

ORDINARY MEETING OF COUNCIL

Open Minutes

Meeting Date: Thursday 2 February 2023

Time: 9.30am – 11.00am

Venue Council Chambers
Hawke's Bay Regional Council
159 Dalton Street
Napier

Livestreamed via Council's Facebook site

Present **Chair:** Mayor Wise
Members: Deputy Mayor Brosnan, Councillors Boag, Browne, Chrystal, Crown, Greig, Mawson, McGrath, Price, Simpson and Tareha

In Attendance Acting Chief Executive (Richard Munneke)
Deputy Chief Executive/ Executive Director Corporate Services (Jessica Ellerm)
Executive Director City Services (Lance Titter)
Acting Executive Director City Strategy (Rachael Bailey)
Acting Executive Director Infrastructure Services (Russell Bond)
Executive Director Community Services (Thunes Cloete)
Manager Communications and Marketing (Julia Atkinson)
Accounting Manager (Talia Foster)
Corporate Accountant (Heather Sharp)
Community Funding Advisor (Belinda McLeod) *[via Teams Link]*
Acting Team Leader Governance (Anna Eady)
Audit New Zealand (Karen Young)

Administration Governance Advisors (Carolyn Hunt)

Karakia

The meeting was opened with the Council karakia.

Apologies

COUNCIL RESOLUTION

Councillors Mawson / Boag

That the apology from Councillor Taylor be accepted.

Carried

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Mayor

Auckland Flooding – Mayor Wise acknowledged that Council’s thoughts were with the community of Auckland who had suffered severe flooding during the past week. There has been support from emergency services in Hawke’s Bay travelling to Auckland to assist in working through issues caused by the flooding.

- **Waipureku Waitangi Commeration** – 6 February 2023 commencing at 8.00am at Ātea a Rangi, Waitangi Regional Park, Awatoto a Hikoi (Walk of Unity) along the riverside to Farndon Park. The hikoi can also be joined at Clive Bridge.

Acknowledgement was made to Councillor Boag who was on the organising Committee for this celebration.

- **Waitangi Day Celebrations** - Together with Hastings District Council, Napier City Council, Central Hawke’s Bay District Council, Hawke’s Bay Regional Council and Ngāti Kahungunu Iwi Incorporated this Family Friendly Event would be held on 6 February 2023 from 10.00am to 4.00pm at the Mitre 10 Sports Park, Percival Road, Hastings for Waitangi Day celebrations.

Announcements by Management

The Acting Chief Executive, Mr Munneke acknowledged and thanked the efforts of Council staff during the latest heavy weather event.

Confirmation of minutes

COUNCIL RESOLUTION

Councillors Price / Crown

That the Draft Minutes of the Ordinary meeting held on 15 December 2022 be confirmed as a true and accurate record of the meeting.

Carried

**COUNCIL
RESOLUTION**

Councillors McGrath / Tareha

That the Draft Minutes of the Extraordinary meeting held on 19 January 2023 be confirmed as a true and accurate record of the meeting.

Carried

Minor Matters not on the agenda (if any)

Nil

AGENDA ITEMS

1. ADOPTION OF ANNUAL REPORT 2021/22 AND SUMMARY ANNUAL REPORT 2021/22

Type of Report: Legal

Legal Reference: Local Government Act 2002

Document ID: 1594360

Reporting Officer/s & Unit: Chief Financial Officer
Talia Foster, Accounting Manager

1.1 Purpose of Report

To present the Napier City Council Annual Report 2021/22 and Summary Annual Report 2021/22 for adoption by Council.

At the meeting

The following documents had been circulated electronically and were tabled at the meeting:

- Annual Report Summary for Napier City for the year ended 30 June 2022 (*Doc Id 1634547*)
- Draft Annual Report which includes information regarding major matters dealt with in the Annual Report (*Doc Id 1634544*)
- Independent Auditor's report (*Doc Id 1635075*)

The Mayor thanked and acknowledged all staff involved in the compilation of the Annual Report which was an organisational wide effort and highlighted some of the key achievements during the year.

The Accounting Manager, Ms Foster advised the purpose of the report was to present the Annual Report and Summary Annual Report for 2021/22 for adoption, as required under the Local Government Act 2002.

As with all other Councils in New Zealand, the audit opinion also included an Emphasis of Matter (EoM) statement in regard to the Water Services Entities Bill of 14 December 2022. The impact of these proposed reforms meant that the City Council would no longer deliver three waters services or own the assets required to deliver these services.

Ms Foster highlighted the key issues as below:

1. Land and Buildings

- Regular valuations on Council's assets are undertaken, typically on a three yearly cycle, particularly the 3Water assets, land and buildings. In the years that full valuations are not undertaken, fair value assessments to confirm how accurate those values are completed.
- The FY21/22 year was an off year for the 3Waters, land and buildings valuations and fair value assessments were undertaken. At a late stage in the audit review, Audit NZ informed Council that the value of the assets had become material and a full valuation would be required to avoid a modified audit opinion on the financial statements.
- The Audit and Risk Committee considered the issue at its December meeting and instructed staff to undertake the valuations as soon as practically possible but accepted that a modified opinion would be received
- Ms Foster referred to page 152 of the Annual Report where further information was disclosed and the independent report contained a statement in regard to Land and Buildings, water, wastewater, stormwater, low ground and above ground assets as below:

“As at 30 June 2023, Council completed fair value assessment on these assets, including taking advice from independent expert valuers. These assessments showed that there was significant uncertainty over the asset values and the expected increase in fair value would be material. Council has not prepared an early revaluation due to time and resource constraints, and the significant financial cost to undertake this exercise. However, the full revaluation will be undertaken and completed for 30 June 2023.

It is for this reason that the Independent Auditor's Report contains a statement regarding the valuation of these assets”.

2. Activity Group Statement

- Last year there were some issues with the attendance and resolution times of the water, wastewater and stormwater measures. These were unable to be accurately reported on and that has flowed through to this year due to time constraints on fixing the issues found.
- Also from the previous years there was an issue with the total number of complaints received on water supply, wastewater and stormwater. This was an issue that did carry over from previous years and therefore these issues have been resolved for the twelve months reported on in this report and accurate information could be provided. However, the previous years which are also reported on still need to be qualified because of the issue.

3. Adopting Annual Report late

- The Annual Report adoption date set out in the Local Government Act 2002 was extended to 31 December 2022 due to Covid and resourcing restrictions. This deadline was missed and Council was not alone in this.

Audit New Zealand Director Karen Young was present at the meeting to provide more detail on the issues raised in the audit opinion and responded to questions.

In response to questions the following points were noted:

- In regard to reporting of complaints the issues raised last year have now been resolved.
- There are some issues in regard to attendance and resolution times and that project is still ongoing and tracking to be ready for 30 June 2023. However, it would result in another year where Council have been unable to produce accurate data, due to some inconsistencies and manual data. It is expected that there would be one more year of a qualified audit note before it is removed.
- In regard to missing the deadline Ms Young provided further information on the process related to the fair value assessments advising that values used were based on indices but further information lead to changes in the indices after year end and that the fair value assessment had not been updated with these values.
- There has also been an auditor shortage not only with Audit New Zealand and some constraints in financial reporting teams, across the country and that had put pressure on the ability to complete audits. Auditor shortage has been an issue for last 3 years due to Covid.
- There is currently a shortage of persons able to complete revaluations combined with a change in service provider by the Minister of Health due to water. Napier had engaged water consultants early in the audit to provide advice.
- Council has self-disclosed missing the deadline in its Annual Report, although not significantly, Napier City Council was the first to sign in 2023.
- Officers noted that it was only brought to their attention in December 2022 when the auditors advised of the 3Water assets valuation issue. At that time officers believed they were in a position for the Annual Report to be adopted prior to Xmas. The Annual Report was on Audit and Risk Committee agenda for adoption at the 9 December 2022 meeting, however, due to revaluation issues being raised late, this was not achievable.
- Consideration of asset revaluation was discussed earlier with Audit New Zealand and it had initially been accepted that it would be below the level of materiality. However, it was later in the audit that it was found to be outside the level of materiality.

Ms Young provided a verbal summary of the audit opinion that was tabled at the meeting and highlighted the following:

- Audit opinion is a qualified audit opinion over financial and activity statements, with the exception of the qualification matters, the financial statement fairly reflects the financial position, performance, operation and cash flows of the Council and also its activities for year.
 - Based on analysis and cost indices and reading of the independent valuer's assessment reasonable assurance has been gained that 3Water assets, land and buildings are not reflected at their fair values in the Annual Report. The issue is that because a full revaluation has not been completed Audit do not know what the uplift is to those values.
 - Council has advised a revaluation will be performed by 30 June 2023 financial year. The other qualification relates to attendance, response times and resolutions as there were some deficiencies in Council systems. Those deficiencies have meant that capture and recording information accurately has not been possible. Council are working on rectifying these issues.
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In response to questions it was noted:

- In regard to the revaluation process Council revalue every three years and was due to revalue in 2023. The 3 yearly cycle was considered best practise and by obtaining the fair value assessment it was considered this had been met. This has been an issue for a lot of councils and possibly needs consideration as to whether it is still appropriate.
- Quite a few councils have been impacted in regard to this due to cost escalation in structural assets in particular, which are revalued using optimised replacement costs so relies heavily on unit costs etc.
- Ms Young advised that it would be prudent to complete a fair value assessment at the beginning of the financial year as this would provide Council time to consider engaging a valuer early, as completing later in the financial year could preclude being able to find a valuer to engage within the timeframe for the Annual Report.
- The implication for not having up-to-date asset valuations going forward could mean that Council was potentially not fully providing for depreciation. Depreciation was calculated on the fair value of the assets and would therefore affect Council's annual planning process and budgets.
- Officers were currently addressing the depreciation effects for the annual plan process and advised that provision for depreciation was appropriate.

COUNCIL Mayor Wise / Councillor Crown

RESOLUTION

That Council:

- a. **Receives** the report titled Adoption of Annual Report 2021/22 (*Doc Id 1635447*) and Summary Annual Report 2021/22 (*Doc Id 1634544*) dated 2 February 2023.
- b. **Note** the 2021/22 Annual Report was considered by the Audit and Risk Committee on 9 December 2022.
- c. **Note** the Auditor's report includes an emphasis of matter paragraph drawing attention to the Water Services Entities Bill which received Royal Assent on 14 December 2022.
- d. **Note** Council will receive a qualified Audit opinion on the activity group statements relating to incomplete information about response times and the number of complaints for the non-financial performance measures of some services.
- e. **Note** Council will receive a qualified Audit opinion on the financial statements relating to the carrying value of Council's water, wastewater and stormwater below and above ground assets.
- f. **Note** the Audit opinion (*1635075*) tabled at the Council meeting of 2 February 2023, with the Audit Director for Audit New Zealand present to speak to the opinion.
- g. **Adopt** the Annual Report and Summary Annual Report for Napier City Council for 2021/22 subject to any grammatical and minor changes and any changes due to the requirements of the audit process.

Carried

Attachments

- 1 Annual Report for Napier City for the year ended 30 June 2022 (*Doc Id 1634544*) - Tabled at Council meeting 2 February 2023
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- 2 Annual Report Summary which includes information regarding major matters dealt with in the Annual Report (*Doc ID 1634547*) - Tabled at Council meeting 2 February 2023
 - 3 Independent Auditor's Report (*Doc Id 1635075*) Tabled at Council meeting - 2 February 2023
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2. 2023 DIVERCITY EVENT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	1626304
<i>Reporting Officer/s & Unit:</i>	Belinda McLeod, Community Funding Advisor Rebecca Peterson, Senior Advisor Policy

2.1 Purpose of Report

To seek approval to apply for external funding to support the 2023 Celebrate Cultural DiverCity Event to be held on 17 June 2023 at the Soundshell, Marine Parade, Napier.

At the meeting

The Executive Director Community Services, Mr Cloete spoke to the report advising that approval was sought to apply for external funding to enable this free community event that Celebrates Cultural DiverCity to take place.

Mr Cloete clarified that the total amount for the project was \$22,000, \$4,000 funded from Council and the balance of \$18,000 being sought from external funders. If full funding was not acquired the event may have to be cancelled or undertaken on a lesser scale.

COUNCIL Councillors Mawson / Boag

RESOLUTION

That Council:

- a. **Approve** the application to apply for external funding from the Ministry for Ethnic Communities Development Fund and Eastern and Central Community Trust Grassroots Fund, for the 2023 Celebrate Cultural DiverCity Event.

Carried

3. COUNCIL AND COMMITTEES OF COUNCIL TERMS OF REFERENCE AND DELEGATIONS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	1629528
<i>Reporting Officer/s & Unit:</i>	Anna Eady, Acting Team Leader Governance

3.1 Purpose of Report

To present the Council and committees of Council terms of reference (ToR) and delegations for the 2022-2025 triennium for approval.

At the meeting

The Acting Governance Team Leader, Ms Eady advised that she would take the report as read, highlighted the following and responded to questions.

It was noted:

- Hearings Committee – “Note” to be removed as was no longer applicable.
- Audit and Risk Committee – The Terms of Reference (ToR) and Charter will be reviewed in a separate process mid 2023
- Chief Executive Contract Committee – ToR are currently being reviewed by the Committee in conjunction with Sheffield Recruitment. The existing ToR presented at this meeting will be adopted and if there are new ToR in the future they will be presented to Council for consideration.
- Two Ngā Mānukanuka o te Iwi (Māori Committee) representatives would be appointed to the four Standing Committees with voting rights. Representation of mana whenua reflects Council’s commitment and obligations under the Treaty of Waitangi.
- One Ngā Mānukanuka o te Iwi (Māori Committee) representative will also be appointed to the Audit and Risk Committee with voting rights.
- There would be no representatives from the Ngā Mānukanuka o te Iwi (Māori Committee) or Audit and Risk Committee, with voting rights at Council meetings, only elected members.

The following points were highlighted:

- The Mayor’s new Governance Structure removes the double debate system for this triennium and provides delegation powers to the Standing Committees to make decisions rather than recommendations.
 - Standing Committees will receive reports relevant to their area of responsibility and will be able to make the final decision, without having to go to Council. However in the Common Delegations Section for the Standing Committees it is made quite clear that if at the Standing Committee meeting a report was presented that the committee was not comfortable in making a decision a resolution referring it to Council can be made.
 - The Mayor and Chief Executive will attend all Standing Committee preagenda meetings and if it is deemed that reports require double debate this will be specified at this time or moved to a Council meeting for decision making.
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- Concern was raised by some councillors of two Ngā Mānukanuka o te Iwi (Māori Committee) representatives being appointed as members to the Standing Committees and having voting rights.
 - No public consultation is required to appoint the Ngā Mānukanuka o te Iwi (Māori Committee) to Committees with voting rights and is quite common for some Councils throughout the country who have had this structure in place for some time, with no public consultation being undertaken.
 - The role of chair for Ngā Mānukanuka o te Iwi (Māori Committee) supports it being offered to a Kaumatua in the first instance and should the Kaumatua not wish to accept the role it would be offered to a mana whenua representative appointed to the committee.
 - Ngā Mānukanuka o te Iwi (Māori Committee) being a specialist committee, similar to the Audit and Risk Committee it will receive purposely written papers. Both committees are on a quarterly cycle as opposed to a six weekly timeframe. A quarterly cycle had proven to be frequent enough for the Audit and Risk Committee.
 - Standing Committees will either make a Decision or make a recommendation to Council to make the Decision.
 - As in the previous triennium, Ngā Mānukanuka o te Iwi (Māori Committee) and Audit and Risk Committees will provide recommendations to Council for decision making.
 - Any report addressed by Standing Committees could be referred to Council for a decision if at the Standing Committee members were not comfortable in making the decision. Any member of the committee could propose a recommendation to refer the matter to Council for a decision and put to the vote.
 - Although decisions at Committee could be made by appointed members, Council still retains all its tools and mechanisms within Standing Orders to ask for revocation and alteration of decisions and Notices of Motion to reconsider those decisions at committee. Council would still have the ability to influence a decision as whole if disagreed with the committee.
 - In regard to Council ToR, clause 15 of the delegated powers, this was added to the ToR as the Tenders Committee has been disestablished with the Chief Executive having a higher level delegation of \$5m. This clause provides Council an opportunity to have oversight and control of a project that is of particular interest and significance not only to Council but also the community. The War Memorial restoration project is an example which comes under the Chief Executive threshold of \$5m.
 - Following discussion the meeting agreed on the following Action Point which would provide Council an opportunity at that strategic level to set the parameters when Clause 15 would be applied

ACTION POINT *Request that Council's procurement strategy, which is currently in development, contain a section on tendering and the governance process.*

The Acting Chief Executive, Mr Munneke advised that officers sought clarity and appropriateness of the governance role in the tender process. Ideally, Governance would not be involved in the tendering process and would defer to the Audit and Risk Committee process, with overview of a major project being managed differently.

COUNCIL Mayor Wise / Councillor Brosnan

RESOLUTION

That Council:

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- a. **Approve** the Council and committees of Council terms of reference and delegations for 2022-2025 (*Doc Id 1629578*).
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Carried

4. 2022-2025 STANDING ORDERS

<i>Type of Report:</i>	Legal and Operational
<i>Legal Reference:</i>	Local Government Act 2002; Local Government Official Information and Meetings Act 1987
<i>Document ID:</i>	1617698
<i>Reporting Officer/s & Unit:</i>	Anna Eady, Acting Team Leader Governance

4.1 Purpose of Report

The purpose of this report is to present the proposed 2022-2025 Standing Orders for adoption.

At the meeting

The Acting Team Leader Governance, Ms Eady spoke to the report noting Council must adopt Standing Orders each triennium, which required 75% support to accept. Local Government New Zealand (LGNZ) can make changes to their template, and most Councils adopt the template as is, or with a few minor amendments.

The LGNZ amendments attached to the report (*Doc Id 1629482*) have been incorporated into the 2019 Napier City Council Standing Orders for the 2022-2025 triennium. A notable amendment is the incorporation of Te Reo in the headings of each section.

Ms Eady highlighted the following changes from the Napier City Council 2019-2022 Standing Orders as below:

- **Standing Order 9.10** - The chief executive must send the agenda to every member of a meeting at least two clear working days before the day of the meeting, except in the case of an extraordinary meeting or an emergency meeting (see Standing Orders 8.4 and 8.10).
- **Standing Order 19.3** - The Mayor, Chairperson, or any other person presiding at a meeting has a deliberative vote and, in the case of an equality of votes, has a casting vote.

In response to questions the following points were clarified:

- For ease of reading Governance would provide the Te Reo headings on a separate line in the contents pages of the Standing Orders in the final document.
 - SO 9.1 specifically related to the publication of agendas and would not impact on Council's internal processes.
 - Under the Local Government Official Information and Meetings Act 1987, Councils were only required to publish agendas two working days in advance of an ordinary meeting. Having the Standing Order with the two day requirement would accommodate any late or urgent reports to be included in an agenda. This will allow best practise, rather than
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adding late reports and breaching the previous 7 day requirement of the Standing Orders.

- This would also enable an ability to be current with agendas with reports being included rather than having to wait for a new cycle to address items.
- The Chief Executive agreed with the suggestion to setting strategic priorities, dovetailing into the Long Term Plan, with the next stage of that process being collaboration with the Executive Leadership Team and Chairs developing a work programme for the ensuing twelve months and reviewing it on an annual basis to complete the Triennium.

COUNCIL Councillors Price / Chrystal

RESOLUTION

That Council:

- a. **Revoke** the Napier City Council 2019-2022 Standing Orders.
- b. **Adopt** the proposed 2022-2025 Standing Orders (*Doc Id 1627887*), pursuant to Clause 27 of Schedule 7 of the Local Government Act 2002

Carried

5. AMENDMENTS TO THE 2023 COUNCIL/COMMITTEE MEETING SCHEDULE AND THE RENAMING OF THE GRANTS ALLOCATION SUBCOMMITTEE

Type of Report: Procedural

Legal Reference: Local Government Act 2002

Document ID: 1620655

Reporting Officer/s & Unit: Anna Eady, Acting Team Leader Governance

5.1 Purpose of Report

The purpose of this report is to consider amendments to the schedule of Council and Committee meetings for the 2023 Meetings Calendar, which was originally adopted by Council on 15 November 2022.

It is also proposed that the Grants Allocation Subcommittee is renamed the Community Services Grants Subcommittee.

At the meeting

The Acting Team Leader Governance, Ms Eady advised that it was proposed to rename the Grants Allocation Subcommittee to the Community Services Grants Subcommittee to mitigate the confusion that there were two subcommittees.

COUNCIL Mayor Wise / Councillor Mawson

RESOLUTION

That Council:

a) Adopt the following amendments to the schedule of meetings for 2022 as below:

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|--|--|---|
| • Ahuriri Regional Park Joint Committee | New date | 24 February 2023 – 9.30am |
| • Chief Executive Contracts Committee | New date | 30 March 2023 – 9.30am |
| • Community Services Grants Subcommittee | New date | 26 June 2023 – 12.30pm |
| • Napier People & Places Committee followed by Prosperous Napier Committee | Date change
Due to meeting conflicts | 3 August 2023 – 9.30am
<i>(previously 27 July 2023)</i> |
| • Ngā Mānukanuka o te Iwi (Māori Committee) | Date change
due to venue restrictions | 15 September 2023 – 9.30am
<i>(previously 22 September 2023)</i> |
| • Sustainable Napier Committee followed by Future Napier Committee | Date change
Due to meeting conflicts | 9 November 2023 – 9.30am
<i>(previously 2 November 2023)</i> |

b) **Approve** the renaming of the Grants Allocation Subcommittee to the Community Services Grants Subcommittee.

Carried

6. ACTING CHIEF EXECUTIVE'S REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1628228
<i>Reporting Officer/s & Unit:</i>	Richard Munneke, Acting Chief Executive

6.1 Purpose of Report

The Acting Chief Executive's Report will be brought to every second standard Council meeting (roughly every 12 weeks), for your information.

Councillors Brown and Mawson withdrew from the meeting at 10.45am and rejoined at 10.51am

At the meeting

The Acting Chief Executive, Mr Munneke took the report as read, circulated Strategic Priorities document (*Doc Id 16335631*) and highlighted the following:

- Four positions have been created in the People and Capability area which will enable thought and processes that will provide the step change in culture and wider people strategies. This is an opportunity for Council to make step change in moving the organisation forward.
- Focus was on the War Memorial Restoration to ensure ANZAC Day celebrations could be held there.
- The Te Pihinga Community Space project has a red traffic light in the report as clarity was required on how the Te Pihinga project fits in Maraenui. Kainga Ora were proposing 150 houses in Maraenui based on the \$12.5m fund to resolve stormwater and it was also contingent on the Te Pihinga project going ahead.

In responses to questions it was clarified:

- Council supported the Local Government New Zealand Submission on the Self Contained Motor Vehicle Legislation Bill. It was also unclear at this stage, if the Bill was passed whether it would result in more effluent dumping facilities being installed.
- It was noted that following Council's takeover of the Ocean Spa facility on 1 February 2023, with the closure of the heated pools for eight weeks everything had gone smoothly.

COUNCIL Councillors Brosnan / Boag

RESOLUTION

That Council:

- a. **Receive** and **note** that Acting Chief Executive's Report for February 2023.

Carried

Attachments

- 1 Strategic Priorities handout circulated at the meeting (Doc Id 1635631)
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7. TENDERS LET

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	Enter Legal Reference
<i>Document ID:</i>	1630999
<i>Reporting Officer/s & Unit:</i>	Debbie Beamish, Executive Assistant to the Chief Executive

7.1 Purpose of Report

To report the Tenders let under delegated authority for the period 26 November 2022 – 20 January 2023.

At the meeting

There was no discussion on this item.

COUNCIL Councillors Price / Mawson
RESOLUTION

That Council:

- a. **Receive** the Tenders Let for the period 26 November 2022 – 20 January 2023.

Carried

The meeting closed with a karakia at 11.00am

Approved and adopted as a true and accurate record of the meeting.

Chairperson

Date of approval