

# Extraordinary Meeting of Council

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## OPEN MINUTES

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Meeting Date: **Thursday 26 October 2017**  
Time: **4.00pm – 4.07pm**  
Venue: **Large Exhibition Hall  
Napier Conference Centre  
Marine Parade  
Napier**

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**Present:** The Mayor (In the Chair), Councillors Boag, Dallimore, Hague, Jeffery, McGrath, Price, Tapine, Taylor, White, Wise and Wright

**In Attendance:** Chief Executive, Director Corporate Services, Director City Strategy, Chief Financial Officer, Corporate Planner, Senior Management Accountant, Corporate Accountant

**Administration:** Governance Team

**APOLOGIES**

**Mayor Dalton / Councillor Wise**

That the apology from Cr Annette Brosnan be accepted.

**CARRIED**

**CONFLICTS OF INTEREST**

Nil

**PUBLIC FORUM**

Nil

**ANNOUNCEMENTS BY THE MAYOR**

The Mayor advised that he will be away from 27 October to the evening of 31 October 2017.

**ANNOUNCEMENTS BY THE MANAGEMENT**

Nil

**LOCAL GOVERNMENT ACT 2002**

**COUNCIL  
RESOLUTION**

**Councillors Wise / Hague**

**The Council resolves, in terms of Section 82 (3) of the Local Government Act 2002, that the principles set out in that section have been observed in such manner that the Napier City Council consider, in its discretion, is appropriate to make decisions on the recommendations set out in this agenda (including the Public Excluded section).**

**CARRIED**

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## AGENDA ITEMS

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### 1. ADOPTION OF ANNUAL REPORT 2016/17

<b>Type of Report:</b>	<i>Legal and Operational</i>
<b>Legal Reference:</b>	<i>Local Government Act 2002</i>
<b>Document ID:</b>	<i>398191</i>
<b>Reporting Officer/s &amp; Unit:</b>	<i>Caroline Thomson, Chief Financial Officer</i>

#### 1.1 Purpose of Report

To present the Napier City Council Annual Report 2016/17 for adoption by Council.

#### At the Meeting

The Chief Financial Officer tabled the minor changes made to the Annual Report subsequent to the Agenda for this meeting being published (see appended document).

The Director Corporate Services advised that an unqualified opinion had been received from Audit New Zealand on the Annual Report. The Report captures information correct at end of June 2017.

In reflection on the Report the following points were noted:

- Another strong financial result has been achieved for the year, with careful management of loans.
- Napier continues to hold the lowest average rates across councils of similar size.
- Particular highlights for the year have included:
  - Being the first Council to receive an 'A' rating through the Local Government Excellence Programme
  - Receiving a Local Government Excellence Award for the City Vision project
  - The opening of Bayskate
  - The completion of and strongly positive community engagement with the Marine Parade development
  - The re-opening of the Napier Conference Centre following expansion and refurbishment to become a destination events and conference facility
  - The refurbishment of the Ivan Wilson Pools
  - The launch of Matariki Regional Economic Development Strategy
  - Design work and equipment purchasing for a destination playground at Anderson Park
  - A continuing focus on maintaining Napier's standing as an events destination, including the highly successful Seawalls collaboration with the Pangeaseed Foundation
  - The commitment to engaging with the community on a range of projects, concerns and opportunities including ways that demand for freedom camping can best be addressed.

Thanks were extended to the Annual Report project team for the significant levels of work required to produce the document, and more generally to all staff for their contributions to an extremely busy work programme.

**COUNCIL  
RESOLUTION**

**Councillors Wise / Hague**

**That Council**

- a. **Adopt the Annual Report for Napier City Council for 2016/17 subject to any grammatical and minor changes and any changes due to the requirements of the audit process.**

**CARRIED**

*The meeting closed at 4.07pm*

**APPROVED AND ADOPTED AS A TRUE AND ACCURATE RECORD OF THE MEETING**

**CHAIRPERSON:** \_\_\_\_\_

**DATE OF APPROVAL:** \_\_\_\_\_

**Appendix One: Tabled changes made to Annual Report subsequent to Agenda circulation**

Summary of Changes

Summary of changes to Napier City Council Annual Report 2016/17 (since Agenda was published)

Page	Heading	Change
Cover	2016/17 Annual Report	'Draft' has been deleted from cover
Page 2	Overview from the Mayor and Chief Executive	Second paragraph relating to the LGNZ Excellence Programme has been re-worded
Page 41	Note 17a: Replacement Cost of Core Infrastructural Assets	Replacement costs for sewerage, water and drainage have increased to reflect the reclassification of some assets and also includes adjustments resulting from the final asset revaluation audit
Page 48	Note 24: Provisions	Formatting of first paragraph amended to include '30 June 2017 financial year'
Page 78	Graph 11: Operations Control Benchmark	Graph amended to 59% for 2016/17 to correctly reflect the operating cash flows
Page 91	Performance Results – Solid Waste	Compliance with Resource Consent amended to reflect that the water permit consent at the transfer station was unable to be assessed as the bore headworks were not sealed (this is currently being investigated and a new bore will be installed by March 2018)

Copy of amended pages attached with changes marked in yellow

## Overview from the Mayor and the Chief Executive

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Bill Dalton  
Mayor

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Wayne Jack  
Chief Executive

We are a third of the way through this term of Council and already it has been one of contrasts: testing times and great opportunities, awards and major announcements. Staff have continued to work hard, throughout the realignment process, which has now concluded, and the challenges keep coming. We are very proud of what they have achieved and know they strive to do the very best they can for this city of ours.

In the past year, NCC signed up as a foundation Council in the Local Government New Zealand (LGNZ) Excellence Programme, in which independent assessors examined our strategic plans and values, and awarded an A rating of which we are very proud to have achieved this.

The City Vision – Small City, Big Ideas project was also recognised, winning the Creative New Zealand EXCELLENCE Award for Best Creative Place.

We also had positive results come through in the service delivery survey earlier this year, which concluded our sports fields, public libraries, parks, reserves and pathways were most popular with the public.

Our new central skate park, Bay Skate was opened, Napier Conference Centre was reopened, and we hosted some wonderful events, such as Toasted!, our quarterly Business Breakfasts, and the Summer Cycling Carnival. We have also been a supporter of other successful events such as the Hawke's Bay Arts Festival, Horse of the Year, and Seawalls: Murals for Oceans Festival, and we have been one of the drivers of Matariki REDS, the Hawke's Bay Regional Economic Development Strategy, launched last July.

We have a significant capital works programme, focused on the three waters (drinking water, stormwater and wastewater). We were just starting to look at how we could develop our wonderful Napier Library further, when we received news we didn't expect to hear – that the new assessment standards under the Building Act's Earthquake Prone Building legislation, our Civic and Library buildings were deemed structurally deficient.

At the same time, the Havelock North Water Inquiry has forced many Councils – not just ours – to reassess the way their drinking water infrastructure networks operate. Things will continue to change, and challenge us as a Council over the next few years as we have major decisions to make, and major projects to complete.

We will be based in several different buildings for some time, there will be changes to the libraries, and we have exciting changes coming to the Napier Aquatic Centre. What has happened in the past year, and what we expect will happen in the short to medium-term future, will help feed into the formation of the Long Term Plan 2018-28 next year. We hope this is something you, the community, will help us with.

17. Property, plant and equipment continues

The following amounts of works under construction valued at cost are included in Property Plant and Equipment as at 30 June

	2016/17 \$000	2015/16 \$000
Land	-	264
Buildings	535	1,916
Plant and equipment	467	355
Sewerage system other assets	580	651
Water system	2,774	4,898
Drainage network	2,477	5,903
Roading network	2,801	7,678
Sportsgrounds	7,476	3,334
Buildings on reserves	7	-
Inner Harbour	-	74
Software	287	40
<b>Total works under construction</b>	<b>17,404</b>	<b>25,113</b>

17.a Replacement Cost of Core Infrastructural Assets

	2016/17 \$000	2015/16 \$000
<b>Council infrastructural assets</b>		
Sewerage system treatment plant	42,419	40,747
Sewerage system other assets	266,672	210,637
Water system	161,269	132,801
Drainage network	192,531	167,563
Roading network	354,110	329,890
<b>Total infrastructural assets</b>	<b>1,019,001</b>	<b>881,638</b>

Council's water supply is drawn from the Heretaunga Plains aquifer, so Council does not own a water treatment plant.

17. b Depreciation and Amortisation Expense by Group of Activity

	Actual 2016/17 \$000	Actual 2015/16 \$000
Roading	5,317	5,266
Solid Waste	623	745
Stormwater	1,960	1,951
Sewerage	3,993	4,067
Water Supply	1,710	1,508
Recreation	2,096	2,051
Social and Cultural	2,278	2,320
City Activities	914	892
Planning and Regulatory	316	315
Property Assets	425	416
Support Services	1,595	1,408
<b>Total directly attributable depreciation and amortisation by group of activity</b>	<b>21,247</b>	<b>20,939</b>

## 24. Provisions continue

### Provision for Weathertightness

Two claims have been lodged as at 30 June 2017 (2016: Two). These claims relate to building defects/ weather tightness issues of flats in the Napier district and name the Council as well as other parties. A provision for claims lodged at balance date has been established based on legal advice and the council's estimate of the likely financial settlement, including likely costs and disbursements. Riskpool, a mutual liability trust fund created by New Zealand local authorities to provide long-term professional indemnity and public liability protection, which the Council is a party of, has declined cover on the basis of a weathertight exclusion. **Mediation of both claims is expected to take place in the 30 June 2018 financial year.** The significant assumptions used in the estimation of the liability to the Council are explained below.

Settlement amount:

As one of the claimants is still undertaking work to investigate the defects and the extent and scope of repairs, if the estimated repair costs increase, the council's exposure to the claims will increase. The provision made by the Council is the Council's expected contribution to the settlement, and assumes the other parties subject to the claims have the ability to meet their portion of the claims. If they prove unable, the Council's exposure, and therefore estimate, will increase.

### Provision for Landfill Aftercare

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

Closure responsibilities:

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

Post-closure responsibilities:

- Treatment and monitoring of leachate
- Ground water and surface monitoring
- Gas monitoring and recovery
- Implementation of remedial measures such as needed for cover, and control systems
- Ongoing site maintenance for drainage systems, final cover and vegetation

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

### Capacity of the Site:

The landfill is divided into four valleys as below:	Total Capacity (million)	Useful Life of Valley	Remaining Useful Life
Valley A - opened in December 1998, closed 2006	2.6m <sup>3</sup>	17 years	closed
Valley D - opened in December 2006 and currently in operation	1.8m <sup>3</sup>	17 years	7.4 years
Valleys B & C - not yet in operation			

Estimates of the life have been made by Hastings District Council's engineers based on historical volume information.

The cash outflows for landfill post-closure are expected to occur in 2024 for Valley D and began in 2007 for Valley A. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 7.5%.

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

- Aftercare will be required for 30 years after the closure of each stage.
- The annual cost of aftercare for Valley A and D is \$76,800
- The provision reported is for the Napier City Council's share only (36.32%).

### Provision for Tertiary Education Grant

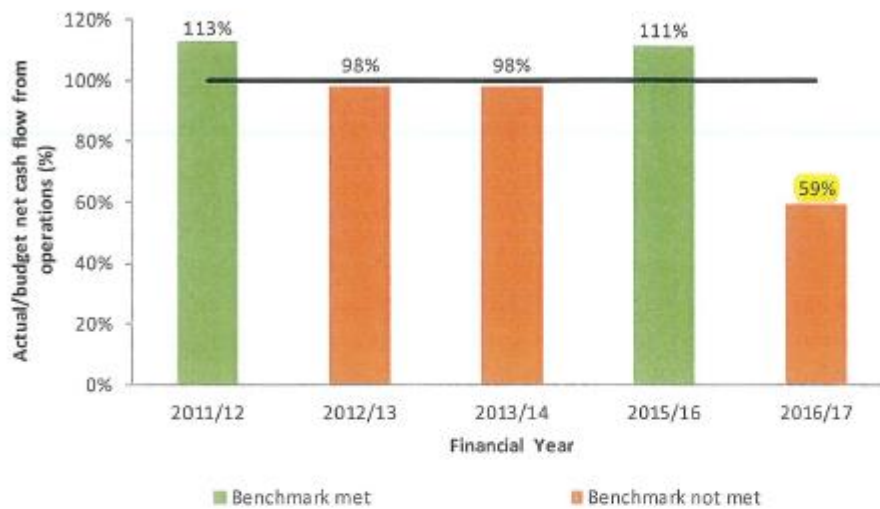
Council has formed an agreement with Eastern Institute of Technology (EIT) to provide education grants until 2024.



### Operations Control Benchmark

The following graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.

Graph 11: Operations Control Benchmark - Actual Net Operating Cash Flow to Planned Net Operating Cash Flow, 2012/13 to 2016/17



#### Additional information or comment

Council did not meet the Operations Control Benchmark in 2016/17 due to higher than planned payments to suppliers and employees.

**Performance Results 2016/17 (Solid Waste)**

	Council provides a kerbside refuse collection service weekly to City residents to ensure City household waste is removed from the kerbside. This activity also provides a user pays facility at the Transfer Station for disposal of non-household refuse	A weekly kerbside refuse collection service is provided 52 weeks per year to City residents	100%	100%	100%
		Transfer Station open for 362 days	100%	100%	100%
Solid Waste	A fortnightly kerbside recycling collection service to reduce the quantity of waste to landfill. Promotion of waste minimization activities and responsible solid waste management through education initiatives and a hazardous waste collection programme. Council also provides green waste and recycling facilities at the Redclyffe Transfer Station	Waste to Landfill per capita	278 kg/capita	Decreasing trend	266 kg/capita
		Compliance with Resource Consent conditions	Unable to be assessed	100%	100%
		Education and waste reduction promotion programmes in place	1,848 students	750 students per annum	1,963 students
		Percentage of residents satisfied with Refuse Collection in the NRB Public Opinion Survey	95%	92%	94%
		Percentage of residents satisfied with Control of Litter, Graffiti and Vandalism in the NRB Public Opinion Survey	91%	92%	91%

**Capital Expenditure (Solid Waste)**

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Omarunui Development - Valley D	182	617	356
Omarunui Development - Plant	-	46	233
Omarunui Development - Forestry	-	-	-
Omarunui Development - Valleys B and C	6	106	7
Solid Waste I.A.R.	100	235	77
Minor Capital Items	1	-	-
	<b>289</b>	<b>1,004</b>	<b>673</b>