

Napier City Council

2020/2021

ANNUAL REPORT SUMMARY



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

Welcome from the Mayor and Chief Executive

Me mahi tahi tātou mō te oranga o te iwi katoa | We work together for the wellbeing of everyone

Kia ora koutou.

Together, we've been through a lot over the past year. We've been through changes that have affected our wellbeing, our neighbourhoods and our economy. We've experienced a significant weather event. We've been affected by pressures on our housing market and impacts on our businesses. Throughout, we've had to adapt the way we do things, and in part we've done that through conversations with you about our plans, projects and priorities.

Our Long-Term Plan sets our direction for the next ten years and you have been instrumental in letting us know where you think our focus should be. We set up two funds to help our community through Covid-19 levels and lockdowns, and funded a wide-range of projects from murals and planting, to sports events and social enterprise. The Mayoral Fund, set up to help residents after the November floods, was boosted by Central Government and Hawke's Bay Regional Council who each contributed \$100,000.

Meeting deadlines, adhering to budgets and achieving our outcomes has given us a sense of whanaungatanga. Close connections between colleagues, teams, partner agencies, other councils, and out into the community, mean no matter the obstacles we find a way through. In all that we do, we want to make sure Napier residents and ratepayers, our customers and the wider community are getting the best from our Council.

Getting through tough times takes a team approach with each of us doing what we can to help each other.

People helping people, building those strong connections that create the glue to get through; supporting our local businesses to help get the economy back on its feet; adjusting the way we do things to respond to changes in our community and our climate; respecting and honouring our differences, while celebrating together when and how we can. These are the things that help make our community stronger and more resilient.

Napier is a vibrant, character-filled city and through the supportive relationships we build with each other, it will continue to grow and develop, and remain a great place to call home.

Kirsten Wise
Mayor
Napier City Council
21 December 2021

Dr Steph Rotarangi
Chief Executive
Napier City Council
21 December 2021



Key initiatives and projects

Water

Water continued to be Council's number one priority for 2020/21. Responding to the rainfall event in November 2020 has been a major focus for the year.

Council developed a stormwater simulation model and a 'Stormwater Master Plan' to understand the required capacity in the system to manage flooding.

The two leaks discovered in the Awatoto wastewater outfall pipe in 2018 were sealed early in 2021. This was a significant achievement as the leaks were located around 700 metres offshore, under around 12 metres of sea water and buried below the seabed in places.

Council has completed the development of a 'Water Master Plan', which prioritises projects for providing safe and reliable drinking water supply. A second de-chlorinated water station was opened on Marine Parade in July 2020. The first of two District Metering Areas have been established for Tamatea/Parklands, which aim to resolve dirty water issues in these suburbs.

Key infrastructure

The Council's new kerbside refuse collection service started with the introduction of wheelie bins in October 2020. A scheme to incentivise customers to put out less waste was introduced as part of the roll-out.

Traffic speeds in residential areas remain a concern and Council has introduced traffic calming schemes in Onekawa, Napier Hill and Pirimai. Over 4.5km of new cycle routes were completed under the Government's 'Shovel Ready' funding programme.

The serious rain event of November 2020 required considerable roading investment. Cost to Council for the roading aspects alone was over \$600,000, but access to nearly all roads was re-established within a week of the event.

Planning ahead

Council has prepared a draft District Plan, which is the "rulebook" for all development in Napier. Council has also released a Spatial Picture for public consultation, which looks at where we can provide for more housing and industrial land.

Community consultation is also taking place on the Library and Civic Area Plan, which sets out what the area occupied by the former library and council buildings could look like in the future.

The 2021/31 Long Term Plan was adopted on 30 June 2021, following consultation by way of special consultative procedure. The revised Long Term Plan confirms Council's continued focus on water.

Community and visitor experiences

Council activated a Civil Defence Response for the Napier rainfall event in November 2020. An evacuation centre was established at Kennedy Park, which was then successfully transitioned to the MBIE Temporary Accommodation Service.

MTG Hawke's Bay and Napier Library closed unexpectedly on 23 December 2020 due to urgent remedial work needed on the sprinkler system. The Library reopened on 13 April, and the MTG reopened on 24 July, after broad remedial works were undertaken across the entire building.

Kennedy Park, Par2 Minigolf and the National Aquarium of New Zealand all exceeded COVID-adjusted forecasts for the year, showing remarkable resilience given the effects of the pandemic on tourism. Napier Conferences & Events, the Napier i-SITE, and the Napier Municipal Theatre continue to feel the effects of the halt to international tourism and international hires, but have adapted well to manage alert level changes and a new way of doing business.

Reforms to the local government sector

In the past financial year, central government has announced three significant tranches of local government reform, which may have impacts on Council's responsibilities, operations and financial statements in future periods:

Three Waters Reform: The Government is reforming how Three Waters services are delivered across New Zealand. For more information, visit: <https://www.dia.govt.nz/Three-Waters-Reform-Programme>

Resource Management Reform: The resource management reform looks to unlock better infrastructure outcomes across all sectors, through an overhaul of the Resource Management Act 1991. For more information, visit <https://environment.govt.nz/what-government-is-doing/key-initiatives/resource-management-system-reform/overview>

Local Government Reform: On 24 April 2021, the Minister of Local Government announced that she had established a Ministerial Inquiry into the Future for Local Government. For more information visit <https://www.dia.govt.nz/Future-for-Local-Government-Review>

Covid-19

The challenges posed by COVID-19 and alert level changes and restrictions throughout 2020/21 will no doubt be felt for some time.

Some Council businesses, such as Kennedy Park and the National Aquarium, have achieved record years despite the effects of the pandemic. Domestic tourism and local support are a big part of the road to recovery, and Council will continue to focus on innovatively meeting the needs of the domestic market.

**Unite
against
COVID-19**

Financial Statements for the Year Ended 30 June 2021

1. Total revenue greater than budget due to higher fair value gains on investment properties, subsidies and grants, and other revenue including Parklands Residential Development section sales and fees and charges.

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

2. Total expenditure was higher than budget with unbudgeted costs relating to the Napier flooding emergency in November 2020, and other increased costs offset by higher revenue.

1. Current assets (financial assets) are higher and non-current liabilities (borrowings) are lower than budget, mainly due to lower than budgeted capital spend.

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

2. Non-current assets and Equity in other reserves are higher than budget, mainly due to higher than budgeted valuation increases in both property, plant and equipment (from current and prior year) and investment properties.

Summary Statement of Comprehensive Revenue and Expenses	Notes	Actual 2020/21 \$000	AP 2020/21 \$000	Actual 2019/20 \$000
Total revenue	1	163,776	121,567	117,173
Total expenditure	2	136,375	121,840	119,043
Finance costs		-	275	-
Share of associate surplus/(deficit)		273	310	(135)
Income tax expense		-	-	-
Surplus/(deficit) after tax		27,674	(238)	(2,005)
Valuation gains/(losses) taken to equity		69,045	5,640	155,400
Fair value gains/(losses) through comprehensive income on investments		9	-	(189)
Total comprehensive revenue and expenses		96,728	5,402	153,206

Summary Statement of Financial Position		\$000	\$000	\$000
Total current assets	1	80,359	29,019	78,140
Total non-current assets	2	1,945,954	1,804,454	1,851,573
Total assets		2,026,313	1,833,473	1,929,713
Total current liabilities		24,297	23,955	15,975
Total non-current liabilities	1	2,602	23,832	11,052
Total liabilities		26,899	47,787	27,027
Total net assets		1,999,414	1,785,686	1,902,686
Net assets / equity				
Accumulated revenue & expenses		838,895	816,587	810,568
Other reserves	2	1,160,519	969,099	1,092,118
Total net assets / equity		1,999,414	1,785,686	1,902,686

Summary Statement of Changes in Equity		\$000	\$000	\$000
Total comprehensive revenue for the period		96,728	5,402	153,206
Total net equity balance at 30 June		1,999,414	1,785,686	1,902,686

Summary Statement of Cash Flows		\$000	\$000	\$000
Net cash from operating activities		24,516	24,252	32,621
Net cash used in investing activities		(24,671)	(44,560)	(32,132)
Net cash from financing activities		-	22,000	-
Net increase/(decrease) in cash, cash equivalents & bank overdrafts		(155)	1,692	489
Cash, cash equivalents & bank overdrafts at 1 July		5,684	5,066	5,195
Cash, cash equivalents & bank overdrafts at 30 June		5,529	6,758	5,684

Notes to Financial Statements

The full set of financial statements were prepared in accordance with the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10. The full statements comply with generally accepted accounting practice in New Zealand (NZ GAAP) and Tier 1 Public Benefit Entity (PBE) Standards. They are presented in New Zealand dollars and prepared on a going concern basis.

This summary complies with PBE FRS 43: Summary Financial Statements. The specific disclosures have been extracted from the full financial reports that were adopted by Council on 21 December 2021 and received an unmodified opinion on the audited information, excluding the Activity Groups statement. A qualified opinion was received on the Activity Groups statement with respect to the verification of the number of complaints for some services – refer customer satisfaction performance results on pages 116 and 117 (Stormwater); 124 and 125 (Wastewater); page 132 and 133 (Water Supply). Also included in the opinion and without further modifying the auditor's opinion, an Emphasis of Matter - Impact of 3 Waters Reform. The disclosures relating to the impact of the 3 Waters Reform on the Council, as set out on pages 9 and 68.

It does not include all the disclosures provided in the full financial statements and therefore cannot be expected to provide as complete an understanding. This summary financial report has been examined by the auditor for consistency with the full financial report. An auditor's report is included with this summary. The full financial report can be found on the Council's website here: www.napier.govt.nz/documents-and-forms/reports/

Post Balance Date Events

COVID-19

On 17 August 2021 the New Zealand Government announced a nationwide Level 4 lockdown. Hawke's Bay moved to Level 3 on 31 August 2021, and Level 2 on 7 September 2021. As of the adoption date of this report, Hawke's Bay remained in Level 2. Due to the short duration of Level 3 and 4, the effects on Napier City Council are expected to be minimal, however this is heavily dependent on future lockdowns and level changes.

Three Waters Reform

In July 2020, the Government launched the Three Waters Reform Programme. The reform programme proposed the establishment of four new multi-regional entities who will own and operate drinking water, wastewater, and stormwater (three waters) services across New Zealand. On 27 October, the Government announced it would legislate in early December to create these entities, which would remain in public ownership.

As of the adoption date of this report, there is now certainty that Council will not be responsible for the delivery and infrastructure of three water services from 1 July 2024. Council is still working through the impacts of this decision and awaiting further information from the Government.

Regional Development Entity

At the Council meeting on 9 December 2021, Council agreed to participate in the Regional Development Entity proposed by the five Hawke's Bay Councils. This option has now been endorsed and supported by all five Councils, and a project and transition plan will be developed to facilitate the process over the coming six months. The entity will provide Hawke's Bay with the ability to better guide and direct activity to priority areas, support a culture of sharing and collaboration, and support the region to be greater than the sum of its parts. The cost to Council will be \$500,000 per annum, or an increased cost of \$341,600 in addition to existing budget that would be redirected. This equates to a 29% contribution, with the remaining 71% funded by the other four Councils.

Summary of Non-Financial Performance

The following section summarises Council's performance against measures set out in the 2018 Long Term Plan. 2020/21 is the third and final year of reporting against this plan.

Significant initiatives:

Council set out 71 significant initiatives to be achieved over the course of 2020/21. Of those:

- 21 initiatives were achieved
- 32 initiatives remain in progress
- 9 initiatives were partially achieved
- 3 initiatives are on hold
- 6 initiatives were delayed.

Levels of service and customer experience measures:

Council tracks performance against 120 separate measures set out in the 2018 Long Term Plan. These measures relate either to the services Council provides (level of service), or how satisfied customers are with their interactions with Council (customer experience). Council sets targets for each measure, and aims to meet or exceed that target (examples include visitor numbers, or return on investment).

For 2020/21, Council has achieved the following regarding levels of service (LOS) measures:

Group	# of LOS KPIs	Target fully achieved	Within 10% of the target	Not achieved
Democracy and Governance	3	1 (33%)	1 (33%)	1 (33%)
Transportation	5	2 (40%)	0 (0%)	3 (60%)
Stormwater	7	4 (57%)	0 (0%)	3 (43%)
Wastewater	7	5 (71%)	0 (0%)	2 (29%)
Water Supply	8	8 (100%)	0 (0%)	0 (0%)
Other Infrastructure	6	4 (67%)	0 (0%)	2 (33%)
City Strategy	22	16 (73%)	5 (23%)	1 (4%)
Community and Visitor Experiences	36	22 (61%)	7 (19%)	7 (19%)
Property Assets	5	4 (80%)	0 (0%)	1 (20%)

For 2020/21, Council has achieved the following regarding customer experience measures:

Group	# KPIs	Target fully achieved	Within 10% of the target	Not achieved
Democracy and Governance	1	0 (0%)	1 (100%)	0 (0%)
Transportation	2	0 (0%)	0 (0%)	2 (100%)
Stormwater	2	1 (50%)	0 (0%)	1 (50%)
Wastewater	1	1 (100%)	0 (0%)	0 (0%)
Water Supply	2	0 (0%)	0 (0%)	2 (100%)
Other Infrastructure	3	0 (0%)	1 (33%)	2 (66%)
City Strategy	4	0 (0%)	0 (0%)	4 (100%)
Community and Visitor Experiences	6	2 (33%)	4 (66%)	0 (0%)
Property Assets	0	0 (0%)	0 (0%)	0 (0%)

Response time performance measures

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

- Data entry errors meant the response times were not always accurately recorded in Council systems when reviewed against the source documents, and in one case a source document was not available for review. The proposed remedial action is internal system and manual controls will be built into the service request workflow to enable results to be certified. In practise this means implementing checking procedures to certify the accuracy of data entry on a regular basis, and that correct records are maintained. This will be implemented in January 2022.
- Categorisation errors meant the request for service was not always recorded in the appropriate place for reporting against the mandatory measures. Often this was caused by multiple issues within the one request for service, or the category not being updated after service personnel had confirmed the issue. The proposed remedial action is internal training to ensure all staff entering or responding to service requests are aware of the definitions provided by the Department of Internal Affairs for these measures, reviewing our categories to ensure they are adequate and simplified for reporting purposes, and implementing checking procedures to certify the accuracy of categorisations on a regular basis. Updated training materials and training programmes will be implemented from January 2022, and training will be ongoing as procedures change and new staff are on boarded.

Complaint performance measures

Council received a qualified audit opinion for the 2019/20 and 2020/21 audit relating to performance measures regarding customer complaints about water supply, stormwater and wastewater. Not all calls were able to be coded and not all complaints were able to be accurately captured for the full financial year. As a result, the total number of complaints were not verifiable, due to the following reasons:

- A call was not able to be coded in the system if the caller and call taker hung up simultaneously. This has been resolved through a software fix on 18 March.
- The call taker failed to code the call within the time allowed in the system. As soon as the issue was identified in October 2020, the time allowed was extended to nine minutes, to give sufficient time for the call taker to code the call after the call has ended.
- Multiple complaints about the same issue were not individually recorded, but added to the record of the first complaint received. This occurred mostly during large weather events, where the volumes of calls to Council were high and there was insufficient time to enter individual records for each call received. In January 2021 new procedures were put in place to require call takers to enter a separate record for every complaint received. If, during emergency situations this is not possible at the time, the record is entered as soon as practicable after the event.

Council has also participated in the DIA-led review to clarify and update the reporting rules. The review may result in some modifications to the mandated measures to provide improved reporting in the future. Council will respond to any changes or updated guidance to the mandatory performance framework.

To the readers of Napier City Council's summary of the annual report for the year ended 30 June 2021

The summary of the annual report was derived from the annual report of the Napier City Council (the City Council) for the year ended 30 June 2021.

The summary of the annual report comprises the following summary statements on pages 3 and 4:

- the summary statement of financial position as at 30 June 2021;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2021;
- the notes to the summary financial statements that include other explanatory information; and
- the summary of activity group statements (non-financial performance information)

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS43 Summary Financial Statements.

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

Summary of the annual report

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

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

The full annual report and our audit report thereon

We expressed a qualified opinion on the activity groups statement and an unmodified opinion on the other audited information in the full annual report for the year ended 30 June 2021 in our auditor's report dated 21 December 2021. The basis for our qualified opinion on the activity groups statement is explained below.

The City Council is required to report against the performance measures set out in the Non-Financial Performance Measure Rules 2013 (the Rules) made by the Secretary for Local Government. These include mandatory performance measures relating to:

- The number of complaints received in relation to its drinking water supply, wastewater system, and performance of the stormwater system (per 1,000 connections).
- The time taken to attend and resolve wastewater, water supply, and stormwater faults.

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

Total number of complaints received – Water supply, Wastewater, and Stormwater

The Department of Internal Affairs has issued guidance to

assist local authorities in applying the Rules, including how to count complaints. Our audit testing found that the City Council has not been counting complaints in accordance with this guidance and the City Council's method of counting was likely to have understated the actual number of complaints received. Furthermore, complete records for all complaints made to the City Council were not available. Our opinion on these performance measures was also qualified for the 2020 performance year.

Attendance and resolution times – Water supply, Wastewater, and Stormwater

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

Information about these matters is disclosed on page 4 of the City Council's summary annual report.

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the disclosures about the Government's three waters reform programme announcement as set out in the full annual report in note 33 the financial statements. The Government announced it will introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024. The impact of these reforms, once legislated, will mean that the District Council will no longer deliver three waters services. This matter is addressed on page 4 of the summary financial statements.

Council's responsibility for the summary of the annual report

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

Auditor's responsibility

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

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

In addition to reporting on the summary and full annual reports, we have audited the City Council's 2021-2031 Long-term plan and carried out a limited assurance engagement related to the City Council's debenture trust deed. These engagements are compatible with those independence requirements.

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

Karen Young

Karen Young
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
21 December 2021