



PRE-ELECTION REPORT

JULY 2019



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri



231 Hastings Street, Napier 4110
Private Bag 6010, Napier 4142
Phone: 06 835 7579
Email: info@napier.govt.nz
Website: napier.govt.nz

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

Contents

- About this report2
- Where to find out more2
- Strategic direction2
- Our city3
- From the Chief Executive 4
- Our recent achievements and summary of key decisions to be brought to the next Council5
- Major projects planned from 2019/20 to 2022/237
- Financial Strategy 11
- Funding Impact Statement 12
- Summary Statement of Financial Position 13



About this report

This Pre-election Report provides voters and candidates with information about the key issues facing Napier City Council. Its purpose is to promote public discussion in the lead up to the local body elections to be held on 12th October 2019.

What it includes

The Pre-election Report has a particular focus on how the Council is performing financially, including the current financial position and key spending issues over the coming years.

It provides historic information for the past three years, an overview of the current election year and the Council's planned financial position for the next three years. It also outlines Council's broader financial goals, which are included in its 2018-28 Long Term Plan.

How it has been prepared

All councils must prepare a Pre-election Report. Section 99a of the Local Government Act 2002 sets out the information that must be included in the report and its timing.

It includes information previously published in other Council documents including the 2018-2028 Long Term Plan, Annual Plans and Annual Reports.

As such the information reflects the policy and service delivery direction of the current Council.

As required by law, the report is prepared by the Chief Executive independently of the Mayor and Councillors.

Audit of information

While the Pre-election Report has not been audited, much of the information in it has already been audited by independent auditors.

The information looking back on the most recent financial year (2018/19) has not been audited as this process is still underway.



Where to find out more

Our website www.napier.govt.nz contains a wealth of detailed information about Council.

It also includes copies of the following documents:

- 2018-28 Long Term Plan
- 2019/20 Annual Plan
- 2017/18 Annual Report

You can find these documents at:

www.napier.govt.nz/documents-and-forms/reports
www.napier.govt.nz/documents-and-forms/plans



Strategic direction

Our mission

To provide the facilities and services, the environment and leadership, plus encouragement for economic opportunities to make Napier the best city in New Zealand in which to work, raise a family and enjoy a safe and satisfying life.





Our city

Napier City Wards

- Ahuriri Ward
- Nelson Park Ward
- Onekawa-Tamatea Ward
- Taradale Ward



10,560
hectares of land



47.7
kilometres of cycleways



63,900*
residents



16
sports parks



25,720
rateable properties



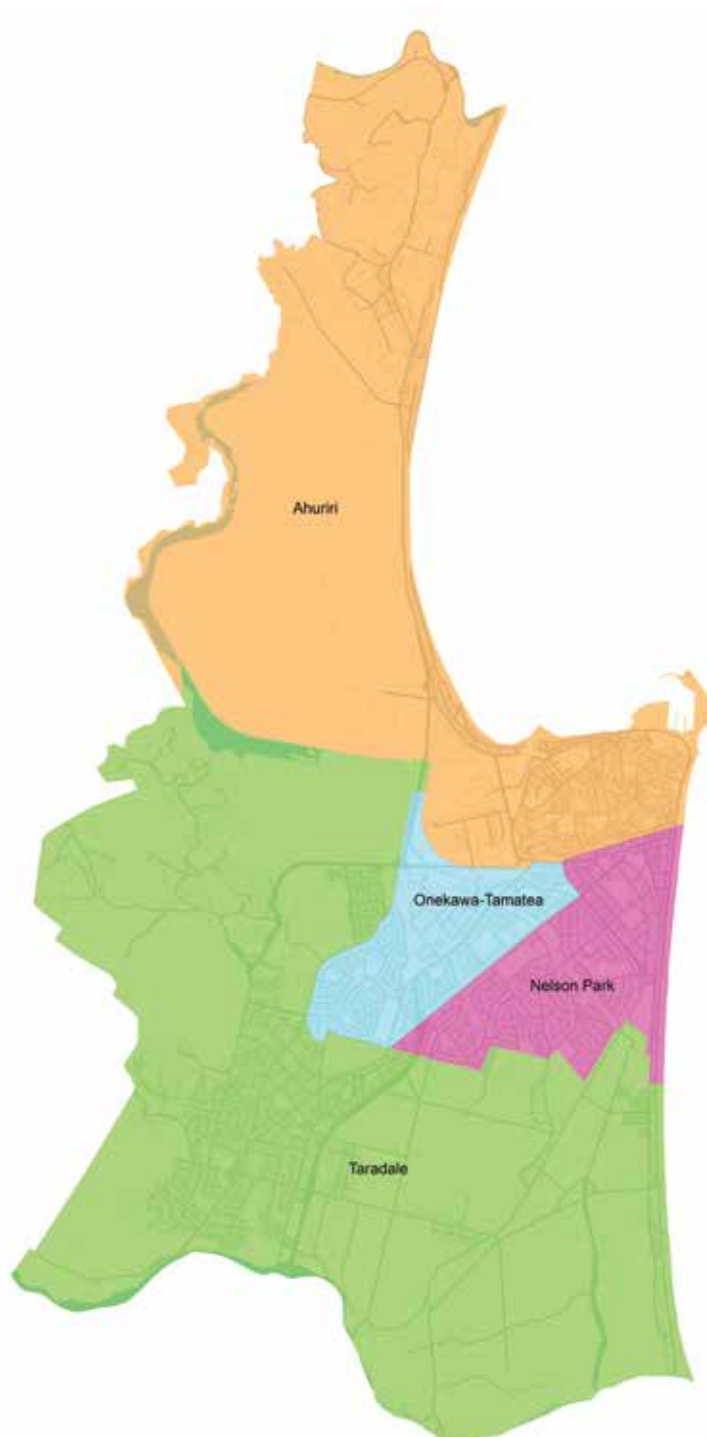
9
public gardens



12
number of Councillors
(excluding Mayor)



36
neighbourhood parks



*Forecast based from Statistics NZ



From the Chief Executive

This report aims to promote public discussion about the important decisions facing Napier City Council (NCC). The report contains information for the community and prospective candidates in the election process and is prepared to promote public discussion about the issues facing the Council and therefore enable a better informed election debate. It brings together information previously published in Council documents including our; Long Term Plan, Annual Plan and Annual Report.

The Summary Statement of Financial Position and the details provided on the limits and targets have been presented as part of this report showing that this Council is in good financial health. Napier City Council has long enjoyed one of the lowest average rates in the country, with the latest draft Productivity Commission report showing it has had the lowest average increase across the entire country over the last 18 years. The current Long Term Plan has included some large projects that I discuss later in this report including a new aquatic facility, upgrade of our water network, a proposed expansion of our National Aquarium (subject to external funding), and a new library and civic building. This does mean that we are forecasting to move to an external debt position during the next nine years of up to \$30m, but this is still considered to be prudent in terms of our balance sheet. All external debt is anticipated to be cleared by the end of the current Long Term Plan. Council uses a mix of internal funds in accordance with its financial policy. The most significant reserve for these purposes are from funds accumulated from the freeholding of residential lease properties and from the Parklands Residential Development Project. Council, as part of the Long Term Plan, consulted on selling non-strategic land from its investment portfolio. The process has now been established to enable this and we are due to look at the first of these sales in the coming months. We will be aiming to replace this revenue generating asset with an appropriate investment of equal or better return.

Due to project planning and consent issues, the specific timing of projects may differ to that assumed in the Long Term Plan and will result in changes to the timing of related projected debt. We are also challenged by a hot construction market currently, with cost escalations well over any inflation factor which has been driven by a lack of resources in the market. Over the last financial year Council settled on a weather tightness claim that has impacted our financial position. We have one remaining claim that is due to go to the High Court during this financial year. The financial impact of being “last man standing” has seen Napier City Council successfully lobby a remit at the Local Government New Zealand conference to limit the impact on ratepayers for such claims in the future. We are also currently involved with a judicial review in relation to the process associated with the New Aquatic Facility Project. Interim relief is currently being sought, with the final hearing due to be heard by the High Court in September/October 2019.

The projected rate increase in the Long Term Plan, using standard inflation forecast for the next three years averages 5%. This increase has been driven mainly by the proposed capital programme. Council is also facing increased costs in waste and recycling and water compliance costs and these were noted as changes in the Annual Plan consultation 2019/20. Rating levels

are subject to revision each year during the budget process. In the current year Council increased rates from 5.1% in the Long Term Plan to 6.4% to accommodate the increased recycling costs as well as water projects. Details are included in the Annual Plan 2019/20.

Recent changes to the Local Government Act (14 May 2019), has seen a return of the well-beings to the purpose of local government. This includes the promotion of social, economic, environmental and cultural well-being of communities in the present and for the future. The new Council will need to consider what this means to Napier.

Napier is well positioned to continue its vision of being a vibrant and sustainable city for all. Please take the time to read this report as it will provide you with the background on our current projects and focus areas. I encourage you to get out and vote on the 12th of October.

Wayne Jack
Chief Executive





Our recent achievements and summary of key decisions to be brought to the next Council

Our recent achievements

As a Council, we are accountable to the people of Napier. We are measured by the public on the services we deliver, and continually aim to do better. Napier City Council is a strong supporter of the Local Government Excellence Programme and is one of the foundation councils in helping to establish criteria for assessing, improving and demonstrating council performance in a transparent way to our community. Council received an 'A' rating in its first assessment in 2017.

Over the last three years the Council has completed a number of key projects to enhance the city. One of the most significant projects in 2018 was the completion of the Marine Parade Development, which included a new basketball court, connection between our pathways and sunken gardens, Bay Skate, and water play areas. Another great asset, the Napier War Memorial Centre, was upgraded providing improved and enlarged conference centre facilities for the region. A much-loved project in 2018 was the addition of the Anderson Park Destination Playground, which has won a number of awards and the hearts of our community.

We have also worked on, and continue to work on, the Park Island Northern Development; the re-development of the northern end of Hastings Street in our central business district; designing the new dechlorinated water stations – with the first completed in early July 2019; and improvements to our drinking water network. Chlorination of the water network was implemented following recommendations from the Havelock North Stage II water inquiry, in conjunction with the recommendations that were received from the Drinking Water Assessor that were incorporated into the Water Safety Plan.

We've won a few significant awards too. In October 2018, Anderson Park Playground was named as the winner of the NZ Recreation Association (NZRA) Outstanding Park Award and it received a highly commended at the recent Local Government Excellence Awards. MTG Hawke's Bay (Museum, Theatre and Gallery) won awards for Tūturu and He Manu Tīoriori 100 Years of Ngāti Kahungunu Music. We were successful at the Hawke's Bay Tourism Awards and won the 2017 People's Choice Award and Large Accommodation Award for Kennedy Park Resort. We were the winner of the Local Government New Zealand Excellence Award for best creative place for our Napier City Council City Vision framework (2017). Most recently, in conjunction with NZ Transport Association, and Wsp-Opus we were awarded a best practice award at the NZPI Conference for the Watchman Road intersection project.

Over the last three years we've hosted some wonderful events, including Art Deco Weekends, Nitro Circus, ICC Cricket ODI matches including India and Bangladesh, and between India and the White Ferns, the Air New Zealand Hawke's Bay International Marathon, the NZ Elite Road National Cycling Championships, Iron Māori, and a Hurricanes Super Rugby game.

Key decisions to be brought to the next Council

The following key projects are our focus areas with expenditure occurring in the next three financial years immediately following the 2019 election. Many of these projects are subject to business cases and decision gateways of Council and will be considered by the new Council.

For full details refer to the 2019/20 Annual Plan and Long Term Plan available on our website or at our Customer Services Centre.

Water network

Improving our water network has been a big focus over the last couple years and recently Council confirmed that water is its number one priority. Over the next three years we will undertake changes to network configurations and increased pipe cleaning to address dirty water and have planned to undertake a large water programme that also includes new bores at Awatoto, replacement of the Enfield reservoir, inlet and outlet improvements, and district monitoring of water – we will have to ensure this programme is resourced appropriately to deliver the programme. Napier continues to be a very high user of water compared to other areas across New Zealand and we would like to encourage and educate the public on ways to make water conservation part of their daily lives.

Council is currently commissioning an independent assessment of the feasibility and cost of providing an unchlorinated water supply in Napier that will meet new regulatory standards for supply of drinking water.

Three Waters review

All Hawke's Bay Councils are currently reviewing how to best manage their water, stormwater and wastewater network (3 waters). This review is being supported by central government. Consideration of the review and approval of a preferred option will be agreed by the Councils for public consultation. This will provide the direction for the delivery of these services into the future.

District Plan

We are currently working on a review of our District Plan, which is the "rulebook" prepared under the Resource Management Act to manage how and where growth can occur across our city. The District Plan Review only happens once every ten years. It provides an opportunity to ensure private developers work with Council to achieve quality environments to live, work and play. Further information can be found here <https://www.sayitnapier.nz/home/napier-our-home-our-future/>. As part of this review, Council is required to meet its requirements for growth for the community. Consideration is currently being given around a potential boundary adjustment to accommodate for this growth. The boundary adjustment would seek to provide options for future urban growth that is resilient to natural hazards and does not impact on highly productive land.

Māori partnerships

Council is currently renewing and strengthening relationships with Māori representative entities across Ahuriri to improve capability of Council to work effectively with tāngata whenua, and better meet the expectations of the Treaty of Waitangi. We have increased the capacity of Council through the establishing a Māori Partnerships Team and are actively working with our key stakeholders Te Taiwhenua o Te Whanganui-a-Orotū, Mana Ahuriri Trust, Maungaharuru-Tangitū Trust and Ngāti Pārau Hapū Trust. Pukemokimoki Marae celebrates eleven years presence in Maraenui and Council continues to maintain a strong relationship with Pukemokimoki Marae Trust. We are currently exploring ways to support the marae achieving tino rangatiratanga as they plan for their next ten years.

Next steps are for Council to move from having a relationship with our Māori organisations to having a true partnership to unlock cultural and economic wellbeing. To do this, Council will need to understand fast-changing government policy and expectations of local government working with Māori, particularly new amendments to the Resource Management Act and the introduction of Mana Whakahono-a-Rohe Iwi Partnership Agreements.

Civic and library buildings

During June 2017, our Civic and Library buildings were deemed to be earthquake prone. Council quickly made fit for purpose alternative temporary locations for staff (three CBD locations and the library at the MTG). Subsequently, Council approved the civic building site be declared surplus to requirements and is now finalising details for Council to consider a commercial operation on the site.

A business case is being finalised to confirm the preferred option for our future civic building requirements (which includes an option to return to the old library building). A working party is currently considering options for the location of the library building and have shortlisted three key sites for further investigations. Once agreed, this information will be provided to Council for their consideration and consultation requirements.

Council's housing stock

Council is currently reviewing its housing portfolio. This includes the potential to sell or lease some rentals, partner with a community housing provider to deliver housing and to identify a sustainable model for Council to continue to deliver housing.

New Aquatic Facility Project

Another key project that was approved as part of the Long Term Plan 2018-28 is an exciting new aquatic facility on the back of the development of an Aquatic Strategy, which outlined the current and future needs of the community for water space. Assuming that the costs of the tender are in line with budget, or any adjustments approved by Council, it is anticipated that the physical works for the aquatic facility will start approximately April 2020 and completed by 2022. There is currently a judicial review underway which may impact on this project.

Aquarium redevelopment

We are currently completing a business case for the proposed redevelopment of the National Aquarium of New Zealand. We are seeking funding from central government and sponsorship and grants to support the

project. The business case will look at the opportunities for the aquarium to showcase New Zealand's leadership in aquatic conservation and, through our strong multi-cultural national identity show our relationship to water from mountain to deep ocean.

Included as part of the redevelopment will be consideration and approval of a governance model for the National Aquarium.

Inner Harbour

Recently we undertook a condition assessment of our Inner Harbour, and identified a number of areas that needed to be addressed in the short to medium term. We are seeking to address our urgent works over the next couple of years (\$3.5m), and have applied for central government funding (Provincial Growth Fund) to fund further opportunities for economic improvements for the region as part of this project.

Rates review

A review of the current revenue and financing policy as well as the rates setting is currently underway and will be completed by the incoming Council with recommendations from the current Council. Public consultation will be undertaken if significant changes are made during this review.

In addition to the rates review, Napier, Hastings and Hawke's Bay Regional Council are also exploring an option of having a contributory fund to assist with costs associated with coastal erosion. This would be separately consulted on as a group if approved by the various Councils. Councils have a significant and statutory responsibility in this area.

Working across Hawke's Bay Councils

Besides our own work, we're also working closely with the other Hawke's Bay Councils. The five councils within Hawke's Bay are jointly reviewing our region's three waters delivery in response to central government reform. Hawke's Bay is one of the few regions to proactively consider how to achieve outcomes together and is working with central government to develop the best service delivery solution for our region. While acknowledging the broader issues and community concern relating to the wider management of rivers, lakes and marine environments, the review is focused on the delivery models for the three waters services (drinking water, wastewater and stormwater). Ultimately a recommendation will be provided to the Councils about the best way forward. It will then be for the Councils and their communities to decide the next steps. Councils are also investigating how to deal with coastal erosion and funding issues relating to climate change.

There are a broad range of other collaborative initiatives underway including; the development of a regional procurement strategy to support our significant capital programmes, and an aerial mapping project for our region.

Matariki Regional Development Strategy

The Hawke's Bay economy is thriving; however, social and economic success is not shared across all communities. As a Council we are working with the Mataraki Group to focus our needs on inclusive growth; that is growth that enables the widest range of people and places to be a part of, contribute to and benefit from social and economic success. We will focus on the quality of our growth and increasing prosperity in our communities to address the social and health needs of all whānau.



Major projects planned from 2019/20 to 2022/23

This section outlines planned major projects with expenditure over \$1m to occur in the three financial years immediately following the 2019 election. The table below includes costs for the current year and next three years and the total cost of the project which includes costs that have incurred prior to 2019/20 and after 2022/23. The largest capital projects for 2020-2023 include the National Aquarium of New Zealand Redevelopment Project the New Aquatic Facility Project, and the library rebuild. The ongoing costs of an upgraded Civic building have been provided in the Long Term Plan. A business case for the preferred option will be progressed in 2019/20.

Capital spend

The table below uses the activity groups as outlined in the Long Term Plan. For more detailed information refer to the Long Term Plan; the Activity Groups section from p.179. As a result of the 2019/20 Annual Plan the capital programme was reviewed and changes to the timing of capital projects were made, this is reflected below. Additional projects were consulted on for the 2019/20 Annual Plan.

	AP 2019/20 \$000	2020/21 \$000	2021/22 \$000	2022/23 \$000	Total cost of project*
Transportation					
CBD development - including projects for developing Marine Parade Piazza, improvements to Tennyson Street pedestrian access and upgrading Emerson Street					
Upgrade and streetscape works as part of the ongoing and continuous improvement of the central business district. The package of works includes the full length of Emerson Street; the western side of Clive Square; pedestrian improvements on Tennyson Street between Cathedral Lane and Hastings Street; and the Herschell Street/Soundshell/Emerson Street 'Marine Parade Piazza'. The Marine Parade Piazza will assist with connecting the city and seafront and provide a more welcoming civic space.	1,100	5,518	4,797	1,173	15,035
Puketitiri Road upgrade					
Improvement works, including realignment and widening to improve user safety and journey time reliability. The first stage is upgrading Church Road to Poriati. In 2019/20, planning for the upgrade will be undertaken with construction commencing in 2020/21. Puketitiri Road, from Church Road to Quarry Ridge, suffers from narrow carriage ways, poor alignment, inadequate retaining structures and limited edge protection. There is an increase in heavy and light traffic volumes through rural residential development and logging operations outside the city boundaries. Puketitiri Road is also a state highway diversion route and provides an alternative route when access to SH2/SH5 between Watchman Road and Eskdale is constrained or unavailable. Heavier, longer trucks are affecting the integrity of the pavement structure and heavy maintenance/road reconstruction will be required in the short to medium term to maintain the current level of service.	269	2,555	3,132	2,134	8,857
Ahuriri Estuary and Coastal Edge Masterplan - West Quay carpark					
Purchase and development of a carpark on land to the rear of West Quay with the outcome of providing car parking for staff and customers of the bars/restaurants of West Quay during evening hours and weekends, and to provide additional parking for office workers in the Ahuriri Business Park during week days.	-	1,022	1,566	-	2,645

Major projects continued...

	AP 2019/20 \$000	2020/21 \$000	2021/22 \$000	2022/23 \$000	Total cost of project*
Roading renewal of Te Awa Avenue (Ellison to Napier Boys' High School)					
Upgrade of Te Awa Avenue to include improved cycle facilities and pedestrian safety around the schools.	-	1,226	-	-	1,226
Water supply					
Replacement of Enfield reservoir					
Replacement of the existing aging Enfield water reservoir with a new reservoir (location to be confirmed).	5,000	3,066	2,349	-	11,541
New Taradale bore field					
Create a new bore field in Taradale South and a dedicated main to the Taradale reservoir to improve water quality and reduce the risk of contamination associated with the distribution network.	1,500	3,066	-	-	4,566
Awatoto Trunk main extension					
Extension of existing bulk supply main from Awatoto bores to the new reservoir on Napier Hill.	500	3,066	-	-	3,566
Church Road booster to rising main					
To improve the ability for the network to convey sufficient quantity of water to the new reservoir on Napier Hill during high water demand periods.	-	306	2,818	-	3,125
New reservoir Western Hills					
To increase the volume of water held to meet network requirements during periods of high demand, fire fighting requirements and meeting the demand due to growth.	500	511	1,044	-	2,055
New water treatment plant					
To provide two new water treatment plants at the two new bore field sites to meet New Zealand Drinking Water Standards and anticipated changes in the regulatory framework for the provision of safe drinking water.	1,500	-	-	-	1,733
Stormwater					
New pump station and pumping main for Marewa catchment					
To provide additional capacity pumping for Marewa catchments in large rain events.	-	102	313	3,734	5,787
Ahuriri Estuary and Coastal Edge Masterplan - projects including stormwater study and improvements to: Pandora catchment, direct outfalls, and upper catchment stormwater quality					
<i>Stormwater study:</i> a comprehensive stormwater study to be carried out in advance to any further exploration or implementation of other stormwater-related projects in order to determine feasibility and consider options for better managing stormwater in the city. <i>Pandora Catchment:</i> in conjunction with at-source stormwater quality improvements carried out by individual businesses throughout the Pandora catchment, evaluate options and implement the preferred stormwater quality improvement works to the Thames and Tyne drains. Council will look to add value through integrated education and recreation benefits. <i>Direct outfalls:</i> a catchment-wide opportunity to address stormwater quality at individual outfalls flowing directly into the estuary or coastal environment. Measures may include treatment devices, wetlands/swales, bio-retention systems, or screens. <i>Upper Catchment:</i> improvements to stormwater quality entering the estuary from the upper catchment, including Bay View, Lagoon Farm, and the airport, as well as run off from rural residential areas of the western hills.	500	2,145	522	533	6,206
New pump station in Bay View					
To provide additional pumping capacity for Bay View in large rain events.	200	3,066	-	-	3,536

	AP 2019/20 \$000	2020/21 \$000	2021/22 \$000	2022/23 \$000	Total cost of project*
Taradale catchment upgrades Ongoing upgrade and renewals associated with the provision of catchment services for Taradale.	-	-	261	1,600	3,079
Upgrading Dalton Street pump station Upgrading of Dalton Street pump station to improve the level of service provided to the city in large rain events to meet current standards.	-	306	2,088	533	2,993
CBD stormwater upgrade To complete the works required for the upgrade in capacity of the central business district stormwater pipes to allow for additional capacity in larger rain events in the future.	100	153	783		1,022
Wastewater					
Pandora industrial main Funding for the provision of an upgrade of the industrial main pipe from Pandora to the wastewater treatment plant to improve the serviceability of this pipe.	1,000	255	-	-	1,255
Taradale wastewater diversion Funding for the provision of the diversion of wastewater to Taradale pump station to reduce wastewater overflows during storm events.	500	511	-	-	1,133
Other infrastructure					
Omarunui development - projects for Valleys B & C, and D For the ongoing needs and development of the jointly owned landfill between Napier and Hastings.	1,666	1,661	843	589	8,946
Community and visitor experiences					
Aquarium Redevelopment Project The redevelopment of the aquarium is known as Project Shapeshifter: Redefining our National Aquarium. Project Shapeshifter will attempt to create a compelling movement as the business case for change is developed. To better understand how we may redefine our National Aquarium, we need to ensure there is national input - and hopefully support - for what will eventuate.	6,400	26,976	16,508	-	52,765*
New Aquatic Facility Project Napier's new aquatic facility is planned for construction on the corner of Tamatea Drive and Prebensen Drive. There will be more pool space for people learning to swim, more play space for very young children, more lanes for swimmers, water walkers and aqua-aerobics classes and better accessibility for all users.	14,000	23,506	5,220	-	44,300**
Napier library rebuild The library building was deemed to be earthquake prone in 2017 and temporarily moved to the rear of the MTG building. Alternative sites for the new library are currently being investigated.	1,011	3,920	10,437	-	15,861
Park Island northern redevelopment Upgrade of the Park Island Northern area as per the Park Island Masterplan.	2,595	-	104	-	4,346
Projects to upgrade i-SITE and Par2 Mini Golf buildings, and course upgrade For the upgrade of the i-SITE buildings and adjoining minigolf course subject to the completion of a business case.	200	2,043	469	-	2,751
Maraenui community space For the upgrade and provision of a community space at Maraenui.	-	1,022	1,044	-	2,066
Whakarire Avenue rock revetment To build a revetment in front of Whakarire Avenue in Westshore. A revetment is a rock structure on the shoreline that prevents erosion from king tides and storm events.	-	1,700	-	-	1,700

Major projects continued...

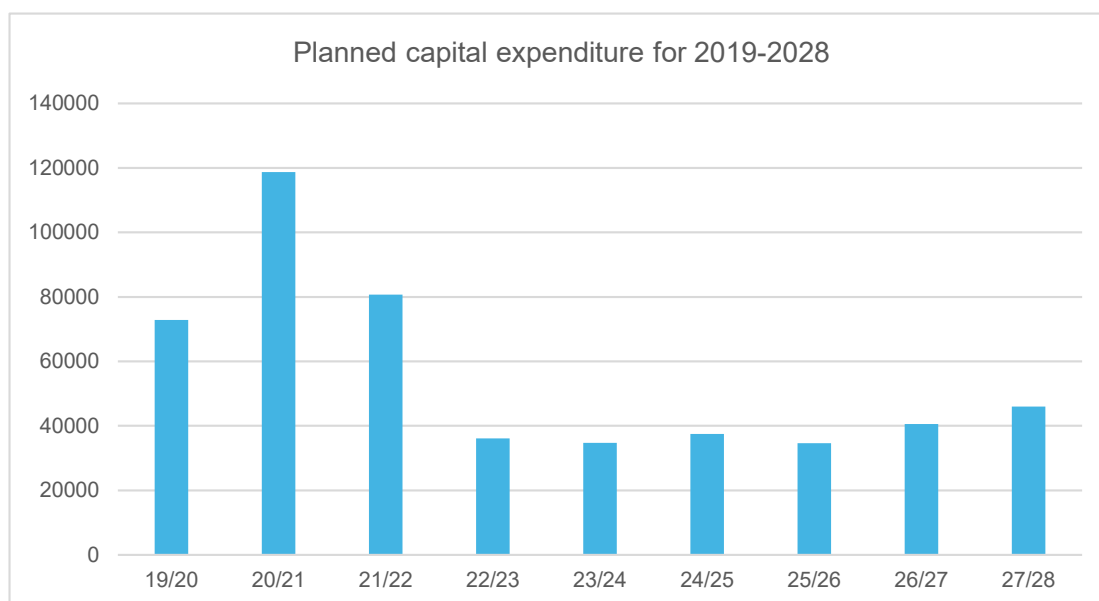
	AP 2019/20 \$000	2020/21 \$000	2021/22 \$000	2022/23 \$000	Total cost of project*
War Memorial build A new purpose-built memorial will be built on the Napier War Memorial Centre site and will include the perpetual flame and revised Roll of Honour.	1,540	-	-	-	1,540
Kennedy Park main ablution block build Kennedy Park's main toilets, showers and only communal kitchen facility are below reasonable standard, with construction of a new facility planned for 2019.	1,200	-	-	-	1,400
City strategy					
CBD parking projects Funding for the provision of car parking within the city consistent with the Napier Parking Strategy for the CBD and Taradale and Acquisition Guidance Report.	2,200	511	522	533	7,413
Property assets					
Property purchase - Napier's contribution to off-site storage for MTG Funding for a permanent location for the museum collection to be undertaken in partnership with Hastings	-	1,533	-	-	1,533
Inner Harbour - Ahuriri Estuary and Coastal Edge Masterplan - Iron Pot public access and Inner Harbour renewals To undertake renewals of inner harbour assets and work towards improving public access and future proofing the infrastructure.	2,300	5,314	0	0	8,698

* \$40m of the total project costs are earmarked from external grants.

** Includes \$3M proposed to be set aside as a project contingency due to the timing delay through the 2018 notice of motion. The contingency has not been approved at this time.

Total planned capital expenditure

The following table outlines the planned capital programme for the remainder of the 2018-28 LTP. From 2019-2028 the total is \$501,817,000.





Financial strategy

Council has a financial strategy which explains the particular principles that it applies in determining how it manages the city's finances on behalf of ratepayers. The full details can be found in Council's long-term plans, which are updated every three years. Napier's financial strategy focuses on ensuring the Council's vision and objectives are being met in a prudent and sustainable way, while acknowledging that this will require increasing debt levels and rates in order to achieve them. The financial strategy contains limits and targets, the key of which are summarised below.

Rates

Napier's average residential rates remain one of the lowest in the country.

Total rates revenue by year

	Actual 2016/17	Actual 2017/18	Estimate 2018/19
Rates Revenue \$000	50,840	53,694	56,139

Rates increases

Council imposes a maximum rates increase cap to ensure Council continues to run a balanced budget, when capital revenues and one-off revenue sources are excluded. This cap was LGCI + 3% in the 2015-2025 LTP and LGCI + 5% in the 2018-2028 LTP. This will also ensure Council continues to maintain a strong financial position and ratepayers are not asked to pay more than their fair share.

	LGCI	Plus	Limit	Actual Rates Increase	Compliance*
2016/17 Actual	1.4%	3.0%	4.4%	3.51%	✓
2017/18 Actual	1.5%	3.0%	4.5%	4.95%	✗
2018/19 Estimate	1.8%	5.0%	6.8%	0.00%	✓

* The quantified limit for the 2017/18 Annual Plan used the assumption of 2.5% however the actual LGCI that has been used in the calculation for the 2017/18 Annual Report was 1.5% resulting in actual rates exceeding the stated limit.

Debt

As at June 2019, Napier City Council had no external debt. The LTP contains an increased capital investment programme which results in an expected peak external debt of \$30 million in the 2020/21 year, to reduce back to \$0 by 2026/27.

Debt to Income

Council's Treasury Policy states that net external debt as a percentage of total income will not exceed 100%.

	Net external debt as a % of total income	Limit	Compliance
2016/17	0.0%	100%	✓
2017/18	0.0%	100%	✓
2018/19	0.0%	100%	✓

Net Interest to Total Income

Council's Treasury Policy states that net interest expense on external debt to total income will not exceed 10%.

	Net interest expense on external debt to total income	Limit	Compliance
2016/17	0.0%	10%	✓
2017/18	0.0%	10%	✓
2018/19	0.0%	10%	✓

Return on investments

Council's required return on financial investments in the LTP 2015-25 was 4.5%. As per the 2018-28 LTP it is the average of the 90-day and one year government investment rates.

	Return on investments %	Limit	Compliance*
2016/17*	3.27%	4.50%	✗
2017/18*	3.49%	4.50%	✗
2018/19	2.93%	1.76%	✓

* Return on investment targets were not met in the 2016/17 and 2017/18 years due to a reduction in investment rates.



Funding Impact Statement

	Actual 2016/17 \$000	Actual 2017/18 \$000	Estimate 2018/19 \$000	AP Budget 2019/20 \$000	LTP Budget 2019/20 \$000	LTP Budget 2020/21 \$000	LTP Budget 2021/22 \$000	LTP Budget 2022/23 \$000
Sources of operating funding								
General rates, uniform annual general charges, rates penalties	37,015	39,043	40,098	42,263	42,445	44,837	47,106	50,265
Targeted rates (other than targeted rates for water supply)	13,825	14,367	16,041	17,668	16,523	17,131	17,868	17,616
Subsidies and grants for operating purposes	4,371	3,451	3,415	2,357	2,465	2,377	2,542	2,613
Fees, charges and targeted rates from water supply	18,885	20,899	23,057	24,112	22,305	22,605	23,825	25,427
Interest and dividends from investments	2,138	2,115	1,930	753	1,313	525	350	350
Local authorities fuel tax, fines, infringement fees, and other receipts	20,110	16,253	17,100	26,489	21,264	19,393	25,515	25,385
Total operating funding (A)	96,344	96,128	101,641	113,642	106,315	106,868	117,206	121,656
Applications of operating funding								
Payments to staff and suppliers	68,418	76,941	91,757	88,486	76,882	75,367	82,457	82,441
Finance costs	-	-	-	-	-	675	1,350	1,238
Other operating funding applications	9	393	339	221	222	222	222	222
Total applications of operating funding (B)	68,427	77,334	92,097	88,707	77,104	76,264	84,029	83,901
Surplus/(deficit) of operating funding (A - B)	27,917	18,794	9,545	24,935	29,212	30,604	33,177	37,755
Sources of capital funding								
Subsidies and grants for capital expenditure	926	3,541	4,813	6,490	18,465	34,788	7,767	4,226
Development and financial contributions	2,565	3,128	4,006	3,349	3,349	3,621	3,224	3,019
Increase/(decrease) in debt	-	-	-	-	-	30,000	-	(5,000)
Gross proceeds from sale of assets	700	3,144	1,294	250	250	250	250	250
Lump sum contributions	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	4,191	9,813	10,113	10,089	22,064	68,659	11,241	2,495
Application of capital funding								
Capital expenditure								
- to meet additional demand	3,470	2,327	1,212	3,250	2,432	5,100	6,210	3,505
- to improve the level of service	24,673	13,118	8,728	28,198	40,776	57,168	23,622	11,705
- to replace existing assets	12,535	15,390	21,235	38,016	39,661	47,441	23,545	20,756
Increase (decrease) in reserves	(8,570)	(2,228)	(11,517)	(34,440)	(31,594)	(10,446)	(8,959)	4,284
Increase (decrease) of investments	-	-	-	-	-	-	-	-
Total application of capital funding (D)	32,108	28,607	19,658	35,024	51,275	99,263	44,418	40,250
Surplus/(deficit) of capital funding (C - D)	(27,917)	(18,794)	(9,545)	(24,935)	(29,211)	(30,604)	(33,177)	(37,755)
Funding balance ((A-B) + (C-D))	-	-	-	-	-	-	-	-

The Funding Impact Statement (FIS) is provided in accordance with Sections 95, 98 and Schedule 10 of the Local Government Act 2002. The FIS is intended to make the sources and applications of Council funds more transparent 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.



Summary Statement of Financial Position

	Actual 2016/17 \$000	Actual 2017/18 \$000	Estimate 2018/19 \$000	AP Budget 2019/20 \$000	LTP Budget 2019/20 \$000	LTP Budget 2020/21 \$000	LTP Budget 2021/22 \$000	LTP Budget 2022/23 \$000
Assets								
Current Assets								
Cash and Cash Equivalents	7,844	4,140	5,642	2,334	16,570	15,165	10,346	16,055
Debtors and Other Receivables	10,403	11,590	10,671	17,046	16,011	18,349	15,462	15,228
Prepayments	171	244	193	245	-	-	-	-
Inventories	5,407	2,056	3,332	5,063	2,992	3,667	3,539	3,603
Biological assets	284	318	380	322	292	296	300	304
Other Financial Assets	55,000	57,000	50,000	4,500	20,000	10,000	10,000	10,000
Non-current assets held for sale	-	4,072	4,072	-	-	-	-	-
Total Current Assets	79,109	79,420	74,290	29,510	55,865	47,478	39,646	45,190
Non-Current Assets								
Property, Plant & Equipment	1,461,015	1,464,300	1,556,610	1,546,554	1,590,984	1,681,768	1,702,497	1,782,264
Intangible assets	544	948	1,313	1,030	1,471	1,496	1,586	1,587
Inventories	5,081	8,172	6,568	12,520	7,527	5,854	4,310	2,702
Investment Property	34,828	39,880	47,856	40,757	36,378	37,178	37,996	38,870
Investments in Associates	7,616	7,838	8,031	7,838	8,380	8,530	8,680	8,830
Other Financial Assets	3,416	3,923	3,416	3,924	448	448	448	448
Total Non-Current Assets	1,512,500	1,525,061	1,623,794	1,612,623	1,645,188	1,735,273	1,755,517	1,834,700
Total Assets	1,591,609	1,604,481	1,698,084	1,642,133	1,701,053	1,782,751	1,795,164	1,879,890
Less Liabilities								
Current Liabilities								
Creditors and other payables	11,433	11,480	10,716	15,838	14,924	15,311	14,894	14,546
Employee benefit liabilities	3,824	4,322	4,621	4,688	3,962	4,016	4,070	4,124
Total Current Liabilities	15,257	15,802	15,337	20,526	18,887	19,327	18,965	18,670
Non-Current Liabilities								
Revenue received in advance	269	-	-	-	269	269	269	269
Employee benefit liabilities	1,046	844	831	790	1,015	961	907	853
Provisions *	5,160	6,257	2,604	2,457	4,959	4,859	4,759	4,659
Borrowings	-	-	-	-	-	30,000	30,000	25,000
Total Non-Current Liabilities	6,475	7,101	3,435	3,247	6,243	36,089	35,935	30,781
Total Liabilities	21,732	22,903	18,772	23,773	25,129	55,416	54,899	49,451
Total Net Assets	1,569,876	1,581,578	1,679,312	1,618,360	1,675,924	1,727,335	1,740,264	1,830,440
Equity								
Accumulated funds	777,745	789,959	800,049	804,539	832,655	880,055	894,876	912,944
Other Reserves	792,132	791,619	879,264	813,821	843,269	847,280	845,389	917,496
Total Net Assets / Equity	1,569,877	1,581,578	1,679,313	1,618,360	1,675,924	1,727,335	1,740,264	1,830,440

*As part of the year end account preparation, provisions for legal claims are determined between our lawyers and our auditors (Audit NZ). This report has been prepared without this approved year end information; however, it is acknowledged that Napier Council has one weathertightness claim outstanding as at 30 June 2019 that has been lodged with the High Court. Council provided an accrual of \$1.2m in its accounts as at 30 June 2018. It is anticipated that these costs, and the accrual are likely to increase significantly for the year end June 2019 as information on the potential liability becomes established. Council is under the unenviable position of being last man standing for any claim for such cases. Arbitration is due to be scheduled for later this year. Council has the financial capacity to carry settlement costs although ongoing cost and repayment of this loan will be at the expense of the ratepayer. Napier City Council supports Local Government New Zealand's remit to Central Government to take action to limit the liability of councils in New Zealand in relation to building defect claims.



PRE-ELECTION REPORT

JULY 2019



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

Email: info@napier.govt.nz
Phone: 06 835 7579
Fax: 06 835 7574
215 Hastings Street Napier 4110
Private Bag 6010 Napier 4142