



PRE-ELECTION REPORT

JULY 2022



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri



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

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Contents

About this Report	4
From the Chief Executive's Office	5
Our city	6
Governance Structure	7
Strategic direction	8
Recent achievements	11
Key Challenges	18
Big Decisions	26
Significant Initiatives Planned	33
Financial Statements	46
Where to find out more	50



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 8 October 2022.

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 2021-31 Long Term Plan.

This report also discusses the opportunities and challenges facing Napier City Council, and summarises some of the major projects our council has planned for the next three years.

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 2021-31 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.

Elections 2022 Timeline



Nominations open for candidates.

Friday 15 July, 2022



Nominations close at 12 noon.

Friday 12 August, 2022



Election date and candidates' names publicised by electoral officers.

Wednesday 17 August, 2022



Voting documents delivered to households.

16 - 21 September, 2022



Voting Period

16 September - 8 October, 2022



Official results declared

14 - 19 October, 2022

From the Chief Executive's Office



Ehara taku toa i te toa takitahi ēngari he toa takimano.

My strength is not that of an individual but that of the collective.

Tēnā koutou.

At the start of this triennium, nobody could have predicted what a roller coaster ride we were in for, as a city and as a nation. The challenges the pandemic presented us with required the newly minted Council to rethink its priorities. As a workplace, Napier City Council was forced to adopt new ways of working to keep both the city and the organisation running.

Having joined NCC almost halfway through the triennium, I have had the privilege of witnessing our organisation emerge out the other side of some significant challenges. I have also joined Council at the start of the development of our Long Term Plan, which articulates challenges and opportunities in equal measure.

Our challenges are not insignificant. Our changing climate needs to be considered. As a coastal city with a thriving port, we are geographically and economically vulnerable to extreme weather events and the effects of long term climate changes such as sea level rises. Our geography also places us at risk of significant earthquake and tsunami events. All of this means we need to ensure our city planning takes an intergenerational view to mitigate the risks we face.

Over the last three years we have been working on projects that promote ecological excellence. These have included the reform of our waste and recycling services and the introduction of a stormwater bylaw. We appointed a Senior Policy Analyst for Climate Change to provide guidance and thought leadership for Council on this important matter. Our city planning provides for a more pedestrian and cycle friendly city in the future. We are planning to develop our new residential areas in Napier's western hills to increase resilience against tsunami and floods. We have also been working on improving the resilience of our low-lying suburbs and were recently successful in gaining \$12.4 million funding from government for Maraenui stormwater improvements. However there is still much work to do.

Water was made our number one priority by this Council and many projects have been planned and completed that support this. We now have new low-manganese bores coming into operation to stop the discolouration of Napier's drinking water and we have created controlled water areas to improve overall water quality and minimise wastage of this precious resource. We are looking to the future and planning significant work on our wastewater treatment plant outfall along with new drinking water reservoirs for Napier's future.

Council has taken an intergenerational view with respect to our financial decision making. We acknowledge that we need to address problems with ageing infrastructure as well as create assets for generations of ratepayers to come. We are using loans to spread the cost of infrastructure upgrades over future generations of ratepayers, however this must be done prudently and a balanced budget must be achieved.

We are ensuring our future growth is planned for and developed in a way that sets Napier up to create communities not just extra homes. We work to celebrate our heritage as we build for the future. Our partnerships with mana whenua are integral to this, along with our relationships with central government, developers and our community. Our proposed new library and civic area is one such example of this.

There are some big decisions to make and some big issues coming our way over the next triennium. The Government's Three Waters Reform Programme and Resource Management Act reforms are progressing and we are awaiting details on potential central government reform of the local government sector. Costs of construction, supply chain issues and retention of staff are challenging us all, and Council is no different. Financial prudence in decision making is essential. We also work closely with the other councils of Hawke's Bay on a range of issues common to us all to ensure the best level of service for our community.

At a local level, there are major projects to make decisions on, such as the new aquatic facility, the future for the National Aquarium of New Zealand, our Te Pihinga community centre in Maraenui, our combined Hawke's Bay Museum Storage facility and our Ahuriri Inner Harbour area.

The ongoing effects of the pandemic and issues such as the rising cost of living and housing shortages are also matters that our new Council will have to consider as they govern our city.

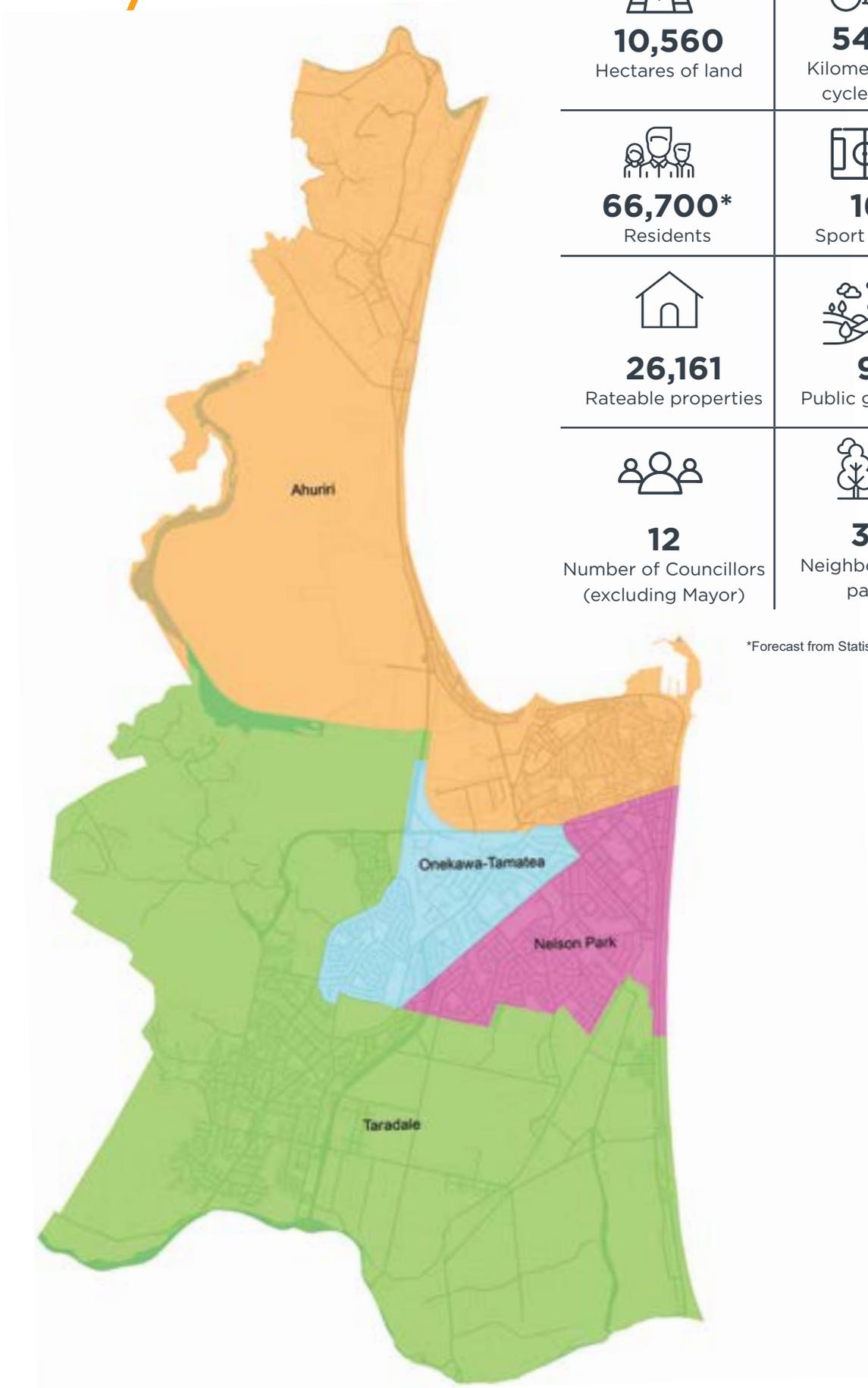
Whether you are a prospective candidate, a voter, or simply interested, please take some time to read this report, which lays out the issues, challenges and opportunities that are coming up for our wonderful city.

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

Dr Steph Rotarangi

Chief Executive

Our City



Napier City Wards ● Ahuriri Ward ● Nelson Park Ward ● Onekawa-Tamatea Ward ● Taradale Ward

Governance Structure

Local government elections are held every three years. Napier City Council currently uses First Past the Post as its electoral system, where each voter casts one vote for each vacant position, and the candidates with the most votes are elected.

Napier City Council has one Mayor and twelve elected members (councillors). Councillors are elected from “wards”, which are geographic subdivisions of the city to ensure balanced and diverse representation.

Napier is broken into four wards: Ahuriri, Onekawa-Tamatea, Nelson Park and Taradale. The distribution of councillors across the wards is as follows:

- **Ahuriri Ward: 2 councillors**
- **Onekawa-Tamatea Ward: 2 councillors**
- **Nelson Park Ward: 4 councillors**
- **Taradale Ward: 4 councillors.**

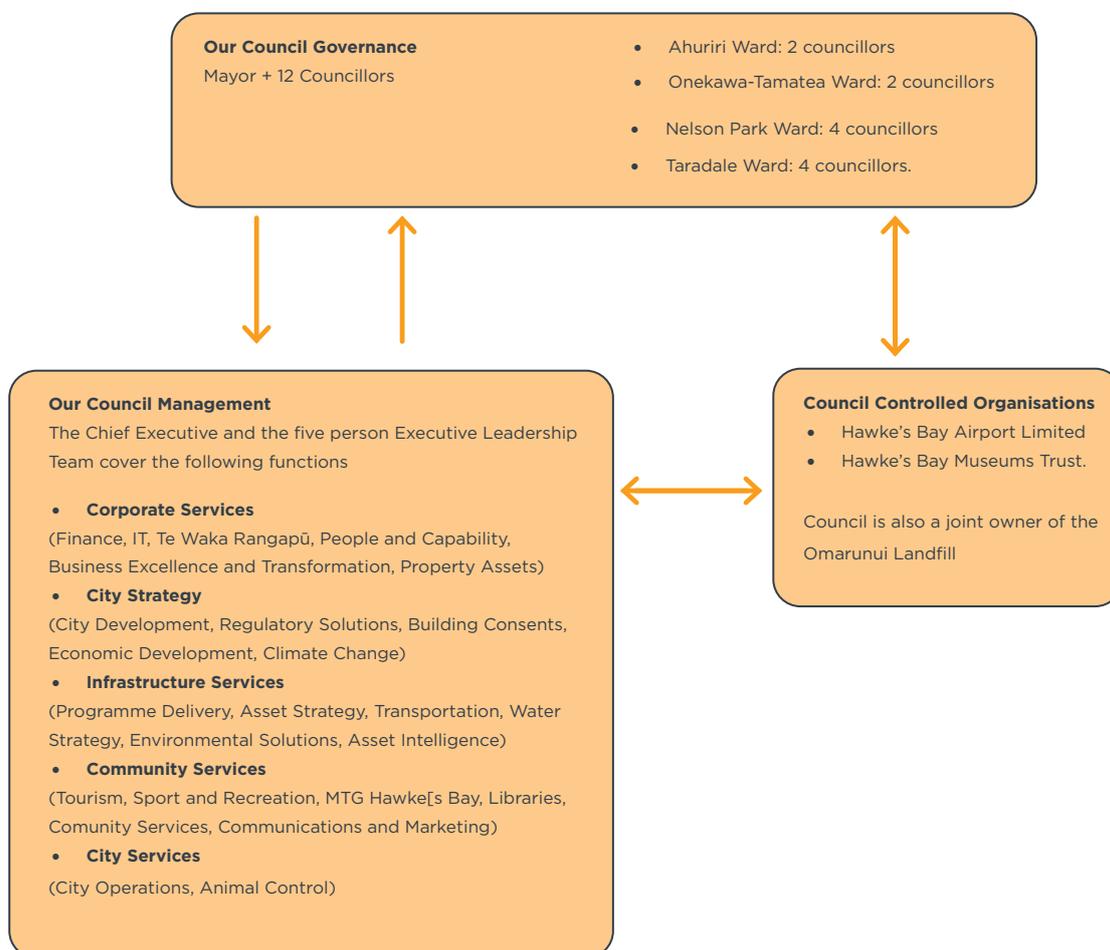
The Mayor is elected by the city as a whole, otherwise known as ‘at large’.

The Mayor is responsible for providing leadership for councillors and the city in general. The Mayor leads the development of Napier City Council’s plans, policies and budgets, which are then considered and adopted by the Council as a whole. Following the election, the Mayor is empowered to appoint a deputy mayor, and establish committees of council.

The Council employs the Chief Executive, who in turn employs the Council’s managers and staff.

Napier does not currently have Māori wards or community boards, but the 2019-2022 Council has made a binding resolution to introduce Māori wards for the 2025 triennial election.

Napier City Council has investments in two ‘Council Controlled Organisations’, Hawke’s Bay Airport Limited, and the Hawke’s Bay Museums Trust. Council is also a joint owner of the Omarunui Landfill alongside Hastings District Council.



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 vision

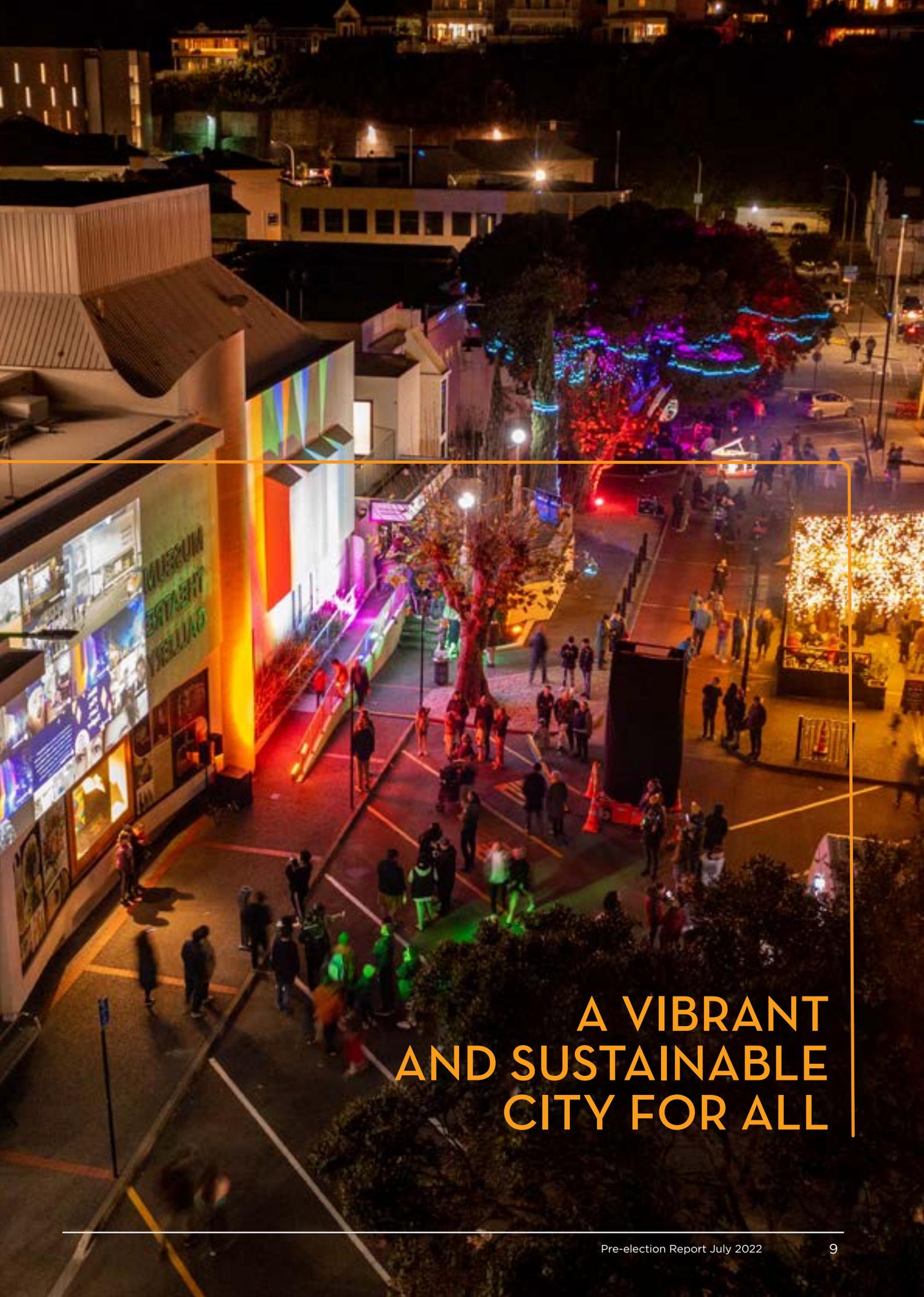
Community Outcomes

When developing Council's Long Term Plan for 2021-31, Council set out the following community outcomes. These outcomes and goals form the link between our mission and vision, and the activities we carry out on a day-to-day basis.



Council is also guided by the principles of the City Vision.

- **Putting people first:** a focus on quality and experience
- **Open for business:** making regulation easy and fostering entrepreneurship
- **A port and coastal city:** celebrating our coastal environment and recognising the importance of the port and airport to the region
- **Our people, our stories:** celebrating what makes us unique, and our intrinsic connection with the past and our culture
- **Ecological excellence:** a focus on restoring and enhancing our environment, and promotion of sustainable thinking
- **Pedal power:** building a strong cycling culture, and making journeys safe and enjoyable



A VIBRANT AND SUSTAINABLE CITY FOR ALL



RECENT ACHIEVEMENTS

As a Council, we are accountable to the people of Napier, our residents and ratepayers, those who have a second home here, or those who return home to stay with family and friends. We also provide for our visitors who enjoy Napier for its recreation and holidaying opportunities and contribute to our local economy. We set our work programme, priorities and projects to align with the outcomes and aspirations our community has for Napier. We also propose and set levels of service in keeping with our resources, while maintaining a balance across the full range of Council services. As much as there are challenges ahead, there have been a number of notable achievements. Our commitment to servicing the community ensures we are responsible for the quality of services we deliver, and are always striving to improve our performance.

In the last three years, Council has completed a number of key projects to enhance the city and ensure Napier is a great place to live. We acknowledge the last few years have been challenging times for our community but despite this, together we have still achieved some key successes that deserve celebrating.



Our water network

The 2019-2022 Council identified water as its number one priority. Since then we have made improvements to the city's infrastructure and strengthened the approach to preventative maintenance and monitoring. We have also made some headway in tackling significant water challenges.

Drinking water

The 2016 Government Havelock North Drinking-Water Inquiry highlighted risk of illness from public drinking water supplies, and as a result, Council began disinfecting its 482km water network with chlorine. The chlorine reacted with the high levels of naturally occurring manganese in the water that we draw through bores from the Heretaunga Aquifer.

This resulted in clean but discoloured water coming out of taps, particularly in homes and businesses in Tamatea, Onekawa and Pirimai.

In response to these 'dirty water' issues, we isolated Tamatea/Parklands from the main Napier water network in May 2021. Now, with their own controlled water area, these suburbs are supplied drinking water from the lower-manganese Taradale bores. As a result, dirty water complaints have dropped away. This project is a pilot that will potentially be used to improve other drinking water issues in other parts of Napier.

We also completed an investigation into the potential for new bores that would supply water with lower manganese. In March 2022, Council worked with contractors to develop and commission new bores in Awatoto and Taradale. We are installing treatment plants for these bores and will bring them online by September 2022. The drinking water from these new bores will replace high manganese water from older bores in Napier's network, and will ensure a resilient drinking water network in the future.

Since the addition of chlorine to our network, there have been calls from some people to remove it. We did a review in 2021 to understand the options for a chlorine-free future for Napier's water supply.

We compared the option of an enhanced system with chlorine disinfection against a safe chlorine-free alternative. While the report didn't recommend one option over the other, it did give cost estimates for each pathway. Achieving a chlorine-free system predicted to cost around \$300 million over 20-years. Council decided to work towards a network that could be chlorine-free in the long term through a series of stepping stones, and committed to keep working through the options set out in the review report to better understand the cost and work involved.

Council purchased three hectares of land on Mataruahou (Napier Hill) for the site of a new drinking water supply reservoir, after investigating several potential sites. The Enfield Road reservoir is nearing the end of its life and needs replacing. The purchase of the land is the first of a series of steps to be taken towards a new reservoir, which will take several years to design, construct and bring online.

Stormwater

The November 2020 Rainfall Event had a big impact on the city and on some people's homes and lives, with flooding and slips occurring around the city. It brought the performance of our stormwater network into sharp focus.

Council embarked on an extensive programme of CCTV inspections of the city's stormwater network to identify potential points of failure, such as tree-root intrusions, and to prioritise replacements. Replacing these components gives us the chance to widen pipes and increase pumping capacity to alleviate flooding issues in the future.

In 2020, we reviewed our Stormwater Bylaw to go further than what is legally required to better protect the city's waterways, Te Whanganui-ā-Orotū (Ahuriri Estuary) and our coastal environment.

There has historically been significant overlap in the roles and responsibilities of parties involved in the care and protection of urban waterways in Napier. In some cases, Napier City Council takes care of

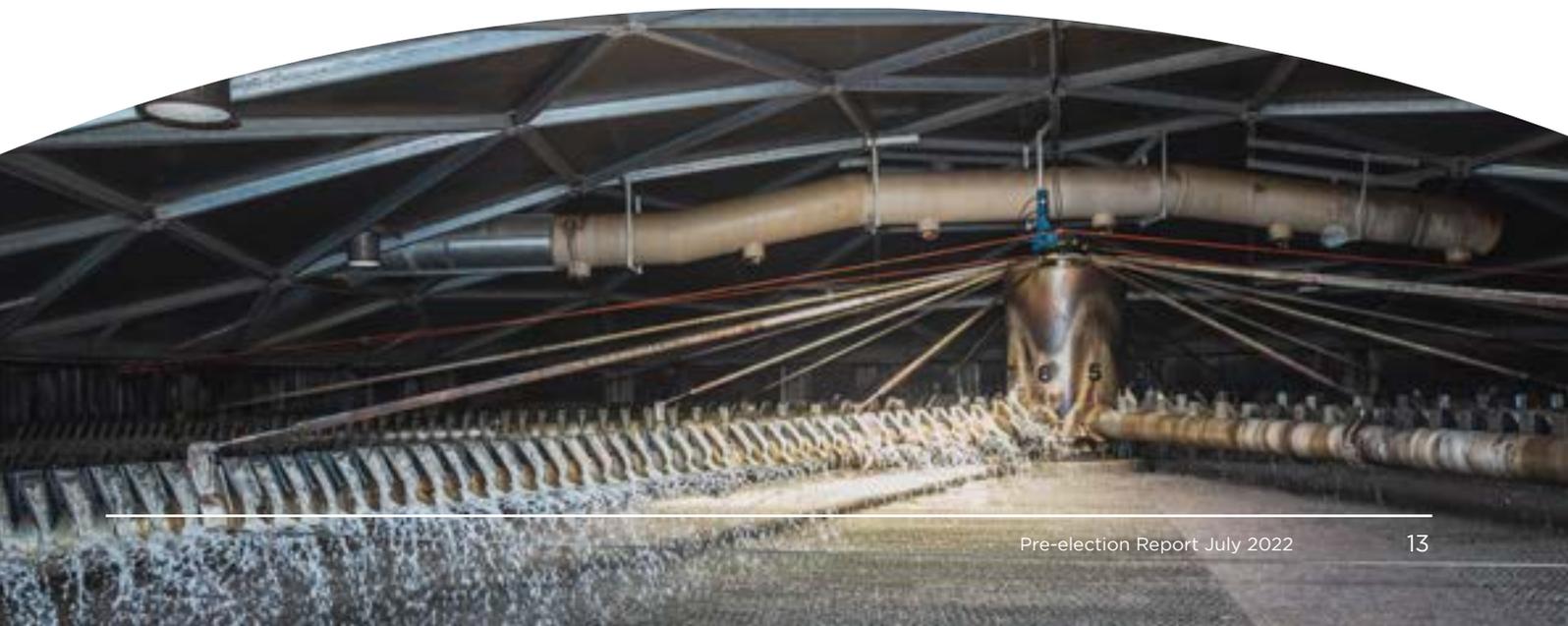
a specific waterway but Hawke's Bay Regional Council (HBRC) owns the pump station. In other instances, Napier owns the pump station but HBRC operates it. We've worked with HBRC to explore options for how these waterways and stormwater pump stations should be owned and maintained. Having clear responsibilities will make emergency responses more efficient.

These improvements will have a positive impact on the wellbeing of Te Whanganui-ā-Orotū and our coastline, which we know is important to the people of Ahuriri and across the region.

Wastewater

A leak in the 1.5km pipe that takes Napier's treated wastewater offshore was identified in 2018, followed by another leak identified in April 2020. Making repairs to this pipe is challenging, with leaks between 600 and 700 metres offshore calling for specialist dive teams, and coming with risk of further damage to the 50-year-old pipe. Repairs took longer than expected given the need to modify the original design of the customised fibreglass joint, which then needed to be specially made. Bad weather also played a factor in the repairs taking longer than expected. Nevertheless, the repairs were completed in February 2021. We've also started work to apply for resource consent from HBRC to fully replace the outfall pipe and recognise the need to work closely with mana whenua on this project given its direct impact on the health of the moana.

Council has reviewed its Trade Waste and Wastewater Bylaws over the course of 2021/22, and has now consolidated them to help provide better environmental protection. The bylaw raises the standard of pre-treatment required to waste before it enters our wastewater network, and creates a more equitable system where everyone contributes a fair share toward the costs to maintain the network. At the same time, we've been using CCTV cameras to inspect the pipes in the network to identify priority repairs.





Getting around

In line with Waka Kotahi NZTA's strategic priorities - to improve safety, provide better travel options, improve freight connections, and to develop a low-carbon transport system - we have delivered a number of transportation projects. Many of these have focused on making changes to intersections and crossings to increase safety, such as the new crossings and footpaths at the corner of Latham Street and Riverbend Road. We were also able to upgrade our streetlights to LED. These give a better quality of light and use considerably less energy than previous ones.

The 2020 rainfall event left us with a significant programme of clean-up and repairs to our roading and footpath network. Napier Hill alone experienced 41 major slips resulting in inundation of houses and retaining wall failures. Remedial work remains ongoing.

In 2021 we adopted a new Speed Limit Bylaw, which was the first in the country to introduce variable speed limits around schools. This means speed limits are reduced outside schools to coincide with school start and finish times, with drivers alerted using digital signage.

With help from central government's 'Shovel Ready' funding, we were also able to work with local community groups to build a new 4.3km pathway along the Cross Country Drain, which runs between the Napier/Hastings Expressway and Te Awa Ave. This new pathway will be a great asset for walkers and cyclists. Community groups are now planting native trees and shrubs along its sides to increase biodiversity.

Te Waka Rangapū

We seek to continually improve our approach to partnership with Māori in order to strengthen Māori participation in Council's decision making. In 2021, we established Te Waka Rangapū, a team dedicated to bringing a Te Ao Māori lens to Council's work, and to strengthen relationships with iwi and hapu partners.

In 2021, Napier City Council consulted with the public on the establishment of Māori wards and resolved to introduce these for the 2025 local body elections.

Climate change

We recognise that we need to plan for the effects of climate change and certainly have a role to play in leading by example through the reduction of our own emissions as an organisation.

Napier City Council welcomed its first Climate Change Specialist in 2022. Council has also recently adopted a position statement on climate change committing to some simple and clear objectives. The intention is that those objectives will be turned into action through the development of a Climate Change Strategy and Action Plan in 2023.

It is important to have a clear understanding of Council's current position before committing to specific projects. In 2022, Council has taken steps to understand:

- » Our maturity in incorporating climate change responsibilities and challenges into the way we do business,
- » The risk climate change poses to our assets, operations, and customer values, and
- » In relation to our water supply, stormwater, and wastewater networks, where we are producing carbon emissions, and options for reducing them.

This information has been collated into draft reports to be presented to Council, and we'll use that package of information to prioritise our next steps.

Housing our people

Like all cities across the country, Napier needs to plan carefully to ensure a sustainable housing supply can meet the needs of our growing population. This triennium, Council completed its first Housing Capacity Assessment jointly with Hastings District Council and Hawke's Bay Regional Council. Housing Capacity Assessments are a requirement under the National Policy Statement on Urban Development, and are intended to ensure councils factor housing demand and development capacity over the short, medium, and long term into their decision making.

Once the Housing Capacity Assessment was completed, Council developed a Spatial Picture that sets out options for where we can provide more housing and business land for the estimated 7200 new dwellings that Napier will need over the next 30 years. Now we know where we will grow, we are planning for how to make this happen; including completing structure plans that will inform areas for rezoning in the Proposed District Plan (discussed later in this report).

Council holds its own portfolio of 377 homes. We provide these homes at subsidised rents to retirees, people with disabilities and low-income whānau. After a review started in 2018, it was found the rent received for these homes would soon be outweighed by the rising cost of maintenance, and Council was facing an annual shortfall of around \$2.2M.

In 2022, after a period of community consultation, Council decided to retain the entire portfolio and fund the costs through a combination of increased rents and increased rates. There are still some steps to fully implement this decision, such as the next Council confirming the rates increase through Council's 2023 Annual Plan.





Exploring the future of our community facilities

Like most local councils in New Zealand, we've faced some challenges with earthquake-prone buildings (including our office accommodation, library and council chambers). We have ensured services keep running and our facilities keep up with changing trends in the ways in which the community uses them.

In 2021, we adopted an 'Area Plan' for our civic and library precinct on Station Street. This was followed in 2022 by the development and adoption of a business case and design brief for the library. The

design brief describes the size and configuration of the 'ingredients' that go into the facility and the business case presents the strategic, economic, commercial, financial and management case for the proposed development. Demolition work on the old Civic Building is set to be completed before the end of 2022. Teams across Council are looking forward to working with the new Council and our community to finalise designs and begin construction.

In 2021, we also completed a business case for revitalisation of the Faraday Museum of Technology, previously the Faraday Centre. Over thirty years since it first opened, this review was a chance to step back and look at where and how we operate the museum. It is an important facility in the city, but is facing a range of challenges that need to be addressed, including building issues that could take significant capital investment to resolve. The report also contained a number of recommendations about levels of service and operating models. The recommendations will come back to the new Council for consideration.

Making Napier a welcoming place for everyone

This triennium has seen the adoption of Council's first Disability Strategy, which aims to ensure Napier is a city for everyone. The Strategy has six main themes; getting around, getting involved, being included, having fun, being safe and having work. Priority actions for 2021-23 have now been identified in an action plan, and include reviewing and improving mobility parking provision and conducting barrier-free assessments at facilities and public spaces.

Council also adopted its first Positive Ageing Strategy, which builds on the work started through the 'Napier Connects' programme to provide an overall strategic approach to how our city supports seniors in the community.

Since 2015, Napier has seen an increase in anti-social behaviour, which left a number of citizens feeling unsafe in areas of our city. Our Napier Assist Āwhina Tāngata team has hit the streets in 2022, offering a helping hand to locals and visitors, ensuring everyone has a safe and enjoyable experience in Napier.

In the spirit of continuous improvement we are currently undergoing our second CouncilMARK assessment, which is a bit like an exam for councils, and look forward to the final report before the end of 2022 to help us understand how we're performing.

By the books

We made changes to the way we rate properties in Napier in 2021, to address historic anomalies and better reflect Napier's current residential, commercial and rural zones. The main change was to the way the General Rate is calculated for each property, including reducing General Rating categories from six to three and changing the percentage weighting of some categories to provide a simpler and more consistent approach to rates. These changes followed a significant review and engagement with our community. This review was the first review of this kind in 20 years.

In 2021, we also took the opportunity to join the Local Government Funding Agency, which allows Council to unlock more competitive rates for borrowing. To date, Napier has been in the fortunate position of not needing to borrow. However, ongoing demand from operational and capital costs combined with the impact of the COVID-19 pandemic has led to Council planning to loan-fund a portion of our capital work over the coming years, and having lower interest margins on that borrowing has significant benefits.





KEY CHALLENGES





Strengthening relationships

'Putting people first' is a key principle in our City Vision and this will help to guide decision making and priority setting in the next triennium.

We are committed to transparent and timely engagement with our community as well as excellence in service delivery. We recognise the importance of partnerships with mana whenua and tangata whenua, but there is scope to strengthen our relationships even further. Māori aspirations belong at the heart of decisions made for our city. We want to do this by partnering with iwi and hapu entities in a way that empowers the sharing of knowledge and ideas, and uplifting Council's own internal cultural capability. This will help build effective and diverse pathways for the wider Māori community to participate in decision making.

Any organisation is only as good as its people, and it is increasingly challenging to attract and retain staff given border closures and the intensely competitive labour market across New Zealand. There is also added uncertainty about what the local government sector will look like in a few years. We look to our Elected Members to provide the strategic vision that allows us to navigate multiple reforms whilst still delivering for the community. We need decisions to be made holistically, rather than issue by issue, and in a way that is financially prudent. We also require a solid work programme centred on enhancing Napier's wellbeing, uplifting our community and building a strong sense of pride in what we have to offer, what we have achieved and what is possible in our future.

Financial sustainability

All councils are under pressure to manage growing demand and increasing costs while keeping rates affordable. The next few years are set to present some new financial pressures as inflation rises, Long Term Plan budgets reflect an ambitious capital programme, and Council deals with uncertainty brought about by central government reform, international pressures and changes in the economy. Our elected leaders will be under increased pressure to make decisive calls in the best interest of our city and future generations. We have a number of proposed projects including a new aquatic centre that are not currently funded through our Long Term Plan.

Cost escalation

Inflation, interest rates, and commodity prices are rising rapidly across the globe. This affects both our capital works (construction) and the cost of operating as an organisation (such as paying staff and suppliers). It is becoming more difficult to deliver projects on time and to the agreed scope when the actual cost is far higher than budgeted, and increases during the project's rollout.

Council factors in an inflation adjustment as standard practice, guided by BERL's 'Local Government Cost Index', but these forecasts are not keeping up with the real rate of inflation at the moment.

We also need to make sure council rates are affordable for households who are facing increased costs across the board. To do this we need financial discipline and careful prioritisation.

Insurance

Council's insurance premiums are increasing at an even higher rate than inflation (around 28%). This is due, in part, to the recent occurrences and increased risk of natural disasters and severe weather events. Without meeting these increasing costs, we risk being under insured and exposed after events like natural disasters. The cost of insurance is an operating expense that has a direct and immediate impact on rates; we can't loan fund the cost over a longer period. Council have been undertaking a review of its risk appetite, and this will help determine the level of cover and cost to rates moving forward.

Balanced budget

A balanced budget is achieved when revenue covers a particular year's projected operating expenses. Council does not currently have a balanced budget, and is not forecast to achieve one until 2030/31, mainly due to a reduction in tourism revenue because of COVID-19 and changes in timing of the sale of Parklands sections. While efforts were made to reduce costs to reflect this decrease in revenue, there is a portion of fixed costs we can't avoid without making significant decisions to close facilities or cut levels of service.

COVID-19 highlighted a vulnerability in our budgets in that we rely quite heavily on revenue from tourism activities such as Kennedy Park Resort and Napier Conferences & Events. When the borders closed, Council began feeling the effects immediately. Council lost \$3M of forecasted revenue in 2019/20, and \$4.3M in 2020/21 due to lockdowns and border closures.

Capital Deliverability

In the 2021-31 Long Term Plan, Council set out a capital project programme totalling \$811M over the 10 years. This was a 50% increase from the capital plan set out in 2018 (\$542M). This does not include top-ups and grants from the Government, such as any “better-off” Three Waters funding.

In auditing this \$811M programme before it was adopted, Audit New Zealand flagged the uncertainty over the deliverability of this programme, particularly given significant constraints in the construction sector. The capital investment programmes of 21 other councils had the same issue highlighted.

Over the last five years, Council’s actual spend in relation to capital budgets has fluctuated between 40% and 73% of planned expenditure (63% average).

In December 2021, we commissioned a construction report to consider the issues in the sector that impact on our ability to deliver on the capital programme. This report outlined competition for services, materials and labour. It concluded that “delivering a larger [capital] programme in competition with the rest of New Zealand and also Australia, is potentially unlikely”.

Carrying a large capital programme while uncertain of our ability to deliver carries risks, such as:

- Losing public confidence in our planning and follow through,
- Inviting greater scrutiny from Audit New Zealand and the Department of Internal Affairs,
- A compounding problem where unspent money is carried forward year-to-year, making already large budgets even larger,
- The organisation resourcing up to manage and deliver projects, increasing operating costs, even if projects are not delivered, and
- Significant rework of budgets and project planning each year, which can be a distraction to the actual delivery.

Setting a capital programme that strikes the right balance between deliverability, meeting the needs of the community, and ensuring financial prudence is a challenging task. The ‘trade-off’ process to close the gap between what is wanted, and what is affordable and deliverable, falls on

elected members. The next Council will have tough decisions to make and will need to keep a close eye on budgets and deliverability timeframes

Unfunded items

Council has some known needs on the horizon that are not currently factored into current budgets. These include, but are not limited to, a new Aquatic Centre, and the cost of transition triggered by Three Waters and Resource Management Act reforms (discussed later in this report). While discrete projects could be funded within existing debt and rates caps, a decision to progress with multiple, large-scale initiatives concurrently risks placing considerable strain on Council’s resources.

There are also some unknowns that we haven’t been able to factor into budgets. The volume of government regulation in relation to water, the environment and public health continues to grow, and so too do the costs of ensuring compliance. As an example, we know the Government plans to standardise kerbside recycling across the country, but we can’t put a number on the cost until we know more detail.

Caps on rates and borrowing

Every three years, Council is legally required to set ‘quantified limits’ on rates increases and borrowing for the next 10 years. This is intended to ensure rates increases are affordable and visible for the community and offers a structured way to assess whether Council is managing its finances prudently.

Our quantified limit on rates is an average increase of 9.7% for 2023/24 and 9.3% for the two following years. Recent Council decisions, such as retaining the entire housing portfolio and meeting the current annual operating shortfall through a ‘part rent increase/part rates increase’ funding model, have already pushed projected budgets close to these limits for the next few years. This may reduce the next Council’s scope to fund new initiatives over the next few years, unless budgets are revisited and reprioritised.



What will councils look like in five years?

A series of central government reforms is set to shake up the way local government operates. These reform programmes include Three Waters, Resource Management, and the Future for Local Government.

While we don't know exactly what our Council will look like or have responsibility for in the coming years, we do know that a successful transition for Napier depends on Council looking to the future and setting aside the resources to adapt quickly. We also need elected representatives who are bold, take uncertainty in their stride and can bring about positive, sustainable outcomes for Napier.

Three Waters

The Government has proposed a change to the way New Zealand's stormwater, drinking water and wastewater services are delivered. From 1 July 2024, delivery of water activity would become the responsibility of four new entities, independent of local councils (but using existing council infrastructure, people and expertise). The bill that would establish these entities is currently being considered by a Parliamentary Select Committee. Much work is required to ensure Napier is ready to transition to a new model of water services delivery. We need to ensure the employment rights of our staff are maintained and our local knowledge is protected, as well as ensuring our systems are set up well for the transition. This work is on top of continuing to deliver our ambitious programme of water improvements.

Resource Management reform

The Resource Management Act 1991 (the RMA) sets out how we should sustainably manage the impact our day-to-day lives have on the environment. The Government is currently working through a process of reform that would see the RMA replaced by three new pieces of law because "current processes take too long, cost too much and will not address the many new challenges facing our environment and our communities".¹

The new legislation is designed to protect

¹ *Overview of the resource management reforms*, Ministry for the Environment (2022, June 20), Retrieved July 6, 2022.



and restore the environment, better enable development (within environmental limits), honour Te Tiriti o Waitangi, better prepare for climate change, and improve efficiency while retaining appropriate democratic input. The three new statutes will progress through the parliamentary process over the next few years.

These reforms will have significant implications for the way Napier City Council manages land use, development, sustainability, and the environment within city boundaries and together with regional neighbours. Councils' roles in combatting and adapting to climate change on the other side of these reforms is still relatively unknown.

Local Government review

An independent panel is undertaking a fundamental review of the local government framework, to identify improvements to governance that enable communities to prosper and thrive.

The review is considering:

- The function, roles and structure of local government,
- Relationships between local government, central government, iwi, Māori, businesses and communities, and
- Funding and financing.

The Panel is currently conducting public engagement on these matters, and is due to report back to the Minister of Local Government with draft findings and recommendations later in 2022. A final

report is due in June 2023.

One of the most common themes in the panel's early engagement has been that the relationship between local government and central government needs improvements. It is likely that the June 2023 report will call for greater collaboration at all levels of local and central government.

Civil Defence and Emergency Management review

The National Emergency Management Agency has established a review programme (known as the "Trifecta" programme) to improve New Zealand's disaster resilience. The work aims to build a modern, fit-for-purpose system so that:

- Communities better understand the risks they face and are better prepared to respond to and recover from emergencies,
- Iwi and Māori participation is recognised, enabled and valued,
- The emergency management system is well-coordinated, high-performing and trusted, and
- The impacts of emergencies on people, the economy and the environment are reduced.

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

Our changing climate

The risks posed by climate change are now widely recognised; we're already seeing higher temperatures and more severe weather events. The effects of a warming climate are only accelerating, which poses a real risk for Napier. We live in a beautiful corner of the world with warm days, fertile soils, an extensive network of waterways, and the ocean on our doorstep. More intense droughts, floods and coastal inundation could threaten homes and ways of life. By making informed choices now, we can reduce the risks to our community and our natural environment and move towards a resilient, carbon-neutral way of living.

From an organisational perspective, work over the last year has highlighted considerable scope for Council to improve our climate change maturity. This means having clear objectives around mitigation and adaptation, equipping staff with mandate, skills and opportunities to support climate adaptation, and rolling out tools such as software and modelling to monitor the success of interventions. We've also identified a need to build climate change capacity. This includes attracting and retaining the right people with the right skills, and ensuring we have people with an eye to the future while we keep up day-to-day services.

One of the biggest challenges for lots of smaller cities in New Zealand is unlocking a 'modal shift' in the way we get around: moving from reliance on private cars to active modes such as walking and cycling, or public transport like buses. This shift can have substantial positive impacts for our environment. Reducing our reliance on solo vehicles means fewer cars on the roads, reduced air pollution and less 'wear and tear' on infrastructure. It also

has health benefits for those able to travel on foot or by bike. As a population we have become accustomed to the convenience and personal space our cars afford us, meaning pockets of the community can be resistant to new ideas and ways of moving around. The key to achieving a modal shift is to ensure our city encourages people to walk, cycle and use public transport making it safe, easy and efficient. We'll need some brave decisions made, backed up by funding, to bring about fundamental changes to the way we live, play and work around Napier. We also need to work closely with Hawke's Bay Regional Council to advocate for fit-for-purpose public transport.

City growth

Napier is growing. While there's some space in existing neighbourhoods for more housing and community amenities, we also need to extend our urban boundaries to meet demand. Napier needs to provide for an estimated 700+ new homes over the next five years.

We can't continue to rely on Napier's flat land to provide for its growth. This is land that is at increasing risk of flooding and tsunamis, and the soil is better used for growing crops and food for domestic use and national and international markets. The challenge is that building in the hills to the west of Napier City is expensive and cannot create as many new residential sections as a flat green-fields area.

The upcoming review of the Heretaunga Plains Urban Development Strategy (HPUDS) and the review of our own District Plan provide the opportunity to plan for future urban growth of Napier. Ultimately, there are some competing priorities that will need to be weighed up by decision makers when deciding when and where Napier should grow, especially if we want to attract developers and keep our business districts busy and vibrant.







BIG DECISIONS

Some of the big decisions facing our next Council stem from the challenges set out earlier in this report, while others are the result of issues Council has been working through for a while. In both cases, some significant and strategic calls will rest with the next Council.





Future-proofing our facilities

Napier Aquatic Centre

Since 2014, we've been working to understand the issues faced by our Aquatic Centre in Onekawa. Our community isn't satisfied with the pool; it's not universally accessible and has limitations in what it can be used for, as an example, it is not compliant for competitive swimming. Also we don't have enough space for all those who wish to swim at peak times, and the facility is generally ageing with outdated plant and deteriorating components.

Council has identified the need for a new facility, but conversations about where it should be built, what it should include, and how much we're willing to pay have not yet been resolved. Council set aside \$41.3M for a redevelopment in 2018, but removed it from the 2021 Long Term Plan and focussed on investigating the viability of the Onekawa site, given its history as a landfill.

A re-development will take a number of years to complete before it is open for use. With the cost of construction escalating, locking in a preferred option and cost is important so we can make sure any new facility is fit-for-purpose, future-proofed and within the financial reaches of our

community. Any decision around the location, cost and components of a new Aquatic Centre will be subject to engagement with the community.

Library and Civic Area

Council staff and the Napier Library moved out of their buildings when they were deemed to be earthquake prone in 2017. Since then, we've been bringing together a vision for the future Napier Library, along with Council's Customer Service Centre and a new Council chamber. The next Council will be asked to make decisions at a series of 'approval gateways' for this project, from concept design (a 'big picture' design that doesn't carry technical detail), to detailed design (the nuts and bolts) and approval to construct. In our Long Term Plan we have set aside \$55M for this project although the full cost of the project will only be fully quantified after the detailed designs are completed.

With uncertainty around central government reforms and what local government will look like in the future, the focus to date has been on delivering the public-facing elements as a first stage of this project. Council staff are currently working from a series of leased spaces across the city. The option to progress a second stage of the project and develop new council offices is currently open and flexible in terms of timing and configuration.

National Aquarium of New Zealand

A 2019 review of the National Aquarium of New Zealand found the existing facility is no longer fit-for-purpose, predominantly due to the limitations of the aging building. Council had plans for a redevelopment of the facility, but this became less of a priority for the last Council as COVID-19 hit and government funding we were relying on did not eventuate.

The 2021 Long Term Plan removed the funding contribution tagged for the project, but made provision to maintain the facility while we investigate options for its future. These options could include refurbishment of the current facility, using the building for something else, or eventual closure. Any decision would require engagement with the community including mana whenua, and will need to be made in the near future by the new Council.

Napier War Memorial

Council is currently working through consent applications to begin restoring the War Memorial on Marine Parade. The next Council will be presented with the final designs and costings to approve the project for construction.

Memorial Square Community Rooms

In June 2022, Council agreed to partner with the Art Deco Trust to restore and refurbish the Memorial Square Community Rooms on the understanding that the Trust would then lease the historic building to house the Trust's offices and provide areas for community use.

A Project Work Group has been set up to allow Council and the Art Deco Trust to work on the project collaboratively. Draft plans and specifications for the restoration and refurbishment, including cost estimates, will come to the new Council for approval.

Faraday Museum of Technology

As mentioned already in this report, in 2021 we completed a business case for revitalisation of the Faraday Museum of Technology, previously known as the Faraday Centre.

The recommendations in this report are due to come back to Council to decide next steps. There are different options and packages on the table, including buying the building from the NZ Defence Force, structural strengthening, changes to the museum's governance and operating model, redesigning the facility and expansion onto neighbouring land.





Planning ahead

Climate change

We want to position ourselves as leaders when it comes to community resilience. Our credibility in this space relies on Council reducing our vulnerability to floods, reducing our own emissions, and taking the community along with us to reduce Napier's collective footprint. Much like the switch from private cars to public or active transport, some of these changes can be slow to implement and can face resistance.

The 2019-2022 Council recently adopted a position statement in relation to climate change, which makes some simple commitments like including an emissions reduction target in our 2024 Long Term Plan. We need to take this further, and will be asking the next Council to adopt a climate change strategy and action plan to turn these commitments into action.

District Plan

The next Council will be responsible for adopting a revised District Plan for Napier following a long process of review that began in 2019. Legally, we must have a District Plan, which is the rulebook for how we can use land in Napier. The District Plan sets out what we can develop and where

while considering the impact of activity on the environment. Getting the policy behind the District Plan right is important. A successful and useful plan balances many competing priorities such as unlocking areas for new homes to provide for our growing population, preserving heritage, protecting the environment, providing space for industry and keeping the character of our neighbourhoods.

As discussed already in this report, Council is grappling with challenges around growth, climate change, and uncertainty over the reform of the RMA. The District Plan puts Council's decisions and priorities for major planning and environmental issues into practice to shape the future of our city

Transportation strategy

Council staff have been developing a transportation strategy, and have been careful to ensure that it is well aligned to the draft District Plan. The transportation strategy is one piece of the puzzle that will guide future transportation investments made in Napier in light of climate change and national policies like the Emissions Reduction Plan.

The 2019-2022 Council decided to defer release of the draft transportation strategy so that any new elected members have the opportunity to consider the objectives behind it before being asked to share it with the community and adopt it.

Infrastructure

Mataruahou Land

Since we have purchased three hectares of land on Mataruahou in 2020 for a new drinking water reservoir, the next Council will need to decide whether to build the reservoir above ground, or below ground. The two options will have different implications for cost and how much of the land is taken up by the structure. Decisions will need to be made regarding the options for the balance of the land that could include the development of recreational reserve and/or housing.

Wastewater Outfall

Napier needs a long-term solution for the outfall pipe that discharges treated wastewater 1.5km out into the ocean. The pipe is old and is inherently difficult to repair due its location and condition, so complete replacement is the most economic approach. The city has grown a lot since the pipe was built in 1970 and so has the amount of wastewater generated. The new outfall and pump station will need to be upgraded to carry these flows and handle future demand as the city grows. Who decides the finer details around the replacement hinges on the timing of the Three Waters reforms, although we've set aside \$43.5M through the Long Term Plan to fund it. The resource consent that permits this discharge expires in 2037 and tightened consent conditions in relation to treatment standards are anticipated, however it's not yet clear what these might be.





SIGNIFICANT INITIATIVES PLANNED

for the next three years

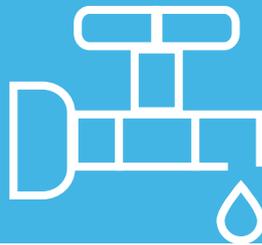
In addition to the challenges and decisions mentioned above, we've already got some big projects on the books for the next three years. This section outlines planned capital projects with expenditure over \$1M in the three financial years immediately following the 2022 election.

The largest budgets set aside for capital projects for 2022-2025 are tagged against flood alleviation projects, replacement of the wastewater outfall and the Napier Library and Civic Area project.

The projects are grouped together according to which activity group they belong to in our Long Term Plan. The Long Term Plan contains more information about activity groups and capital budgets if you're interested.



Water Supply



Awatoto Industrial & Phillips Road Bore

Piping water from Awatoto to Meeanee to supply the school and hall to ensure compliance with drinking water standards.

How much?			
\$2.7m <small>2022/23</small>	- <small>2023/24</small>	- <small>2024/25</small>	\$2.7m <small>Total until 2031</small>

Borefield No.1 Rising Main

Progressing with the design and construction of the rising main pipeline, to take water from the new bores in Awatoto up to the Enfield Reservoir.

How much?			
\$1.0m <small>2022/23</small>	\$1.7m <small>2023/24</small>	\$2.1m <small>2024/25</small>	\$5m <small>Total until 2031</small>

Fireflow Network Upgrades

Upgrading sections of the existing water mains to provide adequate water pressure and flow to meet national standards for fire protection.

How much?			
- <small>2022/23</small>	- <small>2023/24</small>	\$1.1m <small>2024/25</small>	\$2.2m <small>Total until 2031</small>

¹ Renewals budgets for existing assets have not been included.



Mataruahou (Napier Hill) Reservoir

Selection of the site for the reservoir on the Mataruahou land parcel, and design and commencement of construction.

How much?

\$0.6m	\$0.4m	\$0.9m	\$20.2m
2022/23	2023/24	2024/25	Total until 2031

Mataruahou (Napier Hill) Rising & Falling Trunk Mains

Designing and engineering the pipes that will take water from Napier's bores up to the new reservoir on Mataruahou for storage, and out again into the drinking water mains network.

How much?

\$0.7m	\$0.8m	\$2.2m	\$11.1m
2022/23	2023/24	2024/25	Total until 2031

New bores in Awatoto

Commissioning a new bore in Awatoto to replace high manganese water from older bores in Napier's network which can contribute to dirty water issues.

How much?

\$1.3m	\$1.6m	-	\$6.8m
2022/23	2023/24	2024/25	Total until 2031

New Western Hills Reservoir

Building a new reservoir to increase the volume of water stored. This will help meet high demand in summer and firefighting requirements.

How much?

\$0.6m	\$1.1m	\$0.8m	\$10.2m
2022/23	2023/24	2024/25	Total until 2031





New Taradale Borefield

Creation of 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.

How much?			
\$0.6m	\$2.1m	\$2.7m	\$5.9m
2022/23	2023/24	2024/25	Total until 2031

New Water Treatment Plants

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.

How much?			
\$1.5m	\$10.6m	\$0.5m	\$12.7m
2022/23	2023/24	2024/25	Total until 2031

Thompson Reservoir Upgrade

Upgrading the reservoir on Thompson Road on Mataruahou (Napier Hill), including works such as upgrading the roof, and improving the functionality and control of the booster pumps.

How much?			
-	\$0.5m	\$0.7m	\$1.2m
2022/23	2023/24	2024/25	Total until 2031

Water Network Improvements

Installing the technology to allow us to monitor our water quality online and in real time. This will improve our knowledge of the drinking water quality we are providing to the community.

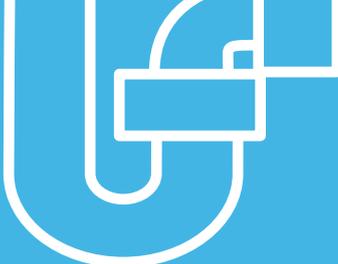
How much?			
\$1.2m	\$0.1m	-	\$2.8m
2022/23	2023/24	2024/25	Total until 2031

Water Treatment Improvements

Once we have the new bores and new treatment plants operational, we will monitor for manganese levels and dirty water issues. This budget is set aside if we determine that additional treatment is required to meet health standards.

How much?			
\$1.9m	\$4.2m	\$4.3m	\$15.7m
2022/23	2023/24	2024/25	Total until 2031





Wastewater

Guppy Road Pumping Main Installation

Reconfiguring the wastewater pumping station on Guppy Road to improve capacity and reduce the risk of overflows.

How much?

\$0.3m 2022/23	\$1.2m 2023/24	- 2024/25	\$1.5m Total until 2031
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Pandora Industrial Main

Bringing the 'Industrial Main' back into service; the 8.6km pipe which takes trade waste from Pandora to the city's treatment plant. The pipe has been out of service since 2016 after waste material built up and blocked the pipe.

How much?

\$1.7m 2022/23	- 2023/24	- 2024/25	\$1.9m Total until 2031
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Te Awa Structure Plan

Providing wastewater infrastructure for the growing Te Awa development area.

How much?

\$1.7m 2022/23	\$2.6m 2023/24	\$0.3m 2024/25	\$11m Total until 2031
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New Tradewaste Projects

Implementing new treatments for wastewater in Napier's industrial area to prevent the Pandora Industrial Main pipe from blocking in the future.

How much?

\$0.4m 2022/23	\$5m 2023/24	- 2024/25	\$11m Total until 2031
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Wastewater Growth Projects

Providing wastewater infrastructure to cater for growth in the Mission Hills and the proposed Riverbend Road residential development.

How much?

\$0.6m 2022/23	\$1.5m 2023/24	\$0.5m 2024/25	\$3.9m Total until 2031
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Wastewater Outfall

Long term solution for the 1.5km Awatoto Outfall pipe which takes treated wastewater from the Awatoto Treatment Plant out to sea. This pipe is ageing and has experienced leaks in the past.

How much?

\$0.5m 2022/23	\$1.6m 2023/24	\$31.7m 2024/25	\$44m Total until 2031
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Wastewater Pump Station Improvements

Improvements to pump stations, such as addressing operational health and safety risks, engineering solutions to minimise overflows, and installing technology to measure overflows and operate valves remotely.

How much?

\$1m 2022/23	\$0.3m 2023/24	- 2024/25	\$1.5m Total until 2031
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Wastewater Treatment Plant Upgrade

Improving the storage capacity at the Wastewater Treatment Plant.

How much?

\$3.5m 2022/23	- 2023/24	- 2024/25	\$4.2m Total until 2031
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Stormwater



Flood Alleviation Projects

Upgrades to Napier's stormwater network to alleviate flooding issues in the CBD and Napier South. Upgrades include widening pipes and increasing inlet and pumping capacity.

How much?			
\$2.4m 2022/23	\$1.8m 2023/24	\$3.6m 2024/25	\$30.5m Total until 2031

Open Waterway Improvements

A package of projects to enhance the waterways across Napier, particularly the tributaries of Te Whanganui-ā-Orotū (Ahuriri Estuary), in order to create functional habitat for native species. Projects include culvert upgrades, technology for monitoring and sampling, and installing structures to allow fish to migrate between the Estuary and urban waterways.

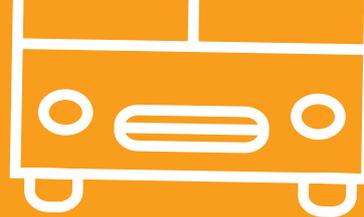
How much?			
\$0.6m 2022/23	\$0.6m 2023/24	\$0.2m 2024/25	\$5.3m Total until 2031

Stormwater Growth Projects

Providing stormwater infrastructure to cater for growth in Napier, including in Te Awa and the Mission Hills.

How much?			
\$1.0m 2022/23	\$11.6m 2023/24	\$6.0m 2024/25	\$30.7m Total until 2031





Intersection Safety Improvements

Targeting intersections across the city with higher risk of accidents to improve safety. Interventions will be designed to improve lane discipline and lower vehicle speeds at urban intersections.

How much?			
\$1.8m	\$0.7m	\$2.3m	\$9.8m
2022/23	2023/24	2024/25	Total until 2031

Local Area Traffic Management Plan Projects

Using physical tools such as installing speed bumps, bollards, chicanes and cycle lanes, and by introducing measures such as speed limit restrictions to increase safety and enjoyment on local streets for all users. These plans take an area-wide view rather than focussing on a problematic street or intersection.

How much?			
\$0.9m	\$1.0m	\$1.0m	\$9.6m
2022/23	2023/24	2024/25	Total until 2031

Marine Parade Safety Improvements

Projects to target lower vehicle speeds and lower vehicle numbers to increase safety on Marine Parade.

How much?			
\$0.1m	\$2.0m	-	\$3.4m
2022/23	2023/24	2024/25	Total until 2031

Te Awa Structure Plan

Improvements to transport infrastructure to accommodate the increase in users on the network due to new subdivisions.

How much?			
\$1.6m	\$0.4m	\$0.8m	\$5.1m
2022/23	2023/24	2024/25	Total until 2031

Urban Corridor Improvement Projects

A package of improvements such as resurfacing, installation of new guard rails, improving traffic signals and making railway crossings safer.

How much?			
\$0.5m	\$0.2m	\$0.5m	\$10.8m
2022/23	2023/24	2024/25	Total until 2031





City Strategy



Additional CBD Parking

Designing and building a new car park for CBD occupiers.

How much?

\$0.6m	-	\$1.7m	\$6.2m
2022/23	2023/24	2024/25	Total until 2031





Property Assets



Building Purchase

Purchase of the building which houses the Faraday Museum of Technology, if that is Council's preferred pathway forward (refer to section in this report called 'Big Decisions').

How much?			
Commercially Sensitive			
2022/23	2023/24	2024/25	Total until 2031
			-

Civic Buildings Upgrade

To provide fit for purpose modern office accommodation for Council services, if that is Council's preferred pathway forward (refer to section in this report called 'Big Decisions').

How much?			
2022/23	2023/24	2024/25	Total until 2031
\$3.1m	\$2.1m	\$10.8m	\$28.8m





Community and Visitor Experiences

Memorial Square Community Rooms

Partnering with the Art Deco Trust to restore, strengthen and refurbish the Memorial Square Community Rooms, with an understanding that the building will then be leased to the Trust.

How much?			
\$1.5m	-	-	\$1.5m
2022/23	2023/24	2024/25	Total until 2031

Napier Library Rebuild

Designing and beginning construction on the building for the Napier library, community, cultural and civic functions.

How much?			
\$0.5m	\$4.7m	\$10.8m	\$27.8m
2022/23	2023/24	2024/25	Total until 2031

Te Pihinga Community Space

Designing and building a new community space in Maraenui. The multi-use space will be designed to improve the wellbeing of the Maraenui community, with a particular focus on employment, training and entrepreneurship.

How much?			
\$1.3m	\$3.2m	\$4.4m	\$12.6m
2022/23	2023/24	2024/25	Total until 2031



Healthy Homes Heat Pumps

Installing heating and ventilation solutions in Council's community housing to meet Healthy Homes standards by July 2024.

How much?			
\$1.3m	-	-	\$2.0m
2022/23	2023/24	2024/25	Total until 2031

Taradale Town Hall Refurbishment

Completing an optimisation study and subsequent refurbishment project.

How much?			
\$0.2m	\$0.3m	\$0.5m	\$1.7m
2022/23	2023/24	2024/25	Total until 2031

Ocean Spa Upgrade

Refreshing changing rooms and updating the Ocean Spa facility to coincide with the end of the contract with the external company managing the pools.

How much?			
\$0.6m	\$0.4m	-	\$1.3m
2022/23	2023/24	2024/25	Total until 2031

War Memorial

Construction of a new memorial at the Napier War Memorial Centre site which will house the perpetual flame and Roll of Honour.

How much?			
\$1.7m	-	-	\$2.0m
2022/23	2023/24	2024/25	Total until 2031

Artefact and Taonga Collection Storage for MTG Hawke's Bay

Progressing the fit out of new storage facility for the Hawke's Bay regional museum collection in Hastings, in conjunction with Hastings District Council.

How much?			
\$1.9m	-	-	\$1.9m
2022/23	2023/24	2024/25	Total until 2031

Whakarire Avenue Revetment

Construction of the Whakarire Avenue revetment. The revetment will protect the reserve and properties on Whakarire Avenue from king tides and storm events and will restore the public's access to the reserve.

How much?			
\$2.2m	-	-	\$2.2m
2022/23	2023/24	2024/25	Total until 2031





Other Infrastructure



Omarunui Development: Valley D

Development of Valley D at the Omarunui Landfill behind Taradale to meet the ongoing need for capacity.

How much?			
\$0.7m	\$0.7m	\$0.6m	\$5.0m
2022/23	2023/24	2024/25	Total until 2031

Omarunui Development: Valleys B and C

Development of Valleys B and C at the Omarunui Landfill behind Taradale to meet the ongoing need for capacity.

How much?			
\$1.6m	\$1.7m	\$1.7m	\$12.9m
2022/23	2023/24	2024/25	Total until 2031





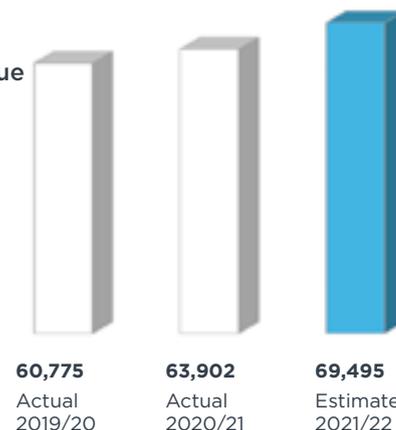
FINANCIAL STATEMENTS

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

Total rates revenue by year \$000



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. The current cap set in the 2021/31 LTP, is 8% plus 0.3% allowance for growth in the rating base in Year 1 and thereafter LGCI plus 6.5% plus 0.3% allowance for growth in the rating base to cover asset renewal costs and debt repayment. Prior to this, in the 2018-2028 LTP the cap has been the increase in the Local Government Cost Index (LGCI) plus 5% in the 2018-2028 LTP. This will also ensure Council continues to maintain a strong financial position and ratepayers are not overburdened by significant increases.

Rates (increases) affordability

Year	Plus Growth in rating base		Actual Rates Increase	Limit	Compliance	
	LGCI	Plus				
2019/20 Actual	2.8%	5.0%	-	7.82%	7.8%	✗
2020/21 Actual	2.2%	5.0%	-	5.15%	7.2%	✓
2021/22 Estimate*	-	8.0%	0.3%	8.61%	8.3%	✗

Rates (income) affordability

Year	Rates Revenue \$000	Quantified Limit \$000	Compliance
	2019/20 Actual	60,775	60,766
2020/21 Actual	63,902	65,151	✓
2021/22* Estimate	69,288	69,154	✗

The growth in rating base in 2021/22 was higher than expected, leading to a larger increase in the overall rates.

* The calculation methodology changed in the 2021-31 LTP to exclude water by meter, rates penalties and rates remissions.

Debt

As at June 2022, Napier City Council had no external debt. The LTP contains an increased capital investment programme which results in an expected peak external debt of \$339 million in the 2028/29 year.

Debt to Income

Council's current Treasury Policy states that net external debt as a percentage of total income will not exceed 230% in the 2021-31 LTP. Previously this has been 100% in the 2018-28 LTP.

Year	Net external debt as a % of total income		Limit	Compliance
	Actual	Limit		
2019/20 Actual	0.0%	100%	100%	✓
2020/21 Actual	0.0%	100%	100%	✓
2021/22 Actual	0.0%	230%	230%	✓

Return on investments

Council's required return on financial investments is the average of the 90-day and one year government investment rates.

Year	Return on investments %		Limit	Compliance
	Actual	Limit		
2019/20 Actual	2.32%	0.42%	0.42%	✓
2020/21 Actual	0.91%	0.18%	0.18%	✓
2021/22 Actual	2.47%	3.09%	3.09%	✗

This benchmark has not been met due to the timing lag of when longer term investments were set up due to the rapid rise in interest rates.

Funding Impact Statement

\$000	Annual Report ¹		Estimate ²	Annual Plan ²	LTP Budget 2021 to 2031 ¹		
	2019/20 \$000	2020/21 \$000	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000
Sources of operating funding							
General rates, uniform annual general charges, rates penalties	42,508	43,277	43,071	50,563	46,929	51,183	56,974
Targeted rates (other than targeted rates for water supply)	18,614	20,994	26,762	26,046	33,093	34,678	36,803
Subsidies and grants for operating purposes	3,314	4,736	3,337	2,646	2,713	2,779	2,847
Fees, charges and targeted rates from water supply	20,897	23,274	20,480	25,100	26,119	27,122	27,942
Interest and dividends from investments	1,529	631	791	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	15,149	34,852	14,417	29,268	31,821	31,870	34,990
Total operating funding (A)	102,011	127,764	108,858	133,623	140,675	147,632	159,556
Applications of operating funding							
Payments to staff and suppliers	91,687	103,165	90,831	112,812	115,087	116,077	122,684
Finance costs	-	-	-	772	850	1,639	3,057
Other operating funding applications	475	330	179	13	13	13	13
Total applications of operating funding (B)	92,162	103,495	91,010	113,597	115,950	117,729	125,754
Surplus/(deficit) of operating funding (A - B)	9,849	24,269	17,848	20,026	24,725	29,903	33,802
Sources of capital funding							
Subsidies and grants for capital expenditure	3,127	7,380	15,594	4,558	4,547	4,252	4,198
Development and financial contributions	5,002	5,163	6,042	7,296	7,478	7,665	7,857
Increase/(decrease) in debt	-	-	-	54,859	35,355	90,120	68,560
Gross proceeds from sale of assets	261	6,668	2,004	250	250	250	250
Lump sum contributions	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-
Total sources of capital funding (C)	8,390	19,211	23,640	66,963	47,630	102,287	80,865
Application of capital funding							
Capital expenditure							
- to meet additional demand	2,304	7,425	5,756	15,776	11,615	20,585	21,046
- to improve the level of service	7,325	11,203	21,217	37,787	33,776	45,744	47,780
- to replace existing assets	14,913	24,139	16,809	44,577	31,253	69,424	48,935
Increase (decrease) in reserves	(6,303)	713	(2,294)	(11,151)	(4,289)	(3,563)	(3,094)
Increase (decrease) of investments	-	-	-	-	-	-	-
Total application of capital funding (D)	18,239	43,480	41,488	86,989	72,355	132,190	114,667
Surplus/(deficit) of capital funding (C - D)	(9,849)	(24,269)	(17,848)	(20,026)	(24,725)	(29,903)	(33,802)
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.

¹ Audited Information

² Unaudited Information

Statement of Financial Position

\$000	Annual Report ¹		Estimate ²	Annual Plan ²	LTP Budget 2021 to 2031 ¹		
	2019/20 \$000	2020/21 \$000	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000
Assets							
Current Assets							
Cash and Cash Equivalents	5,684	5,529	14,877	5,769	5,747	5,796	5,676
Debtors and Other Receivables	7,923	21,903	11,484	22,383	20,697	21,032	22,160
Prepayments	591	1,336	1,461	1,596	875	896	917
Inventories	6,197	2,643	9,065	10,949	7,488	8,126	8,172
Biological assets	245	281	293	289	263	269	276
Other Financial Assets	56,000	48,000	35,000	-	-	-	-
Non-current assets held for sale	1,500	667	667	-	-	-	-
Total Current Assets	78,140	80,359	72,847	40,986	35,070	36,119	37,201
Non-Current Assets							
Debtors and Other Receivables	-	310	-	-	-	-	-
Property, Plant & Equipment	1,764,538	1,841,395	1,953,804	2,032,009	2,017,523	2,166,873	2,298,330
Intangible assets	1,473	1,459	1,398	1,256	922	802	815
Inventories	15,358	13,794	12,311	14,873	8,723	4,391	-
Investment Property	58,052	76,731	107,701	80,866	64,566	66,244	68,033
Investments in Associates	8,640	8,820	8,874	8,906	10,255	11,060	11,886
Other Financial Assets	3,512	3,445	4,456	6,303	6,291	7,917	9,199
Total Non-Current Assets	1,851,573	1,945,954	2,088,544	2,144,213	2,108,280	2,257,287	2,388,263
Total Assets	1,929,713	2,026,313	2,161,391	2,185,199	2,143,350	2,293,406	2,425,464
Less Liabilities							
Current Liabilities							
Creditors and other payables	10,275	19,112	18,985	20,372	18,626	19,911	20,218
Employee benefit liabilities	5,700	5,185	5,371	5,877	5,397	5,582	5,877
Total Current Liabilities	15,975	24,297	24,356	26,249	24,023	25,493	26,095
Non-Current Liabilities							
Employee benefit liabilities	790	783	753	899	908	961	1,010
Borrowings	-	-	-	65,501	139,110	229,230	297,790
Provisions	10,262	1,819	1,809	1,499	1,162	1,112	1,084
Total Non-Current Liabilities	11,052	2,602	2,562	67,899	141,180	231,303	299,884
Total Liabilities	27,027	26,899	26,918	94,148	165,203	256,796	325,979
Total Net Assets	1,902,686	1,999,414	2,134,473	2,091,051	1,978,147	2,036,610	2,099,485
Equity							
Accumulated funds	810,568	838,895	873,485	852,199	812,675	819,397	822,093
Other Reserves	1,092,118	1,160,519	1,260,988	1,238,852	1,165,472	1,217,213	1,277,392
Total Net Assets / Equity	1,902,686	1,999,414	2,134,473	2,091,051	1,978,147	2,036,610	2,099,485

¹ Audited Information

² Unaudited Information

Interested in learning more?



Our website

contains a wealth of detailed information about Council

You can also find more detailed information about our budgets, priorities and performance at the following links:

(as at 31 March 2022)

For those reading this report in hard copy, head to www.napier.govt.nz/our-council/plans-strategies-reports/ to find copies of the documents above, or access printed copies at our Customer Service Centre or the Napier and Taradale Libraries.



PRE-ELECTION REPORT

JULY 2022



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