



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

Napier Civic Building
231 Hastings Street
t +64 6 835 7579
e info@napier.govt.nz
www.napier.govt.nz

EXTRAORDINARY MEETING OF COUNCIL

Open Agenda

Meeting Date: Monday 2 November 2020

Time: 3.00pm

Venue: Napier War Memorial Centre
Marine Parade
Napier

Council Members Mayor Wise, Deputy Mayor Brosnan, Councillors Boag, Browne, Chrystal, Crown, Mawson, McGrath, Price, Simpson, Tapine, Taylor, Wright

Officer Responsible Interim Chief Executive

Administrator Governance Team

**Next ordinary Council Meeting
Thursday 19 November 2020**

ORDER OF BUSINESS

Apologies

Nil

Conflicts of interest

Public forum

Nil

Announcements by the Mayor including notification of minor matters not on the agenda

Note: re minor matters only - refer LGOIMA s46A(7A) and Standing Orders s9.13

A meeting may discuss an item that is not on the agenda only if it is a minor matter relating to the general business of the meeting and the Chairperson explains at the beginning of the public part of the meeting that the item will be discussed. However, the meeting may not make a resolution, decision or recommendation about the item, except to refer it to a subsequent meeting for further discussion.

Announcements by the management

Agenda items

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AGENDA ITEMS

1. RATING OUTTURN 2019/20

<i>Type of Report:</i>	Legal and Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	966772
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

1.1 Purpose of Report

To report on Council's rates position as at 30 June 2020.

Officer's Recommendation

That Council:

- a. Note that lost revenue due to Covid-19 has impacted Council's rates position for 2019/20 resulting in a rates deficit of \$2,341,603
- b. Approve funding the 2019/20 net rating deficit of \$2,341,603 from loans.

1.2 Background Summary

An integral part of preparing the Annual Report is establishing the year end outturn position of the Rating Account. It has been Council's practice to apply year-end surpluses to fund one-off items committed against the surplus, with any remaining surplus transferred to the Capital Reserve Account for allocation by Council.

Each year Council sets its rates to recover its expenditure and aims to achieve a balanced budget.

Due to the exceptional circumstances resulting from the Covid-19 pandemic Council are reporting a rates deficit of \$2,341,603 for 2019/20.

The closure of Council's business and tourism activities during the Covid-19 lockdown period and gradual return to level 1 resulted in lost revenue of \$2.3m. This has meant that rates were required to fund the shortfall which has in turn resulted in the overall rates deficit of \$2,341,603 for 2019/20.

1.3 Issues

Rating Summary to 30 June 2020

Net Rating deficit (after allowing for budgets to carry forward) is \$2,341,603.

Interest income has been allocated to special funds in line with Council's policy for allocating interest; however, similar to recent years, there has been no allocation of interest to the Infrastructural Renewals or Financial Contribution Accounts.

The rating deficit arises primarily from the impact of Covid-19 on Council's business and tourism activities.

1.4 Significance and Engagement

N/A

1.5 Implications

Financial

Funding the rates deficit of \$2,341,603 from a loan would add approximately 0.22% to rates in 2021/22.

Social & Policy

N/A

Risk

N/A

11.6 Development of Preferred Option

Approve funding the 2019/20 net rating deficit of \$2,341,603 from loans.

1.7 Attachments

Nil

2. ADOPTION OF ANNUAL REPORT 2019/20

<i>Type of Report:</i>	Legal
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	966720
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

2.1 Purpose of Report

To present the Napier City Council Annual Report 2019/20 for adoption by Council.

Officer's Recommendation

That Council:

- a. Note the 2019/20 Annual Report has been considered by the Audit and Risk Committee.
- b. Note Council did not meet the balanced budget benchmark in 2019/20 due to the impact of Covid-19 on Council's revenues.
- c. Resolve that the operating deficit of \$2.2m for 2019/20 will be funded from loans
- d. Note the Auditor's report when available will include an emphasis of matter paragraph drawing attention to the impact of Covid-19 as set out in the notes to the financial statements and activity groups.
- e. Note Council when the audit opinion is available will receive a qualified Audit opinion on the activity group statements relating to incomplete information about the number of complaints for some services.
- f. Note that the Audit opinion will be provided at the Council meeting of 2 November 2020, with the Audit Director for Audit NZ available to talk to the opinion.
- g. Adopt the Annual Report for Napier City Council for 2019/20 subject to any grammatical and minor changes and any changes due to the requirements of the audit process.

2.2 Background Summary

Under the Local Government Act 2002, each annual report must be completed and adopted, by resolution, within four months after the end of the financial year to which it relates. On 5 August 2020 the Government passed a Covid-19 legislation bill to extend the deadline for the adoption of the 19/20 Annual Reports for Local Government Authorities to 31 December 2020. Council Controlled Organisations (CCO) have been granted an extension to 30 November 2020.

The Audit and Risk Committee have reviewed the Annual Report and all feedback from the committee has been included in the final version attached for adoption by Council.

The Annual Report for Napier City Council for the year ended 30 June 2020 is contained in **Attachment A**. The statements are presented in a format to meet the requirements of the appropriate legislation.

The audit of the Council's annual finances will be completed by the date of this meeting and the audit opinion will be tabled at the meeting.

2.3 Issues

The Covid-19 pandemic has had a significant impact on Council's tourism activities and revenue streams and has contributed to Council's overall operating deficit of \$2m for 2019/20. The year end shortfall will be funded from loans.

The deficit has resulted in Council not meeting the balanced budget benchmark for 2019/20. Officers will continue to closely monitor the impact of the pandemic throughout 2020/21.

The Audit opinion for 2019/20 includes an emphasis of matter paragraph explaining the impact of Covid-19 relating to estimating the fair value of Council's assets as set out in the notes to the financial statements. Audit NZ consider the impact of Covid-19 is of such importance that it should be adequately disclosed within the 2019/20 audit reports for all Councils as an emphasis of matter paragraph.

Council has received a qualified audit opinion for 2019/20 due to incomplete information about the number of complaints for some services.

Council is required to report against the performance measures set out in the Non-Financial Performance Measure Rules 2013 (the Rules) made by the Secretary for Local Government. These mandatory performance measures include the total number of complaints (per 1,000 connections) received about the following:

- drinking water clarity, taste, odour, pressure or flow, continuity of supply, and the City Council's response to any of these issues;
- sewage odour, sewerage system faults or blockages, and the City Council's response to issues with the sewerage system; and
- the performance of the stormwater system.

These measures are important because the number of complaints are indicative of the quality of services received by ratepayers.

The audit testing found that Council has not been counting complaints in accordance with the Department of Internal Affairs (DIA) guidance and that the Council's method of counting was likely to have understated the actual number of complaints received both in the current year and in the comparative year to 30 June 2019. This is due in part to Council's call provider providing insufficient details to assess what information was requested and if the call should be classified as a complaint, as well as additional calls not recorded.

Audit were unable to determine whether the Council's reported results for these performance measures were materially correct. As a result, there were no practical audit procedures that audit could apply to obtain assurance over the number of complaints reported against these three performance measures.

The disclosure for these performance measures on pages 102, 108 and 113 includes both verified and estimated (based on worst case scenario) number of complaints per 1,000 connections.

To resolve the issues identified, Council will work with the call provider to review systems and processes to ensure all call data is accurately recorded, compliant with the DIA

mandatory performance reporting requirements and extend call coding timeframes from 10 seconds to 10 minutes.

Audit has advised that there will be a number of other Councils receiving qualified audit opinions for the same matter.

2.4 Significance and Engagement

N/A

2.5 Implications

Financial

The annual deficit of \$2.2m will be funded by loans

Social & Policy

N/A

Risk

N/A

Options

The options available to Council are as follows:

- a. Adopt the Annual Report 2019/20
- b. Not adopt the Annual Report 2019/20

Development of Preferred Option

Option A (adopt the Annual Report 2019/20) is the recommended option.

All legislative requirements have been met. Council's Audit and Risk Committee have reviewed the Annual Report and Audit New Zealand have signed off Council's year end accounts.

2.6 Attachments

- A Annual Report for the year ended 30 June 2020 (*Under Separate Cover*) [⇒](#)

PUBLIC EXCLUDED ITEMS

That the public be excluded from the following parts of the proceedings of this meeting, namely:

Agenda Items

1. Kenny Eriksen Roundabout

The general subject of each matter to be considered while the public was excluded, the reasons for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution were as follows:

General subject of each matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground(s) under section 48(1) to the passing of this resolution.
	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to:	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist:

Agenda Items

1. Kenny Eriksen Roundabout	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
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