



PROSPEROUS NAPIER COMMITTEE

Open Agenda

Meeting Date: Thursday 2 May 2024

Time: 9.30am

Venue: Large Exhibition Hall
War Memorial Centre
Marine Parade
Napier

Livestreamed via Council's Facebook page

Committee Members **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 representatives – Joe Tareha and Evelyn Ratima

Officer Responsible Deputy Chief Executive / Executive Director Corporate Services

Administration Governance Team

Next Prosperous Napier Committee Meeting
Thursday 6 June 2024

2022-2025 - TERMS OF REFERENCE - PROSPEROUS NAPIER COMMITTEE

<i>Chairperson</i>	<i>Councillor Crown</i>
<i>Deputy Chairperson</i>	<i>Councillor Taylor</i>
<i>Membership</i>	<i>Mayor and Councillors (13)</i> <i>Ngā Mānukanuka o te Iwi representatives (2)</i>
<i>Quorum</i>	<i>8</i>
<i>Meeting frequency</i>	<i>At least 6 weekly (or as required)</i>
<i>Officer Responsible</i>	<i>Deputy Chief Executive / Executive Director Corporate Services</i>

Purpose

To provide governance oversight to the corporate business of the Council, monitor the Council's financial position and financial performance against the Long Term Plan and Annual Plan, and to guide and monitor Council's interests in any Council Controlled Organisations (CCOs), Council Organisations (COs) and subsidiaries.

Delegated Powers to Act

To exercise and perform Council's functions, powers and duties within its area of responsibility, excluding those matters reserved to Council by law or by resolution of Council, specifically including the following:

1. To monitor the overall financial position of Council and its monthly performance against the Annual Plan and Long Term Plan.
2. To adopt or amend policies or strategies related to the Committee's area of responsibility, provided the new or amended policy does not conflict with an existing policy or strategy.
3. To consider all matters relating to CCOs and COs, not reserved to Council, including to monitoring the overall performance of CCO's.
4. Provide governance to Council's property operations and consider related policy.
5. Consider applications for the sale of properties within the Leasehold Land Portfolio.
6. To resolve any other matters which fall outside the area of responsibility of all Standing Committees, but where the Mayor in consultation with the Chief Executive considers it desirable that the matter is considered by a Standing Committee in the first instance.

Power to Recommend

The Committee may recommend to Council and/or any standing committee as it deems appropriate.

The Committee may recommend to Council and/or the Chief Executive any changes to the funding or rating system for the City, any variation to budgets that are outside the delegated powers of officers and the approval of Statements of Intent for CCOs and COs each year.

To bring to the attention of Council and/or the Chief Executive any matters that the Committee believes are of relevance to the consideration of the financial performance or the delivery of strategic outcomes of Council.

The Committee must make a recommendation to Council or the Chief Executive if the decision considered appropriate is not consistent with, or is contrary to any policy (including the Annual Plan or Long Term Plan) established by the Council.

ORDER OF BUSINESS

Karakia

Apologies

Councillor Browne

Conflicts of interest

Public forum

Nil

Announcements by the Mayor

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

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

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

Announcements by the management

Confirmation of minutes

That the Minutes of the Prosperous Napier Committee meeting held on Thursday, 28 March 2024 be taken as a true and accurate record of the meeting.18

Agenda items

- 1 Treasury Activity and Funding Update4
- 2 Investment Property Portfolio Policy (Leasehold) Review7

Minor matters not on the agenda – discussion (if any)

Recommendation to Exclude the Public

Nil

AGENDA ITEMS

1. TREASURY ACTIVITY AND FUNDING UPDATE

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1743049
<i>Reporting Officer/s & Unit:</i>	Garry Hrustinsky, Corporate Finance Manager

1.1 Purpose of Report

The purpose of this report is to update the Prosperous Napier Committee on Council's treasury activity.

Officer's Recommendation

The Prosperous Napier Committee:

- a. **Receive** the report titled Treasury Activity and Funding Update dated 02 May 2024.

1.2 Background Summary

Investments

As at 15 April Council held \$4m on term deposit at an average interest rate of 5.71%.

The following table reports the cash and cash equivalents on 29 February 2024:

8 March 2024	\$000
Cash on call	\$9,424
Short term bank deposits	\$4,000
Total cash and deposits	\$9,428

Debt

Council's current total external debt position as at 15 April is \$10m. During June 2023 \$10m was borrowed from the Local Government Funding Agency (LGFA) in two tranches at fixed interest rates. The details are as follows:

Draw date	Amount	Interest rate	Maturity date
21/06/2023	\$5m	5.61%	15/04/2026
21/06/2023	\$5m	5.46%	15/05/2028

Council's debt portfolio is managed within macro limits set out in the Treasury Policy. It is recognised that from time to time Council may fall out of policy due to timing issues. The

Treasury Policy allows for officers to take the necessary steps to move Council's funding profile back within policy in the event that a timing issue causes a breach in policy.

Year end external debt is forecast to be \$67m (2023/24 projections)

Council's internal debt balance is \$98.2m

Council is currently compliant with its Treasury Management Policy.

Council's current Long Term Plan (LTP) forecasts a closing debt position of \$312m at the end of 2026/27. This calculation is based on the assumption that capital projects budgets will be completed.

The Reserve Bank of New Zealand's (RBNZ) Official Cash Rate (OCR) remained at 5.5% at its last review on 10 April 2024. The next review is on 22 May 2024.

In making its decision the RBNZ noted "*The New Zealand economy continues to evolve as anticipated by the Monetary Policy Committee. Current consumer price inflation remains above the Committee's 1 to 3 percent target range. A restrictive monetary policy stance remains necessary to further reduce capacity pressures and inflation.*

Globally, while there are differences across regions, economic growth remains below trend and is expected to remain subdued. However, most major central banks are cautious about easing monetary policy given the ongoing risk of persistent inflation."

No further rates rises are expected this financial year.

Debt to revenue ratio headroom

This is the key measure for Council's debt profile as it is the measure used by Council's major funders.

The closer Council gets to its limits the more likely it is that it will experience problems raising new debt. A Council with a credit rating would experience an increase in cost of funds (lower credit rating and higher borrowing margins).

Council's Treasury Policy for net external debt as a percentage of income is set at 175%. As at 29 February Council's debt to income ratio was 6.9%. Council has substantial debt headroom (extra capacity to borrow) to respond to any future event.

Council is compliant with its debt to income ratio for the LTP. Officers are exploring the option around taking on a credit rating. This would unlock more competitive borrowing rates through the LGFA and could increase Council's debt limit to 280% of its revenue (providing more headroom to borrow). There is a cost to maintain a credit rating and requires council's financials to be externally audited each year. Once Council reaches approximately \$100m of external borrowings the interest savings achieved from having a credit rating start to outweigh the audit cost.

1.3 Issues

With capital expenditure in excess of rates receipts, additional borrowing from the LGFA is anticipated in the very near future.

1.4 Significance and Engagement

N/A

1.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

N/A

1.6 Options

The options available to Council are as follows:

- a. Receive the report titled Treasury Activity and Funding Update dated 02 May 2024
- b. Amend the report titled Treasury Activity and Funding Update dated 02 May 2024.
- c. Reject the report titled Treasury Activity and Funding Update dated 02 May 2024.

1.7 Development of Preferred Option

N/A

1.8 Attachments

Nil

2. INVESTMENT PROPERTY PORTFOLIO POLICY (LEASEHOLD) REVIEW

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	1747371
<i>Reporting Officer/s & Unit:</i>	Garry Hrustinsky, Corporate Finance Manager

2.1 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 (Leasehold) with consideration to proposed changes to Napier City Council's (NCCs) investment strategy.

Officer's Recommendation

The Prosperous Napier Committee:

- a. **Approve** the amended Investment Property Portfolio Policy (Leasehold).

2.2 Background Summary

After public consultation as part of Council's Long Term Plan 2018-2028, Council resolved to allow freeholding of non-strategic land. As a decision of Council with recommendations from the Audit and Risk Committee, the proceeds were to be reinvested after the introduction of a vehicle to hold the funds.

In response to increasing cost pressures being placed on Council and ratepayers, Council is exploring options to generate additional revenue and reduce that burden.

Proposed changes within the Investment Property Portfolio Policy are part of a series of amendments across several policies that will allow Council to better explore, implement, and manage investment strategies for the benefit of the city.

The amended policy was presented to the Prosperous Napier Committee on 8 February 2024. At that meeting the Committee were concerned about the rights of lessees in light of changes proposed to the policy and requested legal advice regarding NCCs leasehold properties and the policy.

2.3 Issues

When the policy was first written, Council was considering the process as a transaction initiated by the lessee only. Council is now reviewing this position with consideration to all possible buyers (including Council) should the lessee not wish to purchase the land. This provides Council greater flexibility in managing leasehold property.

The current policy requires all decisions on freeholding to be made by Council. A proposed amendment provides options for how freeholding decisions can be made depending on whether a Council-owned organisation is established, a specialist investment team is created, or if the status quo is maintained. For the first two options an appropriate analysis and due diligence process (outside the scope of this policy) would also need to be established.

Two outdated reports (Boffa Miskell "*Napier City Investment Portfolio: Urban Landscape Strategic Review*" 2016 and PWC "*Investment Strategy Analysis Review*" 2016) are cited

for guidance within the policy. Due to the time value of such information, reference to those reports has been removed.

2.4 Significance and Engagement

The policy impacts the remaining 69 leasehold properties (and lessors) held by Council.

Willis Legal (Council's lawyer for reviewing and managing NCCs leasehold contracts) was consulted regarding both the contracts and proposed changes to the policy.

This is an internal policy. Council does not need to publicly consult on the Investment Property Portfolio Policy (Leasehold)

2.5 Implications

Financial

Increasing cost pressures are forcing Councils around the country to explore new ways of generating revenue (outside of rates). Proposed amendments to the policy will provide greater flexibility to Council in the management of leasehold property.

Greater emphasis will be put on generating favourable returns from freeholding leasehold properties.

Social & Policy

In addition to a policy review being required, policy amendments have been prompted from workshops conducted by Council to explore investment strategy and opportunities.

To provide clarity to the rights of lessees, the policy has been further amended to clarify that the lessee has right of first refusal on leasehold property should Council consider selling it.

However, lessee rights are strong under the leasehold agreements held by NCC. Several features were highlighted during legal review:

1. Should a lessee continue to meet their rental payments, there is no obligation for a lessee to vacate their lease.
2. The lessee has discretion to renew their lease at the end of their last lease.
3. Although wording may be changed within a new lease (upon expiry of the old one), a new lease must replace the old lease "like for like".
4. The sale of the lease contract to another party would not extinguish the right to occupy for the lessee.

Council officers are satisfied that lessee rights and protections would not be impacted by proposed changes to the policy.

Risk

Without an amendment to the Investment Property Portfolio Policy, Council will be limited in how it can engage with lessees and other potential buyers of leasehold land. Council will also be referencing outdated reports when making decisions on leasehold property.

2.6 Options

The options available to Council are as follows:

- a. Adopt the recommended changes to the Investment Property Portfolio Policy (Leasehold)
- b. Adopt the Investment Property Portfolio Policy (Leasehold) with further amendments (in addition to, or in place of, those recommended).

- c. Reject recommended changes to the Investment Property Portfolio Policy (Leasehold).

2.7 Development of Preferred Option

In addition to Council workshops, the preferred option has been developed with reference to current best practice, consideration of policies from other local authorities, and in response to wider economic conditions. Guidance has also been provided by lawyers and specialists in the field of council investing.

2.8 Attachments

- 1 Investment Property Portfolio Policy (Leasehold) Draft (Doc Id 1752034) [↓](#)
- 2 Investment Property Portfolio Policy (Leasehold) Council Adopted (Doc Id 1752036)
[↓](#)

INTERNAL POLICY



Investment Property Portfolio Policy (Leasehold)			
Adoption By	Council		
Department	Corporate Services – Finance and City Strategy		
Original Adoption Date	18 September 2018	Review Date	Adoption TBD
Next Review Deadline	TBD	Document ID	603440
Relevant Legislation	Local Government Act 2002, Hawke's Bay Endowment Land Empowering Act 2002, Napier Borough Endowments Act 1876		
NCC Docs Referenced	NCC Long Term Plan 2018-2028 consultation process and subsequent Council resolutions 1 June 2018 and 29 June 2018. Council's adopted Investment Policy and Liability Management Policy pursuant to Section 102 (1) and Section 104 of the Local Government Act 2002.		

Purpose

The purpose of this policy is to outline the terms and conditions on which Council may sell non-strategic land included in the Napier City Council's Investment Property Portfolio. The policy also provides guidance relating to the investment of the proceeds of sale.

Description of Portfolio

The portfolio consists of the ownership of a lessor's interest portfolio, which comprises 69 leases (as at 26/03/2024) known as the Investment Property Portfolio. Council owns the lessor's interest in these properties and a number of individuals and businesses own the lessee's interest. The leases are perpetually renewable meaning that, subject to continuing to pay rental (which is reviewed at periodical intervals) the lessees have a perpetual right to occupy the land. The improvements on the land are owned by the lessees, not Council.

Freeholding essentially involves the lessees purchasing Council's interest in the land. Council has no automatic right to purchase the Lessees interest and any purchase would require agreement between both parties.

Background to Ownership

The Investment Property Portfolio was originally established from:

- Properties transferred to Council from the Hawke's Bay Harbour Board as part of the Local Government reorganisation in 1989. The reason for the transfer was to provide an income generating asset to offset the liability associated with the upkeep of the Inner Harbour and Foreshore Reserves, which transferred at the same time. The income generated from these properties has historically been applied by Council to fund in part the cost associated with these activities.

- Properties already owned by Council as a result of land development in conjunction with the Harbour Board.
- Other sundry properties which have been owned by Council for many years.
- Endowment Properties - Nine of the properties in the portfolio are subject to the Napier Borough Endowments Act 1876 and before freeholding of these can occur any requirements under that Act and Sections 140 and 141 of the Local Government Act 2002 must be satisfied.

Policy

1. Overriding Principle

The Council's ability to sell non-strategic land under this Policy represents a discretion to be executed by Council on a case by case basis. Nothing in this Policy represents a right for any person to insist or require the Council to sell to them and the sale by Council of any land under this Policy does not create precedent or expectation that other land held by Council (whether of a similar nature or not) will be sold.

The above decision by Council sets no deadline for the expiry of the policy allowing consideration of freeholding on a case by case basis.

2. Party to whom Council may sell land to

There is no restriction on parties to whom Council may sell land to (including itself). However, for the purpose of clarity, right of first refusal will be provided to the lessee of the property.

3. Valuation

Where land is sold it is to be sold at such price as determined by Council at its sole discretion. Full Market Value as determined by a registered valuer, commissioned by Council, is to be used as a guide. There is no right of appeal or right of arbitration.

4. Discount

Any discounts available through other Council policies regarding the sale of land do not apply here.

5. Payment Method

The purchase price will be paid as follows:

- (a) A deposit of 15% upon signing a sale and purchase agreement; and
- (b) The balance in full on settlement

The buyer will also be required to pay Council's costs of sale (including legal fees and disbursements). These costs will also be payable in full on settlement. Buyers will be required to meet all costs in seeking independent advice from their own professional advisors.

6. Factors which may be considered in determining the retention or sale of properties

Adjacency to public amenity.

Is the site adjacent to current or potential future public amenity e.g. coast/walkway? If it is adjacent, additional value may be able to be returned from the site by an investment in that amenity, or by undertaking re-development of the site to leverage value from a new form of activity or building.

Potential for collective redevelopment

Is the site isolated, or is it within a collection of Council sites that are large enough to enable a potential redevelopment if developed as a package? Larger sites generate opportunities for a collection of buildings and public space together whereas splitting sites reduces potential.

Located in a transformational area

Is it in an area where change is already occurring and where Council might want to consider using the land to help the area to change?

Potential to improve connectivity + amenity

Can the site be used to improve connections between streets or as part of an open space network, or can it be re-purposed to make a new amenity?

Connections to infrastructure

Is the site able to be utilised for new infrastructure such as sustainable urban storm water device or for new streets etc.?

In addition, other strategies and plans of Council will also be used to determine the strategic nature a property such as City Vision and the Ahuriri Masterplan.

Please note that this list is not exhaustive.

A financial analysis may also to be carried out to determine whether the land is strategic as an investment. Such analysis to include generally recognised measures and benchmarks in the property sector. Council may engage external professional advice on a case-by-case basis to assist in any evaluation.

7. Purchase of Lessees improvements

Consideration may be given to the purchase by Council of the Lessees interest in land held in the Investment Property Portfolio. This may be considered where this will result in a better outcome for the future of the property in the best interests of Council and City development.

8. Investment of sale proceeds

Internal borrowing from Council reserves may be considered in order to facilitate investment opportunities ahead of the receipt of freeholding funds. Sale proceeds are to be ring fenced and held for reinvestment within Council's accounts.

Investment decisions relating to these funds are to be made on a case by case basis and are to comply with Council's Investment Policy and Liability Management Policy adopted as a requirement under Section 102(1) and Section 104 of the Local Government Act 2002. Council may also seek guidance internally, and/or external professional advice on a case-by-case basis when evaluating investments.

The underlying goal is to ensure that any investments considered continue to generate sufficient income to replace that lost by properties sold and grow capital for further revenue opportunities. Where delegation or policy does not exist to authorise such activity, new investments will require a resolution of Council.

9. Process for freeholding:

Interested parties may make application in writing to have a leasehold property considered for freeholding or sale.

At the time of review of this policy, Council is considering investment strategies and legal structures for the ownership of investment.

- a) Should a Council Controlled Organisation (CCO) or Council Controlled Trading Organisation (CCTO) be formed, then delegation will be given to that organisation to develop and manage the process for freeholding a property.
- b) If Council decides to not form a CCO or CCTO, then an investment team will be established in Council for the purpose of managing the retention and sale of property – delegation will be given to this team to manage the process.
- c) Until such time as the criteria for *a.* or *b.* occur, an evaluation will be undertaken by a panel of Council officers appointed by the Chief Executive to determine whether or not the property is strategic in terms of both location and as a financial investment. A market valuation will be conducted at this point in time. Council officers will then make a recommendation to the Audit and Risk Committee. All recommendations will flow through to the Finance Committee who in turn will make a recommendation to Council.

Should Council resolve to allow the freeholding of a specific property, then a written offer will be made by Council giving a 3-month deadline for the buyer to accept and sign an appropriate agreement. After the three-month deadline the offer will lapse.

Legal work to complete transactions will be made by Council's Solicitors. The purchaser will however pay these costs.

Policy Review

The review timeframe of this policy will be no longer than every 3 years.

Document History

Version	Reviewer	Change Detail	Date
2.0.0	Manager Property	Original policy development	August 2018
3.0.0	Corporate Finance Manager	Removal of outdated report references. Change of freeholding process to include other potential responsible parties.	January 2024



Investment Property Portfolio Policy (leasehold)			
Approved by	Council as per resolution 18 September 2018		
Department	Corporate Services and City Strategy		
Original Approval Date	18 September 2018	Review Approval Date	18 September 2018
Next Review Deadline	18 September 2021	Document ID	603440
Relevant Legislation	Local Government Act 2002, Hawke's Bay Endowment Land Empowering Act 2002, Napier Borough Endowments Act 1876		
NCC Documents Referenced	NCC Long Term Plan 2018-2028 consultation process and subsequent Council resolutions 1 June 2018 and 29 June 2018. Council's adopted Investment Policy and Liability Management Policy pursuant to Section 102 (1) and Section 104 of the Local Government Act 2002.		

Purpose

The purpose of this policy is to outline the terms and conditions on which Council may sell non-strategic land included in the Napier City Council's Investment Property Portfolio. The policy also provides guidance relating to the investment of the proceeds of sale.

Background

After public consultation as part of Council's Long Term Plan 2018-2028, Council resolved on 1 June 2018 and confirmed on 29 June 2018:

That the resolutions from the Strategy and Infrastructure Committee meeting on 30 January 2018 be updated to reflect the following:

- a. To allow freeholding of non-strategic land using as a guide the June 2016 Boffa Miskell report "*Napier City Investment Portfolio: Urban Landscape Strategic review*" on a case by case basis.
- b. That recommendations on the freeholding of all identified non-strategic land be considered by the Audit and Risk Committee in the first instance for recommendation to Council.
- c. That the sale of leasehold land be a Decision of Council.
- d. That a divestment and investment policy for the sale proceeds is established and approved by Council resolution prior to the release of any leasehold land.

For the reasons that:

1. The current policy provides no flexibility for freeholding specific, non-strategic assets that if sold, could assist in the redevelopment of industrial and/or commercial land in Napier and stimulate private investment.
2. Introducing some flexibility in the policy will allow Council to consider each leasehold property on its merits so that any decisions relating to such land is made with the best intentions for the future of Napier.
3. Freeholding specific properties will enable diversification of the Council's investment portfolio which will reduce market exposure risks.

Using the Boffa Miskell report as guidance to determine the strategic nature of each property and performing an investigation into sale and reinvestment opportunities on a case by case basis, gives Council the ability to adapt to current market conditions whilst also providing the ability for Council to secure better community outcomes and value from the area through project design, urban design, up-zoning the land to encourage better development potential or a combination of these, whilst also ensuring maximum benefit to ratepayers.

Description of Portfolio

The portfolio consists of the ownership of a lessor's interest portfolio, which comprises 74 leases known as the Investment Property Portfolio. Council owns the lessor's interest in these properties and a number of individuals and businesses own the lessee's interest. The leases are perpetually renewable meaning that, subject to continuing to pay rental (which is reviewed at periodical intervals) the lessees have a perpetual right to occupy the land. The improvements on the land are owned by the lessees, not Council.

Freeholding essentially involves the lessees purchasing Council's interest in the land. Council has no automatic right to purchase the Lessees interest and any purchase would require agreement between both parties.

Background to ownership

The Investment Property Portfolio was originally established from:

- Properties transferred to Council from the Hawke's Bay Harbour Board as part of the Local Government reorganisation in 1989. The reason for the transfer was to provide an income generating asset to offset the liability associated with the upkeep of the Inner Harbour and Foreshore Reserves, which transferred at the same time. The income generated from these properties has historically been applied by Council to fund in part the cost associated with these activities.
- Properties already owned by Council as a result of land development in conjunction with the Harbour Board.
- Other sundry properties which have been owned by Council for many years.
- Endowment Properties - Nine of the properties in the portfolio are subject to the Napier Borough Endowments Act 1876 and before freeholding of these can occur any requirements under that Act and Sections 140 and 141 of the Local Government Act 2002 must be satisfied.

Policy Statement

1. Overriding Principle

The Council's ability to sell non-strategic land under this Policy represents a discretion to be executed by Council on a case by case basis. Nothing in this Policy represents a right for any person to insist or require the Council to sell to them and the sale by Council of any land under this Policy does not create precedent or expectation that other land held by Council (whether of a similar nature or not) will be sold.

The above decision by Council sets no deadline for the expiry of the policy allowing consideration of freeholding on a case by case basis. The discretion regarding triggering a freeholding request therefore rests with the lessee.

2. Party to whom Council may sell land to

Sales are only to be made to the registered Lessee at the time of sale.

3. Valuation

Where land is sold it is to be sold at such price as determined by Council at its sole discretion. Full Market Value as determined by a registered valuer, commissioned by Council, is to be used as a guide. There is no right of appeal or right of arbitration.

4. Discount

No discount is to be applied irrespective of whether or not the land is used in full or in part for residential accommodation. The 30% discount on market value applied, as per Council policy, to the freeholding of residential land shall not apply to the land held in the Investment Property Portfolio

5. Payment Method

The purchase price will be paid as follows:

- (a) A deposit of 15% upon signing a sale and purchase agreement; and
- (b) The balance in full on settlement

The lessees will also be required to pay Council's costs of sale (including legal fees and disbursements). These costs will also be payable in full on settlement. Lessees will be required to meet all costs in seeking independent advice from their own professional advisors.

6. Factors which may be considered in determining the strategic nature of properties

The 2016 Boffa Miskell report may be used as a guide in determining on a case by case basis the strategic nature of each property. The five site assessment criteria used in the report were:

- Adjacency to public amenity.
Is the site adjacent to current or potential future public amenity e.g. coast/walkway? If it is adjacent, additional value may be able to be returned from the site by an investment in that amenity, or by undertaking re-development of the site to leverage value from a new form of activity or building.
- Potential for collective redevelopment
Is the site isolated, or is it within a collection of Council sites that are large enough to enable a potential redevelopment if developed as a package? Larger sites generate opportunities for a collection of buildings and public space together whereas splitting sites reduces potential
- Located in a transformational area
Is it in an area where change is already occurring and where Council might want to consider using the land to help the area to change?
- Potential to improve connectivity + amenity
Can the site be used to improve connections between streets or as part of an open space network, or can it be re-purposed to make a new amenity?
- Connections to infrastructure
Is the site able to be utilised for new infrastructure such as sustainable urban storm water device or for new streets etc.?

In addition, other strategies and plans of Council will also be used to determine the strategic nature a property such as City Vision and the Ahuriri Masterplan.

A financial analysis may also be carried out to determine whether the land is strategic as an investment. Such analysis to include generally recognised measures and benchmarks in the property sector. Council may engage external professional advice on a case by case basis to assist in any evaluation.

7. Purchase of Lessees improvements

Consideration may be given to the purchase by Council of the Lessees interest in land held in the Investment Property Portfolio. This may be considered where this will result in a better outcome for the future of the property in the best interests of Council and City development. Any such purchase will require a resolution of Council.

8. Investment of sale proceeds

It is recognised that by allowing lessees to freehold with no deadline, Council will have no control over when the proceeds will be realised. This potentially impacts timing issues surrounding the ability for Council to sell down non- strategic properties and make desired investments.

Internal borrowing from Council reserves may be considered in order to facilitate investment opportunities ahead of the receipt of freeholding funds. Sale proceeds are to be ring fenced and initially credited to an interest bearing special fund within Council's accounts.

Investment decisions relating to these funds are to be made on a case by case basis and are to comply with Council's Investment Policy and Liability Management Policy adopted as a requirement under Section 102(1) and Section 104 of the Local Government Act 2002. Council may also refer for guidance to the Investment Strategy Analysis Review Report dated October 2016 prepared by PricewaterhouseCoopers for Council. Updates to this report may be periodically required along with external professional advice on a case by case basis when evaluating investments.

The underlying goal is to ensure that any investments considered continue to generate sufficient income to replace that lost by properties sold. New investments require a resolution of Council.

9. Process for freeholding:

Current registered lessees may make application in writing to have their property considered for freeholding.

An evaluation will then be undertaken by a panel of Council officers appointed by the Chief Executive to determine whether or not the property is strategic in terms of both location and as a financial investment. A market valuation will be conducted at this point in time.

Council officers will then make a recommendation to the Audit and Risk Committee. All recommendations will flow through to the Finance Committee who in turn will make a recommendation to Council.

Should Council resolve to allow the freeholding of a specific property, then a written offer will be made by Council giving a 3-month deadline for the lessee to accept and sign an appropriate agreement. After the three-month deadline the offer will lapse.

Legal work to complete transactions will be made by Council's Solicitors. The purchaser will however pay these costs.

Policy Review Period

The review timeframe of this policy will be no longer that every three years.

Document Control History

Version	Reviewer	Change Detail	Date
2.0.0	Bryan Faulknor	Original policy development	20 August 2018

PROSPEROUS NAPIER COMMITTEE

Open Minutes

Meeting Date: Thursday 28 March 2024

Time: 11.08am - 12.04pm (*Open*)
12.05pm - 12.15pm (*Public Excluded*)

Venue Large Exhibition Hall
War Memorial Centre
Marine Parade
Napier

Livestreamed via Council's Facebook page

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

In Attendance Acting Chief Executive (Jessica Ellerm)
Executive Director City Services (Lance Titter)
Acting Executive Director Infrastructure Services (Jamie Goodsir)
Executive Director Community Services (Thunes Cloete)
Manager Communications and Marketing (Julia Stevens)
Pou Whakarae (Mōrehu Te Tomo)
MTG Director (Laura Vodanovich)
Chief Financial Officer (Caroline Thomson)
Financial Controller (Talia Foster) [via zoom link]
Corporate Finance Manager (Garry Hrustinsky)
Commercial Director (Richard Munneke)
Manager Community Strategies (Anne Bradbury)
Emergency Management Officer (Blake McDavitt)
Manager Regulatory Solutions (Luke Johnson)
Principal Resource Consents Planner (Nick McCool)

Also in attendance Dr Richard Grant, Chair, Hawke's Bay Museum Trust
Gus Charteris, Recovery and Special Projects, Hastings District Council

Administration Governance Advisors (Carolyn Hunt and Jemma McDade)

PROSPEROUS NAPIER COMMITTEE – Open Minutes

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ORDER OF BUSINESS

Apologies

Councillors Greig / Browne

That the apologies for absence from Councillor Chrystal and Councillor Tareha 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 Greig / Taylor

That the Minutes of the Prosperous Napier Committee meeting held on 8 February 2024 were taken as a true and accurate record of the meeting.

Carried

AGENDA ITEMS

1. HAWKE'S BAY MUSEUMS TRUST DRAFT STATEMENT OF INTENT AND FINANCIAL REPORTING

Type of Report: Operational

Legal Reference: Local Government Act 2002

Document ID: 1744727

Reporting Officer/s & Unit: Caroline Thomson, Chief Financial Officer

1.1 Purpose of Report

To receive the Hawke's Bay Museums Trust Financial Report for the six months ended 31 December 2023 and draft Statement of Intent 2025-2027.

At the meeting

The Chief Financial Officer, Ms Thomson spoke to the report advising that the Hawke's Bay Museum Trust had adopted the financial report for the six months ended 31 December 2023 on 1 March 2024, and also accepted the 2025-2027 draft Statement of Intent.

Dr Grant, Chair of the Hawke's Bay Museum Trust advised, with the agreement of Napier City Council (NCC) and Hastings District Council (HDC), the creation of a new Statement of Intent would not be undertaken until the new governance structure for the Trust had been agreed upon.

It was noted that the refurbishment of the Briscoes Building in Hastings, to be the new storage facility for the collection, is now underway and proceeding under-budget with an anticipated opening date of August 2025.

In response to questions it was clarified:

- The conservation fund in the Statement of Financial Performance relates to a number of works in the collection that had been acquired over a long period which are in less than great condition, deteriorated or damaged and in need of repair. The conservation fund allows for this work to be undertaken.
 - The Trust has a management agreement with NCC to provide the building and staff that look after the collection. Despite the arrangement being with NCC only, HDC and NCC jointly fund it.
 - The Statement of Intent is to 2027, however it is likely to be superseded with the formation of a new Trust which will facilitate the move to the new storage facility and reciprocal equal share.
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COMMITTEE Councillors Greig / Simpson

RESOLUTION

The Prosperous Napier Committee:

- a. **Receive** the Hawke's Bay Museums Trust Financial Report for the six months ended 31 December 2023.
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- b. **Receive** the Hawke's Bay Museums Trust draft Statement of Intent 2025-2027 and provide any feedback to the Trust prior to the Statement of Intent being brought back to Council for adoption.

ACTION: *Officers to provide confirmation on the Special Note 11 of the Financial Statements in regard to Trusts and the total of funds held.*

Carried

2. CYCLONE GABRIELLE CATEGORY 3 VOLUNTARY BUY-OUT PROGRESS UPDATE

Type of Report: Operational

Legal Reference: Local Government Act 2002

Document ID: 1738388

Reporting Officer/s & Unit: Richard Munneke, Commercial Director
Anne Bradbury, Manager Community Strategies

2.1 Purpose of Report

The purpose of this report is to update Council on the progress made by Napier City Council (NCC) and Hastings District Council (HDC) with the category 3 voluntary buyout activity and report the current financial status of the buyout within the crown funding cap.

The report also seeks to obtain Council approval to make minor policy changes to the Category 3 Voluntary Buyout Policy being:

- 1) a change to better support the Council offer process with the Offer letter marking the commencement of the 3-month period in which property owners can consider the offer options; and
- 2) a change to the language on GST which would provide flexibility for Council to consider whether a specific offer should be made plus GST, if any, in very specific situations.

Note: These changes have already been adopted by Hastings District Council

At the meeting

The Commercial Director, Mr Munneke, accompanied by Gus Charteris, Recovery and Special Projects (HDC) provided a summary of the report in regard to the voluntary buy-out and minor changes to the Policy.

In response to questions the following was clarified:

- Every effort was being made to communicate with those affected and assist where possible, with valuations and getting results.
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- The eligibility criteria for the Policy to apply requires property owners to have residential dwellings on their property. Some of the people owning those dwellings are registered for GST with some properties being used for orcharding or commercial operations.
 - The other eligibility criteria are that people are living on a property with family in a residential dwelling, or have been operating a commercial business on the property separate to the dwelling which involves GST.
 - In regards to timeframes for the voluntary buy-out, the Policy requires a review before 30 June 2025, and councils will need to re-evaluate how to move through the programme. Offers for property owners who have chosen to engage will be prepared and presented to them in September 2024.
 - The Crown is very keen for the process to be undertaken quickly, however some patience and time is required to manage those people affected to get the best results.

COMMITTEE Councillors Simpson / Crown

RESOLUTION

The Prosperous Napier Committee:

- a. **Receive** the report noting:
 - i. Progress with the Category 3 voluntary residential buyout programme
 - ii. That the category 3 buyout actual expenditure and forecast is expected to use most of the contingency but remain within the \$5m cap specified in the Crown Agreement.
- b. **Amend** the Category 3 Buy-out Policy and insert replacement clause for Clause 4.12:
 - 1) **Clause 4.12** - Offers will include GST, if any, unless Council determines that a specific Offer should be made plus GST, if any, while considering the Policy objective of affordability for ratepayers
- c. **Amend** the Category 3 Buy-out Policy and insert replacement clauses for Clauses 5.1(b)(i) and 5.1(c)(i) and 5.1(c)(ii):
 - 1) **Clause 5.1(b)(i)** - The Council will prepare an Offer Letter summarising the outcome of the Valuation Process and relevant buy-out options under sections 4.4 and 4.5 of the Policy.
 - 2) **Clause 5.1(c)(i)** - The Council's Representative will present the Owner with the Offer Letter for the Owner's consideration.
 - 3) **Clause 5.1(c)(ii)** - The offer will remain open for 3 months after the owner receives the Offer letter and the owner shall advise Council whether they wish to proceed to receiving a formal sale and purchase agreement from Council within that time. Agreements to an extension of time will not be unreasonably withheld where, in the Council's reasonable opinion, substantive progress is being made towards an agreement.

Carried

3. STREET NAMING - MISSION HILLS

Type of Report: Procedural

Legal Reference: N/A

Document ID: 1745256

Reporting Officer/s & Unit: Nick McCool, Principal Resource Consents Planner

3.1 Purpose of Report

To obtain Council approval for new street names for Stage 1 of the Mission Hills Residential Subdivision Development.

At the meeting

The Acting Team Leader Resource Consents, Mr McCool summarised the report and process undertaken in selecting the Mission Hills Residential Subdivision Development ten street names, including consultation with Te Taiwhenua o Te Whanganui ā Orotū and Mana Ahuriri Trust and meeting the New Zealand standards.

COMMITTEE Deputy Mayor Brosnan / Councillor Boag RESOLUTION

That Council:

a) **Approve** the use of the following road names for the Mission Hills Residential Subdivision Development:

- Mission Hills Avenue;
- Mission Hills Drive;
- Annie Aranui Drive;
- Legacy Drive;
- Tapoanui Place;
- Tupai Place;
- Abbey Way;
- Heritage Place;
- Priors Drive and
- Tara Place.

Carried

4. PROCUREMENT PLANNING REPORTING

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1740016
<i>Reporting Officer/s & Unit:</i>	Sharon OToole, Procurement Manager

4.1 Purpose of Report

The purpose of this report is to outline the process for the approval of procurement planning documents and how to improve the visibility of significant projects and contracts to Council through regular reporting.

At the meeting

The Chief Financial Officer, Ms Thomson spoke to the report which outlined a new process for Chief Executive procurement approval that would be included in a quarterly financial report to Council.

COMMITTEE Councillors Crown / Mawson

RESOLUTION

The Prosperous Napier Committee:

- a. **Receive** the report titled Procurement Planning Reporting.
- b. **Note** the process for approval and reporting of procurement planning to ensure improved visibility of significant projects and contracts.

Carried

5. TREASURY ACTIVITY AND FUNDING UPDATE

<i>Type of Report:</i>	Procedural
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1742954
<i>Reporting Officer/s & Unit:</i>	Garry Hrustinsky, Corporate Finance Manager Caroline Thomson, Chief Financial Officer

5.1 Purpose of Report

The purpose of this report is to update the Prosperous Napier Committee on Council's treasury activity.

At the meeting

The Corporate Finance Manager, Mr Hrustinsky spoke to the report advising that as at 8 March 2024, Council held \$14m on term deposit and \$4m cash on call. Council borrowed \$10m from the Local Government Funding Agency in June 2023 and this position remains unchanged. As of the Annual Plan last year external debt was forecast to be \$67m by the end of June 2024.

COMMITTEE Councillors Crown / Taylor

RESOLUTION

The Prosperous Napier Committee:

- a) **Receive** the report titled Treasury Activity and Funding Update dated 28 March 2024.

Carried

6. FINANCIAL FORECAST TO 30 JUNE 2024

Type of Report: Operational and Procedural

Legal Reference: N/A

Document ID: 1739748

Reporting Officer/s & Unit: Caroline Thomson, Chief Financial Officer
 Talia Foster, Financial Controller

6.1 Purpose of Report

To report to Council the financial forecast to the 30 June 2024 for the whole of Council.

At the meeting

The Chief Financial Officer, Ms Thomson spoke to the report advising that the operating forecast showed a net deficit of \$17m compared to the revised budget deficit of \$24.8m, and compared to the Annual Plan forecast deficit of \$14.1m. It was noted that the net operating deficits were a result of an unbalanced budget and Council borrowing for operating costs.

In response to questions the following was clarified:

- The capital forecast for the year end shows that Council's capital expenditure would be \$52m, which is significantly different to the year 1 spend in the three year plan.
 - Year 1 of the Long Term Plan has a capital expenditure of \$87m, with approximately \$9m requiring low resource, vested assets, property purchases and joint landfill requirements. This would bring the total down to approximately \$78m. The \$78m is split with \$27m allocated to Community Services (broken down into \$3m for the MTG, \$2m for the Napier Aquatic Centre and \$3m for building renewals), \$37m allocated to 3waters, and \$14m allocated to Transportation.
 - There are 271 projects in the capital programme and all directorates have confirmed their programmes are deliverable and achievable.
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- The capital delivery programme is continuing to work on organisational improvements, with the Sycle project management tool is being upgraded which will provide better information and data, active recruitment for roles as good staff are required to achieve results, and programme management skills needed to improve projects outcomes.
 - The programme is a challenging target however, with a number of initiatives that are underway the programme is achievable.

COMMITTEE Councillors Simpson / Price

RESOLUTION

The Prosperous Napier Committee:

- a. **Receive** the report titled Financial Forecast to 30 June 2024.

Carried

Tribute - Neil Thimbleby – Councillor Taylor acknowledged and paid tribute to Neil Thimbleby who passed away on 19 March 2024. He was a local Hawke’s Bay rugby identity and a member of the Ranfurly Shield Magpies team in the late 1960’s. He toured South Africa in 1970 playing one test match and 12 other tour matches. He was a well-respected man and a legend in rugby with condolences conveyed to the family .

Minor matters

There were no minor matters.

RESOLUTION TO EXCLUDE THE PUBLIC

Councillors Taylor / Mawson

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

1. Debt write off

Carried

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

General subject of each matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground(s) under section 48(1) to the passing of this resolution.
1. Debt write off	7(2)(a) Protect the privacy of natural persons, including that of a deceased person	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.

*The meeting adjourned at 12.04pm and reconvened
in Public Excluded at 12.05pm*

The meeting closed with a karakia at 12.15pm

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

Chairperson

Date of approval