



PROSPEROUS NAPIER COMMITTEE

Open Minutes

Meeting Date: Thursday 8 February 2024

Time: 9.30am – 11.45am

Venue Chapman Room
Level 1, Chapman Pavilion
McLean Park
Latham Street
Napier

Livestreamed via Council's Facebook page

Present **Chair:** Councillor Crown
Members: Mayor Wise, Deputy Mayor Brosnan, Councillors Boag, Browne, Chrystal, Greig, Mawson, McGrath, Price, Simpson, Tareha and Taylor (Deputy Chair)
Ngā Mānukanuka o te Iwi representative – Evelyn Ratima

In Attendance Chief Executive (Louise Miller)
Deputy Chief Executive / Executive Director Corporate Services (Jessica Ellerm)
Executive Director Infrastructure Services (Russell Bond)
Executive Director Community Services (Thunes Cloete)
Manager Communications and Marketing (Julia Atkinson)
Chief Financial Officer (Caroline Thomson)
Programme Manager- Long Term Planning (Stephanie Murphy)
Corporate Finance Manager (Mr Hrustinsky)
Strategic Programmes Manager (Mr Gillies)
Senior Advisor Corporate Planning (Danica Rio)
Commercial Director (Richard Munneke)
Manager Community Strategies (Anne Bradbury)
Scott Hamilton - Tautaki Consulting [via zoom link]
Team Leader Governance (Anna Eady)

Administration Governance Advisor (Carolyn Hunt)

PROSPEROUS NAPIER COMMITTEE – Open Minutes

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ORDER OF BUSINESS

Karakia

The meeting opened with the Council karaka.

Apologies

Councillors Mawson / Tareha

That the apology from Joe Tareha (Ngā Mānukanuka o te Iwi representative) be accepted.

Carried

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Mayor

Nil

Announcements by the Chairperson

Nil

Announcements by the management

Nil

Confirmation of minutes

Councillors Mawson / Price

That the Minutes of the Prosperous Napier Committee meeting held on 7 September 2023 were taken as a true and accurate record of the meeting.

Carried

AGENDA ITEMS

1. DIRECTION FOR THE PREPARATION OF THE THREE-YEAR PLAN 2024-27

<i>Type of Report:</i>	Legal and Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	1730288
<i>Reporting Officer/s & Unit:</i>	Danica Rio, Senior Advisor Corporate Planning Stephanie Murphy, Programme Manager- Long Term Planning Jessica Ellerm, Deputy Chief Executive / Executive Director Corporate Services Caroline Thomson, Chief Financial Officer

1.1 Purpose of Report

Council has been providing direction for the preparation of NCC's Three-Year Plan 2024-27 through a series of workshops over 2023 and early 2024. The plan is being prepared under the Severe Weather Emergency Recovery Legislation (SWERL) and replaces the Long Term Plan due to the legislation. The report summarises the following for formal approval and adoption:

- Direction on the financial and infrastructure information that will underpin the combined Finance and Infrastructure Strategy
- Proposed topics for consultation that is scheduled to begin on 25 March 2024
- Direction on Strategic Priorities and Community Outcomes

At the meeting

Senior Advisor Corporate Planning, Ms Rio spoke to the report and displayed a PowerPoint presentation (Doc Id 1736691) providing an overview of the report.

Community Services have indicated an intention for the Faraday Centre facility to be re-imagined, and that Te Pihinga would be considered as part of the Halls Review programmed for Year 2.

Key dates noted for the programme are:

- 14 March 2024 – Council adoption of the consultation document
- 25 March-26 April 2024 – Public consultation period
- 27-28 May 2024 – Council submission Hearings
- 27 June 2024 – Council adoption of the three year plan.

In response to questions the following was clarified:

The Chief Financial Officer, Ms Thomson referred to the Capex projects that were high spend but required minimal officer input and explained the implications to Council's budget.

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- Vested assets are where a developer funds an infrastructure project in a new development or subdivision and it is vested back to Napier City Council (NCC) as capital. Capital assets need to be included in the fixed asset register.
 - Property purchases are transactions where NCC is buying property.
 - Omarunui is the Landfill which is owned and funded jointly between Hastings District Council and NCC. The Landfill is operated by Hastings District Council. Napier's share of the joint funding is approximately 33%.
 - Parklands is a transactional project.
 - Ms Thomson confirmed the operational costs listed for the Ahuriri Regional Park remained in Council budgets.

COMMITTEE Councillors Mawson / Price

RESOLUTION

The Prosperous Napier Committee:

- a. **Receive** the report titled "Direction for the Preparation of the Three Year Plan 2024-27" and confirm it as being a record of direction setting for the development of the Three-Year Plan 2024-27.

Carried

Attachments

- 1 LTP PowerPoint presentation (Doc Id 1736691)
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2. DUE DILIGENCE REPORT OF CIVIC ACCOMMODATION BUSINESS CASE

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1710275
<i>Reporting Officer/s & Unit:</i>	Darran Gillies, Strategic Programmes Manager Alix Burke, Strategic Programme Coordinator

2.1 Purpose of Report

To report on a robust due diligence process that ensures that the preferred option of Officer Accommodation Business Case continues to be the best course of action for council. This includes making sure that the work enables the best possible outcomes of the public-facing component of the programme, primarily the implementation of the design and construction of Te Aka - Library and Council Chambers.

At the meeting

The Strategic Programmes Manager, Mr Gillies spoke to the report summarising the preferred option where Council sells the ex-Library Tower and leases back part of a redeveloped site for NCC's long-term occupation. Scoring highest on both the best outcomes score and the best value for money score.

In response to questions the following was clarified:

- There is officer capacity within Council to run the Te Aka project.
- Mr Gillies advised that in regard to timeframes for delivery completion, the ground lease to developer to Council redevelopment there would be a negotiation period that would be required within the developer option and Resource Management Act consultation undertaken.
- If negotiations went well the timeframe could be brought forward, however there is a risk of a timeline increase if one party opts out during negotiations as the process would need to commence again.
- The concept work provides a better understanding of Council's requirements and work that needs to be undertaken.
- An amount of \$7m has been identified for the "soft fit out" and IT, however full requirements have yet to be determined. It is envisaged that the \$48m budget plus professional fees will be the total for the project.
- If Council retain ownership of the building there is the opportunity to generate income through tenancy on the top floor and partial tenancy on the ground floor.
- However the current community expectation is that NCC will retain ownership and stay onsite.
- Retention of ownership has not been communicated to the public prior to the business case. The site had been referred to as a "precinct" and that the project would be staged. The risk, being time is cost and benefit cost realisation was not taken into account in mobilisation of one contract, looking at shared services across the two projects. The risk is what that the subdivision looks like and is it attractive to the developer.
- The business case indicated \$4m for hard fit out but did not include additional fittings required for an operational office block. The revised budget is now \$7m.
- The next stage in the programme is testing the full concept and design of the tower and how it relates to Te Aka, specifically the Chambers. The aim is to bring the tower and Te Aka projects together for shared synergies and to understand the costs.
- If approved by Council this will assist in moving to the plan for the procurement process

COMMITTEE Deputy Mayor Brosnan / Councillor Tareha

RESOLUTION

The Prosperous Napier Committee:

- a. **Receive** The Due Diligence Report of the Civic Accommodation Business Case.
- b. **Approve** option 5a from the Civic Accommodation Business Case (Doc Id 1690557) – The NCC lead Redevelopment of the library to be the preferred option within the Long Term Plan consultation; and to proceed into the next stages of the programme of work to support that option.

Carried

3. INVESTMENT POLICY REVIEW

Type of Report: Legal and Operational

Legal Reference: Local Government Act 2002

Document ID: 1732872

Reporting Officer/s & Unit: Garry Hrustinsky, Corporate Finance Manager

3.1 Purpose of Report

The purpose of this report is to review the Investment Policy with consideration to proposed changes to Napier City Council's investment strategy.

At the meeting

The Corporate Finance Manager, Mr Hrustinsky spoke to the report providing a brief summary of the three material amendments to the policy being clarification of the role of Development Property, Investment Property and Council Controlled Organisations (CCOs). Mr Hrustinsky also noted due to the specialised nature of investing public consultation was not required for amendments to this policy.

Changing the policy to expand and enable the use of CCOs provides NCC with the flexibility to use CCOs but is not binding.

COMMITTEE Mayor Wise / Councillor Mawson

RESOLUTION

The Prosperous Napier Committee:

- a) **Approve** the amended Investment Policy (Doc Id 1735035).

Carried

4. INVESTMENT PROPERTY PORTFOLIO POLICY (LEASEHOLD) REVIEW

Type of Report: Operational

Legal Reference: Local Government Act 2002

Document ID: 1733205

Reporting Officer/s & Unit: Garry Hrustinsky, Corporate Finance Manager

4.1 Purpose of Report

In addition to the requirement to review this policy at least every 3 years, the main purpose of this report is to review the Investment Property Portfolio Policy with consideration to proposed changes to Napier City Council's investment strategy.

At the meeting

The Corporate Finance Manager, Mr Hrustinsky spoke to the report advising that NCC was currently reviewing its investment strategy which means some amendments to this policy are required. Mr Hrustinsky provided a brief summary on the three material changes, being the removal of reference to outdated reports, the process for freeholding land being updated to reflect proposed investment changes and the option for Council to delegate to a Council Controlled Organisation or investment team.

In response to questions the following was clarified:

- Where an offer to freehold is not accepted by the current lessor Council would have the option to look at offers from other parties. This had not previously been possible.
- In practice Council could not enforce a lessor's right to occupy if it sells land. Council can give the lessor first refusal to buy the land the lessor occupies, if they decline then Council could sell that land to another party - but the lessor retains their right to occupy.
- Changes in the policy provides language consistency.
- If a person has a lease and invests in capital items on the property and could not or did not want to purchase the property it cannot be sold and the lease would be renewed.
- If a leaseholder did not wish to continue with the lease it would be a trigger for this policy. Council is bound by its leases and contracts.
- If the contract renews, Council would honour the renewal. If the contract does not renew and the lessee chooses to buy the property Council would honour that. If the contract does not renew and the lessor chooses not to buy the property and looks to exit the property the Council would then have the option to sell.
- If the lease agreement comes to an end Council could renegotiate a new contract if lessee exits the property.
- Legal advice will be sought in relation to the a leaseholder retaining occupancy rights if NCC sells a property to a third party.

The meeting agreed to seek legal advice on transfer of leases and that the decision for approval be referred to the Council meeting on 14 March 2024.

COMMITTEE Councillors Crown / Taylor

RESOLUTION

The Prosperous Napier Committee:

- a) **Defer** approval of the amended Investment Property Portfolio Policy (Doc Id 1735038) subject to legal advice being sought in relation to the transfer of leases.
- b) **Refer** the Investment Property Portfolio Policy report to the Ordinary Council meeting on 14 March 2024 for a decision on approval.

Carried

Councillor Boag left the meeting at 10.31am

5. INVESTMENT STRATEGY NEXT STEPS

Type of Report: Operational

Legal Reference: N/A

Document ID: 1713691

Reporting Officer/s & Unit: Richard Munneke, Commercial Director
Garry Hrustinsky, Corporate Finance Manager

5.1 Purpose of Report

The purpose of this report is to obtain a decision from the Council on a proposal to establish a Council Controlled Trading Organisation (CCTO) to manage Napier City Council's (NCC) core financial investments and to consult on its establishment through the 2024-34 Long Term Plan.

At the meeting

The Commercial Director, Mr Munneke briefly summarised the report which would provide a way for Council to view its financial investments (Parklands and leasehold land) as a whole for the future.

In response to questions the following was clarified:

- Research by officers suggests that the use of a Council Controlled Trading Organisation (CCTO) would be beneficial to improve returns derived from council investment assets, and gradually reduce the rates burden on the city.
- Council would like to explore the establishment of a CCTO, and will seek community feedback to do so through the Long Term Plan process.
- The Long Term Plan will provide councillors the mechanism to explore CCTOs on behalf of the community in regard to external/internal membership of the Board and what assets would be included.
- This was a phased approach, firstly with the exploration of creating a CCTO and what assets it may manage.
- The Significance and Engagement Policy was created approximately 20 years ago. It would be beneficial to the community if some of NCC's strategic assets are managed by the CCTO. The strategic asset list will be considered separately to the matter of a CCTO.

COMMITTEE Councillors Browne / Chrystal

RESOLUTION

The Prosperous Napier Committee:

- a. **Receive** the report titled "Investment Strategy Next Steps".
 - b. **Explore** the establishment of a Council Controlled Trading Organisation for the management of Council's Investment Portfolio being Parklands development, development sites, commercial and residential leasehold properties, investment related deposits and managed investment portfolios.
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- c. **Include** the proposal to create a Napier City Council investments trading organisation within its 2024-34 Long Term Plan to fulfil the statutory requirements in creating a Council Controlled Trading Organisation.
 - d. **Endorse** Council building investment capability within it's team to address immediate investment activity needs.

Carried

Minor matters

There were no Minor Matters.

The meeting closed with a karakia at 11.45am

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

Chairperson

Date of approval