves
Property holdings	Primary source • Fees and charges 100% Other sources • Fees and charges (lease income) • Reserves	• Accumulated surpluses • Fees and charges (lease income) • Loans • Reserves
Public toilets	Primary source • General Rates 95% - 100 Other sources • Fees and charges • Reserves	• Loans • Reserves • General Rates
Regulatory solutions	Primary source • General Rates 55% - 65% Other sources • Fees and charges, • Reserves	• Accumulated surpluses • Loans • Reserves
Reserves	Primary source • General Rates 85% - 90% Other sources • Fees and charges (rentals and leases)	• Accumulated surpluses • General Rates • Fees and charges • Targeted rates • Loans • Bequests • Reserves • Financial and/or Development Contributions • Grants and subsidies • Naming rights & sponsorship

Activity	Funding sources	
	Operational[1]	Capital
Resource consents	Primary source • 60% of the activity's costs are recovered from General Rates • Resource consents fees and charges are set to recover 100% of costs for services provided Other sources • Reserves	• Nil
Sportsgrounds	Primary source • General Rates 90% - 95% Other sources • Fees and charges (rentals and leases)	• Accumulated surpluses • General Rates • Fees and charges • Targeted Rates • Naming rights • Sponsorship • Loans • Bequests • Reserves • Financial and/or Development Contributions
Stormwater	Primary source • Targeted Rates 95% - 100% Other sources • General Rates • Reserves • Fees and charges (connection fees)	• Accumulated surpluses • General and Targeted Rates • Fees and charges • Financial and/or Development Contributions • Loans • Reserves
Transportation	Primary source • Waka Kotahi subsidy 50% – 60% (for subsidised work programme only), 15.3% for CBD sweeping, 85% for LED replacement programme Other sources • General Rates • Fees and charges • Petrol tax	• Accumulated surpluses from Targeted Rates, General Rate, fees and charges • Petrol tax • Waka Kotahi subsidy 50% – 60% (for subsidised work programme only), 15.3% for CBD sweeping, 85% for LED replacement programme • Financial and/or Development Contributions • Loans • Reserves • Grants and donations (e.g. cycle ways)

Activity	Funding sources	
	Operational[1]	Capital
Waste minimisation	Primary source 80% - 90% • Fees and charges • Targeted Rates • Waste minimisation levy Other sources • General Rates • Reserves	• Accumulated surpluses • Fees and charges • General and Targeted Rates • Waste minimisation levy • Reserves • Loans • Financial Contributions
Wastewater	Primary source 100% • Targeted Differential Rates • Fees and charges (including trade waste bylaw charges)	• Accumulated surpluses • Targeted Differential Rates • General Rates • Fees and charges • Loans • Reserves • Development and/or Financial Contributions
Water supply	Primary source 100% • Targeted Differential Rates • Water rates • Fees and charges (not including water by meter rate)	• Accumulated surpluses • Targeted Differential Rates • Water rates • General Rates • Fees and charges • Loans • Reserves • Financial and/or Development Contributions

1 The stated percentages indicate the target set by Council. The actual percentages will vary from year to year as explained in the footnote at the bottom of the table in the appendix. Also subsidies, grants and donations can be considered as a possible source of funding for all activities as Council will actively seek other sources of external funding where available for both operating and capital expenditure.

The schedule in the appendix records how the Council has applied the five considerations in the table below that it must consider when undertaking its funding needs analysis.

Local Government Act 2002 section	Areas of consideration	Description of the matter Council might consider
s.101(3)(a)(i)	Community outcome	The Council determined which of its community outcomes each activity primarily contributes to. There may not be strong link between community outcomes and funding requirements for an activity
s.101(3)(a)(ii)	Who benefits?	What the distribution of benefits is between the whole community, identifiable parts of the community and individuals. Often referred to as the public/private good split.
s.101(3)(a)(iii)	Period of benefit	For most operational expenses, the benefit is received in the year the expense is incurred. Some operational expenses (provisions) may have a benefit over multiple years and so the Council may choose to fund the activity over that period. Expenditure which results in an asset either being replaced (renewals) or new assets provide benefit over multiple years.
s.101(3)(a)(iv)	Whose acts create a need	Council used the principle that those who cause additional cost either by action or inaction are considered in this section. These may be different groups from those who have been identified within the "who benefits" consideration above. Often referred to as the exacerbator pays principle
s.101(3)(a)(v)	Separate funding	Council considered the costs and benefits of funding an activity separately, including in relation to transparency and accountability. It also considered matters such as the financial scale of the activity, administrative cost, and legal requirements.

Policy Review

The review timeframe of this policy will be no longer than every three years.

Document History

Version	Reviewer	Change Detail	Date
2.0.1	Caroline Thomson	Updated in conjunction with 2019-20 Annual Plan	4 June 2019
3.0.0	Garry Hrustinsky	Updated according to Local Government Act 2002	11 February 2021
3.0.1	Garry Hrustinsky	Updated in conjunction with draft Long Term Plan 2021-2031	01 June 2021

Appendix A

Schedule of Activity Funding Needs Analysis Section 101(3)(a) LGA

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
Animal Control	A safe and healthy city that supports community well-being	Community as a whole Animal owners	Intergenera-tional	All animal owners create the need however irresponsible owners create a greater cost. Legislative (Dog Control Act)	No reason iden-tified to fund the net cost of this activity (after non rate revenue sources) sepa-rately from other activities. The private ben-efit is predom-inantly funded from annual dog licence fees.	Animal control is primarily a health & safety service for the community & therefore benefits everyone. There are costs that the Council can directly attribute to individual owners.	30% - 35%	• General rates • Fees & charges (including infringement fees)	• Accumulated surpluses from General rates, fees & charges, • Loans • Reserves
Bay Skate	A vibrant innovative city for everyone	Direct users, local businesses, parents, tourists and visitors Community as a whole as the facility provides a safe location for users to undertake their sport	Intergenera-tional	Nil	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	Everyone has the ability to use the facility and Council can identify the users	60% - 70%	• General rates • Fees and charges (including Leases, retail sales, & sponsorship)	• Accumulated surpluses from General rates, fees & charges, • Loans • Reserves

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
Building Consents	A safe and healthy city that supports community well-being	The property owner and inhabitant. There is a wider benefit from buildings being built to code	Intergenerational because of the life of the structures for which consents are issued.	People constructing non consented buildings, construction industry parties not complying with the Building Act	Council funds the cost of inspecting and maintaining a database on swimming pools through a target rate to properties that have a swimming pool. No reason identified to fund the net cost of this activity (after the swimming pool targeted rate and other non-rate revenue sources) separately from other activities Most activity costs are funded by fees from applicants.	This benefits the property owner and inhabitant. There is a wider benefit from buildings being built to code.	20%	• Fees and charges • General rates • Targeted rates • Reserves • Loans	• Nil
Cemeteries *This includes the contribution that NCC makes towards HB Crematorium in Hastings*	Excellence in infrastructure and public services for now and in the future	the community as a whole, any identifiable part of the community, and individuals	Intergenerational – history & physical infrastructure	No significant exacerbators	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	Wider public benefit for open space & recognition & place of remembrance. Private benefit – place where people can be interred, cost of the plot & interment	75%	• General rates • User fees & charges	• Accumulated surpluses from General rates, fees & charges, • Loans • Reserves

2 The percentages stated are the indicative target set by Council. The actual percentage may vary from year to year based on activity levels. As an example, an activity that says 100% public good may receive some revenue from fees and charges where charging is warranted to ensure the community are not inadvertently required to pay for something that only provides a benefit to an identifiable individual. Another example where the actual percentage may vary is when Council is able to obtain external grants or subsidies for a specific programme of work.

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
City Develop-ment	A vibrant innovative city for everyone	The community as a whole benefit from this activity except where there is a private plan change that has specific benefits to the applicant	The outcomes of this activity result in ongoing benefits and some of these benefits can last a significant period of time	Applicants for private plan changes	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	City Development is an ongoing activity to help citizens and elected officials design and deliver the Vision for Napier City. This predominantly results in benefits for the whole community. Debt or loan funding can be used where there is large non-recurring expenditure	100%	• General rates • Reserves • Loans • Fees and charges (where appropriate)	• No significant capital expenditure but minor capital expenditure is funded from general rates and reserves.
Community Facilities	A safe & healthy city that supports community well-being	The community as a whole including users of the facilities	Intergeneration-al because of the life of the facilities	Users of the facilities who put greater demands on the facilities	No reason identified to fund the net cost of This activity (after non rate revenue sources) separately from other activities	Community as a whole benefit from having these facilities available but there is the ability to identify & charge users.	85%	• General rates • Fees & charges, including lease income, one off grants, naming rights	• Accumulated surpluses from General rates, fees & charges, • Loans • Reserves • Grants & donations
Community Strategies	Council works with and for the community	The community as a whole	The outcomes of this activity result in ongoing benefits	Antisocial behaviour by individuals and groups Legislation	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	This is a core Council activity which changes the response to the needs of the community for which everyone benefits	100%	• General rates • Fees & charges, Including bequest and external funding • Reserves	• Accumulated surpluses from General rates, fees & charges • Loans • Reserves

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
Democracy and Gov-ernance	Council works with and for the community	The community as a whole	Short term	LGOIMA requests (vexatious & legitimate)	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	All residents and rate payers have equal opportunity to benefit All have the ability to contribute to this activity therefore no differential, general rates	100%	• General rates, • Fees & charges, Including for LGOIMAs • Reserves	• Nil
Events and Marketing	A vibrant innovative city for everyone	The community as a whole receives social, cultural and economic benefit Participants and/or users	Short term	No significant exacerbators	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	Events are a key part of the Napier City's social, economic and cultural fabric, therefore the benefits that are received are both general and specific.	95%	• General rates • Grants • Fees & charges, including ticketing, corporate sponsorship, vendors	• Nil
Housing	A safe and healthy city that supports community well-being	Users of the facilities and the wider community	Intergenera-tional	Inability of other entities to provide adequate social housing to meet local demand	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	Responding to an identified need in our community. The users of the facilities are the primary beneficiaries of this activity.	0%	• Fees & charges (rentals) • General rates • Loans	• Accumulated surpluses from Fees & charges (rentals) • Loans • Government grants • Reserves • General rates
Inner Harbour	A vibrant innovative city for everyone	The users of the facilities and the wider community in terms of the amenity value.	Intergenera-tional	Individual undertaking Illegal activities	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	The users of the facilities receive a significant benefit but the wider community receives benefit through the amenity value.	50% - 60%	• Fees and charges • General rates • Reserves, surplus revenue from inner harbour land holding	• Accumulated surpluses from Fees and charges, general rates, reserves, • Loans • Financial and\ or Development contributions.

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
Kennedy Park Resort	A vibrant innovative city for everyone	Direct users and ratepayers by the surplus generated. Local retail, hospitality	Intergenera-tional	None identified	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	Provides a range of affordable visitor amenities that generates a surplus for Council to use as it sees fit.	0%	• Fees and charges	• Accumulated surpluses from Fees and charges, • Loans, • Reserves
Lagoon Farm	A sustainable city	The community as a whole (has the ability to subsidise rates).	Intergenera-tional	Nil	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	This activity currently breaks even and does not require any significant additional funding.	0% - 10%	• Fees and charges • Reserves	• Accumulated surpluses from Fees and charges • Reserves, • Loans
Libraries	A safe & healthy city that supports community well-being	The community as a whole however it is possible to identify users	Both long and short term ben-efits.	Researchers, people who demand excessive staff time for professional and commercial purposes	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	Everyone has the ability to use the library and we can identify certain users for specific services	90% - 95%	• Fees & charges (fines) • General rates • Grants & bequests	• Accumulated surpluses from Fees & charges, fines • General rates • Grants & bequests • Loans • Reserves • Financial and\ or Development contributions
Marine Parade Pools	A safe and healthy city that supports community well-being	The community as a whole including users of the facility	Intergenera-tional	None identified	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	Everyone has the ability to use the facility and Council can identify the users	60% - 80%	• Fees & charges • General rates	• Accumulated surpluses from general rates • Fees & charges • Loans • Reserves • Financial and\ or Development contributions

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
McLean Park	A vibrant innovative city for everyone	The regional community as a whole Users, spectators, events, national, regional and local organisations, businesses	Intergenera-tional	None identified	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	The region benefits by having this facility and those who attend or participate in events	0%	• Fees and charges, tickets, sponsorship, corporate box revenue, naming rights	• Accumulated surpluses from fees and charges, general and targeted rates, tickets, • Loans • Reserves, • Grants & bequests • Sponsorship & corporate box revenue, naming rights
MTG Hawke's Bay	A vibrant innovative city for everyone	The whole region, users and visitors	Intergenera-tional	None identified	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	The provision of this activity enhances the social and cultural fabric and preserves our heritage and celebrates artistic innovation for future generations. Therefore, the whole region benefits	65% - 75%	• General rates • Fees and charges • Contribution from other local authorities • Bequests • Ministry of Education, grants, donations & retail sales	• Accumulated surpluses from General rates, fees and charges • Contribution from other local authorities • Bequests • Ministry of Education grants • Donations, • Loans, • Reserves • Sponsorship & naming rights
Napier Aquatic Centre	A safe & healthy city that supports community well-being	The community as a whole including users of the facility	Intergenera-tional	None identified	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	Everyone has the ability to use the facility and Council can identify the users	65% - 75%	• Fees & charges • General rates	• Loans, • Accumulated surpluses from general rates, fees & charges • Reserves

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
Napier I-Site	A vibrant innovative city for everyone	Visitors, regional tour operators and accommoda-tion providers, hospitality, lo-cal businesses	Short term expenditure with ongoing benefits Building – in-tergenerational equity	Cruise ships passengers and operators	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	Visitors, regional tour operators and accommodation providers, hospitality, local businesses therefore creating economic benefit for the city	25% - 35%	• General rates • Fees and charges	• Accumulated surpluses from General rates • Fees and charges • Targeted rates • Loans • Reserves
Napier Municipal Theatre	A vibrant innovative city for everyone	The community as a whole including users of the facility	Intergenera-tional	None identified	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	The provision of this activity enhances the social and cultural fabric and celebrates artistic innovation for future generations. Therefore, the whole City benefits	50% - 55%	• General rates • Fees and charges • Bequests • Grants, donations & sponsorship	• Accumulated surpluses from general rates • Fees and charges • Bequests • Grants, donations & sponsorship • Loans, • Reserves • Naming rights
Napier War Memorial Conference Centre	A vibrant innovative city for everyone	The immediate users. Local businesses receive a benefit from out of town users. Locals benefit from general hireage of the facility.	Intergeneration-al - 20-30 years	None identified	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities Building = War Memorial Centre Activity = Conference Centre	The Napier War Memorial Conference Centre is suitable for a wide range of events and attracts local, national and international conferences and events and provides a facility for the community which generates economic wellbeing.	5% - 10%	• Fees and charges • General rates	• Accumulated surpluses from Fees and charges • General rates • Targeted rates • Loans • Reserves

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
National Aquarium of NZ	A vibrant innovative city for everyone	Local, domestic and international visitors Businesses and local economy Historical and heritage, customary practices – especially Maori and Pacifica	Intergenera-tional	Polluters, sanctuary requirements	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	It attracts locals and visitors to the city which provides enhances economic activity	20% - 25%	• Fees and charges • Grants • Sponsorships, bequests & philanthropic • General rates	• Accumulated surpluses from Fees and charges • General rates • Targeted rates • Grants • Loans • Reserves • Naming rights
Par2 Mini Golf	A vibrant innovative city for everyone	Users, visitors and families	Intergenera-tional	None identified	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	It attracts locals and visitors and is a fun family friendly activity for all ages from which the Council fully recovers its cost	0%	• Fees and charges, retail sales	• Accumulated surpluses from Fees and charges • Reserves • Loans

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
Parking	A vibrant innovative city for everyone	Retailers, visitors and the community as a whole and those with a parking exemption	There are assets within this activity that have an intergenerational life	Vehicle drivers, non-compliant vehicle operators and property owners within parking exemption areas.	Council separately charges CBD and outer commercial properties a targeted rate for the provision of additional offstreet parking. Apart for these targeted rates no further reason has been identified to fund this activity separately from other activities	Parking ensures that safe parking facilities are available to the residents and visitors to Napier City to enable optimal vehicle circulation	0%	• Fees and charges • Targeted rates • Reserves	• Accumulated surpluses from Fees and charges • Targeted rates • General rates • Loans • Reserves • Financial and\ or Development contributions
Parklands Residential Development	A sustainable city	The community as a whole	Intergenerational	Nil	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	This activity currently provides significant income that subsidises rates	0%	• Fees and charges • Reserves	• Accumulated surpluses from Fees and charges • Loans • Reserves
Property Holdings	A sustainable city	The community as a whole (has the ability to subsidise rates).	Intergenerational	Non-compliant lease holders	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	This activity generates cash surpluses which enables the subsidy of rates	0%	• Fees and charges (lease income) • Reserves • Loans	• Accumulated surpluses from Fees and charges (lease income) • Loans • Reserves

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
Public Toilets	Excellence in infra-structure and public services for now and in the future	The community and visitors	Intergenera-tional (up to 20 years)	Visitors have created an additional cost. Vandalism Cruise ships Freedom campers Major inner-city events	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	Providing public amenities however, there is a requirement to provide these facilities for areas that have high visitor numbers	95% - 100%	• Fees and charges • General rates • Reserves	• Loans, • Reserves • General Rates
Regulatory Solutions	A safe and healthy city that supports community well-being.	The users of the services and the community, however the effective provision of this activity results in public health and the avoidance of nuisance	Limited to the period of the operation.	Non-compliant businesses and individuals	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	The effective provision of this activity results in public health and the avoidance of nuisance	55% - 65%	• Fees and charges, • General rates • Reserves	• Nil
Reserves	A safe and healthy city that supports community well-being	Occupiers, leases and hirers of the reserves Contributes to the City's green space, biodiversity and environmental outcomes Everyone benefits but the occupiers receive a higher benefit	Intergenera-tional - ongoing with assets having a life of greater than 10 years	Vandalism, events, theft, freedom campers	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	Everyone benefits but the occupiers receive a higher benefit and therefore a range of funding sources are used.	85% - 90%	• General rates • Fees and charges (rentals and leases)	• Accumulated surpluses from General rates, fees and charges • Targeted rates, • Loans, • Bequests, • Reserves • Financial and\ or Development Contributions, • Grants and subsidies • Naming rights & sponsorship

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
Resource Consents	A sustainable city	The relevant community (through the consent process), free planning advice, public counter, responding to complaints, compliant & safe buildings in the community. Notified and non-notified consents have different levels of benefit	Intergenerational due to the nature of the activities for which the consents are issued.	Resource consent holders who do not comply with the resource consent conditions Unconsented activities. Vexatious and frivolous objectors	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	The relevant community (through the consent process), notified and non-notified consents have different levels of benefit.	60% of the activity's costs are recovered from general rates Resource consents fees and charges are set to recover 100% of costs for services provided	• Fees and charges • General rates • Reserves	• Nil
Sports-grounds	Safe and healthy city that supports community well-being	People who actively participate in the sportsground Direct participants and indirect participants (spectators) Contributes to the City's green space Everyone benefits but the active participants and local businesses have a higher benefit	Intergenerational - ongoing with assets having a life of greater than 10 years	Sports people, park users, vandalism, parents, events	No reason identified to fund the net cost of this activity (after non rate revenue sources) separately from other activities	Everyone benefits but the active participants and local businesses have a higher benefit and therefore a range of funding sources are used	90% - 95%	• General rates • Fees and charges (rentals and leases)	• Accumulated surpluses from General rates, fees and charges targeted rates • Naming rights • Sponsorship • Loans, • Bequests • Reserves • Financial and\ or Development Contributions

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
Stormwater	A vibrant innovative city for everyone Excellence in infrastructure and public services for now and in the future	The community as a whole There can be identifiable parts of the community that receive higher levels of service	Intergenerational (up to 100 years)	Commercial density creates additional cost and need for the activity	Funding this activity separately through a targeted rate provides greater transparency so ratepayers understand the cost of stormwater services	The whole community benefits from the provision of storm water, however some properties based on location receive a different level of service	95% - 100%	• General rates • Targeted rates • Reserves • Fees and charges (connection fees)	• Accumulated surpluses from general and targeted rates, fees and charges • Financial and\ or Development contributions • Loans • Reserves
Transportation	Excellence in infrastructure and public services for now and in the future	Users both public and private. There is a range of between 60% to 80% for private good.	Intergenerational	Heavy vehicles, irresponsible road users, high density properties creating high traffic impacts	Currently not practical and no benefit in funding this activity separately	The transportation activity provides economic, private and community benefit and is essential for the safe functionality and connectivity of the City.	40% - 60%	• Waka Kotahi subsidy • General rates • Fees and charges • Petrol tax	• Accumulated surpluses from targeted rates, general rate, fees and charges • Petrol tax • Waka Kotahi subsidy • Financial and\ or Development contributions • Loans • Reserves • Grants and donations (e.g. cycle ways)

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
Waste Mini-misation	A sustainable city	The individual and the community as a whole	Intergenera-tional	Illegal dump-ing creates an addi-tional cost for Council, inappropri-ate disposal of hazardous waste	Separate Targeted rates are charged to fund the cost of kerbside refuse collections and the kerbside recycling service. This makes the cost of these services transparent to ratepayers. No reason has been identified to fund the net cost of the remainder this activity that relates to litter bins, illegal dumping & hazardous waste disposal (after non rate revenue sources) separately from other activities	Effective and efficient systems for the collection and disposal of refuse and collection of recyclable materials benefit both the individual (enabling disposal) and the community by reducing the adverse environmental impacts.	20%	• Fees and charges • Targeted rates • General rates • Waste minimisation levy • Reserves	• Accumulated surpluses from Fees and charges, targeted rates, general rates, • Waste minimisation levy, • Reserves, • Loans • Financial contributions
Wastewater	Excellence in infra-structure and public services for now and in the future	Private benefit for people to dispose of their waste. Public benefit for the community to have an appropriate environmental solution	Intergeneration-al (up to 100 years)	Industries with high waste volumes and loadings, unconsented activity, low volume high impact waste	Funding this activity separately through a targeted rate provides greater transparency so ratepayers understand the cost of wastewater services.	Provides human and environmental benefits to both the community and the wider region	0%	• Targeted differential rates • Fees and charges (including trade waste bylaw charges)	• Accumulated surpluses from Targeted differential rates, General rates, fees and charges • Loans • Reserves • Development and\or Financial contributions

Activity	Community outcome	Who benefits?	Period of benefit	Whose acts create a need	Separate funding	Rationale	To be recovered from Public Good tools[2]	Funding sources	
								Operational	Capital
Water Supply	A safe and healthy city that supports community well-being	The users of the water supply are the primary beneficiaries however there is a wider benefit of having a potable water supply (90 private/10 public)	Intergenera-tional	Central Government legislation, illegal connections, high use users	Funding this activity separately through a targeted rate provides greater transparency so ratepayers understand the cost of water supply services.	The provision of potable water supply is of benefit to individuals and the wider community	0%	• Targeted differential rates • Water rates • Fees and charges (not including water by meter rate)	• Accumulated surpluses from Targeted differential rates, water rates, general rates, fees and charge • Loans, • Reserves, • Financial and\ or Development contributions

OTHER COUNCIL POLICIES

Please visit our website to view all external policies.

https://www.napier.govt.nz/documents-and-forms/

Audit Report

To the reader:

Independent Auditor's report on Napier City Council's 2021-31 long-term plan

I am the AuditorGeneral's appointed auditor for Napier City Council (the Council). The Local Government Act 2002 (the Act) requires the Council's long-term plan (plan) to include the information in Part 1 of Schedule 10 of the Act. Section 94 of the Act requires an audit report on the Council's plan. Section 259C of the Act requires a report on disclosures made under certain regulations. I have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 30 June 2021.

Opinion

In our opinion:

- the plan provides a reasonable basis for:
- longterm, integrated decisionmaking and coordination of the Council's resources; and
- accountability of the Council to the community;
- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures on pages Volume 2 pages 35 to 39 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee the accuracy of the information in the plan.

Emphasis of Matter

Uncertainty over three waters reforms

Volume 1 pages 34 and 35 and Volume 2 page 92 outlines the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made. The plan was prepared as if these services will continue to be provided by the Council, but future decisions may result in significant changes, which would affect the information on which the plan has been based.

Uncertainty over the delivery of the capital programme

Volume 1 page 4 and Volume 2 page 42 outline that the Council is proposing to spend $811 million on capital projects over the next 10 years. Although the Council is taking steps to deliver its capital programme, there is uncertainty over the delivery of the programme due to a number of factors, including the significant constraints in the construction market. If the Council is unable to deliver on a planned project, it could impact on levels of service.

Achieving a balanced budget

Volume 2 page 38 outlines that the Council is not planning to meet the balanced budget benchmark for the first nine years of the plan. This is because the Council is not fully funding its depreciation. The Council explains on Volume 2 page 70 and 71 the reasons why it considers that it is financially prudent not to meet the balanced budget benchmark, and how it proposes to increase rates and debt over the period of the plan in order to meet the balanced budget benchmark by year ten.

Basis of opinion

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the AuditorGeneral's Auditing Standards and the International Standard on Assurance Engagements 3400 The Examination of Prospective Financial Information that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the plan and the application of its policies and strategies to

the forecast information in the plan. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

Our procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face during the next 30 years;
- the Council's forecasts to replace existing assets are consistent with its approach to replace its assets, and reasonably take into account the Council's knowledge of the assets' condition and performance;
- the information in the plan is based on materially complete and reliable information;
- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;
- the assumptions set out in the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted, and complies with generally accepted accounting practice in New Zealand;
- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- the relationship between the levels of service, performance measures, and forecast financial information has been adequately explained in the plan.

We did not evaluate the security and controls over the electronic publication of the plan.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures, and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

We are responsible for expressing an independent opinion on the plan and the disclosures required by the Regulations, as required by sections 94 and 259C of the Act. We do not express an opinion on the merits of the plan's policy content.

Independence and quality control

We have complied with the AuditorGeneral's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than our work in carrying out all legally required external audits, we have no relationship with, or interests in, the Council.

Karen Young

Karen Young
Audit New Zealand
On behalf of the AuditorGeneral
Wellington, New Zealand

Glossary of Terms

GLOSSARY OF TERMS

Activities and Activity Groups

The main elements of the Council's services offered to the Napier community are divided into Activities. These Activities are described in detail in the Activity Groups section of the LTP, including the financial and non-financial performance measures, targets and the financial budgets for 2021/22 to 2030/31.

Ahuriri Estuary and Coastal Edge Masterplan

In the Capital Programme the Ahuriri Estuary and Coast Edge Masterplan has been abbreviated to Ahuriri Masterplan.

The Ahuriri Estuary and Coastal Edge Masterplan, adopted by Council on 7 August 2018, is a long-term, big-picture vision for a thriving, healthy and resilient Ahuriri.

Allocation of Overheads

Council has a number of cost centres of a corporate and support nature, such as our Information Services team. These cost centres provide the technical and support services necessary for the function of Council's activities.

Costs of the support services are reallocated to activities either as overheads based on the services each activity receives, or they are recharged directly on a usage basis.

Bylaw

A local authority/council has the ability to make local bylaws. These enable the council to enforce local rules about things like waste management, open fires, offensive behaviour, or damage to waterways.

Capital expenditure/CAPEX

Funding used by Council to acquire, upgrade, and/or maintain physical assets such as property, plant, buildings, technology, or equipment.

Carrying Amount

The net amount at which an asset or liability is recognised in the balance sheet.

Community Outcomes

These goals were originally determined from an extensive consultation process with the community. They provide a long term perspective on the development of Napier City and provide the Napier City Council with a framework for contributing to these community aspirations through Council activities.

Derecognition

When an asset value is no longer recorded in the balance sheet it has been derecognised, e.g. when an asset is sold it is no longer recorded on the balance sheet as from the date of the sale.

Derivative

A financial instrument that has the effect of transferring between two or more parties to the instrument one or more risks inherent in an underlying asset. The value of the derivative is determined by fluctuations in the underlying asset. The most common underlying assets include currencies, interest rates, shares, bonds, commodities and market indexes.

Financial Contributions

The share of the cost of new developments and subdivisions met by developers. Council has a Financial Contributions Policy outlining how Council calculates and charges financial contributions. This policy was formerly known as the Development and Financial Contributions Policy.

General Rates

Rates other than targeted rates. These are the General Rate and the Uniform Annual General Charge. These fund a wide range of activities that are considered to be of general benefit to the community.

Impairment

The amount by which the carrying amount of an asset exceeds its recoverable amount.

Infrastructural Asset Renewal/IAR

A statutory requirement to provide for maintenance of infrastructural assets in serviceable condition in perpetuity. The amount required is calculated from asset management plans, and 'smoothed' to provide a relatively even flow of funds from year to year.

Infrastructure/Infrastructure Assets/IAR

Stationary systems forming a network and serving whole communities, where the system as a whole is intended to be maintained indefinitely at a particular level of service potential by the continuing replacement and refurbishment of its components. The network may include normally recognised ordinary assets as components. These include roads, and water, sewerage and stormwater systems.

Levels of Service/LOS

A measure of the quality and quantity of services delivered, determined by customer expectations, legislative requirements and affordability.

Local Government

Local Government and local authorities are terms used to describe any or all of New Zealand's regional, district, city or unitary councils.

While central government is concerned with the broader issues of importance to all New Zealanders, local government manages the issues that are specific to local communities.

Operating expenditure/OPEX

Costs incurred by Council in running day-to-day business, such as rent, wages/salaries, utilities, taxes, and interest.

Regional Council

The main responsibility of a regional council is to manage environmental, resource and transport planning issues for the whole region. A regional may include a number of territorial authorities/councils.

Restricted Assets

Those assets which cannot be disposed of because of legal or other restrictions and that provide a benefit or service to the community. These include reserves vested under the Reserves Act and endowments or other property held in trust for specific purposes.

Prospective Financial Statements

Future-oriented financial statements.

Taituarā

Formerly known as the Society of Local Government Managers (or 'SOLGM'), Taituarā is the national membership organisation for local government. Taituarā provides a wide range of services to assist Council staff and Elected Members to achieve successful outcomes for community, including but not limited to training, advocacy, guidance and advice, conferences and symposiums, and legislative commentary.

Targeted Rate

A rate set under section 16 or 19 of the Local Government (Rating) Act 2002 to fund a specific function or service provided. It may be charged as a fixed dollar amount per rating unit, a fixed charge per factor, such as property value, or a differential charge per factor.

Territorial Authority

A territorial authority is another word for city and district councils. Councils are organisations which are officially responsible for public services and facilities in a particular area.

Waka Kotahi NZ Transport Agency/Waka Kotahi

Formerly known as NZ Transport Agency (or NZTA), Waka Kotahi is a New Zealand Crown entity tasked with promoting safe and functional transport by land.

Wellbeing

The Local Government (Community Wellbeing) Amendment Act 2019 reconfirmed the purpose of local government as being "to promote the social, economic, environmental and cultural wellbeing of communities". It's up to the community to define what wellbeing means for Napier as a whole, which is why engagement about what our people need and want is only going to become more important over the course of the next ten years.

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NAPIER
CITY COUNCIL
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