NAPIER CITY COUNCIL
Te Kaunihera o Ahuriri

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e info@napier.govt.nz
www.napier.govt.nz

ORDINARY MEETING OF COUNCIL

Open Minutes Attachments

Meeting Date:	Thursday 8 April 2021
Time:	• 1.00pm-1.36pm Reconvened Friday, 9 April 2021 • 1.00pm-1.05pm • 1.55pm-2.40pm
Venue:	Council Chambers Hawke's Bay Regional Council 159 Dalton Street Napier

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AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the reader:

Independent auditor's report on Napier City Council's consultation document for its proposed 2021/31 long-term plan

I am the Auditor-General's appointed auditor for Napier City Council (the Council). The Local Government Act 2002 (the Act) requires the Council to prepare a consultation document when developing its long-term plan. Section 93C of the Act sets out the content requirements of the consultation document and requires an audit report on the consultation document. I have done the work for this report using the staff and resources of Audit New Zealand. We completed our report on 9 April 2021.

Opinion

In our opinion:

- the consultation document provides an effective basis for public participation in the Council's decisions about the proposed content of its 2021-31 long-term plan, because it:
    - fairly represents the matters proposed for inclusion in the long-term plan; and
    - identifies and explains the main issues and choices facing the Council and city, and the consequences of those choices; and
- the information and assumptions underlying the information in the consultation document are reasonable.

Emphasis of Matters

Without modifying our opinion, we draw attention to the following disclosures.

Uncertainty over the delivery of the capital programme

Page 37 outlines that the Council is proposing a $825 million capital programme over the next 10 years, which is a 52% increase compared to the last 10 year plan. While the Council has taken steps to support the delivery of the capital programme, there is an inherent level of uncertainty and risk that the Council may not be able to deliver on its capital programme. If the Council is not able to deliver all of its capital programme, the Council will reorganise the capital programme to ensure that basic needs are met and will not progress with some projects to increase levels of service.

Uncertainty over three waters reforms

Page 4 outlines the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made. The consultation document was prepared as if these services will continue to be provided by the Council, but future decisions may result in significant changes, which would affect the information on which the consultation document has been based.

Basis of opinion

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the consultation document. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the consultation document.

We did not evaluate the security and controls over the publication of the consultation document.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document and long-term plan, whether in printed or electronic form;
- having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a consultation document and long-term plan that meet the purposes set out in the Act; and
- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

We are responsible for reporting on the consultation document, as required by section 93C of the Act. We do not express an opinion on the merits of any policy content of the consultation document.

Independence and quality control

We have complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

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In addition to our audit and our report on the Council's 2019/20 annual report, we have performed a limited assurance engagement related to the Council's debenture trust deed, which is compatible with those independence requirements. Other than this reporting and these engagements, we have no relationship with or interests in the Council.

Karen Young

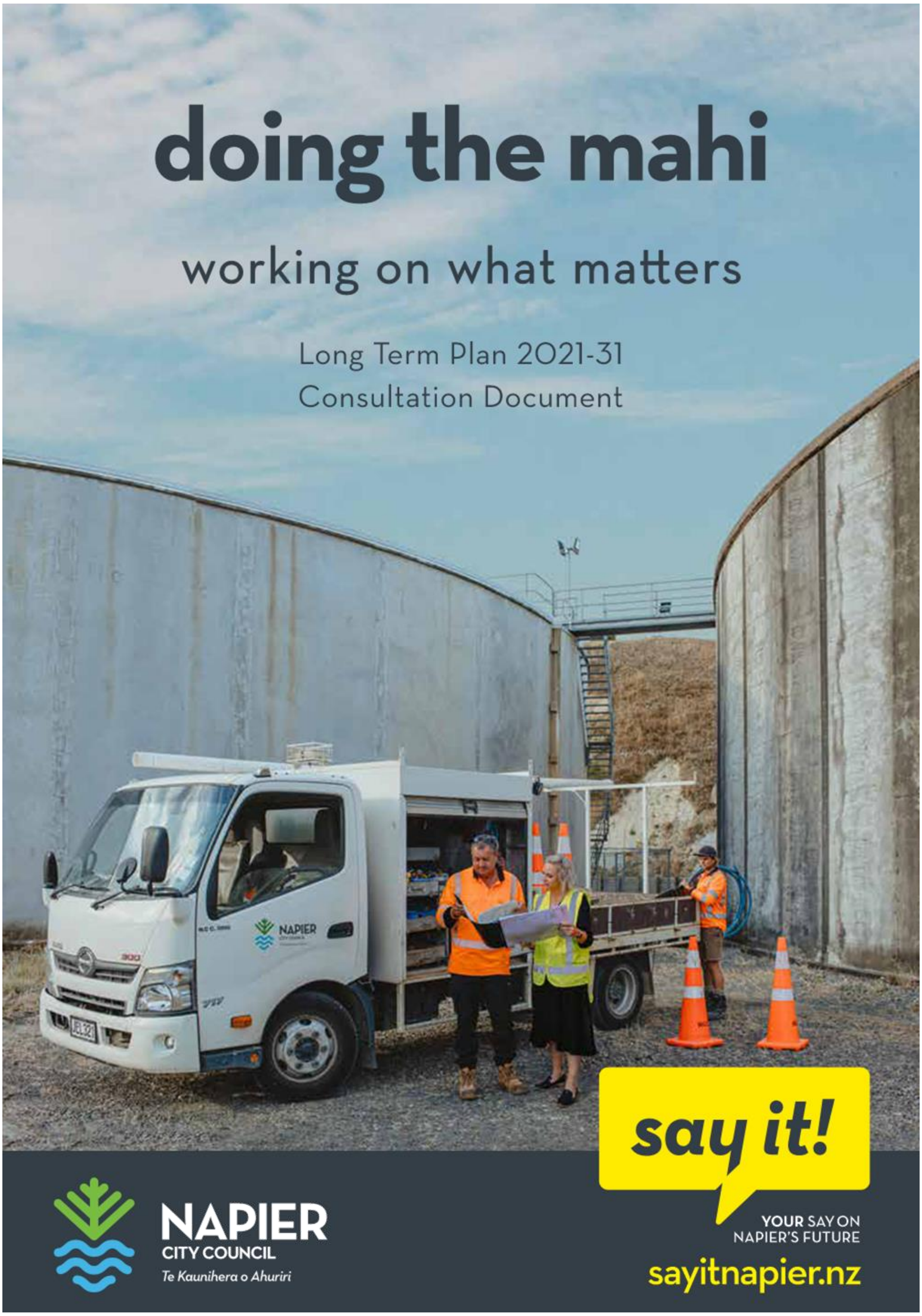
Karen Young
Audit New Zealand
On behalf of the Auditor-General, Wellington, New Zealand

Actual page	PDF page	Old	New
		Table of Contents - Layout changes have forced updates - still in progress	
	3	-	About the dollars Rates impacts shown in the consultation topics relate to the first year of each project unless stated otherwise. Multi-year projects will have ongoing impacts as further loans are drawn down and/or operating costs commence as the project progresses. Visit sayitnapier.nz/ltp to view a table showing the full rates impact over the next 10 years. All figures in this document are inflated against Berl LGCI forecasts.
	7	We have a plan to make sure we set more money aside for renewals over the next 10 years. We're ensuring we'll be ahead of the game when it comes to renewals - not waiting for things to be well past their use-by date before attending to them.	We have a plan to make sure we collect more funds for asset renewals over the next 10 years so that we're ahead of the game when it comes to doing future renewals. Not waiting for things to be well past their use-by date before attending to them.
5	7	We have been 'topping up' the money we get from rates and other income with money from our reserves (savings account) to cushion some of these extra costs.	We have been 'topping up' the money we get from rates and other income with money from our reserves to cushion some of these extra costs.
8	10	Ko te wai te oranga or ngā mea katoa	Ko te wai te oranga o ngā mea katoa
11	13	Higher loan repayments earlier in the plan	Higher loan repayments starting in 2022/23
12	14	[previously no comment under infographic]	Note: these costs are estimates
22	24	The business case will investigate operating and governance models as well as location options and will be finished later this year. We have set aside $2.3 million from our building reserves to buy and upgrade the existing building if that is what is supported by the business case. In the meantime, we have two options - we can either stay open and finish the business case or close while we finish the business case.	The business case investigates operating and governance models as well as location options and the report is expected any time. We have set aside $2.3 million from our building reserves to buy and upgrade the existing building if that is what is supported by the business case. While we consider our involvement in the Faraday Centre going forward, we have two options - we can either stay open while we consider our decision or we can close until a decision is made.
23	25	Keep it open Continue to provide operational support (with additional staff) to keep the Faraday Centre open until the business case is completed and options are considered.	Keep it open Continue to provide operational support (with additional staff) to keep the Faraday Centre open until a decision is made about our continued involvement.
23	25	Close it down Close the centre until the business case is completed and options are considered.	Close it down temporarily Close the centre until a decision is made about our continued involvement.
26	28	Operating (rates) $415,000	Operating (rates) $415,000 (from 2022/23)
26	28	average rates increase per rateable property	average rates increase per rateable property from 2022/23
28	30	We have some challenges ahead as we play catch up, while also restoring our reserves (savings).	We have some challenges ahead as we play catch up, while also restoring our reserves

29	31	This means we will achieve a balanced budget in 2031. We believe this is the best fiscal (financial) and sustainable outcome for our community.	This means we will achieve a balanced budget in 2031. We have chosen to run an unbalanced budget for years 1-9 of the LTP. This means we are collecting approximately $71 million less from ratepayers than we would have if we had a balanced budget over 10 years of the plan. We could have used this rates income to fund capital expenditure. But to make it more affordable for the ratepayer we are instead taking advantage of low interest rates and the headroom on our balance sheet and using debt. This softens the impact on ratepayers while we move towards a balanced budget in year 10. We believe this is the best fiscal (financial) and sustainable outcome for our community.
29	31	[additional paragraphs]	benchmark due to an increase in expenditure relating to weather tightness claims. In 2019/20 we also did not achieve a balanced budget due to COVID-19 impacts on revenue received. Historically, we have been working hard at keeping rates increases to a minimum through efficiencies and the use of reserves. Prior to 2018/19, we had consistently achieved a balanced budget. For the 2021-31 LTP we are faced with the challenges because our rates total is low overall. Part of the reason why our base is low because of low increases over the years, the ability to use reserves to top us up and last year's low rate increase due to cushioning the COVID-19 impacts for our community. We also face a very substantial increase in our depreciation expense following the June 2020 asset revaluations. We continue to be mindful of our community's ability to pay, so we are proposing to gradually lift rates income to address the imbalance between operating income and operating expenses. We have chosen to run an unbalanced budget for years 1-9 of the LTP. This means we are collecting approximately $71 million less from ratepayers than we would have if we had a balanced budget over 10 years of the plan. We could have used this rates income to fund capital expenditure. But to make it more affordable for the ratepayer we are instead taking advantage of low interest rates and the headroom on our balance sheet and using debt. This softens the impact on ratepayers while
30	32	[new graph]	Rates Increases 2021-31 LTP [Graph added]
30	32	[new table]	Ongoing rates impacts [table added]
32	34	Capital projects are funded from 58% , our reserves (savings)...	Capital projects are funded from 58% , our reserves ...

37	39	However, it is still a significant amount of work that may require reorganising along the way to ensure we deliver on critical infrastructure to keep our city going.	However, it is still a significant amount of work that may require reorganising along the way. Our plan focuses on making improvements to our infrastructure networks so they become more resilient and are modernised to gain efficiencies over the medium to long term. If we are unable to deliver the entire programme, we will still be able to ensure basic needs are met, including delivering core infrastructure to ensure community health and wellbeing, meeting legislative requirements and replacing key strategic assets. We do not believe there is significant risk of critical failures, or a decline in service provision, if work is delayed or deferred. In our programme, we do have projects that are not critical to the running of our city which could be removed should we lack enough capacity to deliver (externally and internally). This would mean we would not progress some projects that increase our level of service. These could include the new community centre, ambassador programme and Ahuriri Masterplan projects.
39	41	Our Finances • Financial Strategy • Financial Statements • Schedule of Fees and Charges	Our Finances • Financial Strategy • Financial Statements • Schedule of Fees and Charges • Consultation Topics - Ongoing Rates Impacts
39	41	Places and Spaces • District Plan Review • Te Pihinga Concept Plan - Housing - s17a review - strategic review of housing • Civic Precinct Framework - Faraday Centre - Reports to Council	Places and Spaces • District Plan Review • Te Pihinga Concept Plan • Civic Precinct Framework
		Changes to pages at the end to remove form and switch Auditors report and Councillor Photo	

Item 1 Attachment B



doing the mahi

working on what matters

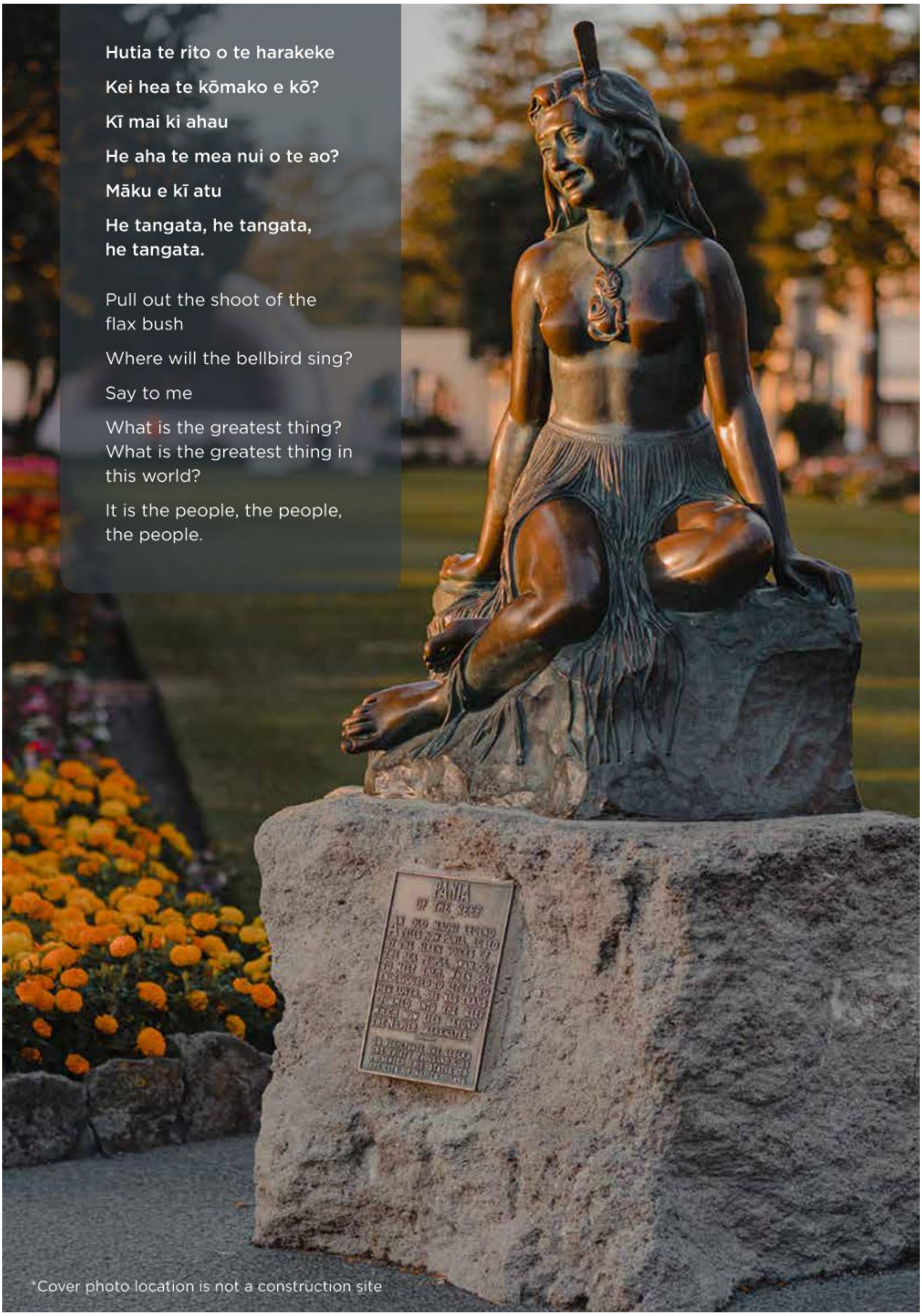
Long Term Plan 2021-31
Consultation Document

say it!

YOUR SAY ON NAPIER'S FUTURE

sayitnapier.nz

NAPIER CITY COUNCIL
Te Kaunihera o Ahuriri



*Cover photo location is not a construction site

Contents

About the dollars

Rates impacts shown in the consultation topics relate to the first year of each project unless stated otherwise. Multi-year projects will have ongoing impacts as further loans are drawn down and/or operating costs commence as the project progresses. Visit sayitnapier.nz/ltp to view a table showing the full rates impact over the next 10 years.

All figures in this document are inflated against Berl LGCI forecasts.

Why an LTP matters

Councils do lots of planning. A Long Term Plan (LTP) pulls together a plan for all of our activities, major projects, our expected income and costs, and what our rates will need to be for the next 10 years. We review our LTP every three years. When developing our plan, we are required to come up with a proposal. This proposal is the basis of our consultation document. Sometimes there are a range of options. When this happens, we need to get the views of our community on the options including our proposed option before we finalise the plan. The consultation process adds to our understanding of the issues facing our city and what matters to our community, so our plan is realistic and responsive.

What matters to you?

say it!

Last year, we spent some time asking this question out in our community, online and through our everyday connections with people and groups.

Here is what we heard:

- Water matters A LOT
- People matter – we want places to meet and connect in our neighbourhoods
- Being close to nature matters
- Being safe matters

This Consultation Document outlines a number of key projects that we plan to work on that focus on what we have heard matters to our community. Have we got it right? **Have your say!**

You can find more information about the things covered in this Consultation Document at **sayitnapier.nz** or at our **Customer Service Centre (06 835 7579)** or at the **Napier Libraries**. Check out the 'want to know more' section on page 39 to see what is available.

This document is also available in the following formats:

- NZ Sign Language (online only)
- Easy Read
- Large Print
- Audio (online only)

How to say it!

Read this booklet, then visit sayitnapier.nz/ltp and fill in the online form. If you prefer, complete the form included in this booklet and send it in to us.

Online at
sayitnapier.nz/ltp

Drop in your form
Customer Service Centre
Dunvegan House
215 Hastings Street
Napier
8.30am-5pm Mon-Fri

Mail your form
FreePost Authority
Number 772273,
LTP Submissions,
Napier City Council, Private Bag
6010, Napier 4142

Submissions close
5pm 12 May 2021

Looking for funding?

We like to be able to support great ideas and projects happening in our city. Our budget for this Long Term Plan is tight.

If you are seeking funding support, we encourage you to visit napier.govt.nz/napier/grants where you can find out how to apply for a grant.

Or contact our team at csgrants@napier.govt.nz who can provide advice on what funding could be available to your group.

Upcoming events

We encourage you to talk with us about our Long Term Plan 2021-31 proposals by attending one or more of the following events:

Community Meetings

Napier War Memorial Centre

- 21 April 2021 - 11:00 am
- 29 April 2021 - 6:00pm

Facebook Live

Tune in to our live chat sessions to ask Mayor Kirsten Wise and Napier City Council staff all of your Long Term Plan 2021-31 questions.

- 19 April 2021 - 7:00pm
- 4 May 2021 – 7:00pm

Join us here:
fb.com/NapierCityCouncil

Book a Chat

Talk direct with a Councillor – online, in person or on the phone. To book a 15 minute chat visit sayitnapier.nz/ltp or phone 06 835 7579

A NZ Sign Language communicator will be available at all sessions.

Consultation Timeline

Submissions Open
12 April 2021

Submissions Close
12 May 2021 at 5pm

Long Term Plan Hearings
8 – 10 June 2021, Pettigrew Green Arena

Adoption of the Long Term Plan 2021-31
30 June 2021

Item 1 Attachment C

Kia ora from *Kirsten Wise*

TE KAHIKA O TE KAUNIHERA O AHURIRI
NAPIER MAYOR

It's been a tough few years since the preparation of our last Long Term Plan, with a number of challenges at a local, national and international level. Due to this, everyone's priorities may be quite different to what they were three years ago. We welcome this opportunity to come to you, our community, to plan for the next 10 years.

It's no secret that our city, like many others across the country, is struggling with issues. That's because, historically, we have not invested enough to look after our key assets – under the ground, on the ground, and in our community. Keeping our rates low has been the priority. In fact, Napier's average rates rises have been among the lowest in the country for close to two decades. But, it has come at a cost and it has started to affect our city's liveability.

For too long, Napier has taken a short term and conservative view. At the same time we have been a little too ambitious about what can realistically be achieved – setting ourselves a huge programme of projects. In addition, our costs are rising due to factors outside our control. These include increases in Government set levies, policies and regulations, rising insurance costs to meet, as well as a number of catch-up costs including shortfalls from COVID-19. It's time to face our future. And our future is now.

It is tricky but we have a plan.

Our goal is now to focus on the essentials and to invest for the longer term so that our situation will improve over time. We have a lot to do – replacing ageing assets, fixing infrastructure, and keeping up with an ever-changing environment.

Our people matter too. We have a responsibility to support our community to thrive – economically, socially, culturally and environmentally. We're dedicated to building a city where everyone matters and everyone can contribute. There are some real issues to address, however working together, with the whole of our community – we can get there.

To achieve the outcomes we all want for our city, it is vital we continue to partner with others to succeed. We are linked in with a range of agencies, organisations and individuals across our community, regionally and nationally.

So, how do we afford it? An easy option would be to pass on all of these costs directly to the ratepayer, which would be a significant increase to rates. That doesn't sit well with us, we're committed to keeping our rates as affordable as we can. To achieve the right balance, we've had to make some tough calls on what can be done within the next 10 years. We've taken a hard look at our spending and our plan is to keep our costs down. We've had to move some projects out a few years to save money, and we're also looking to borrow $337 million during the next 10 years to catch up on renewals and replacement of our key assets.

There are consequences to this approach. We're borrowing more than we have before and our budget will not break even until 2031.

The start of 2021 has been uncertain and we understand this will continue over the coming months and possibly years. Our plan is based on what we know now, while acknowledging we are in for change, particularly when it comes to how our water services could be provided in the future.

Our team is committed to making things right for Napier. To do this, we're taking bold but necessary steps. Our focus for the next 10 years is to work on what matters. We want to know what matters to you. Join in on one of our engagement events – we would love to hear your thoughts. Please spend a few moments to make a submission - your feedback matters to us. We're keen to get on with '*doing the mahi*'.

OUR CHALLENGES

Locally | Nationally | Globally

Climate Change

Climate change has rapidly become a significant issue, but the world's response has been slow. In Napier, we have had first-hand experience of it with the recent rainfall event and subsequent flooding. In the next 10 years and beyond we know that climate change threats are on the rise with more frequent and intense rainfall events, rising sea levels and hotter temperatures. Our plan looks at how climate change will impact our services and what our role is to both reduce greenhouse gases (a leading cause of climate change) and to adapt to its effects.

Are our pumps up to it? We're factoring in increased rainfall into the upgrades of not only our stormwater pumps, but also our pipes and our buildings and facilities.

Are we green enough? We're switching to electric vehicles, recycling more, and any new buildings and facilities will be designed with sustainability in mind.

In the city we have switched to LEDs for our streetlights, we have a plan to reduce waste, we're promoting active transport by building more pathways with more to come.

We're looking at what we plant where (to reduce water demand) and actively looking at coastal erosion.

Is our community ready? Working with communities to build resilience and planning ahead is important if we are to adapt to climate change impacts. We play a major part in responding to and recovering from civil defence emergencies.

Our District Plan helps guide how land can be used, and it is currently being reviewed. Climate change is a factor that we're considering within the review.

What's the cost?

Responding to climate change does come at a cost. Sometimes it's just a matter of taking a more sustainable option when buying. But sometimes it requires us to add extra services or assets to manage the impacts of climate change – such as dealing with coastal erosion or increasing the capacity of our stormwater network to cope with flooding. Further work is needed to quantify the costs but we have an Infrastructure Strategy that identifies some of the costs. See page 34.

COVID-19

The tourism industry plays a major part in our economy and continues to be heavily impacted by COVID-19 restrictions. We operate a number of tourism-based facilities and our income from these facilities took a hit last year, but we have almost returned to pre-Covid levels. We anticipate no income from our shareholding in the Hawke's Bay Airport until 2025.

Last year, we met the challenges head-on and developed our recovery plan, including allocating $1.5 million to help our community bounce back. The effects continue to be felt in our city and our region, with high levels of uncertainty remaining. We have not allocated any further funding in our plan at this time but anticipate any significant future financial impacts would need to be funded by loans.

Three Waters Reform

Along with a number of other councils, we are working with the Government on the reform programme for water services. Because the shape of the reform will not be known until later in the year, we are continuing with our plans to improve our water services. You can read more on this under our water section on page 8 and in our financial section on page 28.

Deferred Renewals

We have not kept up with replacing and upgrading all of our assets. Some are well past the end of their useful life and are getting beyond repair. At the same time, the money we've put away each year to save for replacing and renewing our assets has been too low. In the meantime, costs have increased and so have standards.

We can't afford to do everything at once, So we are prioritising essential replacements and upgrades, concentrating on what is well-utilised, and what we can afford. We have a plan to make sure we collect more funds for asset renewals over the next 10 years so that we're ahead of the game when it comes to doing future renewals. Not waiting for things to be well past their use-by date before attending to them.

Community Housing

We provide 377 subsidised housing units across Napier. The subsidised rent we receive from tenants is used to pay the costs of providing this housing. Unfortunately, the rent we receive no longer covers the costs. From next year, the costs are projected to exceed the income we receive from rent by an average of around $2.5 million per annum ($24.5 million over the next 10 years).

We are reviewing the options for the future for our housing and will be consulting on these before making a decision in the next 12 months. In the meantime, we need to fund the shortfall.

We could do this through a rates increase or through a loan. We are consulting on these options, as you can see in the Housing section on page 20.

But either of these options mean we need to change our Revenue and Financing Policy. You can have your say on this change, visit **sayitnapier.nz**

How will the proposed average rates increase of 8% affect your rates in 2021/22?

Use our rates calculator at **sayitnapier.nz/ltp** or phone **06 835 7579** to talk to our Customer Services Team who will be able to help.

WHAT'S PUSHING OUR RATES UP?

There are a number of things that are driving our rates increases over the next 10 years. Some of them are out of our control, like increased insurance costs and government charges (e.g. waste levies and water compliance). Others are costs that we knew were coming (catch-up costs), like the extra cost of our rubbish and recycling services.

We have been 'topping up' the money we get from rates and other income with money from our reserves to cushion some of these extra costs. These reserves are now low. We need to fund our ongoing services and projects from all our income sources (including rates) and loans.

We will continue to receive income from the development of Parklands and are anticipating extra income from Kennedy Park Holiday Resort. This income means we can keep rates lower.

We're proposing a rates increase of 8% for next year, with further rises each year over our 10 year plan. This 8% rise is on average $3.78 per week or $196.37 per year per rateable property.

We review our rates cap (limit) when we review our plan. We have increased our rates cap for the next 10 years to allow for the proposed increase.

We're increasing our borrowing but we are staying within our debt limit of 230% of our income. We have reduced our costs after making changes to gain efficiencies. For more details, see Financial Strategy section on page 28.

Our 8% increase is made up of:

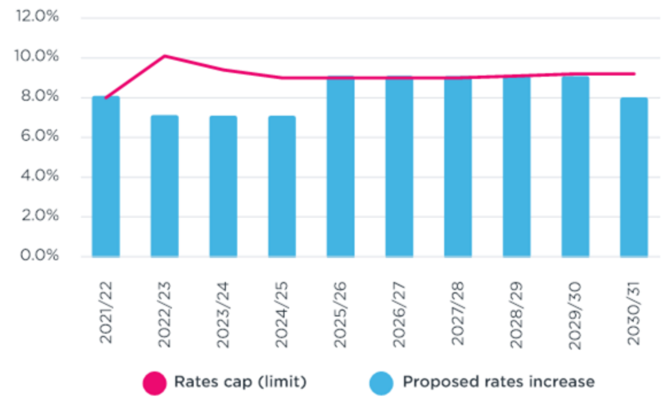
2.7% **Catch-up costs**
e.g. waste services

2.5% **General cost increases**

2.3% **Externally driven costs**
e.g. increased insurance and government charges

0.5% **New projects**
e.g. Faraday Centre

Proposed rates increases

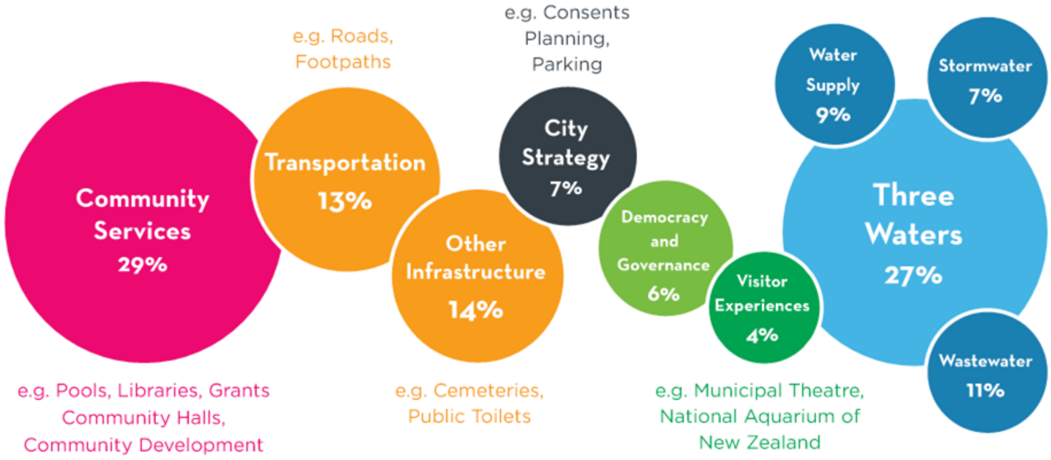


What does this graph show?

The planned rates increases needed to cover the costs over the next 10 years in comparison to the limits we have set on rates increases.

How will our rates be spent?

An estimate for the next 10 years



Why do we need to borrow?

A portion of our rates has been put aside to use for things we need to replace in the future. This savings money alone is not enough to fund the replacements that are now due and costs of replacements have also gone up. The gap we face can either be funded by rates or through loans. Funding the costs through rates would push the increase way beyond 8%. So, what we're proposing to do is to fund the gap for the first five years through loans. Then, for the second five years we will continue to borrow but we will also start to set aside money again from rates for our reserves.

Last year we joined the Local Government Funding Agency (LGFA), a collective of councils that pool together to get good lending deals. Currently, interest rates on loans are very low. Being part of the LGFA, means we continue to get low interest rates even if there are increases in the open market. The LGFA set loan limits, our proposed borrowing is at least $100 million under the limit at any one time. It's good practice to fund some things through loans so that the cost is spread across the generations of those who will benefit. Some things we build last for decades, so it's only fair that people who will be using them in 30 years' time help pay for them (intergenerational equity).

Item 1 Attachment C

OUR VISION

a vibrant and sustainable city for all

Toitū te whenua o Ahuriri, toitū te tangata

A prosperous Ahuriri, a prosperous people

doing the mahi
working on what matters

three waters

Ko te wai te oranga o ngā mea katoa

Water is the life giver of all things

The term 'three waters' refers to drinking water (water supply), stormwater, and wastewater. There has been a lot going on in the three waters area locally, regionally and nationally.

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Item 1 Attachment C

THREE WATERS REFORM

The Government has stepped in, leading reform work to look at how the delivery of water services could be improved through entities that would sit outside of councils, with a focus on drinking water and wastewater initially. The reforms look at how these entities could be designed, including how the water assets (property, equipment etc) would be dealt with, how many entities there could be and what areas they could cover. The Government has already established a new entity, Taumata Arowai, that will control and monitor national water standards starting from 1 July 2021.

Here in Napier, we've already been working with the other Hawke's Bay councils to see how water services could be delivered differently in our region, and that work has contributed to the Government's reform process. We have agreed to continue working with Government on the reform process through a Memorandum of Agreement. Being involved in the Government's research and planning in this way doesn't mean we have 'signed up' to any changes. Rather, it's an opportunity to work closely with central Government as they understand how water services might be delivered in the future.

It is expected that the Government will make decisions on the reform options in May, and from there, Government and councils are expecting to engage with local communities about whether to be part of a new water service entity later in the year. If councils opt in, changes would likely come about sometime in 2024/25, with the transfer of water assets to the new entity being likely.

At the moment, there is uncertainty about how the reforms may shape water service delivery in the future. But we do know our community needs water supply, wastewater and stormwater services – in fact, it's our top priority.

We need to remain up to date with any potential changes, but we will continue with our plans in the meantime to ensure our assets are well maintained and meet the standards our community and government expect.

Our Infrastructure and Financial strategies and capital programme has been developed based on the status quo delivery (i.e. by Council).

For information about specific projects, please see napier.govt.nz/water-projects

Three Waters $12.5 million grant

We were awarded this grant by central Government as part of the reform programme.

This money will help us:

- **Accelerate our water projects**
- **Prepare for the new standards**
- **Fast track the delivery of low manganese drinking water (reduce dirty water)**
- **Improve engagement with Māori and the wider community**
- **Upgrade our asset management system**
- **Upgrade our maintenance management transformation programme**

say it!

WATER SUPPLY

Clean, clear water supply is a must for Napier. But we need to overhaul and modernise our system to achieve it.

After spending time assessing our current system, looking at what needs replacing, and how best to monitor and secure our system – it is clear there is a lot to do.

Some of our bores either need replacing now, or will need replacing soon. We also need to reduce the manganese levels in the water that flows into our homes and businesses. The mixing of manganese and chlorine is responsible for the dirty water many of us have been experiencing.

To lower the levels and achieve clean water, we need to build new, modern treatment plants or find new water bores with lower manganese.

We also need to break up our network into mini networks so that if we face issues in one part of the city, for example a leak, it can be dealt with without it affecting the rest of Napier. It also means we can monitor our water systems better.

New reservoirs are needed. We've bought land on Mataruahou (Napier Hill) to establish up to three new reservoirs.

All of this means our network can supply cleaner water that is more secure.

We now have two options: the work can be done sooner or the work can be done later. We want to do the work sooner so that some of the issues like dirty water can be dealt with earlier.

Another reason we'd like to act quickly is because the Government has indicated that new drinking water supply standards are on the way as early as this year. A draft of the standards has only just been made available and we need to see how our current plan will need to be adjusted to meet them. It is possible that we'll need to action some temporary fixes to make sure our system meets the standards by the due date.

To take a look at the draft drinking water standards please see supporting document section at **sayitnapier.nz/ltp**

working on what matters

What matters to you?

We want to know your thoughts on the two water supply options below. Tell us at sayitnapier.nz/ltp or use the submission form included.

say it!
YOUR SAY ON NAPIER'S FUTURE

PROPOSED

OPTION ONE

Begin the work now

We propose this option because we have heard loud and clear that you see clean and clear water as a top priority - and we agree. We know that our network is outdated and will struggle to keep up with new and changing standards for drinking water supply, and we also know that modernising our system to achieve better security could take a long time. There is no time like now to start the work – the sooner we begin, the sooner we can all benefit.

Key projects that will modernise our network:

- Two main bore fields with treatment plants that feed into our reservoirs
- Replace Enfield reservoir (Mataruahou – Napier Hill) and related pipes
- Create mini networks within our main network

This option:

- Means we will meet national drinking water standards within five years
- Has a total budget of $74 million capital over the next 10 years – $36 million would be spent within the first four years
- Higher loan repayments starting in 2022/23
- Higher operating costs over the plan

How will this be funded?

Capital	*Operating (rates)*
$74 million ($45 million loans) ($29 million reserves)	**$7,000** (2021/22) **$726,000** (total y2-10)

How will this impact **your** rates?

↑ **0.21%** (loan repayment) total rates increase from 2022/23	↑ **0.01%** total rates increase from 2022/23
↑ **$5.20** average annual rates increase per rateable property	↑ **$0.27** average annual rates increase per rateable property

OPTION TWO

Begin the work later

This option delivers the same outcomes as our proposed option but the work is spread over a longer time period. The main positive of this option is that it reduces the rates increase for the next three years by 0.12%. The downside is that the benefits of a modern, more secure network will take longer to take effect.

This option:

- Means we will meet the national drinking water standards within 10 years (this may not be supported by the new water regulator)
- Has the same total budget of $77 million ($74 million plus inflation as our proposed option, but reduces the amount we had planned to spend in the first four years to $22 million (most of the spending starts from 2025)
- Lower loan repayments over the plan
- Lower operating costs over the plan

How will this be funded?

Capital	*Operating (rates)*
$77 million ($46.4 million loans) ($30.6 million reserves)	**$7,000** (2021/22) **$122,000** (total y2-10)

How will this impact **your** rates?

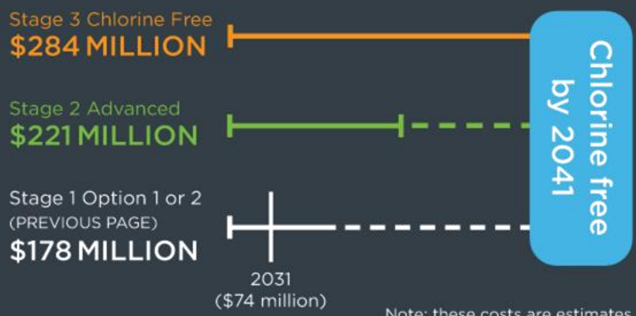
↑ **0.10%** (loan repayment) total rates increase from 2022/23	↑ **0.01%** total rates increase from 2022/23
↑ **$2.46** average annual rates increase per rateable property	↑ **$0.27** average annual rates increase per rateable property

CAN WE GO CHLORINE FREE?

say it!

Our community has signalled a preference for chlorine-free drinking water, so we commissioned an independent review looking into the costs and options around moving to a safe chlorine-free network. The short answer is yes, we can go chlorine free - but it will take a long time, a lot of money and ongoing political commitment. To have a chlorine-free network, the water at the source must be clean and the system delivering it to the tap has to be clean and secure. Safeguards must be in place to make sure the water is continuously safe, even if the system fails (e.g. leakage, breakage, contamination). The good news is that our source water is great. But the chlorine keeps us safe, and we have a lot of work to do to achieve a network secure enough to allow us to remove the chlorine from the water.

Some of the work we are planning to do anyway and the further work that we're proposing to do within the next 10 years will help set us up for a chlorine-free future.



Note: these costs are estimates

What does this diagram show?

The diagram shows that the work we are planning in Options one and two for our Water Supply Programme (previous page) won't be wasted if we can go chlorine-free in the longer term, but that there is still a shortfall of work needed. It also shows the additional estimated cost for a chlorine-free network.

Does this matter to you?

Do you agree with the direction we are taking? Tell us at sayitnapier.nz/ltp or use the submission form included.

What about fixing the dirty water?

Dirty water is caused by a reaction that occurs when manganese and chlorine mix. This reaction causes a black solid that can coat the inside of pipes, making our water come out various shades of brown and black. Manganese has always been in our water, but the dirty water issues began when we were required to introduce chlorine into our water a few years ago. It has been worse in Tamatea, Onekawa and Pirimai because the bores that supply these areas have higher levels of manganese, but also because of different water pressure and flows. There are several projects underway to help sort this problem out.

New Bores

We've been hunting for new bores that have lower manganese levels, but so far, we haven't identified any. So while we are still working on it, we plan to use additional Taradale bores, which are low in manganese, to supply more of the city.

Mini Networks

We're creating our first mini network in Tamatea / Parklands which will mean we can better control the water pressure and flow into this area. We plan to feed this network from a bore that already has lower manganese. It is the first mini network we're establishing to break up our big network into several smaller ones – and more will follow.

More Cleaning

We are cleaning more of our pipes more often.

working on what matters

STORMWATER

Our stormwater network moves rainwater out of the city to prevent flooding. Napier is mostly flat so we have pumping stations that push the water through a series of channels, sumps, underground pipes and urban waterways out to sea. When it rains, the majority of the city's stormwater is carried to Te Whanganui-a-Orotū (the Ahuriri Estuary) and the rest is carried to the Pacific Ocean along Marine Parade, Hardinge Road, and Westshore. Households, businesses and industries all discharge stormwater into the network. The stormwater isn't treated before it hits our marine environment. Problems occur when contaminants such as plastics, road and roof run-off and chemicals tipped down drains all enter our urban stormwater system.

A combination of urban stormwater and water coming in from rural areas has led to poor water quality, impacting the ecology and wildlife in and around the estuary over a number of decades.

The Ahuriri Estuary is a place of great significance and is valued by everyone. We can do better to protect this special place. In 2018, we developed the Ahuriri Estuary and Coastal Edge Masterplan that is guiding our work in this area. We're teaming up with Hawke's Bay Regional Council (HBRC) and mana whenua to restore the mauri *life-force* of the estuary. We each have projects that we have been working on and some we're doing together. For us these have largely been around replacements and upgrades to parts of our stormwater network, improving the state of open waterways, more testing and monitoring, and the strengthening and enforcement of our bylaws that prevent pollutants entering our network.

We have just over $26.3 million allocated in the next 10 years for projects focused on improving stormwater quality and flood relief.

These projects include:

A stormwater study ($100,000).

We are in the final year of a three-year project investigating the current stormwater system and identifying options for the design of a future stormwater network – making sure the solutions we come up with will work. (Project 1 – Ahuriri and Coastal Edge Masterplan)

A stormwater treatment wetland ($2.5 million).

We plan to create a wetland system adjacent to the Hawke's Bay Expressway to 'polish' the stormwater before it enters the estuary. (Project 1A– Ahuriri and Coastal Edge Masterplan)

Improvements to direct outfalls ($1 million).

We will begin treating the water at individual outfalls that flow directly into the estuary or coast. (Project 1C– Ahuriri and Coastal Edge Masterplan)

Thames Street/Severn Street stormwater management ($535,000).

We'll establish planting to capture stormwater and filter out contaminants before water is discharged into the estuary. (Project 10 – Ahuriri and Coastal Edge Masterplan)

The big channel ($22.2 million).

This channel will move water from the city much faster, to an existing area by Lagoon Farm where it can drain gradually into the estuary, reducing flooding

With HBRC, we have also run an education campaign in an effort to get everyone in the community working to reduce stormwater pollution. Now we want to bring our work together and add to it to create the Ahuriri Regional Park. (See next page for details).

Item 1 Attachment C

AHURIRI REGIONAL PARK

Great parks do great things for communities. This project aims to create a new regional park that promotes better environmental and recreational outcomes for this special place.

Te Whanganui-a-Orotū (the Ahuriri Estuary) receives 75% of the city's stormwater, which flows through Lagoon Farm and our open drains into the estuary environment.

By developing a regional park in partnership with HBRC and mana whenua on Lagoon Farm, we want to deliver great environmental outcomes that provide for biodiversity, and fantastic recreation experiences for everyone to enjoy.

Our priority is to improve the quality of the stormwater before it reaches the estuary. We are investigating what type of treatment option would support this – a range of responses will be required. These may include low impact systems like new wetlands, filtering inserted in and at the ends of pipes, or a more engineered approach like a standalone treatment plant for specific contaminants.

We plan to use Council's land at Lagoon Farm for the treatment option(s) that will work best. It may mean moving the stop-bank further into the farm, creating more water space to develop wetlands and establishing an environmentally focused park with the rest of the farmland. Currently this land is operating as a sheep farm that financially 'breaks even'.

We are proposing to rezone the area for conservation purposes through the District Plan Review, which we start consulting on in May. For more information please visit napier.govt.nz/napiers-district-plan

The degradation of the estuary has taken place over decades. And it will take decades to fix with a sustained effort and a commitment to begin now. We need everyone to play their part.

Working with Hawke's Bay Regional Council (HBRC) and mana whenua means that together we can create a significant regional park that will not only improve the water quality and indigenous biodiversity, but will also enhance the environment, protect habitats, offer cultural benefits and create new recreational and educational areas. The development of Lagoon Farm into Ahuriri Regional Park will provide access to areas of the farm currently closed off through new pathways, seating areas, viewing points into the estuary and wetlands, along with increased water areas.

Green area = Scope of potential Regional Park
Pink area = Napier City Council Lagoon Farm land

Item 1 Attachment C

What matters to you?

We want to know your thoughts on the two Ahuriri Regional Park options below. Tell us at sayitnapier.nz/ltp or use the submission form included.

say it!
YOUR SAY ON NAPIER'S FUTURE

OPTION ONE

PROPOSED

Invest $12.5 million into the development of Ahuriri Regional Park

We already have $200,000 of funding set aside, and Hawke's Bay Regional Council is proposing to contribute another $200,000, in order to develop a masterplan for the regional park project.

Our proposal is to allocate a further $12.5 million in the second half of this 10-year plan to develop the Lagoon Farm land into a regional park.

HBRC is proposing to allocate the same. The Regional Park Masterplan and the stormwater study currently underway will help us identify how the park can be developed.

We will seek stakeholder and community feedback into the Masterplan, so the actual design will be developed over time.

Ideally we can develop the regional park together, however if HBRC is unable to make this level of investment, we can continue with our significant improvements to Napier's stormwater and better water quality for the Ahuriri Estuary.

Potential features of the park:

- Stormwater quality improvements
- Connections from wetland area to the estuary
- Increased biodiversity and indigenous planting
- Cultural storytelling
- Habitat restoration and protection
- New pathways and recreation areas
- Education centre
- New water areas

How will this be funded?

Capital (loans)
$12.5 million
(Year 8 - 1.8 million)
(Year 9 - 6.2 million)
(Year 10 - 4.5 million)

How will this impact your rates?

↑ **0.16%** total rates increase from 2029/30

↑ **$3.99** average annual rates increase per rateable property from 2029/30

OPTION TWO

Do not invest $12.5 million into the development of Ahuriri Regional Park

no impact on rates

If we choose this option, we're still able to continue with the projects identified in our last Long Term Plan which include the first phase of the Ahuriri Estuary and Coastal Edge Masterplan. The regional park would not go ahead which would save substantial expenditure. However, it also means there would be no additional public access or recreational value added, less opportunity to increase biodiversity and would potentially limit our stormwater treatment plans. The land would be kept as farmland for now but could be available for another use in the future.

WASTEWATER

As the impacts of climate change and natural disasters become increasingly concerning, our focus shifts to our network's ability to cope with these types of events.

Our plan is to concentrate our efforts in areas that will give us the best improvements, while looking after what we already have in place. Anything we do over the next 10 years should enable our system to be more resilient to environmental events and meet the city's expected growth. It is also important any work we do is compliant with resource consents and Government standards.

A key aim is to make sure the wastewater that flows out to sea is as clean as possible before it is discharged.

Over the past year, our focus has been to fix the leak in our outfall pipe - the pipe that takes the sewage out to sea. Although this repair is now complete, the pipe still needs to be replaced as it is at the end of its life. We're looking at the options for this now – we think a full replacement will take about six years with consents, design and construction processes taken into consideration.

We also have a plan to upgrade the pump station that moves the wastewater through the outfall pipe. Work has already started on creating storage for our wastewater at the treatment plant (the big tanks with filters that remove solid waste and contaminants from the wastewater) so that if we need to shut down for maintenance and repair work, we can. This project is planned for next summer and will be helpful to manage wastewater during flooding events.

Key projects:

- Outfall pipe replacement ($45.5 million – in 2021-26)
- Outfall pump station upgrade ($7.1 million in 2025-27)
- Additional biological trickling filter at the treatment plant ($1.3 million 2029-31 with a total of $17.8 million over the next 30 years
- Wastewater treatment plant upgrades and replacements ($2.2 million – 2021-31, a total of $146.5 million over the next 30 years)

Don't forget to tell us what matters to you!

sayitnapier.nz **say it!**

doing the mahi
working on what matters

places & spaces

Kia Tautīneitia te mana motuhake o Ahuriri

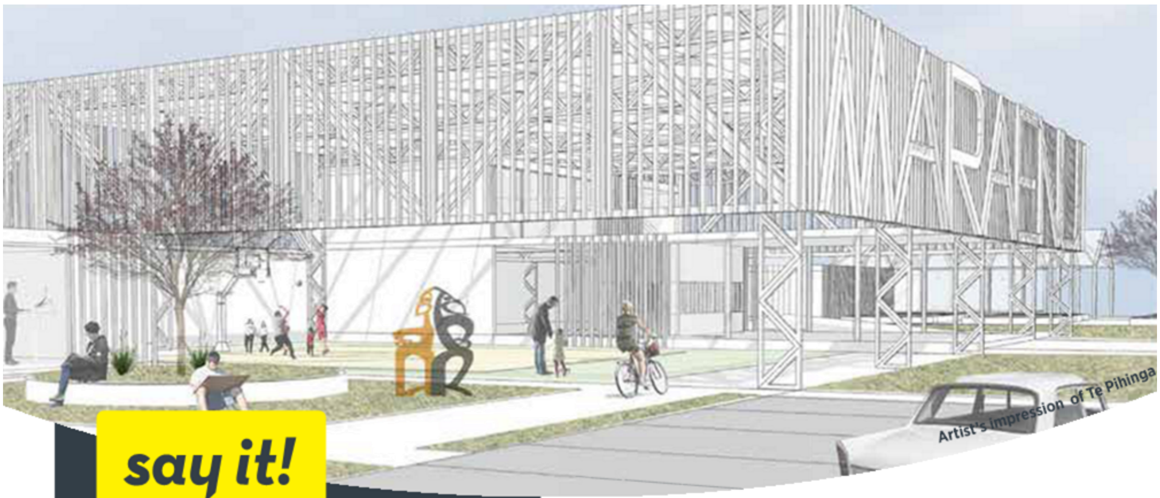
Uphold the absolute uniqueness of Ahuriri

Last year, many in our community told us how they had really come to value their local spaces and places.

When looking ahead to the next 10 years, we definitely want to maintain our extensive parks and reserves network but we also need to renew some of our ageing playgrounds and to create new places for our communities to connect.

At the same time, we know some of our existing facilities are in need of upgrades and maintenance, and compliance levels and insurance costs are on the rise. We have increased our budget by $135.6 million over the next 10 years to make sure we look after what we have. See graph on page 32.

We can't do everything at once and will need to schedule the work over a number of years.



Artist's impression of Te Pihinga

say it!

TE PIHINGA

Te Pihinga has been years in the making. From around 2013, a number of state houses were removed from Maraenui, creating large parcels of unused land. Since then, we have been working with appropriate agencies to come up with an urban development plan focusing on growing economic and social prosperity in the area.

Changes have already started to happen with developers building new houses with more planned. To support this growth and to create positive opportunities for whānau development, particularly for rangatahi, we have worked with the community and developed a concept for a new community facility (Te Pihinga).

The facility provides a flexible environment that can respond to changing needs while recognising the community's identity and values. With a focus on employment, training and entrepreneurship it will provide facilities that grow talent and enable the community to thrive.

The space will host programmes and provide tools that will challenge people to reach their potential through a range of activities, attracting people from around the city.

A key focus for the construction of the facility will be to create jobs and training opportunities for locals. This approach dials up the economic and social benefits of the project straight away, before the doors are even open. Known as 'social procurement', it is an approach we want to take with future projects across Council.

We see this project as an investment in our long-term future, creating positive opportunities for our young people and others in the community who need support, and creating a level playing field for all.

This project was included in our last Long Term Plan, but recognising we have some work to do on getting the basics right in our city (e.g. water services), we're now proposing to push the timing out a couple of years. While we wait, there are preparations to undertake (site investigations and detailed designs). We aim to start construction in 2023.

This approach also gives us time to firm up funding from other partners. While initial discussions with potential funders have been positive, as a key community project the bulk of the funding is proposed to come from Council. We have increased the value of our proposed contribution in order to allow the main building to proceed. Funding from external sources will allow additional phases to be brought forward.

In the meantime, we're installing a splash pad and picnic/bbq area across the road from the proposed community facility, which falls under the wider urban development plan.

Does this matter to you?

We want to know your thoughts on the three Te Pihinga options below. Tell us at sayitnapier.nz/ltp or use the submission form included.

say it! YOUR SAY ON NAPIER'S FUTURE

OPTION ONE

Do it now
(2021-2023)

We would spend the rest of 2021 finishing the design, working up the operating model and completing tendering processes.

These timeframes would challenge our ability to achieve added benefits such as social procurement (jobs and training for locals) and environmental outcomes (smart building practice etc).

How will this be funded?

Capital (loans)	*Operating (rates)*
$10.5 million	$74,000 (2023/24) $168,000 (2024/25)

How will this impact **your** rates?

↑ 0.27% total rates increase in 2022/23	↑ 0.116% total rates increase in 2023/24
↑ $6.61 average rates increase per rateable property	↑ $2.85 average rates increase per rateable property

OPTION TWO

PROPOSED

Do it a bit later
(2023-2025)

With this timeframe, we would be able to develop our design, explore options for the operating model, confirm partnerships and other funding sources, and develop a social procurement plan to achieve jobs and training for locals. Although we're still exploring how the facility could be best run, we've already set aside budget for some of its operating costs when it will open in 2025/26.

How will this be funded?

Capital (loans)	*Operating (rates)*
$11.5 million	$78,000 (2025/26) $176,000 (2026/27)

How will this impact **your** rates?

↑ 0.27% total rates increase in 2024/25	↑ 0.122% total rates increase in 2025/26
↑ $6.61 average rates increase per rateable property	↑ $3.00 average rates increase per rateable property

OPTION THREE

Don't do it

no impact on rates

As a Council, we know we need to fund a range of programmes and projects to help address growing social issues that impact all of Ahuriri.

The requirement for a community facility has been established through a number of processes including a CPTED assessment (Crime Prevention through Environmental Design) and countless consultation processes. If we don't move ahead, we would need to find other ways to meet the growing social needs of our community.

Item 1 Attachment C

say it!

HOUSING

We have 377 community housing units across the city, 304 of which are retirement flats. This housing supports people on a low income who have few assets and a special housing need, with our community housing residents paying a subsidised rent.

We have been providing affordable rental housing for over 50 years. We know there is a huge demand for this type of housing and there are a range of providers in this sector. The majority of our housing supports retirees who need secure and affordable homes. We expect demand from this part of our community to keep growing.

However, our housing units are ageing and it is costing more and more to maintain them. Over the last couple of years, we have pared back spending by doing only the bare necessities of repair work, using the dwindling funds in our housing accounts, and delaying work on meeting the new healthy homes standards. But we can't delay forever. The work needs to be completed by 2024 in order to ensure our housing remains compliant, and almost all our savings have been used up.

In order to get a really accurate picture of all the repairs and maintenance required, we commissioned a detailed assessment of each unit last year. The situation is worse than we had originally thought.

For some time, we have signalled that the current approach to how our community housing is funded is not sustainable because the rent we receive does not cover the costs. Given this, we have been reviewing the options for the future of this housing.

The first option is to transfer the entire housing portfolio to another entity (e.g. a Community Housing Provider). The other is to sell some of the units, which may give us the means to keep providing some form of housing, particularly for our seniors.

We have also looked at raising the rents to generate more income. We changed our subsidy levels last year and the rents increased marginally as a result, but not enough to deal with the shortfalls we have forecasted. Reducing the subsidy levels any further would mean we wouldn't be providing affordable housing anymore.

We had hoped that our housing review would be finished by now. Unfortunately, this work was interrupted last year due to the impact of COVID-19 restrictions and the more recent Napier rainfall event, limiting our access to properties and reducing our capacity while staff worked on our Civil Defence responses.

In essence, the cost of providing housing is projected to exceed the income we receive from rent by an average of around $2.5 million per annum, as of this year. That equates to a shortfall of $24.5 million over the next 10 years.

We anticipate that, during the next 12 months, we will be able to consult with the community, and make a decision about the future of our community housing. In the meantime, we will continue to keep our properties operational, but propose to borrow funds to cover the deficit and meet our costs. This would mean the 2021/22 shortfall amount (expected to be around $1.8 million) would be spread over 25 years and funded by a small rates rise (0.1%) to cover loan repayments from 2022/23. The other option is to pass on the full shortfall to rates in 2021/22 equating to a 2.8% rates rise.

Does this matter to you?

We want to know your thoughts on the two community housing options below. Tell us at sayitnapier.nz/ltp or use the submission form included.

say it! YOUR SAY ON NAPIER'S FUTURE

PROPOSED

OPTION ONE

Use a loan

Fund the 2021/22 funding shortfall of $1.8 million through a loan. Shortfalls from 2022/23 would be funded by subsequent loans, with repayments spread over 25-year terms.

This option is preferred because it allows us to fund the deficit in the short term while we consult with the community on a way forward.

How will this be funded?	$1.8 million *from loans*
How will this impact your rates?	
↑ 0.16% total rates increase from 2022/23	↑ $4.02 average rates increase per rateable property

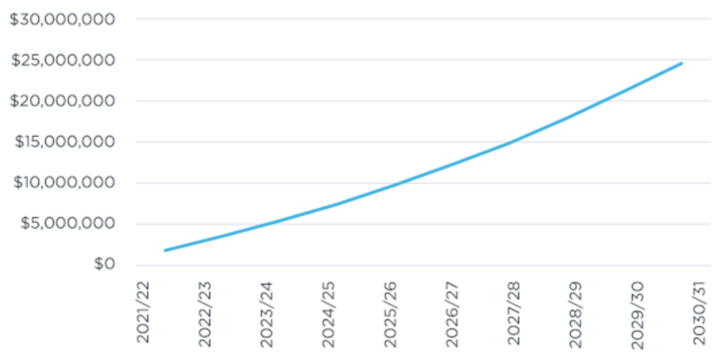
OPTION TWO

Use rates

Fund the 2021/22 funding shortfall of $1.8 million directly through rates and shortfalls from 2022/23 with smaller additional rates increases each year thereafter.

How will this be funded?	$1.8 million *from rates*
How will this impact your rates?	
↑ 2.87% total rates increase from 2021/22	↑ $70.50 average rates increase per rateable property

Housing deficit over 10 years



How will the proposed average rates increase of 8% affect your rates in 2021/22?

Visit **sayitnapier.nz/ltp** to find out.

Important note:

Both of the above options require a change to our current Revenue and Financing Policy. Our current policy separates out our housing activity and requires it to pay for itself.

We are consulting on this policy at the same time as our Long Term Plan consultation – you can give us your feedback on the change which allows us to direct funding from rates and/or loans to the housing activity by visiting **sayitnapier.nz**

say it!

FARADAY CENTRE

The Faraday Centre is Napier's specialised interactive technology museum. It began in 1979 and in 1993 merged with the Hawke's Bay Museums Trust.

From the outset, the Faraday Centre has been managed by an enthusiastic group of volunteers who have looked after and added to its collection of machines, gadgets, appliances and equipment, sharing it all with residents and visitors to Napier.

In 2019, it became apparent that the Faraday Centre could not sustain itself by relying on volunteers alone, particularly given its increasing popularity. We completed a review of the operations and supported a small team of paid staff to work alongside the volunteers, and this small team became responsible for the day-to-day operations of the centre.

This meant we could increase the hours of operation while also promoting the centre more widely.

Since then, visitor numbers have increased.

The building the Faraday Centre occupies is leased by the Hawke's Bay Museums Trust for a very low cost. The building has been assessed as 'earthquake-prone' and needs to be strengthened. There has been little spent on the building over the years and even without the need for strengthening, it is in need of an upgrade to make it function safely and more effectively for staff and volunteers, visitors and the collection itself. Making these improvements would also allow us the opportunity to offer education programmes and school visits.

To make good decisions around the level of involvement we should have, and the investment we should make in the centre (which could require us to purchase and upgrade the building), we have started a business case. The business case investigates operating and governance models as well as location options and the report is expected any time.

We have set aside $2.3 million from our building reserves to buy and upgrade the existing building if that is what is supported by the business case.

While we consider our involvement in the Faraday Centre going forward, we have two options - we can either stay open while we consider our decision or we can close until a decision is made.

To find out more about the Faraday Centre, please visit faradaycentre.org.nz

working on what matters

Does this matter to you?

We want to know your thoughts on the two Faraday Centre options below. Tell us at sayitnapier.nz/ltp or use the submission form included.

say it!
YOUR SAY ON NAPIER'S FUTURE

OPTION ONE

PROPOSED

Keep it open

Continue to provide operational support (with additional staff) to keep the Faraday Centre open until a decision is made about our continued involvement.

This requires an additional $291,000 per year funded from rates, bringing the total operational funding to just on $340,000 per year.

We propose to keep the $2.3 million in the budget for the building for now.

The process could take a year but would allow the centre to continue to providing a unique experience to visitors and residents, and further develop its collection and services.

How will this be funded?	*Operating (rates)* $291,000

How will this impact your rates?

↑ 0.46% total rates increase	↑ $11.45 average rates increase per rateable property

OPTION TWO

Close it down temporarily

Close the centre until a decision is made about our continued involvement. This would save staff costs but some operating costs would remain (e.g. insurance, security etc) and there may be costs associated with the closing of the centre itself. While there may be short-term cost savings, a closure of the centre could negatively impact the community in other ways. The centre provides an interactive, indoor educational opportunity for children and adults, and a place for locals to share their expertise and time through volunteering. It also provides paid employment to five local people. We would continue to hold the $2.3 million for a potential re-opening.

The cost to close the centre would be approximately $30,000, with costs to retain the building and collection being around $10,000 per annum.

How will this be funded?	*Operating (rates)* $40,000 to close down in 2021/22

How will this impact your rates?

YEAR ONE	YEAR TWO
↓ 0.01% total rates decrease	↓ 0.05% total rates decrease
$0.35 total rates decrease per rateable property	$1.16 total rates decrease per rateable property

Napier Library Civic Precinct

Last year, after assessing a range of options, we confirmed that the Napier Library would return to its original site, although not necessarily to its original building. We have also been looking into returning our Mayor, councillors and staff to a central office. We have brought these two projects together and have started developing a spatial plan for the entire site and will consult with the community in the coming months. Dealing with the project as one means that we can avoid duplication in the facilities themselves and save money overall. We have set aside $55 million for the whole development with a goal to start construction in 2024/25.

National Aquarium of New Zealand

We had a plan to significantly upgrade and refocus our National Aquarium, taking it to a new level of experience – a marine centre of excellence. Project Shapeshifter (our aquarium redevelopment project), was highly dependent on receiving substantial external funding which has not eventuated. We signalled last year that Project Shapeshifter had become less of a priority for Council, particularly without any central Government support.

We have removed the funding contribution tagged for the project but will continue to maintain the facility while we investigate options for its future. These options could include a refurbishment of the current facility, using the building for something else, or eventual closure of the facility. When we have reviewed the options, we will consult with the community about the facility's future. In the meantime, we have funding set aside for repairs and basic renewals to keep the building operational.

Napier Aquatic Centre Development

Even with the reinstatement of the Greendale Pool (owned by the Ministry of Education), we know we are outgrowing our current aquatic facilities. We had a plan to develop a new facility at Prebensen Drive because of issues with the Onekawa site, including its previous use as a refuse facility. But we put the development on hold last year, in order to further investigate the Onekawa site and to confirm whether a redevelopment of the current facility is possible. The contamination investigation is complete and the report is expected to be available to Council shortly. Once the report is in, we will take another look at our situation before seeking feedback from the community. Because this will take some time, we have removed the funding allocated for the development from this Long Term Plan. In the meantime, we have funding set aside for repair and basic renewals to keep the building operational. Our options will be clearer when we review our plan in 2023.

Don't forget to tell us what matters to you!

sayitnapier.nz **say it!**

community safety

Te rua te paia ko Te Whanga
He kāinga to te ata
He kāinga ka awatea
He kainga ka ahiahi, e tama e i.

The storehouse that never closes is Te Whanga. A meal in the morning, A meal at noon, a meal in the evening, my son.

Safety is important to us all. When we feel safe, we have the freedom to go about our lives confidently and our sense of community is strong. There are already many agencies working to keep our community safe. Our focus is making sure our public places are safe. We do this in many ways, from the design and maintenance of our spaces and roading networks, the use of lighting, and cleaning up graffiti, through to generating vibrancy and life in our city. Every year we invest $350,000 into community safety initiatives. This includes supporting community agencies like NZ Surf Lifesaving, Napier Community Patrols and Neighbourhood Support to do what they do to keep Napier safe. We are part of an international network of 'Safe Communities'. This is a programme where we actively work with others to prevent harm from injury, crime, and addiction and help build resilience in our communities. There is a huge range of projects we support through this programme. For more information please visit napier.govt.nz/safer-napier

We want people to be able to enjoy Napier and feel safe in their neighbourhoods. We believe businesses should be able to operate and that shoppers should be able to shop in a safe and inviting environment. We know this is important to our community too. We are also very aware of some upsetting incidents that have played out in our public places recently, and know that people are feeling less safe out and about than they used to. A recent survey has identified good support for our CCTV network and patrols. We have both of these activities in place, but we think they can be improved upon.

say it!

STREET MANAGEMENT

Keeping our city safe is important. We've seen an increase in anti-social behaviour since 2015, and more visibility of rough sleeping in parts of the CBD and Marewa in particular.

While the numbers are not huge, the impact on businesses and our community has been felt. We've responded by introducing street patrols as a temporary measure. However, we believe the ambassador approach that is operating in other cities is a better way to address the issues.

Ambassadors are able to work with individuals to link them with services that may be able to help. At the same time, they maintain clear behavioural expectations and are equipped to deal with negative activity by liaising closely with Police and others.

We are about to start work on how this could look for Napier but we do know an ambassador programme will cost a lot more than our street patrols do.

Last year we set aside $500,000 to replace and modernise the city's CCTV network. We see these two activities working hand in hand to effectively respond to issues of community safety in our public places.

Does this matter to you?

We want to know your thoughts on the options below. Tell us at sayitnapier.nz/ltp or on the submission form included.

PROPOSED

OPTION ONE

Look into it further

We'll continue to assess how an ambassador programme could work in Napier and allocate a further $415,000 per year for its operation to start in 2022.

How will this be funded?	Operating (rates) $415,000 (from 2022/23)

How will this impact your rates?

↑ 0.65% total rates increase per year	↑ $16.02 average rates increase per rateable property from 2022/23

OPTION TWO

Stay as we are

no impact on rates

We'll continue to fund patrols in the CBD at a cost of $100,000 per year. There are limitations on what can be achieved with this approach as the focus is primarily on observation and referral to Police when appropriate. The patrols provide a presence but are unable to impact on the levels of begging and antisocial behaviour occurring.

working on what matters

say it!

TRAFFIC SAFETY PLANS

Local Area Traffic Management (LATM) plans are developed every year. These plans aim to increase safety and enjoyment on local streets for all users by managing traffic.

We do that by using physical tools such as installing speed bumps, bollards, chicanes and cycle lanes and by introducing measures such as speed limit restrictions and other road changes (for example, changing intersections or reducing road width). These plans take an area-wide view rather than a focus on a problematic street or intersection and are developed by traffic safety engineers who look at the accident data, usage data (taking into account speed and volume) and community and stakeholder feedback. Plans are then peer reviewed and sometimes temporary measures will be put in place to test the effects before a more permanent solution is installed.

Our community really loves to cycle and walk around our city and neighbourhoods and while we continue to install off-road pathways, cyclists and pedestrians are still considered vulnerable road users. We want everyone to feel safe as they navigate their neighbourhoods but we need the road network to work well too.

Our proposal is to increase the number of plans we undertake from one per year to three per year from 2022/23. The plans cost around $300,000 each. We receive a 51% contribution from Waka Kotahi NZ Transport Agency. Over the next three years, we will complete plans in Marewa, Maraenui and Onekawa but with additional funding, we could start some of these earlier and add more areas in, such as Pirimai, Bay View and parts of Taradale.

Does this matter to you?

We want to know your thoughts on the options below. Tell us at sayitnapier.nz/ltp or on the submission form included.

OPTION ONE

PROPOSED

Undertake more plans

Increase the number of plans we complete each year from one plan to three plans on average. We could cover more of the city sooner, making Napier and its neighbourhoods safer for all road users.

How will this be funded?

Capital (loans)
$300,000
(from 2022/23)

How will this impact your rates?

↑ 0.03% total rates increase per year

↑ $0.65 average rates increase per rateable property

OPTION TWO

Stay as we are (one plan per year)

no impact on rates

Continue to complete one plan a year. Marewa, Maraenui and Onekawa would remain the priority, but under this option no additional plans could be added until 2024.

Item 1 Attachment C

Item 1 Attachment C

the finances

Our financial strategy sets the direction for the Council's finances for the next 10 years and beyond. We have some challenges ahead as we play catch up, while also restoring our reserves. We have had to use our reserves over the last few years to bring in the new waste and recycling service, deal with the impacts of COVID-19 and to meet the increase in general costs. This plan also resets our anticipated capital programme by removing significant projects such as the Aquatic Development and Aquarium Expansion, and resetting the timing of the Napier Library Civic Precinct. However, this means we are needing to spend money on the upkeep of the existing facilities.

At the same time, we haven't been saving enough for future replacements.

To keep rates affordable, while also working towards achieving a balanced budget (income and expenditure balance) requires us to fund asset maintenance by using our reserves, and renewals by using our reserves but also with loans over this LTP. This is to address the shortfalls we face because we haven't set aside enough funding for renewals over the years. At the same time renewals are now costing more than what we forecast, meaning even if we had put enough money aside we would still have a shortfall, although not as much as we have now.

Note: Councils are required to submit a balanced budget in their LTPs, unless they believe it is financially prudent not to. We have resolved to use loans to achieve a balanced budget by year 10 to cushion the impact on the ratepayer of the cost of our capital renewal programme.

Depreciation

Depreciation is money that we take out of our operating budget and put aside for when we need to replace assets. The amount of money we budget for this is based on the value of each of our assets and how much longer the asset will last. Depreciation costs start as soon as you buy or build something and continue over the life of the asset. Depreciation costs change if the value of an asset changes. Our assets are valued every three years, with some valued annually.

Ideally, the full cost of depreciation would be covered by our income. However, even then, the cost of replacements or building when you actually need to do the work is often more than what has been set aside, and that's when shortfalls happen. Our asset valuations have increased meaning we need to collect more for when our assets need replacing.

What does this all mean?

When it comes time to build or replace an asset, Council must decide whether or not to proceed. The replacements that are now due have all been considered, and some have been included in this 10 year plan. We have had to make some tough calls about what is in and what is out. Part of the problem is that replacements have been delayed and we have a lot due at once.

We want to do more than we have before to reduce this bubble of work and avoid getting into this situation again. To fund this, we are proposing to loan-fund our renewal shortfall in the first few years of our plan (year 1-5). Then we will increase the money we put aside for renewals from rates in the second part of our plan.

This contributes to the rates increases we are proposing in the second five years of our plan. At the end of our 10 year plan, we will be fully funding depreciation which will be $63.6 million per year.

Balanced budget

Our approach of keeping rates increases low has had an impact on our finances. It means we have not built up enough income over the years and we have delayed work on our assets, as well as not putting enough money away for replacements needed. We haven't used loans in the same way other councils have, which is a way of spreading the cost of capital work over time – just like taking out a mortgage on a house. It is all catching up on us now. We are resetting our financial strategy so that we can still achieve what is needed for our city while we are also borrowing within our means.

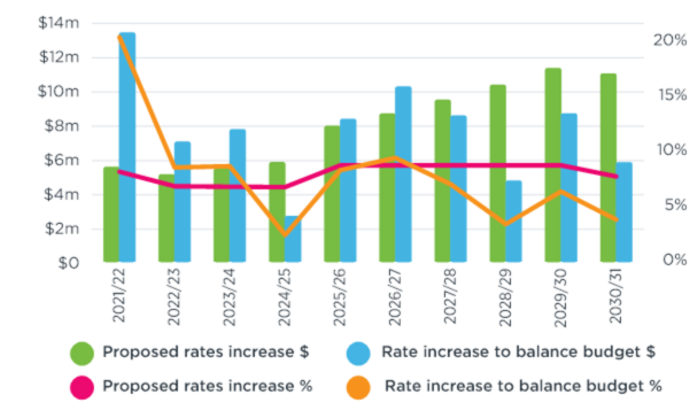
We are still very committed to keeping our rates affordable and even with our proposed rates increases over the next 10 years we will still enjoy some of the lowest rates in the country. We don't think it is reasonable to increase the rates in one big hit. So, we are proposing to increase them gradually over the next 10 years by taking out loans to fund renewals. This means we will achieve a balanced budget in 2031.

In 2018/19, we did not meet the balanced budget benchmark due to an increase in expenditure relating to weather tightness claims. In 2019/20 we also did not achieve a balanced budget due to COVID-19 impacts on revenue received. Historically, we have been working hard at keeping rates increases to a minimum through efficiencies and the use of reserves.

Prior to 2018/19, we had consistently achieved a balanced budget. For the 2021-31 LTP we are faced with the challenges because our rates total is low overall. Part of the reason why our base is low because of low increases over the years, the ability to use reserves to top us up and last year's low rate increase due to cushioning the COVID-19 impacts for our community. We also face a very substantial increase in our depreciation expense following the June 2020 asset revaluations. We continue to be mindful of our community's ability to pay, so we are proposing to gradually lift rates income to address the imbalance between operating income and operating expenses.

We have chosen to run an unbalanced budget for years 1-9 of the LTP. This means we are collecting approximately $71 million less from ratepayers than we would have if we had a balanced budget over 10 years of the plan. We could have used this rates income to fund capital expenditure. But to make it more affordable for the ratepayer we are instead taking advantage of low interest rates and the headroom on our balance sheet and using debt. This softens the impact on ratepayers while we move towards a balanced budget in year 10. We believe this is the best fiscal (financial) and sustainable outcome for our community.

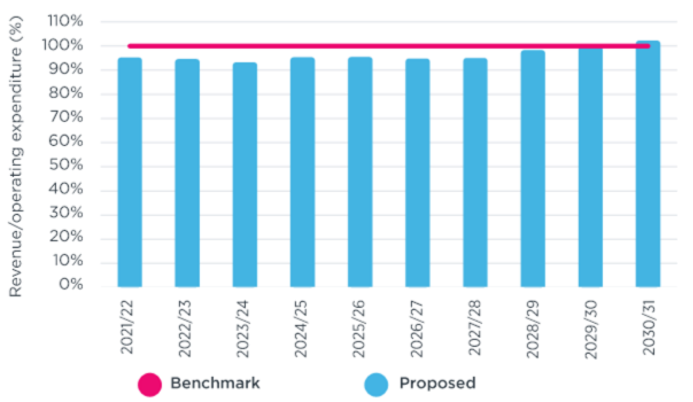
Rates Increases 2021-31 LTP



What does this graph show?

The green bars show the rates ($ amounts) we are proposing in this LTP, the pink line shows this as a percentage. The blue bars show the rates ($ amounts) that we would have to charge to achieve a balanced budget through rates rather than loans, the orange line shows this as a percentage.

Balanced budget benchmark



What does this graph show?

The income versus expenditure over the 10 year period and demonstrates those years when our expenditure will be more than our income (excluding financial contributions). But we will catch up by 2031. We will need to borrow to cover when our expenditure is more than our income.

Rates impacts for consultation options year by year

Ongoing rates impacts	Year 1 2021/22	Year 2 2022/23	Year 3 2023/24	Year 4 2024/25	Year 5 2025/26	Year 6 2026/27	Year 7 2027/28	Year 8 2028/29	Year 9 2029/30	Year 10 2030/31	TOTAL impact over LTP
Water Supply											
Option 1 (proposed)	0.01%	0.22%	0.30%	1.52%	0.83%	0.92%	0.48%	0.17%	0.31%	0.32%	5.07%
Option 2	0.01%	0.11%	0.39%	0.30%	0.42%	0.77%	0.72%	0.08%	0.29%	0.75%	3.84%
Ahuriri Regional Park											
Option 1 (proposed)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.56%	0.72%
Option 2	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Te Pihinga											
Option 1	0.00%	0.27%	0.49%	0.57%	0.27%	0.28%	0.28%	0.29%	0.30%	0.31%	3.06%
Option 2 (proposed)	0.00%	0.00%	0.00%	0.27%	0.53%	0.62%	0.28%	0.29%	0.30%	0.31%	2.60%
Option 3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Housing											
Option 1 (proposed)	0.00%	0.16%	0.16%	0.17%	0.18%	0.21%	0.22%	0.23%	0.27%	0.29%	1.90%
Option 2	2.87%	2.74%	2.95%	3.17%	3.66%	3.93%	4.11%	4.77%	5.15%	5.35%	38.69%
Faraday											
Option 1 (proposed)	0.46%	0.22%	0.08%	0.15%	-0.07%	0.15%	-0.14%	0.10%	0.55%	0.00%	1.49%
Option 2	-0.01%	-0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.06%
Street Management											
Option 1 (proposed)	0.00%	0.65%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.65%
Option 2	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Traffic Safety											
Option 1 (proposed)	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%
Option 2	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Rates and rates limits - We have increased our rates cap to 8% in year one and 6.5% plus LGCI (Local Government Consumer Index – an inflation tool), for the rest of our 10 year plan, so we can maintain our levels of service and deliver on the key priorities of our plan. The table below shows how the rates are forecast over the next 10 years.

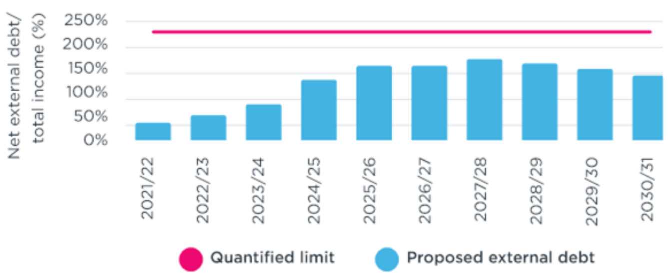
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Total rates limit (including LGCI)	8.30%	10.40%	9.70%	9.30%	9.30%	9.30%	9.30%	9.40%	9.50%	9.50%
Proposed rates increase to existing ratepayers	8.00%	7.00%	7.00%	7.00%	9.00%	9.00%	9.00%	9.00%	9.00%	8.00%
Plus growth in the rating base	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
Increase in rates revenue	8.30%	7.30%	7.30%	7.30%	9.30%	9.30%	9.30%	9.30%	9.30%	8.30%

Note: rates limit excludes water by meter, rates remissions and rates penalties

Financial and development contributions - When commercial and residential buildings are developed in areas that require additional infrastructure (e.g. water connections), we charge the developer a fee that contributes towards the cost of us providing the infrastructure needed. We are currently reviewing these fees, and how they are applied. Please visit sayitnapier.nz to give feedback on this policy.

Debt and debt Limits - We have raised the limit for the amount of debt we can carry in comparison to the amount of income we will receive. We need to ensure we are able to pay our loans, so we have set our limit to 230%. The limit is set higher than we have forecast because we need to have some leeway to increase our debt if our plan needs to change, and we have expenditure that we haven't anticipated. Another measure of debt is the proportion of what we pay in annual interest compared with our annual income. We joined the LGFA (Local Government Finance Agency) last year. This is a collective of councils who band together to get good loan deals. This means the interest we pay will remain low, making borrowing money very affordable. Because of the increase in proposed capital expenditure and because we want to smooth rates increases for people, our overall debt will significantly increase.

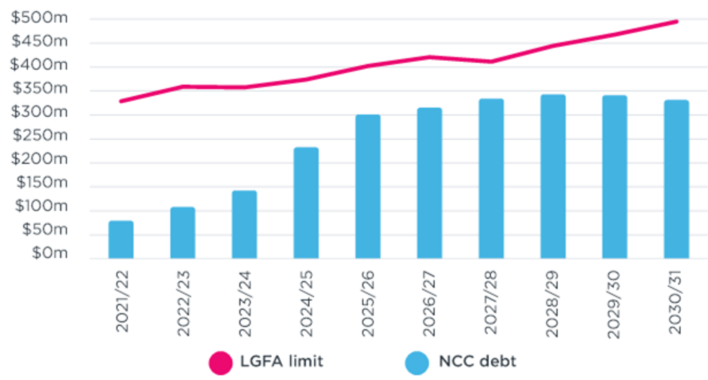
Debt to income



What does this graph show?

The pink line is the limit we have set so that we don't borrow more than we can pay off. The bars show what % our debt is versus our income.

Debt to LGFA loan limit

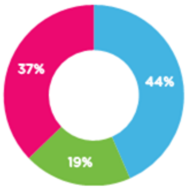


What does this graph show?

This graph shows that NCC debt does not reach the LGFA limit at any time over the next 10 years. The LGFA limit is set at 230% of our total revenue in any given year.

Capital Projects - We are investing significantly to replace assets and create new assets that respond to our growth projections and increasing quality standards. Just under half ($404m) of our total capital spend will be on three waters infrastructure which is driving the capital works programme compared with our last LTP.

What's driving the capital project spending

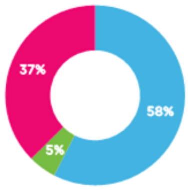


Renewals: $358,143,303
Level of Service: $307,152,783
Growth: $159,715,006
Total $825,011,092

What does this graph show?

It shows we are spending $358 million on existing asset replacement, $307 million to meet increasing service standards and $160 million to respond to growth.

How we are funding capital projects

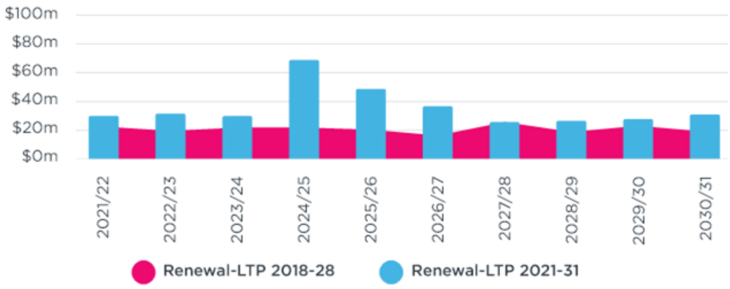


Loan Rates $475,026,969
Reserves $308,451,481
Subsidy $41,532,642
Total $825,011,092

What does this graph show?

Capital projects are funded from loans 58%, our reserves 37% and some government subsidies e.g. roading funding at 5%.

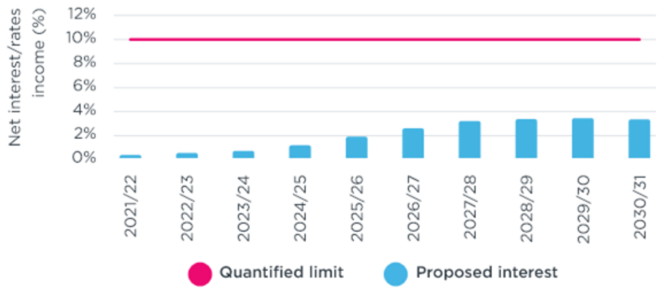
Renewal expenditure LTP 2018-28 vs. LTP 2021-31



What does this graph show?

The pink parts show what we had planned to spend in the next 10 years when we did our plan three years ago versus the blue bars showing what we now plan to spend for this same period.

Net interest to total income



What does this graph show?

This graph shows that we will remain well below our limit of 10%.

External borrowings

What does this graph show?

This graph shows our borrowings over the next 10 years, with our highest level being $337 million in 2028/29.

Examples of Proposed Rates for 2021/22

Examples of the impact of rating proposals for 2021/22 are shown in the following table:

Differential Category	Land Value	Capital Value	Rates 2020-21	Rates 2021-22	Change $	Weekly Change $	Change %
Residential							
Average Value & Land Value Increase	299,500	638,300	2,379	2,477	98	1.89	4.1%
Average Value - above average LV movement	310,000	640,000	2,422	2,567	144	2.78	6.0%
Low Value Residential	128,000	425,000	1,489	1,846	357	6.86	24.0%
Parklands Residential	320,000	840,000	2,540	2,602	62	1.19	2.4%
Te Awa Residential	290,000	740,000	2,511	2,474	-37	-0.70	-1.5%
Bay View Residential	284,200	614,300	1,964	2,248	283	5.45	14.4%
Ex Rural Residential (City fringe)	668,600	1,389,800	2,811	3,375	564	10.85	20.1%
Commercial / Industrial							
Other Commercial Average	553,900	1,148,300	5,990	7,375	1,385	26.64	23.1%
CBD Average	867,900	2,368,800	11,658	13,281	1,623	31.20	13.9%
Industrial Average	1,069,700	1,777,800	9,566	11,976	2,410	46.34	25.2%
Bay View Average Commercial	473,500	855,500	1,931	3,585	1,654	31.81	85.7%
Rural Average Commercial	457,200	1,610,600	1,527	2,523	995	19.14	65.2%
Rural							
Average Rural	1,832,800	2,320,400	4,392	4,946	555	10.67	12.6%
Rural Residential							
Bay View Average	375,400	782,700	1,853	2,076	223	4.30	12.1%
Other Rural Residential in Stormwater area	457,500	875,900	1,620	1,933	313	6.02	19.3%
Other Rural Residential outside Stormwater area	457,500	875,900	1,620	1,733	113	2.18	7.0%

The three yearly revaluation for the city for rating purposes was undertaken in 2020 and those new valuations apply as the basis for setting the rates for 2021/22.

The rating examples should be read having regard for the following:

Council's total rates revenue for 2021/22, excluding rate penalties and water by meter charges, will increase by 8.30% which is an average increase of 8.00% for existing properties after an allowance of 0.3% is made for new properties added since last year.

Council has recently consulted on changes to differential categories and differential factors. The changes are being phased in over three years which impacts all properties, in particular on properties previously rated in the Rural and Bay View categories.

Property values directly affect the level of general and targeted rates charged (either land or capital value). Recent changes in property valuations mean that the rates increase will be greater or less than the proposed 8% average rates increase (per rateable property) for some individual properties, particularly commercial and industrial properties which may see an increase in rates. To find out more about the impact of the revaluations visit sayitnapier.nz

All figures in this document are inflated against Berl LGCI forecasts.

infrastructure strategy summary

The Infrastructure Strategy sets out our plan to manage our physical assets, valued at over $2 billion, over the next 30 years. It identifies the key issues we face, what our plan is to respond to them and what the costs are looking like.

Item 1 Attachment C

We review our Infrastructure Strategy every three years as part of our LTP process. Since our last review, we have been involved in the Government's Three Waters Reform programme, have completed a chlorine-free review, have contended with a significant flood and have completed a number of major projects.

These projects are:

- Detailed asset condition assessments
- Fixed the outfall pipe
- Installed two de-chlorinated water stations
- Completed masterplans for all Three Waters
- Returf of McLean Park
- Destination Playground – Anderson Park
- Further development in Te Awa and Parklands
- Inner Harbour condition assessment and masterplan
- Added to our bikeable and/or walkable pathways (we now have 46.1km)
- Communal facilities block at Kennedy Park Holiday Resort
- High performance training rugby field (Park Island)

We face some major changes anticipated in key legislation over the coming years including the Resource Management Act, Water Services Bill and the Climate Change Response Amendment Act (Zero Carbon), as well as increasingly stringent standards.

What we are working with

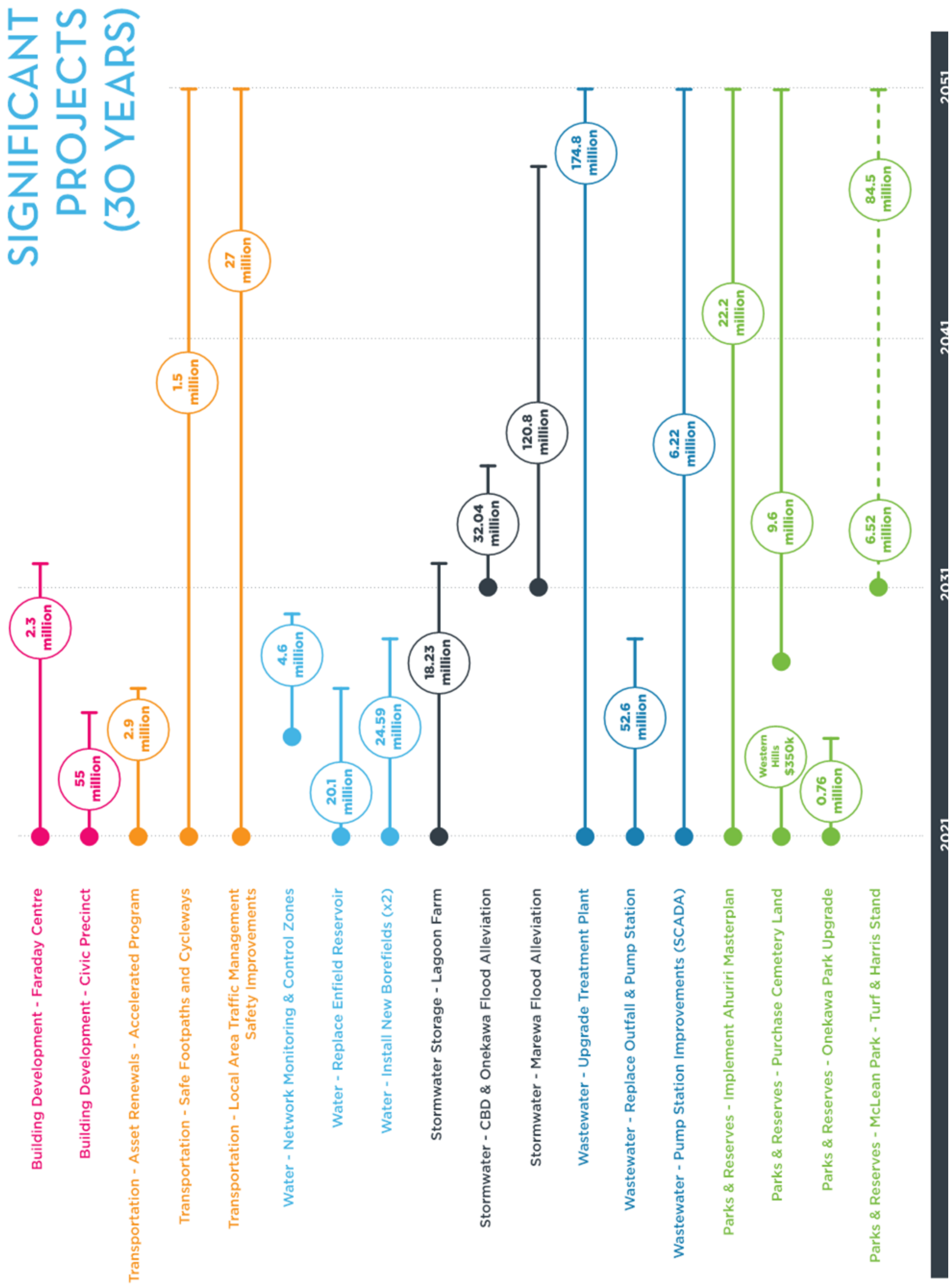
- 90% of Napier is on flat land
- Seismic zone and low lying suburbs. The city is susceptible to groundwater level rise and liquefaction
- Flood prone areas
- Tsunami threat
- Growing population (medium growth city)
- Ageing population
- Ageing assets
- Housing shortages
- Not a lot of land for residential development (currently Te Awa, Parklands and Western Hills)
- Opportunity for intensification / higher density development (i.e. more houses on available land e.g. in-fill / apartment living)

Asset condition

We have been working with outdated systems and processes and have had insufficient information about our assets to inform decisions about replacements and upgrades. Over the past few years, we have looked into what we have, their condition and what we need for our city to grow and develop. Our current plan deals with the essential renewals that are due. To ensure we have visibility of the condition and life of all our assets, we will continue to prioritise our asset assessment programme over the next few years.

What is infrastructure?

- Roads and footpaths
- Three waters (wastewater, stormwater, water supply)
- Parks and reserves
- Buildings and property (including housing and pools)



Item 1 Attachment C

INFRASTRUCTURE STRATEGY KEY ISSUES

Affordability

In the past, we have been focused on keeping rates rises small and have relied on our reserves as a funding source for big projects. We have not set aside enough money to pay for replacements when things are at the end of their useful life. Now that there is a lot of replacement needed, we will be getting loans to help pay for the cost. This means that everyone who will use the asset (now and into the future) will contribute, rather than pushing the full cost onto current ratepayers.

Capacity to deliver and economic recovery

We have a big capital works programme ahead of us ($825 million worth), largely due to our significant investment in water infrastructure, infrastructure for growth and investment in renewing our existing assets. The Government provided a stimulus package to address the economic effects of COVID-19. We were granted some of this funding as well as the Three Waters Reform funding, so we have a lot to deliver in a short time frame. We had planned to complete $542 million of capital projects during our last LTP. Over the last few years, we have been able to deliver between $20 and $50 million worth of capital projects in any given year, despite planning to deliver almost double that. Some key projects from our last LTP were not completed and have either been removed (e.g. Aquatic development) or their timing has been reset into this LTP. This combined with the new plan means we are proposing to deliver $283 million or 52% more than our last 10 year plan. Over the last 12 months we have recruited more staff, particularly in the three waters area, with more on the way so we can deliver our planned projects.

We are also working with other councils in the region so that those working in the infrastructure delivery industry are not overloaded with projects.

We will work with external consultants when we need additional resource. However, it is still a significant amount of work that may require reorganising along the way. Our plan focuses on making improvements to our infrastructure networks so they become more resilient and are modernised to gain efficiencies over the medium to long term. If we are unable to deliver the entire programme, we will still be able to ensure basic needs are met, including delivering core infrastructure to ensure community health and wellbeing, meeting legislative requirements and replacing key strategic assets. We do not believe there is significant risk of critical failures, or a decline in service provision, if work is delayed or deferred.

In our programme, we do have projects that are not critical to the running of our city which could be removed should we lack enough capacity to deliver (externally and internally). This would mean we would not progress some projects that increase our level of service. These could include the new community centre, ambassador programme and Ahuriri Masterplan projects.

Enabling growth

Napier is classed as a medium growth city. The Government requires us to provide development opportunities to meet our population growth, including affordable housing provision. At the same time, we are limited as to where we can build to protect our food production capability and to ensure we respond to our natural hazards. We are also reviewing our District Plan to enable intensification.

Futureproofing

Our city is changing. We have moved from primarily a service town to a growing urban-oriented city. Our people are changing too. In a couple of decades time, over 30% of our people will be aged over 65. These factors change all sorts of things such as the type of housing people will want; how they want to get around the city; where and how they will work and, what they want to do in their spare time. Factors like these also affect the sort of developments we should support, what the roads should be like, and what public facilities will be needed. Climate change is already starting to impact our planning too. We need to consider where these impacts will be felt in our city and how we should respond, particularly when we are looking to replace or install new infrastructure

– we need to build in the right places at the right time, using the right materials. We are also facing changing standards and regulations, requiring improved and sometimes new systems and equipment to comply. We expect standards to become more stringent over time.

Environmental outcomes

We are fortunate to live in a city with easy access to nature, particularly water. We know we can do better to improve the quality of our water and the rest of our environment. Our strategy focuses on this, from what we discharge into our water, the materials we use for our infrastructure, to increasing access to green spaces and nature, and encouraging sustainable practice for our developments.

Natural hazards and climate change

We can't build entire networks that will withstand severe natural hazards such as damage caused by earthquakes. But we can identify particular areas that are more susceptible and avoid development in those places. There are already many homes and businesses in areas that are susceptible to natural hazards and the impacts of climate change. We are looking at how to reduce these impacts - for example, we know we can improve evacuation routes in some parts of the city. As climate change and rising sea levels become more and more important, we will continue to make decisions on future investments and infrastructure that take these issues into account.

Processes and data quality

The systems we have been using are outdated and quite manual. We are moving to using new technology that delivers data quickly, seamlessly and with the right level of information. This means we can operate more effectively and make better decisions that, ultimately, deliver cost savings.

Three Waters Reform

The future of water services delivery is uncertain. We are working with the Government on the reform programme which could see services delivered at a regional or multi-regional level. In the meantime, we are continuing with our plans and maintaining water as our top priority.

Deferred renewals

Over the last few years, we have spent time assessing all of our assets – from our pipes and buildings to our pools and playgrounds. We have a lot to look after! We have not kept up with replacing or upgrading all of our assets. Some of them are well past the end of their useful life and are getting beyond repair. We are prioritising replacements and upgrades for what is essential, what is well used along with what we can afford. We are ensuring that we are ahead of the game for upcoming renewals.

WORK ON OUR CRITICAL ASSETS

We have work planned on the critical assets that keep our city running. Outlined below are the issues affecting our assets and how we plan to tackle them.

Transportation

Critical Asset:	**Inner harbour upgrade**
Issue:	End of life
Plan:	Planned 2022-2051

Water Supply

Critical Asset:	**New borefields**
Issue:	Water contamination risk
Plan:	New borefields planned 2021-2028
Issue:	Water Quality
Plan:	Adding treatment plants 2021-2028
Critical Asset:	**New reservoirs**
Issues:	Near end of life, meet growing demand
Plan:	Replacement planned 2021-2028

Wastewater

Critical Asset:	**Replace outfall pipe and pump station**
Issue:	Nearing end of life
Plan:	Replacement planned 2021-2028
Critical Asset:	**Treatment plant**
Issue:	Consent compliance
Plan:	Ongoing upgrades 2021-2051
Issue:	Meet growing demand
Plan:	Additional treatment plant 2029-2031
Critical Asset:	**SCADA system (monitoring and control system)**
Issue:	Manual system
Plan:	Upgrades planned 2021-2051 to achieve efficiency and better information and control

Stormwater

Critical Asset:	**Lagoon Farm diversion (The big channel)**
Issue:	Risk of flooding
Plan:	Planned 2021 through to 2031
Critical Asset:	**Flood alleviation projects**
Issues:	Risk of flooding, meet demand from construction, facilitate growth
Plan:	Planned 2031 though to 2051

Parks and Reserves

Critical Asset:	**McLean Park**
Issue:	Harris Stand nearing end of life
Plan:	Harris Stand 2047
Issue:	Turf replacement (has 20 year lifespan)
Plan:	Returf planned 2031

OTHER CONSULTATIONS

Financial and Development Contributions

When commercial and residential buildings are developed in areas that require additional infrastructure (e.g. water connections), we charge the developer a fee that contributes towards the cost of us providing the infrastructure needed. We are currently reviewing these fees, and how they are applied.

Revenue and Financing Policy

We recently changed this policy, which altered the way the total rates income was split between different types of properties including residential, commercial and rural. We have separated stormwater charges out of general rates and are only charging properties that use stormwater services through a targeted rate. This resulted in most properties seeing a small decrease in rates, while others have had an increase. We are phasing the changes in over the next three years. New valuations have come in since we made the changes, which will have a further impact on some properties. Land values have increased for commercial and industrial properties in particular. This means that rather than a decrease in rates for these properties, there will be an increase. Further information will be provided directly to these property owners.

We are now proposing to change our policy on how we fund our housing services. Currently the policy means that the housing activity is funded solely through the income received through rents. The change will allow this activity to be funded from other sources including rates and loans.

Rates Remission Policy

Several administrative amendments have been made which are designed to increase the efficiency of rates collection such as remissions on council property and changing remissions for waste services.

Please visit sayitnapier.nz for more information and to give feedback on these policies.

SUPPORTING DOCUMENTS

To find the information below visit sayitnapier.nz/ltp or call us on 06 835 7579

Three Waters

- Chlorine Free Review
- Ahuriri Estuary and Coastal Edge Masterplan
- Project Update Napier Urban Waterways Investigation
- Project Update: Pandora Industrial Waterways (Thames & Tyne Waterways) Sediment Quality Assessment
- Three Waters Reform
- Taumata Arowai Exposure Drafts
- Napier City Council Water Projects
- Three Waters Reform MOU Announcement

Places and Spaces

- District Plan Review
- Te Pihinga Concept Plan

Civic Precinct Framework

Useful Links: faradaycentre.org.nz

Community Safety

Useful Links: napier.govt.nz/safer-napier

Our Finances

- Financial Strategy
- Financial Statements
- Schedule of Fees and Charges

• *Other Documents*

- Recovery Plan - COVID-19
- Infrastructure Strategy
- NCC Vision, Outcomes and Goals
- Significance and Engagement Policy

Thank you to all those who appear in our document alongside our Mayor and Councillors:

- Members of Napier Neighbourhood Support
- Members of Napier Community Patrols
- Members of Napier Youth Council
- Faraday Centre Volunteers
- Ormsby and Brosnan Tamariki
- Napier City Council Water Services Team
- Maraenui Community Members
- Keen Napier Cyclists
- Chad Tareha Chair Napier City Council Māori Committee

INDEPENDENT AUDITOR'S REPORT

To the reader:

Independent auditor's report on Napier City Council's consultation document for its proposed 2021/31 long-term plan

I am the Auditor-General's appointed auditor for Napier City Council (the Council). The Local Government Act 2002 (the Act) requires the Council to prepare a consultation document when developing its long-term plan. Section 93C of the Act sets out the content requirements of the consultation document and requires an audit report on the consultation document. I have done the work for this report using the staff and resources of Audit New Zealand. We completed our report on 9 April 2021.

Opinion

In our opinion:

- the consultation document provides an effective basis for public participation in the Council's decisions about the proposed content of its 2021-31 long-term plan, because it:
- fairly represents the matters proposed for inclusion in the long-term plan; and
- identifies and explains the main issues and choices facing the Council and city, and the consequences of those choices; and
- the information and assumptions underlying the information in the consultation document are reasonable.

Emphasis of Matters

Without modifying our opinion, we draw attention to the following disclosures.

Uncertainty over the delivery of the capital programme

Page 37 outlines that the Council is proposing a $825 million capital programme over the next 10 years, which is a 52% increase compared to the last 10 year plan. While the Council has taken steps to support the delivery of the capital programme, there is an inherent level of uncertainty and risk that the Council may not be able to deliver on its capital programme. If the Council is not able to deliver all of its capital programme, the Council will reorganise the capital programme to ensure that basic needs are met and will not progress with some projects to increase levels of service.

Uncertainty over three waters reforms

Page 4 outlines the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made. The consultation document was prepared as if these services will continue to be provided by the Council, but future decisions may result in significant changes, which would affect the information on which the consultation document has been based.

Basis of opinion

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the consultation document. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the consultation document.

We did not evaluate the security and controls over the publication of the consultation document.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document and long-term plan, whether in printed or electronic form;
- having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a consultation document and long-term plan that meet the purposes set out in the Act; and
- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

We are responsible for reporting on the consultation document, as required by section 93C of the Act.

We do not express an opinion on the merits of any policy content of the consultation document.

Independence and quality control

We have complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

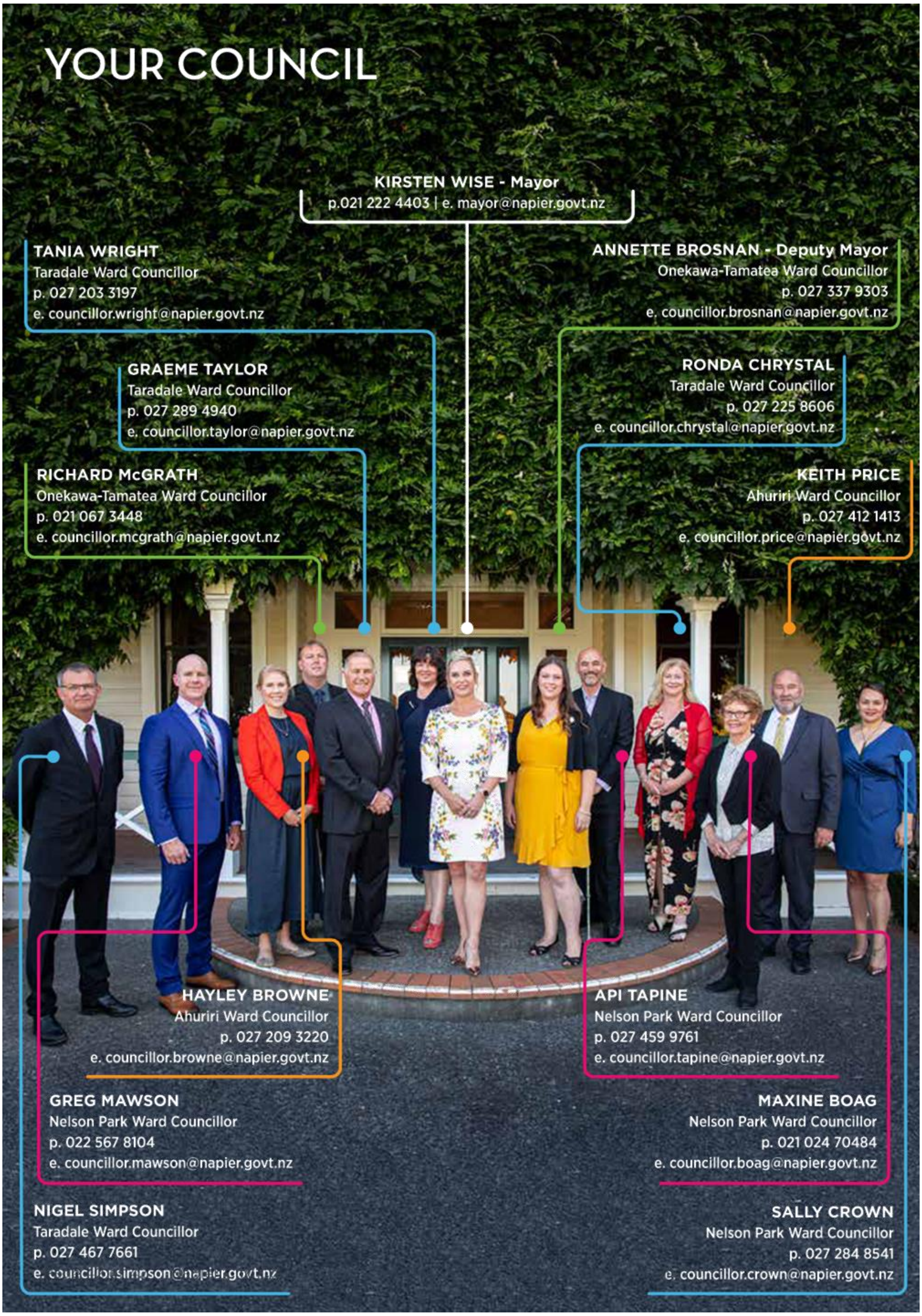
In addition to our audit and our report on the Council's 2019/20 annual report, we have performed a limited assurance engagement related to the Council's debenture trust deed, which is compatible with those independence requirements. Other than this reporting and these engagements, we have no relationship with or interests in the Council.

Karen Young

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

What is an emphasis of matter?

You will notice that the Independent Auditor's Report includes an emphasis of matter paragraph. This does not mean that the Auditor has found anything wrong. The Auditor simply wants to draw your attention to something that is important.



Item 1 Attachment C