



CORPORATE & PERFORMANCE COMMITTEE

Open Attachments (Under separate cover 1)

Meeting Date: Thursday 14 May 2026

Time: 9.30am

Venue: The Ocean Suite
East Pier Hotel
50 Nelson Quay
Ahuriri

TABLE OF CONTENTS

Item 1	Credit Rating Process	
Attachment 1	NCC Credit Rating Summary	2
Item 2	Treasury Policy Update	
Attachment 1	NCC Treasury Policy	16
Attachment 2	Treasury Policy Controls & Rationale	28
Attachment 3	NCC Investment Policy.....	35
Item 4	Quarterly Performance Report Ending 31 March 2026	
Attachment 1	Quarterly Performance Report ending 31 March 2026	47



BANCORP

BANCORP TREASURY SERVICES LIMITED

Level 3, Masonic Buckland Building, 30 Customs Street East, Auckland 1010.
PO Box 4270, Auckland 1140, New Zealand.
Tel: 64-9 912 7600.

PRIVATE AND CONFIDENTIAL

1 April 2026

Napier City Council
Private Bag 6010
NAPIER 4142

Attention: Alister Edie, Senior Financial Strategy & Treasury Lead

Dear Alister

CREDIT RATING PROCESS, RATINGS PROVIDERS, PREPARATION, AND AN INDICATIVE RATING

The contents of this analysis are detailed below:

1. Executive summary.
2. Overview of the role of a credit rating.
3. Selecting a credit rating provider, including comments on both S&P Global Rating's and Fitch Rating's approach and outlook for the sector and the process involved in obtaining a rating.
4. Preparation required to support an optimal credit rating outcome, including information on positioning that Napier City Council should consider before meeting with the preferred credit rating agency, for example, historical and forecast information, liquidity, debt structure and other relevant qualitative information.
5. Comparative credit rating analysis using other council ratings with a focus on the most recent ratings outcomes, Local Government Funding Agency and Department of Internal Affairs council performance measures.
6. Indicative rating.
7. Other considerations.
8. Metrics that the preferred credit rating agency would use to determine Napier City Council's credit rating.

If you have any queries or require any clarification, please do not hesitate to contact us.

Yours faithfully

DAVID WALKER
Consultant

MILES O'CONNOR
Manager Corporate Services

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Level 3, Masonic Buckland Building, 30 Customs Street East, Auckland 1010.
PO Box 4270, Auckland 1140, New Zealand.
Tel: 64-9 912 7600.

1. EXECUTIVE SUMMARY

Bancorp Treasury Services Limited (“Bancorp”) was asked to assess Napier City Council's (“NCC”) likely credit rating using a comparative approach. The primary purpose of the credit rating is to decrease NCC’s LGFA funding costs and with a secondary purpose to improve borrowing headroom and to support their Water CCOs' cost of funds. The assessed comparative rating was cross-checked using the Department of Internal Affairs’ (“DIA”) comparative performance metrics and the Local Government Funding Agency’s (“LGFA”) own internal assessment. The approach assumes the use of Fitch Ratings (“Fitch”) as the rating provider.

It is important to note that Fitch describes a credit rating as a “*forward-looking opinion on the relative ability of an entity or obligation to meet its financial commitments*”. There is no exact mathematical formula; rather, it is a blend of quantitative and qualitative data, along with a forward-looking outlook on the entity being rated and the sector in which it operates.

Based on a comparative evaluation, including Fitch and S&P Global Ratings (“S&P”) ratings of other councils, DIA Local Government Performance Metrics, and the LGFA assessment, our assessment suggests that the most likely credit rating NCC would achieve is AA- (although an AA rating remains a possibility).

Bancorp assessed both S&P and Fitch as credit rating providers for NCC. While the costs were generally comparable, the key difference lies in their outlook on the Local Government Sector. In March 2025, S&P downgraded its ratings on 18 local councils and 3 CCOs, and it continues to hold a negative outlook on 17 of the 18 council entities it currently rates. Fitch has not downgraded any councils and maintains a stable outlook for 11 of the 17 local government entities it covers (though, as later mentioned, Fitch has made some outlook changes). Based on the sector outlook comparison, NCC is more likely to receive a marginally better rating from Fitch and, equally important, is less likely to face a future credit rating downgrade.

In terms of preparing for a Fitch rating, most of the information will be available within Long-Term Plans (“LTP”). However, it is important to note they will focus on the previous 5 years' data (with a focus on actuals versus budget) and the forecast next 5 years, with the forecast data used to test three key financial ratios, being the Payback Ratio, Synthetic Coverage (or Debt Service Coverage Ratio (“DSCR”)) and the Fiscal Debt Burden.

It would also be helpful to provide them with the following socio-economic information:

- Population
- Average annual population growth over the previous 10 years
- GDP per capita
- Real gross regional product growth
- Unemployment rate (%)

AUCKLAND • WELLINGTON • CHRISTCHURCH

2. OVERVIEW OF THE ROLE OF A CREDIT RATING

A credit rating is a financial measure that assesses creditworthiness. From Fitch's perspective, it is a forward-looking opinion on the relative ability of an entity or obligation to meet its financial commitments.

It is important to note that a credit rating is solely a financial indicator, which in the case of NCC pertains to its capacity to meet interest payments and debt repayments on its obligations.

A rating as a financial metric does not measure the well-being of NCC's broader community and the quality of its public assets. Invariably, this will create trade-offs: a council could have a very strong credit rating but have inferior assets and community well-being or have a weaker credit rating but have very strong community well-being and assets, but likely high ongoing debt obligations (through interest and debt repayments).

Fitch uses a credit rating scale of categories 'AAA' to 'D', where 'AAA' to 'BBB-' are investment grade and 'BB' to 'D' are considered to be speculative grades. Ratings through 'AA' to 'CCC' also have an additional +/-; for example, an 'AA' rating can be 'AA+', 'AA' or 'AA-'.

The following table describes the creditworthiness implied by the various ratings. It also compares Fitch with Moody's Investors Service ("Moody's") and S&P, noting that S&P and Fitch are the most widely used rating agencies for the New Zealand Local Government sector.

	Moody's Investor Services	Fitch Ratings	S&P Global Ratings	Rating Grade Description
I n v e s t m e n t	AAA	AAA	AAA	Highest credit quality, lowest level of credit risk
	Aa1	AA+	AA+	Very high credit quality and very low credit risk
	Aa2	AA	AA	
Aa3	AA-	AA-		
G r a d e	A1	A+	A+	High credit quality with low credit risk
	A2	A	A	
	A3	A-	A-	
G r a d e	Baa1	BBB+	BBB+	Good credit quality with moderate credit risk
	Baa2	BBB	BBB	
	Baa3	BBB-	BBB-	
S p e c u l a t i v e	Ba1	BB+	BB+	Speculative with substantial credit risk
	Ba2	BB	BB	
	Ba3	BB-	BB-	
g r a d e	B1	B+	B+	Highly speculative credit risk with default as a real possibility
	B2	B	B	
	B3	B-	B-	
g r a d e	Caa1	CCC+	CCC+	Substantial credit risk with default as a real possibility
	Caa2	CCC	CCC	
	Caa3	CCC-	CCC-	
g r a d e	Ca	CC	CC	Very high levels of credit risk with default occurring or about to occur
	C	C	C	Default or default like process has begun

To gain a perspective on how these ratings are applied, the following table lists several NZ entities that currently have an external credit rating, including some example council ratings.

NZ Government	AAA	Ashburton District Council	AA+
LGFA	AAA	Auckland Council	AA
Transpower	AA	Bay of Plenty Regional Council	AA-
ASB/ANZ/BNZ/WBC	AA-	Christchurch City Council	AA-
Kiwibank	AA	Hamilton City Council	A+
Bank of China	A	Hastings District Council	AA-
Auckland Airport	A-	New Plymouth District Council	AA+
Spark	A-	Palmerston North District Council	AA-
Meridian Energy	BBB+	Waipa District Council	AA-
Chorus	BBB		

The LGFA conducts its own internal ratings assessment of member councils, as shown in the following table. This shows that the large majority of members are either 'AA' or 'AA-'.

LGFA member councils by internal rating category

LGFA Internal Ratings	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
AA+	1	2	2	4	4	6	7	8	9	2	-	-	-	
AA	12	12	12	10	12	13	19	17	22	37	15	16	15	11
AA-	13	13	16	15	19	17	19	23	23	18	39	32	26	27
A+	8	6	3	11	10	12	13	10	12	12	19	17	24	17
A	6	10	11	6	6	3	4	4	5	3	4	10	10	18
A-	5	2	1	1	-	2	2	2	1	-	1	3	3	5

Fitch Issuer Ratings versus S&P Issuer Ratings

Fitch Issuer Ratings			S&P Issuer Ratings		
Issuer	Rating	Outlook	Issuer	Rating	Outlook
Ashburton	AA+	Negative	Bay of Plenty Regional Council	AA-	Stable
Central Otago	AA	Stable	Christchurch City Council	AA-	Negative
Clutha	AA-	Stable	Christchurch City Holdings	AA-	Negative
Environment Canterbury	AA+	Negative	Dunedin City Council	AA-	Negative
Far North	AA	Stable	Dunedin City Treasury	AA-	Negative
Gore	AA-	Stable	Greater Wellington Regional Council	AA	Negative
Hauraki	AA-	Stable	WRC Holdings	AA	Negative
Hawkes Bay	AA	Stable	Hamilton City Council	A+	Negative
Invercargill	AA+	Negative	Hastings District Council	AA-	Negative
Queenstown Lakes	AA-	Negative	Hutt City Council	AA-	Negative
Rotorua Lakes	AA-	Stable	Kapiti Coast District Council	AA-	Negative
Selwyn	AA+	Negative	Marlborough District Council	AA	Negative
Timaru	AA-	Stable	Nelson City Council	AA	Negative
Waikato	AA+	Negative	New Plymouth District Council	AA+	Negative
Waimakariri DC	AA	Stable	Palmerston North District Council	AA-	Negative
Waipa	AA-	Stable	Porirua City Council	A+	Negative
Whakatane	AA-	Stable	South Taranaki District Council	AA-	Negative
			Tasman District Council	AA-	Negative

3. SELECTING A CREDIT RATING PROVIDER

NCC has three choices when it comes to selecting a credit rating: Fitch, Moody's and S&P. The use of Moody's in NZ is an outlier, as it is only used by the Auckland Council, so the effective choices are Fitch and S&P.

There are two key differences: the first is differences in sector outlook, and the second is differences in approach to liquidity, with S&P holding a more mechanical view of liquidity, resulting in councils holding more liquidity at a cost. In relation to the cost of a rating and the ongoing annual cost, Fitch charges are currently cheaper (based on current exchange rates, savings represent around NZ\$6,000 per year).

Sector Outlook

In March 2025, S&P downgraded its ratings on 18 local councils and 3 CCOs, and it still holds a negative outlook on 17 of the 18 council entities it currently rates. Fitch has not downgraded any council and maintains a stable outlook for 11 of the 17 local government entities it rates. Based on the sector outlook comparison, NCC is more likely to get a relatively more positive rating from Fitch and, equally important, is less likely to face a future credit rating downgrade.

On 26 March 2026, Fitch revised the outlook on 4 councils from stable to negative, following the outlook change on the NZ Government outlook from stable to negative. Fitch has a policy that no council can have a credit rating higher than that of the New Zealand government.

Liquidity Requirements

S&P's approach looks at cash needs over the next 12 months, including capital expenditure ("capex") and debt maturities. This approach requires holding extra liquidity or prefunding maturities and capex requirements. These approaches typically incur additional costs compared with the Fitch approach, which is more aligned with the LGFA's liquidity requirement to maintain a liquidity ratio of greater than 110%.

Cost

The respective costs of Fitch and S&P are detailed in the following table.

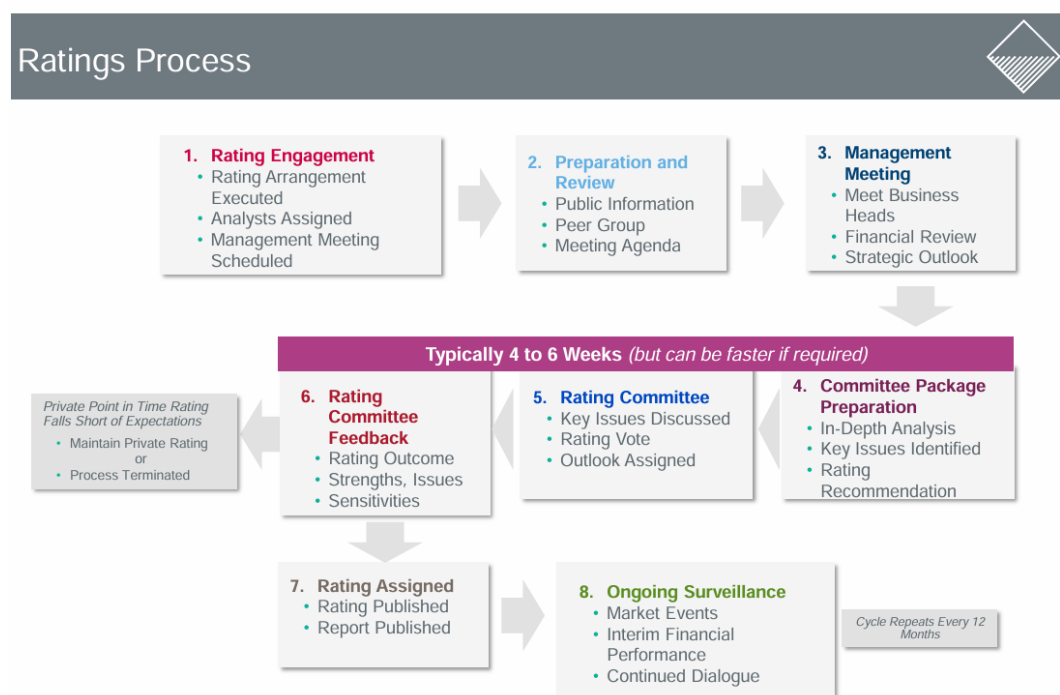
Fitch	S&P
Initial Rating Fee – NZ\$65,000	Initial rating – AU\$55,000 (currently equates to NZ\$66,200)
Ongoing monitoring – NZ\$60,000 p.a.	Ongoing monitoring – AU\$55,000 (currently equates to NZ\$66,200) p.a.

Credit Rating Provider Recommendation

Based on the sector outlook, liquidity requirements, and costs, Bancorp recommends that NCC use Fitch to obtain a credit rating.

Fitch Credit Rating Process

The Fitch credit rating process is outlined in the following diagram, noting that NCC should assume a two-month turnaround.



FitchRatings

2

Initiating the credit rating process with Fitch would involve contacting David Brooks, who is Head of Fitch Australia and New Zealand. Please see David’s contact details below.

David Brooks

Head of Fitch Australia and New Zealand

Direct: +61 2 8256 0346

Mobile: +61 427 802 646

david.brooks@fitchratings.com



BANCORP

BANCORP TREASURY SERVICES LIMITED

Page 6

4. PREPARATION REQUIRED TO SUPPORT AN OPTIMAL CREDIT RATING OUTCOME

The information typically required by Fitch includes a range of quantitative data (financial and socioeconomic) and will likely involve a discussion with key management.

Quantitative Data

This data will largely involve the use of LTP data (covering the preceding five years and the next five years) and socioeconomic data, such as

- Population
- Average annual population growth over the previous 10 years
- GDP per capita
- Real gross regional product growth
- Unemployment rate (%)

While Fitch will have its own sources for the socio-economic data, front-footing this information is useful, and if NCC has economic data on its region, that would be useful to provide.

The likely discussion with key management will involve a focus on NCC's strategic outlook and a financial review.

The amount of water debt being transferred to the new entity will also be a key point of discussion, along with the impact on the council's revenue from water charges transferred to the Water CCO.

It would also be useful to point out that NCC's Treasury Policy is being reviewed. Changes to the existing policy should be explained to the ratings agency, including the rationale.

Debt structure and liquidity will be a focus, so ensuring that NCC meets its 110% LGFA liquidity requirements at the time of review is important.

5. COMPARATIVE CREDIT RATING ANALYSIS

The following table outlines Fitch's current council ratings.

Issuer	Rating	Outlook
Ashburton	AA+	Negative
Central Otago	AA	Stable
Clutha	AA-	Stable
Environment Canterbury	AA+	Negative
Far North	AA	Stable
Gore	AA-	Stable
Hauraki	AA-	Stable
Hawkes Bay	AA	Stable
Invercargill	AA+	Negative
Queenstown Lakes	AA-	Negative
Rotorua Lakes	AA-	Stable
Selwyn	AA+	Negative
Timaru	AA-	Stable
Waikato	AA+	Negative
Waimakariri DC	AA	Stable
Waipa	AA-	Stable
Whakatane	AA-	Stable



BANCORP
BANCORP TREASURY SERVICES LIMITED


Page 7

Looking at recent ratings, namely Gore and Clutha (bold in the table above), based on respective debt levels and other measures, suggests that NCC should score no worse than both Gore and Clutha.

LGFA Internal Ratings Process

The LGFA does its own assessment of council ratings, based on the criteria in the chart below. The LGFA have disclosed its assessment for NCC to us, being a rating of AA-.

LGFA INTERNAL CREDIT RATINGS OF COUNCIL MEMBERS



New Zealand Local Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

LGFA undertakes its own internal credit assessment and rating process for all member councils using most recent annual reports (June 2023)

Primary Criteria

- Debt levels relative to population – affordability
- Debt levels relative to asset base
- Ability to repay debt
- Ability to service debt – interest cover
- Population trend
- Assessment of climate change and resilience

Secondary Criteria

- 30 Year Infrastructure Strategy
 - Quality of Assets
 - Capital Expenditure Plan
- Risk Management
 - Insurance
- Governance
- Financial flexibility
- Cashflow
- Budget performance (balanced budget)
- Affordability of rates / Deprivation Index
- Natural hazards
- Group activities (CCOs)

LGFA member councils by internal rating category

LGFA Internal Ratings	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
AA+	1	2	2	4	4	6	7	8	9	2	-	-	-	
AA	12	12	12	10	12	13	19	17	22	37	15	16	15	11
AA-	13	13	16	15	19	17	19	23	23	18	39	32	26	27
A+	8	6	3	11	10	12	13	10	12	12	19	17	24	17
A	6	10	11	6	6	3	4	4	5	3	4	10	10	18
A-	5	2	1	1	-	2	2	2	1	-	1	3	3	5

As at 30 June each year using internal models

Source: LGFA 61

DIA Council Performance Measurement

The DIA has established a set of performance metrics for local councils, with the initial metrics including:

- Financial Performance: Metrics related to rates revenue, council debt, and expenditure on services.
- Demographic Information: Data on population and land area to provide context for the metrics.
- Debt Levels: Information on the amount of debt per rating unit and changes in debt over time.
- Capital Expenditure: Breakdown of spending by activity class, such as infrastructure and services.

The link to the DIA website is shown below.

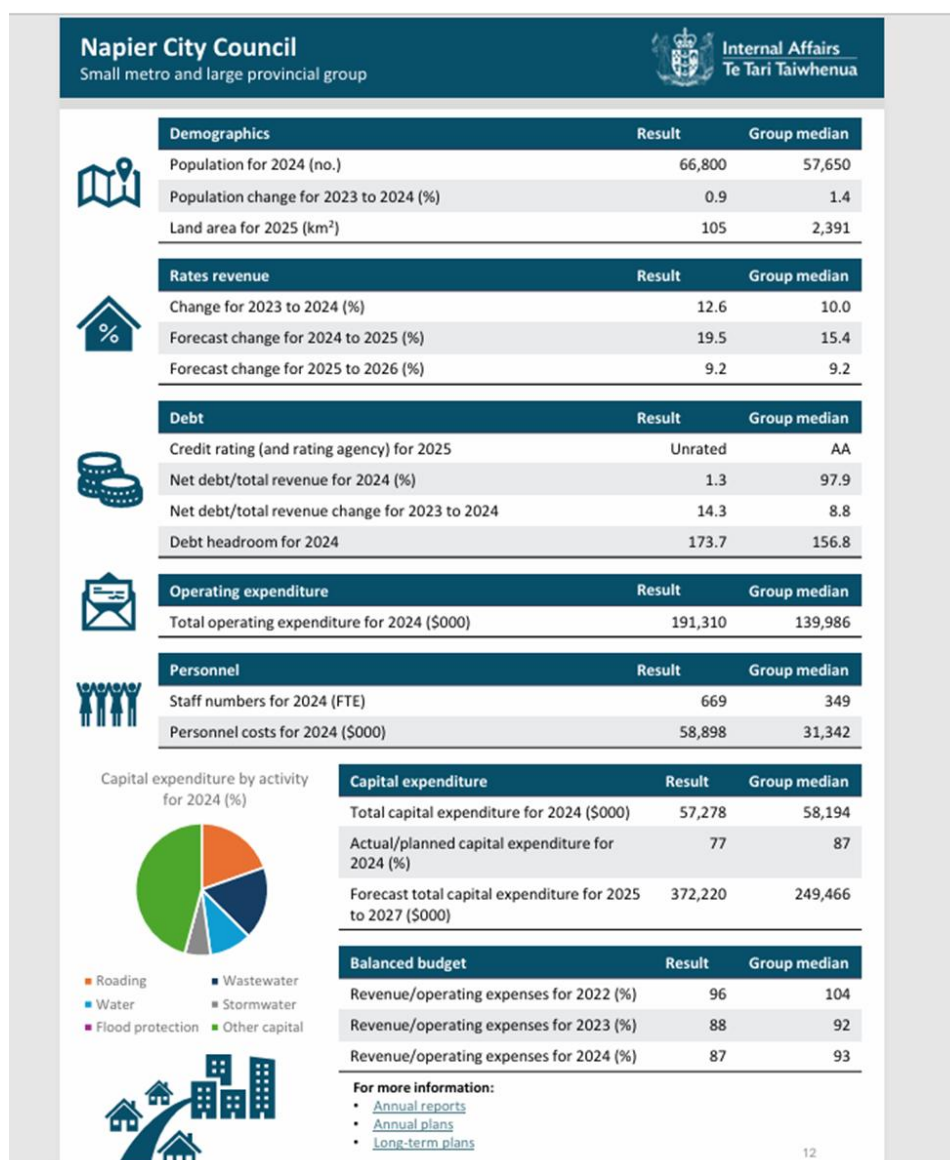
local.government.performance.metrics-dia.govt.nz

The DIA’s comparative analysis group comprises the small metro and large provincial groups (defined by councils with populations between 30,000 and 100,000). It includes city and district councils, which include the following:

- Ashburton District Council

- Far North District Council
- Hastings District Council
- Horowhenua District Council
- Invercargill City Council
- Kapiti Coast District Council
- Manawatu District Council
- Matamata-Piako District Council
- Napier City Council
- New Plymouth District Council
- Rotorua Lakes District Council
- Selwyn District Council

The DIA metrics for NCC are shown below.



Based on a comparative assessment focused on debt, while the debt numbers reflect the 2024 balance date and even when adjusting for the increase in NCC's debt during 2025, NCC is comfortably within the range of its peer group.

Debt				
Internal Affairs Te Tari Taiwhenua				
Small metro and large provincial group	Credit rating for 2025	Net debt/total revenue for 2024 (%)	Net debt/total revenue change from 2023 to 2024	Debt headroom for 2024
Ashburton District Council	AA+ (Fitch)	119.5	41.0	170.5
Far North District Council	AA (Fitch)	65.7	14.0	224.3
Hastings District Council	A+ (S&P)	122.7	2.4	167.3
Horowhenua District Council	A+ (S&P)	213.7	6.3	76.3
Invercargill City Council	AA+ (Fitch)	61.7	8.4	228.3
Kāpiti Coast District Council	AA- (S&P)	198.5	15.2	91.5
Manawatū District Council	Unrated	106.6	0.7	68.4
Matamata-Piako District Council	Unrated	53.9	6.6	121.1
Napier City Council	Unrated	1.3	14.3	173.7
New Plymouth District Council	AA (S&P)	-72.3	20.8	362.3
Rotorua Lakes Council	AA- (Fitch)	206.1	-1.9	83.9
Selwyn District Council	AA+ (Fitch)	89.2	28.3	200.8
Southland District Council	Unrated	17.1	8.6	157.9
Taupō District Council	AA (S&P)	53.6	6.1	236.4
Thames-Coromandel District Council	Unrated	43.2	1.5	131.8
Timaru District Council	AA- (Fitch)	140.0	8.9	150.0
Waikato District Council	AA+ (Fitch)	88.8	31.8	201.2
Waimakariri District Council	AA- (S&P)	134.4	-2.3	155.6
Waipā District Council	AA- (Fitch)	216.3	36.0	73.7
Western Bay of Plenty District Council	AA (S&P)	79.8	21.6	210.2
Whakatāne District Council	AA- (Fitch)	131.4	1.1	43.6
Whanganui District Council	AA (S&P)	134.8	39.0	155.2
Group median	AA	97.9	8.8	156.8

For more information, please see reference profile, landing page content on methodology and limitations, and glossary.

6. INDICATIVE RATING

Based on a comparative rating process using Fitch with a focus on recent ratings, LGFA's assessment and the DIA metrics, Bancorp believes that the most likely rating that NCC would receive from Fitch is AA- (with the possibility of an AA rating).

7. OTHER CONSIDERATIONS

While change is a constant in the local government sector, the current levels of uncertainty are virtually unprecedented and include the following.

Local Waters Done Well is at the top of that list, arguably followed closely by the proposed **Rate Cap** legislation. While Water in most cases, is unlikely to change a council's credit rating, the proposed rate cap legislation has the potential to lead to a negative rating outcome. However, this would likely be an across-the-board change in sector ratings.

8. FITCH METRICS FOR RATING LOCAL AUTHORITIES

Fitch assesses the following factors.

1. Sovereign risk
2. Socio-Economic profiles
3. Risk profile assessment is broken down into three categories and further subcategories
 - a. Revenue
 - i. Revenue robustness
 - ii. Revenue cyclicality
 - iii. Revenue adjustability
 - b. Expenditure
 - i. Expenditure sustainability
 - ii. Expenditure adjustability
 - c. Liabilities and Liquidity
 - i. Liability and liquidity robustness
 - ii. Liability and liquidity flexibility
4. Debt sustainability
 - a. Three key metrics
 - i. Payback ratio (net adjusted debt/operating balance), which is the primary rating metric
 - ii. Synthetic debt service cover ratio (operating balance /mortgage-style debt annuity), which is a secondary metric
 - iii. Fiscal debt burden (net adjusted debt/operating revenue).
5. ESG consideration

RATING ANALYSIS

1. Sovereign Risk

Fitch has determined that NZ councils may not have a rating above the NZ Government credit rating. This is due to the significant influence that central government can have on councils, for example in the areas of policy reform, including standards around infrastructure investment (Local Waters Done Well and the proposed Rate Cap legislation are recent examples), ongoing operational and financial oversight, including the ability to intervene in council affairs in certain situations (for example commissioners acting as the Tauranga City's 'Council' from Feb 2021 to July 2024).

This is sometimes referred to as the sovereign ceiling, where a council cannot be rated above the government. It also means that any downgrade to the NZ government's credit rating could impact individual Council credit ratings.

It is worth noting that on 21 March 2026, Fitch downgraded the New Zealand Government's outlook from stable to negative, citing concerns about debt reduction, while maintaining an AA+ credit rating.

2. Socio-Economic Profiles

Fitch looks at the following characteristics

- Population,
- Population growth,
- GDP per capita,
- Average salary
- Unemployment rate

The latest available profiles for the councils that it rates are shown in the following table.

Socio-Economic Profiles

As of end-March 2024	Population	GDP per capita (NZD)	Unemployment rate (%)
Ashburton District Council	36,800	86,255	2.9
Central Otago District Council	25,500	77,733	1.4
Clutha District Council	18,700	69,102	2.6
Environment Canterbury ^a	687,100	75,207	n.a.
Far North District Council	73,500	46,816	6.5
Hauraki District Council	21,900	67,311	4.6
Hawke's Bay Regional Council ^a	181,100	66,223	4.2
Invercargill City Council ^a	57,600	n.a.	n.a.
Queenstown Lakes District Council	52,900	87,766	2.0
Rotorua Lakes Council	77,100	63,001	6.1
Selwyn District Council	85,200	47,427	2.5
Timaru District Council	49,500	80,796	3.2
Waikato District Council	90,600	47,636	3.8
Waipa District Council	61,400	63,565	2.8
Whakatane District Council	38,300	63,501	6.8
New Zealand	5,287,500	79,210	4.0

^aAs of end-June 2024

Source: Fitch Ratings, Infometrics, Stats NZ

Fitch applies a consistent grade across the councils it rates, when considering these socio-economic characteristics.

3. Risk Profile Assessment

Fitch has provided the following table comparing the councils it rates using its Risk Profile Assessment framework.

Key Risk Factors

Issuer	Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities and liquidity robustness	Liabilities and liquidity flexibility	Risk profile
Ashburton District Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Central Otago District Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Clutha District Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Environment Canterbury	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Far North District Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Hauraki District Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Hawke's Bay Regional Council ^a	Stronger	Stronger	Midrange	Midrange	Stronger	Midrange	High Midrange
Invercargill City Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Queenstown Lakes District Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Rotorua Lakes Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Selwyn District Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Timaru District Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Waikato District Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Waipa District Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange
Whakatane District Council	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	High Midrange

^a The 'Midrange' expenditure sustainability reflects the more rigid expenditure commitments relative to peer councils on account of cyclone remediation works

Source: Fitch Ratings

These key risk factors cover the following:

Revenue - All councils sit in the 'Stronger' category. With property rates being the major revenue source, Fitch sees it as less correlated with economic cycles than other forms of taxation, such as indirect taxes. Fitch sees rates revenue increases based on a combination of growth in assessed land or property values and the Council's ability to adjust rate levels.

Expenditure - Two key factors, the first being sustainability, where all rated councils have a score of 'Midrange' and the second adjustability, with all councils having a 'Stronger' score. Fitch states that councils have a consistent track record of moderate expenditure growth, supported by high levels of disclosure in financial reporting and budgeting, community engagement in the planning process, and a focus on cost control to limit rate increases within affordability benchmarks. Fitch also acknowledges that co-investment by the Crown can help alleviate infrastructure-related balance-sheet stress, particularly for high-growth councils.

Liabilities - three characteristics, robustness, flexibility and risk profile with scores ranging from 'Stronger' to Midrange.

It is clear that Fitch takes a sector view on the risk-profile assessment, with all councils it rates achieving the same assessment score.

4. Debt Sustainability

Fitch uses three key metrics.

1. Payback ratio (net adjusted debt/operating balance), which is the primary rating metric.
2. Synthetic debt service cover ratio (“DSCR”), which is operating balance/mortgage-style debt annuity, which is a secondary metric.
3. Fiscal debt burden (net adjusted debt/operating revenue). which again is a secondary metric.

The following table shows the rating bands for each metric.

Financial Profile Assessment

Issuer	Payback (x)	Synthetic DSCR (x)	Fiscal debt burden (%)	Financial profile		
	FY28rc/FY29rc	FY28rc/FY29rc	FY28rc/FY29rc			
Ashburton District Council	6.1	1.8	142.1	aa		
Central Otago District Council	6.7	1.9	144.6	aa		
Clutha District Council	8.3	1.5	200.3	aa		
Environment Canterbury	5.6	1.9	18.2	aa		
Far North District Council	7.4	1.6	149.6	aa		
Hauraki District Council	8.2	1.3	159.9	aa		
Hawke's Bay Regional Council	7.3	1.5	81.1	aa		
Invercargill City Council	5.7	2.0	126.9	aa		
Queenstown Lakes District Council	8.8	1.4	295.6	aa		
Rotorua Lakes Council	8.6	1.3	231.2	aa		
Selwyn District Council	6.2	1.8	139.5	aa		
Timaru District Council	8.4	1.3	212.1	aa		
Waikato District Council	6.5	1.7	158.4	aa		
Waipa District Council	8.7	1.4	298.0	aa		
Whakatane District Council	7.8	1.5	208.4	aa		
Note: Reference values	aaa	aa	a	bbb	bb	b

rc: Fitch's rating-case scenario
Source: Fitch Ratings

5. ESG Consideration

Environmental factors currently have little or no impact on NZ council ratings, resulting in an Environment, Social and Governance (“ESG”) score of '3' across the board. From a rating perspective, ESG is not significant for NCC.

PUBLIC POLICY



Treasury Policy			
Adopted By	Council		
Department	Finance		
Original Approval Date	30 June 2015	Review Approval Date	XX May 2026
Next Review Deadline	XX May 2029	Document ID	352805
Relevant Legislation	Section 104 of the Local Government Act 2002 (LGA)		
NCC Docs Referenced	Published in the Long-Term Plan 2021-2031		

Purpose

The purpose of this Treasury Policy ("Policy") is to provide a robust framework for the governance and management of treasury risks for Napier City Council ("Council").

This Policy is in accordance with the Local Government Act 2002 ("LGA 2002") and incorporates the Liability Management Policy and Council Treasury Investments. All other investments, including Council's NCC Investment Portfolio and property and equity investments, are covered in the Investment Policy.

This Policy can be amended and adopted by resolution of the full Council.

Scope

This Policy covers the following treasury risks:

- Liquidity
- Funding
- Interest rate
- Treasury investments
- Counterparty credit
- Operational

Treasury related delegated authorities are outlined in Appendix 2 and are in addition to the Financial Delegations Policy.

Any treasury activity which is unrelated to underlying cash flows and exposures or is purely speculative in nature is not permitted.

Objectives

The objectives of this Policy are to:

- Comply with the LGA 2002 and any other relevant local authority legislation.
- Ensure treasury risks are managed in a prudent way that promotes the current and future interests of the Napier community.
- Ensure the overall impact of any allocation of liability for revenue needs or investments,

considers the current and future social, economic, environmental and cultural well-being of the Napier community.

- Manage Council's borrowings according to its strategic and commercial objectives and to protect Council's budgeted interest costs and reduce volatility (stabilise) on cashflows.
- Maintain funding with an appropriate maturity profile to ensure adequate liquidity is available at margins and costs appropriate with Council's credit standing and to meet known and reasonable unforeseen funding requirements.
- Manage the operational cash position and ensure that any surplus cash is invested in approved liquid instruments, or where appropriate is used to minimise debt.
- Protect the investment principal and meet liquidity needs, while balancing risk and return considerations.
- Mitigate potential adverse interest rate risk and minimise financing costs within Policy limits by proactively managing funding and interest rate exposures.
- Provide timely and accurate reporting of treasury performance and compliance, including reporting on financing/borrowing covenants and ratios under the obligations of Council's lending/security arrangements.

Roles and Responsibilities

The governance and management structure, including responsibilities of those involved in treasury management are detailed in Appendix 1.

Liability Management Policy (Section 104 LGA 2002)

Section 104 of the LGA 2002 provides that the Liability Management Policy required under Section 102(2)(b) must state the local authority's policies in respect of liability management, including:

- Interest rate exposure
- Credit exposure
- Liquidity
- Debt repayment

These policies are covered throughout the following sections.

Borrowings

Council has capital and infrastructural assets, which have a long economic life and deliver long term benefits. Council determines the use of debt as an appropriate funding source and as an efficient mechanism for promoting intergenerational equity between current and future ratepayers. Where practical, this is achieved by aligning long-term assets with long-term funding sources (in relation to Council's assets and liabilities) to ensure that the costs are met by those future ratepayers benefiting from the investment. However, it is recognised that it is not possible to exactly align liabilities with the assets that are being funded and therefore some mismatch will occur.

It is essential for the prudent management of Council's finances that the level of debt is planned and carefully monitored. Council approves borrowings as part of the Annual Plan and the Long Term Plan ("LTP") process.

A resolution of Council is not required for hire purchase, leased, credit or deferred purchase of goods if the period of indebtedness is less than 91 days or the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding \$250,000.

Borrowing arrangements in aggregate, in excess of the CE's financial delegation, that are not included in the current LTP must be approved by Council resolution.

Council raises borrowings for the following primary purposes:

- General debt to fund Council's balance sheet.
- Specific debt associated with 'one-off' projects and capital expenditure.
- To fund assets with inter-generational qualities.
- To assist Council in its day-to-day financing, through leases and hire purchases, of equipment purchases and replacement.

Liquidity (Section 104(b))

Liquidity risk is the risk that there are insufficient funds to meet financial obligations as they fall due.

Council will adhere to the following limit:

- Liquidity (term debt plus committed bank facilities and liquid financial assets/investments) to external debt must be at least 110%.

Council minimises its liquidity risk by:

- Matching expenditure to its revenue streams and managing cashflow timing differences through its liquid financial investments and/or committed bank or similar LGFA facilities.
- Maintaining sufficient available operating cashflow, committed bank facilities, and/or liquid financial investments to meet its projected cashflow commitments through the liquidity limit above.
- If practical, a targeted minimum of \$5 million is held at call to meet day-to-day operational cashflow requirements.
- Maintaining committed funding facilities from a New Zealand Registered Bank and/or the LGFA.
- Overdraft facilities are utilised as little as practical. Council maintains a \$300,000 committed bank overdraft facility to meet interim cash and liquidity requirements.

Funding

Funding risk is the risk that the Council is unable to refinance or raise new debt, or only at unfavourable pricing and/or terms or has large concentrations of external debt maturing when credit margins are high.

Council is able to fund through a variety of mechanisms including, from:

- The New Zealand Local Government Funding Agency ("LGFA").
- Direct bank borrowing from NZ registered banks (see Counterparty Credit Risk section).
- The issue of fixed and floating rate wholesale and retail bonds and Commercial Paper. Fixed Rate Bonds, Floating Rate Notes and Commercial Paper may be issued to the wholesale market via banks and brokers, but issues in the retail market require additional Council approval.
- Internal borrowing.

Council's ability to attract cost-effective borrowing is largely driven by its ability to maintain a strong balance sheet, its statutory ability to levy rates and manage its relationships with its lenders (LGFA, bankers and capital market investors).

Council's general preference is to first use available special funds for its borrowing requirements and thereafter utilise external funding sources.

Council does not borrow or enter into incidental arrangements (risk management products) within or outside New Zealand in currency other than New Zealand currency.

Funding risk is managed through ensuring sufficient funding is available, avoiding a concentration of debt maturity dates and the timely negotiation of financing/refinancing.

- No more than 33% of debt should mature in any rolling 12-month period.
- A debt maturity schedule outside this limit requires Council approval.
- The maximum term for external debt is 10 years unless approved by Council.

New Zealand Local Government Funding Agency (LGFA) Limited

Council borrows from the LGFA and, in connection with that borrowing, may enter into the following related transactions:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution, for example borrower notes.
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required.
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.
- Subscribe for shares and uncalled capital in the LGFA.

Borrowing Limits (Section 101A(3)(b)(1))

In relation to external borrowings, Council will adhere to the following limits:

- Net external debt as a percentage of total income will not exceed 175%
- Net interest expense as a percentage of total income will not exceed 20%
- Net Interest as a percentage of rates income will not exceed 25%

If Council receives an official credit rating, it will adhere to the following updated limits:

- Net external debt as a percentage of total income will not exceed 280%
- Net interest expense as a percentage of total income will not exceed 20%
- Net Interest as a percentage of rates income will not exceed 30%

Council reports compliance to these limits on an annual basis.

As required by Section 101A(3)(b)(1) of the LGA, Council has also approved borrowing limits as part of the Financial Strategy included in the LTP.

Borrowing Limit Definitions:

- Annual rates income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate) and excludes regional levies.
- Net external debt is defined as total external debt less liquid financial assets/investments (i.e. cash and cash equivalents).
- Total income is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).

- Net interest is defined as external interest expense less interest income.

Internal Borrowing

Council uses its reserves and external borrowing to internally fund both operating and capital expenditure.

Council manages debt on a net portfolio basis and will firstly utilise reserve funds and if insufficient reserves are available, utilise external borrowings. All internal borrowing activities are consistent with this Policy.

Interest on internally funded loans is charged annually in arrears, on year-end loan balances at the agreed three-year fixed interest rate. Except where a specific rate has been approved for circumstances, the three-year rate is set annually at the start of the financial year, based on the three-year swap rate plus the credit margin on three-year bonds.

The credit margin is determined by either Council's actual three-year margin or with reference to the LGFA credit curve for a non-credit rated guaranteeing Council borrower.

Repayment amounts on internal loans are set based on a table loan calculation over the life of the loan. Repayments are made annually at financial year end.

The Accounting Manager leads administration of internal loans.

Gross Debt and Gross Debt Limits

Gross debt includes all external and internal borrowing and gross interest includes interest calculated on external and internal borrowings.

As an additional measure Council has set borrowing limits relating to gross debt and the cost of servicing gross debt:

- Gross debt as a percentage of total income will not exceed 230%
- Gross interest expense as a percentage of total income will not exceed 25%
- Gross Interest as a percentage of rates income will not exceed 30%

If Council receives an official credit rating, it will adhere to the following updated limits:

- Gross debt as a percentage of total income will not exceed 300%
- Gross interest expense as a percentage of total income will not exceed 30%
- Gross Interest as a percentage of rates income will not exceed 35%

The use of the gross measures is an additional discipline that will be monitored and reported on internally. To avoid confusion, only the measures relating to external debt will be reported on when Council prepares its audited financial statements.

Debt Repayment (Section 104(d))

Council repays external borrowings from the loan redemption reserve allocated to that borrowing, from general funds, rates revenue, asset sale proceeds, or through raising redemption loans. Subject to the appropriate approval and debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Interest Rate Exposure (Section 104(a))

Interest rate risk is the risk that adverse movements in interest rates could adversely impact the Council's earnings and cashflows.

Council reduces uncertainty due to interest rate movements by fixing a portion of the external core debt. 'External core debt' is the level of external debt forecast in the current LTP. The fixed rate percentages apply when external core debt is greater than \$20 million and are calculated on the rolling 12-month forecast external core debt level in the current LTP.

Council will manage its interest rate risk within the following control limits:

Period	Fixed Rate Maturity Limits	
	Minimum	Maximum
0 to 2 years	40%	100%
2 to 5 years	20%	80%
5 to 8 years	0%	60%
8 to 10 years	0%	40%

Maintaining a maturity profile outside the above limits for greater than 90 days is a breach of Policy and must be reported to Council at the next meeting.

Approved Instruments

The following are approved instruments with which to manage interest rate risk:

- Forward rate agreements
- Interest rate swaps
- Fixed rate bonds
- Purchased interest rate swaptions
- Purchased interest rate options e.g. borrowers' caps where the strike price is not more than 1.5% above the prevailing swap rate at the time of inception.
- Interest rate collar options (1:1 collars) where the strike price on the cap is not more than 1.5% above the prevailing swap rate at the time of inception.

Selling interest rate options for the primary purpose of generating premium income is not permitted because of its speculative nature.

Security (Section 101A(3)(c))

Council will generally offer security by way of a floating charge over rates revenue, for borrowings and interest rate risk management activities. Council recognises that utilising rates revenue as security lowers the risk involved for lenders and therefore, will lower the cost of borrowing to the Council.

Council generally does not offer security over assets, however in exceptional circumstances, with prior Council approval, security may be offered as a charge over one or more specific assets. Where relevant a register of charges is maintained.

In all borrowing and related activities, Council complies with the relevant provisions of the Securities Act.

Guarantees

Council provides financial guarantees to community organisations. Management ensures that the business plan of the guaranteed party furthers the strategic objectives of Council and that financial statements are received on an annual basis. Council needs to be satisfied that any community organisation to which it provides a financial guarantee is capable of servicing the proposed borrowing from its income sources.

The annual contingent loan liability must not exceed 7.5% of Council's non-targeted rates revenue for the year. Guarantees provided to the LGFA are expressly excluded from the maximum guarantee limit above.

Granting guarantees is by Council resolution.

Treasury Investments

This section covers Council's Treasury Investments being cash, term deposits, commercial paper, fixed rate bonds ("FRBs"), floating rate notes ("FRNs"), and medium term notes ("MTNs"). This excludes Council's property and land, and equity investments and the NCC Investment Portfolio which are covered in the Council's Investment Policy.

Council maintains treasury investments for the following primary reasons:

- to invest amounts allocated to loan redemption reserves, trusts, bequests, and special funds.
- to repay debt and invest surplus cash and working capital funds.

Council recognises that as a responsible public authority any investments that it holds should be low risk. It also recognises that lower risk generally means lower returns.

Cash Management

SFSTL is responsible for day-to-day cash and short-term debt management activities.

Specifically, this will include the following:

- Ensure that appropriate cashflow projections are maintained, with the objective of managing an optimal cash position within approved parameters.
- Undertake short term borrowing functions as required, thus minimising overdraft costs.
- Ensure efficient cash management through improvements to the accuracy of forecasting.
- Minimise fees and bank charges by optimising bank accounts and borrowing and investment facility structures.
- When operating as a net borrower, surplus funds will normally only be permitted to be invested on a short-term basis, usually until the next opportunity to repay debt. However, exceptions to this may occur where it is prudent to do so, for example, the pre-funding of debt which is placed on term deposit until the funds are required.

Financial Market Investments

The Council may invest surplus funds in financial market instruments, generally on a short-term basis, and these funds are to be managed according to the control limits contained in Appendix 3.

In addition to the control limits contained in Appendix 3, the following applies:

- Spread maturities with no maturity beyond 6 months.
- Aligned with significant forecast cash outflows or shortfalls.

- Spread over approved counterparties.
- No more than \$25 million may be held with any one counterparty.

The above applies to business-as-usual (“BAU”) funds. If Council, receives a significant amount of non-BAU funds i.e. from the divestment of property assets, within the request to Council to approve the underlying transaction i.e. property divestment, should be a strategy covering how the funds received are to be managed/invested i.e. ring fenced for future investment and who will manage the funds - Council or Ahuriri Investment Management Limited.

Loan Advances

Council may provide advances to CCOs, charitable trusts and community organisations for strategic and commercial purposes only. New loan advances are by Council resolution only.

As outlined in Section 63 of the LGA 2002, Council does not lend money or provide any other financial accommodation to a CCO, on terms and conditions that are more favourable to the CCO than those that would apply if Council were (without charging any rate or rate revenue as security) borrowing the money or obtaining the financial accommodation.

Loan advances are generally provided on an unsecured basis. Where possible, Council seeks security through a mortgage over land and buildings.

Council reviews performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.

Counterparty Credit (Credit Exposure - Section 104(c))

Counterparty credit risk is the risk that Council suffers loss due to a party defaulting on part or all of a financial obligation that the Council is a party to. To manage counterparty credit risk, Council enters into treasury transactions and funding and incidental arrangements with approved counterparties. Approved counterparties are defined as LGFA and New Zealand registered banks or financial institutions with an S&P Global Ratings (“S&P”) (or Fitch Ratings or Moody’s equivalent) long term credit rating of A or above.

Foreign Exchange

Council has foreign exchange exposure through the occasional purchase of foreign exchange denominated assets approved through the capital planning process. All commitments over NZ\$250,000 equivalent should be hedged using forward foreign exchange contracts, once expenditure is approved, the purchase order is placed, and the exact timing and amount is known. Council uses both spot and forward foreign exchange contracts.

Operational Risk

Operational risk is the risk of financial loss in treasury resulting from mismanagement, error, fraud, inadequate or failed internal policies, procedures and systems or Policy breaches.

The objective of operational risk management is to safeguard assets that treasury has responsibility for through disciplined, controlled and compliance treasury activities.

The Senior Financial Strategy and Treasury Lead (“SFSTL”) has primary responsibility for ensuring that policies, procedures and systems are in place to identify, monitor and manage all operational risks.

The management of operational risk involves oversight of the treasury function, segregation of duties and adherence to policy and procedures.

Reporting

Quarterly Funding and Debt Profile Report

This report forms the basis for the reporting of the Council's funding and associated interest rate risk management activity and provides the elected members and management with details about the Council's borrowing activities. The report shall contain the following:

- Total debt facility utilisation, including any debt sourced from the LGFA, banks and the capital markets
- Interest rate maturity profile against percentage hedging limits
- New hedging transactions completed – interest rate risk management
- Weighted average cost of funds
- Funding profile against the policy limits

- Liquidity profile against the policy limits
- Exception reporting as required
- Summary of any unresolved exception reports
- Statement of policy compliance
- Commentary on economic conditions and the debt markets.

Quarterly Investment Report

This report provides the elected members and management with details about the Council's financial market investment activities. The report shall contain the following:

- Total nominal value of the investment portfolio
- Details of individual investments
- Asset class percentages
- Credit rating profile
- Maturity profile
- Weighted average yield of the portfolio
- Statement of policy compliance
- Commentary on economic conditions and the financial markets.

Policy Review

The review timeframe of this Policy will be no longer than every three years.

Appendix 1 – Roles and Responsibilities

The key roles and responsibilities are as follows:

- Full Council (of elected members)
- Corporate and Performance Committee
- Audit and Risk Committee
- Chief Executive
- Senior Financial Strategy and Treasury Lead
- Accounting Manager
- Financial Accountant

The respective responsibilities of those personnel involved in treasury are detailed below.

Full Council (“Council”) and/or Corporate and Performance Committee (“CPC”)

Reviews and approves:

- Treasury Policy and any amendments to the Policy as recommended.
- Total borrowings as part of the Annual Plan and LTP process.
- Amendments to existing LGFA agreements.
- Any new borrowing or financing arrangements outside normal general borrowing as approved under the borrowing resolution including allowable financial instruments.
- Any risk management strategies proposed outside the control limits outlined in this Policy.

Audit & Risk Committee (“ARC”)

- Reviews and endorses the items listed above for Council approval, as required.

Chief Executive (“CE”)

- Approves funding from the LGFA and bank facilities, financial investments and other treasury related transactions within limits in the Financial Delegations Policy.
- Recommends borrowings for Council approval as part of the Annual Plan and LTP process.
- In the absence of the CE, the Deputy Chief Executive / Executive Director of Corporate and Commercial assume the role of CE and associated delegations.

Senior Financial Strategy and Treasury Lead (SFSTL”)

- Organises all new or amended borrowing facilities to be submitted to the CE for approval.
- Undertakes borrowing and investment and interest rate risk management activities in accordance with Policy.
- Reports quarterly to the CPC on treasury risk management activities.
- Manages the funding and liquidity activities of the Council.
- Maintains lender relationships with the LGFA and banks.

- Monitors and reviews the ongoing treasury risk management performance of the Council to ensure compliance with Policy.
- Responsible for preparation of all treasury reports.
- In the absence of the SFSTL, the Financial Controller assumes the role of SFSTL and associated delegations.

Accounting Manager

- Leads financial administration of internal lending.

Financial Accountant

- Completes the accounting requirements for treasury related activities.
- Checks external confirmations to internal records for borrowings, investments, interest rate hedging and payments to ensure segregation of duties.
- In the absence of the Financial Accountant, the Accounting Manager assumes the role of the Financial Accountant and associated delegations.

Appendix 2 – Relevant Delegations

Activity	Delegated to	Limit
Approve or alter Policy	Council (or appropriate Committee)	Unlimited
Approval of borrowing programme for the year	Council (or appropriate Committee)	Unlimited (subject to legislative and other regulatory limitations)
Approval for charging assets as security over borrowing and guarantees	Council (or appropriate Committee)	Unlimited
Approving new, amending existing or re-financing LGFA or bank facilities.	Chief Executive	Subject to Policy and approved borrowing programme for the year
Loan and derivative documentation	Chief Executive	N/A
Open/close bank accounts	2 signatures required from authorised signatory list	Unlimited
Maximum daily transaction amount (borrowing, investing, interest rate, risk management and cash management)	Council (or appropriate committee)	Unlimited
	Chief Executive	Per Financial Delegation Policy
	Senior Financial Strategy and Treasury Lead	\$25 million

Appendix 3 – Financial Market Investments - Authorised Investment Criteria

Authorised Asset Classes	Maximum limit as a % of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ\$)	Limit for each Issuer
New Zealand Government	100%	Government Stock Treasury Bills	Unlimited
LGFA	75%	Commercial Paper FRBs/MTNs/FRNs	\$20 million \$15 million
Rated Local Authorities	50%	Commercial Paper FRBs/MTNs/FRNs	\$10 million \$10 million
New Zealand Registered Banks	100%	Call/Term Deposits FRBs/MTNs/FRNs	\$25 million \$10 million
State Owned Enterprises	33%	Commercial Paper FRBs/MTNs/FRNs	\$10 million \$10 million
Corporates and Financials	25%	Commercial Paper FRBs/MTNs/FRNs	\$5 million \$5 million

Document History

Version	Reviewer	Change Detail	Date
2.0.0	CFO	Updated and approved by Council with LTP	29 June 2018
3.0.0	Corporate Finance Manager	Updated and approved by Council for LTP	25 March 2021
4.0.0	Corporate Finance Manager	Reviewed, no changes made, adopted by Council	14 March 2024
5.0.0	Senior Financial Strategy and Treasury Lead	Reviewed and updated the Policy with Bancorp Treasury. Renamed Treasury Policy from Liability Management Policy to reflect the transfer of Council's treasury investments from the Investments Policy, to simplify the policies into one for the management of treasury risks.	XX May 2026



Treasury Policy - Summary of Controls & Rationale

May 2026

STRICTLY PRIVATE AND CONFIDENTIAL



BANCORP

BANCORP TREASURY SERVICES LIMITED



Treasury Policy Controls & Rationale

2

Section	Controls	Rationale
Purpose and Review	<ul style="list-style-type: none"> The Council approves the Napier City Council (“NCC”) Treasury Policy (“Policy”). The Policy is in accordance with the Local Government Act 2002 (“LGA 2002”), including the Liability Management Policy and Council Treasury Investments. The management of all other investments are covered in the Investments Policy. The Policy is to be reviewed every three years. 	<ul style="list-style-type: none"> To state the approval and review process to ensure that the Policy is reviewed on a periodic basis and remains fit for purpose. To consolidate the management of treasury risks in one treasury policy, while NCC Investment Portfolio managed by Ahuriri Investment Management Limited (“AIM”) and Council property and equity investments are covered by the Investments Policy.
Scope and Objectives	<ul style="list-style-type: none"> The Policy covers liquidity, funding, interest rate, treasury investments – including cash management, counterparty credit, foreign exchange and operational risks. NCC will not take speculative risks. The objective is to manage treasury risk within a prudent manner considering the current and future interests of the Napier community, within Council approved control limits and in accordance with the Local Government Act 2002 (“LGA 2002”). 	<ul style="list-style-type: none"> To document the treasury risks that are covered by the Policy and that NCC will not introduce further risk by undertaking speculative activity. To state the overall objectives of the Policy that guide how treasury risks are managed and the setting of control limits.
Roles and Responsibilities	<ul style="list-style-type: none"> The governance and management structure has the Council and/or Corporate & Performance Committee providing governance and setting the parameters within which Council officers can operate, outside of which, requires Council approval, oversight and compliance of the treasury function/activities and the Audit & Risk Committee reviewing and endorsing treasury related items for Council approval, as required. 	<ul style="list-style-type: none"> To illustrate the governance and management framework at NCC, outlining responsibilities for the governance roles (Council to Audit & Risk Committee) and management roles (Chief Executive to Financial Accountant) to ensure treasury activities are conducted with appropriate oversight, internal controls, review, approvals, monitoring and reporting of performance and compliance.

Treasury Policy Controls & Rationale

Section	Controls	Rationale
Liquidity Risk	<ul style="list-style-type: none"> Liquidity (term debt + committed bank facilities + liquid financial investments) to external debt > 110%. Revenue and expenditure matching; shortfalls covered with funding from treasury investments maturities or bank/LGFA facilities. Maintain cash liquidity buffer of \$5 million on call to meet day-to-day operational cashflow requirements. Maintain \$300,000 committed overdraft facility. 	<ul style="list-style-type: none"> NCC needs to meet the Local Government Funding Agency ("LGFA") liquidity limit requirement to obtain funding. Having sufficient liquidity or access to funding to meet both known and unforeseen obligations. The cash liquidity buffer and overdraft facility ensures that there is adequate funding available to cover the volatility in cash balances for capex in between rates strikes.
Funding Risk	<ul style="list-style-type: none"> No more than 33% of debt maturing in any 12-month period. 10 years is the maximum term for external debt per Policy. > 10 years requires Council approval. 	<ul style="list-style-type: none"> Mitigate against concentration and repricing risk by spreading maturities. Removed 0-3 years, 3-5 years and 5+ years minimum and maximum limits as this is difficult to administer and the updated control is a simpler and effective way to spread maturities.
Borrowing Limits	<ul style="list-style-type: none"> Borrowing limits to adhere to (non-rated Council): <ul style="list-style-type: none"> Net external debt as a percentage of total income < 175% (was 230%). Net interest expense as a percentage of total income < 20% (was 10%). Net interest as a percentage of rates income < 25% (was 15%). Included LGFA limits for a rated council to apply if NCC obtains a credit rating (new limits will be 230%, 20% and 30% respectively). 	<ul style="list-style-type: none"> Updated policy to align with LGFA limits for a non-rated Council and if NCC obtains a credit rating the applicable limits for a rated Council. Compliance with the limits is required to borrow from the LGFA.
Other Borrowing Related Sections	<ul style="list-style-type: none"> No material changes made to the following sections: <ul style="list-style-type: none"> 'Policy' and 'Borrowings' (combined) 'NZ LGFA' in relation to LGFA borrowing 'Internal Borrowing' 'Debt Repayment' 'Security' 'Guarantees' (previously Contingent Liabilities) 	<ul style="list-style-type: none"> Changes may include minor wording changes or re-organisation if previously captured in another section of the previous version of the Policy.

Treasury Policy Controls & Rationale

Section	Controls	Rationale																	
Gross Debt and Gross Debt Limits	<ul style="list-style-type: none"> Gross debt and gross interest includes all external and internal borrowing and related interest. NCC imposed borrowing limits to adhere to: <ul style="list-style-type: none"> Gross debt as a percentage of total income < 230%. Gross interest expense as a percentage of total income < 25%. Gross interest as a percentage of rates income < 30%. Included limits to apply if NCC obtains a credit rating (new limits will be 300%, 25% and 35% respectively). 	<ul style="list-style-type: none"> Council have limits on gross debt and interest to manage total borrowings. Noting, this is an additional discipline that will be monitored and only reported on internally. No material changes to 'Internal Borrowing' section. 																	
Interest Rate Risk	<ul style="list-style-type: none"> External core debt is the level of external debt forecast in the current LTP. When external core debt is > \$20 million NCC must maintain interest rate hedging to be within the following fixed interest rate risk control limits. <table border="1" data-bbox="434 922 940 1225"> <thead> <tr> <th rowspan="2">Period</th> <th colspan="2">Fixed Rate Maturity Limits</th> </tr> <tr> <th>Minimum</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>0 to 2 years</td> <td>40%</td> <td>100%</td> </tr> <tr> <td>2 to 5 years</td> <td>20%</td> <td>80%</td> </tr> <tr> <td>5 to 8 years</td> <td>0%</td> <td>60%</td> </tr> <tr> <td>8 to 10 years</td> <td>0%</td> <td>40%</td> </tr> </tbody> </table>	Period	Fixed Rate Maturity Limits		Minimum	Maximum	0 to 2 years	40%	100%	2 to 5 years	20%	80%	5 to 8 years	0%	60%	8 to 10 years	0%	40%	<ul style="list-style-type: none"> External core debt is defined to reduce the risk of over-hedging, which may result in NCC needing to close out swaps and potentially at a cost. Increased the limit to \$20 million from \$15 million that the fixed interest rate risk control limits apply from to set an appropriate level that balances exposure risk (i.e. unhedged) and administration to comply. Removed the high-level limit of debt being hedged between 55% and 100%, as the two sets of control limits are confusing and difficult to administer. Simplified to one set of control limits per the table to the left. Removed the definition that fixed rate is an interest rate repricing beyond 12 months, as fixed debt is fixed for the term of the fixed rate borrowing. The periods were changed per the table from 1 to 3 years, 3 to 5 years and 5 to 10 years (to align with the above fixed rate point). Control limits for the first period were increased to 40% to 100% from 20% to 60%, the second period – the maximum was increased to 80% from 60% and the last period was split into two with 5 to 8 years keeping the same 0% to 60% limits and the last period 8 to 10 years being 0% to 40%. The changes were made to provide certainty (higher levels of hedging) in earlier periods, with reducing levels as time goes on where there may be less certainty about debt forecasts and also considering the cost of longer dated hedging. Updated approved instruments to include fixed rate bonds which NCC use.
Period	Fixed Rate Maturity Limits																		
	Minimum	Maximum																	
0 to 2 years	40%	100%																	
2 to 5 years	20%	80%																	
5 to 8 years	0%	60%																	
8 to 10 years	0%	40%																	

Treasury Policy Controls & Rationale

Section	Controls	Rationale																												
Cash Management	<ul style="list-style-type: none"> Maintain cashflow projections to optimise cash position. Efficient use of cash and available funding sources so as not to incur unnecessary cost. Surplus funds invested to next debt maturity or can pre-fund debt which is placed on term deposit until funds are needed. 	<ul style="list-style-type: none"> To ensure cashflow forecasts are consulted to avoid NCC being in a position where it needs to borrow as funds are locked up in an investment and overall, this costs NCC. To ensure that cash is managed to minimise the cost of fees and bank charges. Moved \$5.0 million cash buffer and \$300,000 overdraft facility reference from the cash management section to the liquidity section. 																												
Financial Market Investments	<ul style="list-style-type: none"> Authorised investment criteria shown in table below. <table border="1"> <thead> <tr> <th>Authorised Asset Classes</th> <th>Maximum limit as a % of the Total Portfolio</th> <th>Approved Financial Market Investment Instruments (must be denominated in NZ\$)</th> <th>Limit for each Issuer</th> </tr> </thead> <tbody> <tr> <td>New Zealand Government</td> <td>100%</td> <td>Government Stock Treasury Bills</td> <td>Unlimited</td> </tr> <tr> <td>LGFA</td> <td>75%</td> <td>Commercial Paper FRBs/MTNs/FRNs</td> <td>\$20 million \$15 million</td> </tr> <tr> <td>Rated Local Authorities</td> <td>50%</td> <td>Commercial Paper FRBs/MTNs/FRNs</td> <td>\$10 million \$10 million</td> </tr> <tr> <td>New Zealand Registered Banks</td> <td>100%</td> <td>Call/Term Deposits FRBs/MTNs/FRNs</td> <td>\$25 million \$10 million</td> </tr> <tr> <td>State Owned Enterprises</td> <td>33%</td> <td>Commercial Paper FRBs/MTNs/FRNs</td> <td>\$10 million \$10 million</td> </tr> <tr> <td>Corporates and Financials</td> <td>25%</td> <td>Commercial Paper FRBs/MTNs/FRNs</td> <td>\$5 million \$5 million</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Funds are invested to mature within 6 months. Funds are invested to align with significant forecast cash outflows or shortfalls. Funds are spread over counterparties with < \$25 million per counterparty 	Authorised Asset Classes	Maximum limit as a % of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ\$)	Limit for each Issuer	New Zealand Government	100%	Government Stock Treasury Bills	Unlimited	LGFA	75%	Commercial Paper FRBs/MTNs/FRNs	\$20 million \$15 million	Rated Local Authorities	50%	Commercial Paper FRBs/MTNs/FRNs	\$10 million \$10 million	New Zealand Registered Banks	100%	Call/Term Deposits FRBs/MTNs/FRNs	\$25 million \$10 million	State Owned Enterprises	33%	Commercial Paper FRBs/MTNs/FRNs	\$10 million \$10 million	Corporates and Financials	25%	Commercial Paper FRBs/MTNs/FRNs	\$5 million \$5 million	<ul style="list-style-type: none"> Removed the fixed interest section which had duplication and stated prohibited instruments and not approved. Replaced with a simplified authorised investment criteria table that includes approved instruments and limits by issuer. Removed the cash interest rate/maturity guide as this was cover complicated and not applicable for NCC as it went out 5-years. Simplified to no maturity beyond 6-months. To ensure that cash is managed to optimise the secure use and return on cash.
Authorised Asset Classes	Maximum limit as a % of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ\$)	Limit for each Issuer																											
New Zealand Government	100%	Government Stock Treasury Bills	Unlimited																											
LGFA	75%	Commercial Paper FRBs/MTNs/FRNs	\$20 million \$15 million																											
Rated Local Authorities	50%	Commercial Paper FRBs/MTNs/FRNs	\$10 million \$10 million																											
New Zealand Registered Banks	100%	Call/Term Deposits FRBs/MTNs/FRNs	\$25 million \$10 million																											
State Owned Enterprises	33%	Commercial Paper FRBs/MTNs/FRNs	\$10 million \$10 million																											
Corporates and Financials	25%	Commercial Paper FRBs/MTNs/FRNs	\$5 million \$5 million																											
Counterparty Credit Risk	<ul style="list-style-type: none"> Treasury transaction can only be entered into with the LGFA or New Zealand registered banks or financial institutions with an S&P Global Ratings (or Fitch Ratings or Moody's equivalent) long term credit rating of A or above. 	<ul style="list-style-type: none"> This is to ensure that NCC only deals with high credit rated counterparties to reduce the risk that NCC suffers loss as a result of the counterparty defaulting. 																												

Treasury Policy Controls & Rationale

6

Section	Controls	Rationale
Foreign Exchange Risk	<ul style="list-style-type: none"> Committed foreign currency exposures greater than NZD250,000 equivalent should be hedged using forward foreign exchange contracts. 	<ul style="list-style-type: none"> Hedging of foreign exchange expenditure is to provide NCC with certainty in relation to the NZD cost of foreign currency expenditure.
Operational Risk	<ul style="list-style-type: none"> Assets are to be safeguarded by disciplined, controlled and compliant treasury dealing and back-office operations. 	<ul style="list-style-type: none"> This is to reduce the risk of losses for NCC because of human error, fraud, system failures, inadequate policies, procedures and controls.
Reporting	<ul style="list-style-type: none"> Quarterly funding and debt profile report and quarterly investment report requirements 	<ul style="list-style-type: none"> Added as previously not included. This provides Council with comfort that once the Policy is adopted, Council will receive reporting on performance and compliance to Policy.

Relevant Delegations

- Treasury related delegations are outlined in the table below.

Activity	Delegated to	Limit
Approve or alter Policy	Council (or appropriate Committee)	Unlimited
Approval of borrowing programme for the year	Council (or appropriate Committee)	Unlimited (subject to legislative and other regulatory limitations)
Approval for charging assets as security over borrowing and guarantees	Council (or appropriate Committee)	Unlimited
Approving new, amending existing or re-financing LGFA or bank facilities.	Chief Executive	Subject to Policy and approved borrowing programme for the year
Loan and derivative documentation	Chief Executive	N/A
Open/close bank accounts	2 signatures required from authorised signatory list	Unlimited
Maximum daily transaction amount (borrowing, investing, interest rate, risk management and cash management)	Council (or appropriate committee)	Unlimited
	Chief Executive Senior Financial Strategy and Treasury Lead	Per Financial Delegation Policy \$25 million

- Limits are set and approved, so that the management team can transact without the need to go back to Council for approval for transactions that are within approved limits. This is also to cover financial delegations that are not specifically included in the Financial Delegations Policy but are required for effective treasury operations.

Disclaimer

IMPORTANT NOTICE

Statements and opinions contained in this report are given in good faith, but in its presentation, Bancorp has relied on primary sources for the information's accuracy and completeness. Bancorp does not imply, and it should not be construed, that it warrants the validity of the information. Moreover, our investigations have not been designed to verify the accuracy or reliability of any information supplied to us. It should be clearly understood that any financial projections given are illustrative only. The projections should not be taken as a promise or guarantee on the part of Bancorp.

Bancorp accepts no liability for any actions taken or not taken on the basis of this information and it is not intended to provide the sole basis of any financial and/or business evaluation. Recipients of the information are required to rely on their own knowledge, investigations and judgements in any assessment of this information. Neither the whole nor any part of this information, nor any reference thereto, may be included in, with or attached to any document, circular, resolution, letter or statement without the prior written consent of Bancorp as to the form and content in which it appears.

CONFIDENTIALITY

The information provided herein is provided for your private use and on the condition that the contents remain confidential and will not be disclosed to any third party without the consent in writing of Bancorp first being obtained.

GET IN TOUCH

Bancorp Treasury Services Ltd
Head Office, Level 3, 30 Customs Street, Auckland
09 912 7600

www.bancorp.co.nz

PUBLIC POLICY



Investment Policy			
Adoption By	Council		
Department	Corporate Services - Finance		
Original Adoption Date	30 June 2015	Review Adoption Date	XX May 2026
Next Review Deadline	XX May 2029	Document ID	352769
Relevant Legislation	Section 102 and 105 of the Local Government Act 2002		
NCC Docs Referenced	Investment Property Portfolio Policy (Leasehold)	Document ID	651838
NCC Docs Referenced	Statement of Investment Policies and Objectives (Managed Funds)	Document ID	TBC
NCC Docs Referenced	Significance and Engagement Policy	Document ID	88316
NCC Docs Referenced	Risk Management Policy	Document ID	16060553
NCC Docs Referenced	Risk Management Framework	Document ID	TBC
NCC Docs Referenced	Treasury Policy	Document ID	TBC

Purpose

The Investment Policy ("Policy") is adopted under Section 102(1) and 102(2)(c) of the Local Government Act (**LGA**) 2002.

LGA Section 105 requires an Investment Policy which "*must state the local authority's policies in respect of investments, including:*

- *the mix of investments, and*
- *the acquisition of new investments, and*
- *an outline by which investments are managed and reported on to the local authority, and*
- *an outline of how risks associated with investments are assessed and managed".*

The Investment Policy can be amended and adopted by resolution of Council at any time (LGA section 105 (2) (b)).

General Investment Objectives

Napier City Council ("**Council**") holds a broad mix of investment assets on behalf of ratepayers. Council seeks to ensure that the following objectives are met, namely that

- investment assets are managed to balance:
 - growth in an annual cash return for the benefit of today's Council and ratepayers; and
 - capital growth for the benefit of future Council and ratepayers;
- responsible investment standards are demonstrated in relation to the management of investment assets; and
- investment assets are managed in an active and prudent way to achieve the above objectives.

Council acknowledges that each investment asset, or group of investment assets, has different return targets and time horizons.

Council utilises experts to support it in the management of some or all of its investments.

Scope

Council has two investment portfolios covered by this policy:

NCC Investment Portfolio

In 2025 Council ring-fenced some its investments assets (the **NCC Investment Portfolio**) for the purpose of being "*an inter-generational investment portfolio that builds financial resilience and reduces future reliance on ratepayers for funding activities.*"

For reporting purposes, the formal start date of the NCC Investment Portfolio, as a ring-fenced investment portfolio is 1 July 2025. Schedule 1 sets out the Opening Statement of the NCC Investment Portfolio as at 1 July 2025.

Council Investments

All other investments held by Council that are not part of the NCC Investment Portfolio.

Council may decide to transfer assets from Council Investments to the NCC Investment Portfolio. Council will do this through a Council resolution and inform Ahuriri Investment Management Limited in line with the terms of the Management Services Agreement between the two organisations.

Note: the management of Council's Treasury Investments are covered in the Council's Treasury Policy.

Mix of Investments

Council maintains a mix of investments.

The following table outlines Council's investments, including the NCC Investment Portfolio and how they are managed. The list of assets defined is indicative and not exhaustive.

	NCC Investment Portfolio	Council Investments
Investment Manager	Ahuriri Investment Management Limited (AIM)	Council
Treasury Investments	Cash and Deposits Bonds and Fixed Interest Instruments	Cash, Term Deposits and Commercial Paper Fixed Rate Bonds, Floating Rate Notes and Medium Term Notes
Property and Land Investments	Leasehold Land Development Land Commercial Property Residential Property Other land-based activities (e.g. forestry)	Land and Buildings held for the operating purposes of Council.
Equity Investments	Listed Equities Private Equity	LGFA Shares
Equity Interests	Shareholding in Hawke's Bay Airport Shareholdings in various CCOs and CCTOs	Shareholding in Omarunui Landfill Shareholdings in various CCOs and CCTOs

Social responsibility

Council recognises that as an owner of significant investment assets, social responsibility should be demonstrated in how investment assets are managed.

All assets must be actively managed, considering the social responsibility expected of a reasonable investor.

Externally managed investment assets (such as Managed Funds) must be undertaken with the same social responsibility standards as though the assets were managed directly.

No investment will be directly contrary to the objectives or well beings of the Council.

NCC Investment Portfolio

Investment Management

Council has created Ahuriri Investment Management Limited ("**AIM**") and appointed AIM as its Investment Manager for the NCC Investment Portfolio. AIM is a 100% owned subsidiary and a Council Controlled Trading Organisation ("**CCTO**").

AIM must adhere to the Investment Policy in managing the NCC Investment Portfolio.

In developing the investment strategy for the NCC Investment Portfolio, the Investment Manager is expected to consider the NCC Investment Portfolio Purpose and Council's General Objectives as outlined in this Policy, as well as considering:

- the mix of assets to achieve growth and income objectives;
- assets being appropriately diversified to provide resilience and buffer Council from the impact of economic cycles and localised disasters; and
- a distribution policy that reflects the asset mix, potential volatility, and balances growth in the annual cash return for Council with capital growth of the NCC Investment Portfolio.

Regional Benefit

Council acknowledges that natural tension may arise between a commercial focus for the NCC Investment Portfolio and the ratepayer expectations regarding regional benefits and outcomes.

In this context, Council reaffirms the primary objective of the NCC Investment Portfolio, is to make a commercial return for Council. When considering the development and execution of the investment strategy for the NCC Investment Portfolio, the Investment Manager is to apply the following priority order:

1. Providing an annual cash return to Council equivalent to that set in the annual Statement of Intent.
2. Achieving long term capital growth and resilience of the NCC Investment Portfolio for the benefit of future generations of ratepayers.
3. Being a respected partner in the investment community.
4. Being a direct investor in Hawkes Bay (an example being the development of Parklands) and reporting on these regional benefits.

Financial Performance Measures

The following Financial Performance Measures apply for forecasting and performance reporting purposes.

- **Annual Cash Payment:** This is the payment that AIM will make from the NCC Investment Portfolio to Council. This is represented in New Zealand dollars.
- **Portfolio Net Return:** This is the net investment performance of the total NCC Investment Portfolio and is made up of the gross asset performance less all costs within the ring-fenced NCC Investment Portfolio. It is represented in both an annual dollar and percentage terms.
- **Asset Net Return:** This is like the Portfolio Net results but applied at an asset or asset class level. Costs included in the calculation would only be direct asset costs.

AIM will set out **Financial Performance Targets** against each Financial Performance Measure in its annual Statement of Intent. AIM will report on performance against the measures and targets in its regular reporting to Council.

Volatility, Valuations and Reserves

The **Inflation-Adjusted Net Value** of the NCC Investment Portfolio is a Strategic Asset under Council's Significance and Engagement Policy. This has been added to affirm the inter-generational purpose of the NCC Investment Portfolio. Being a Strategic Asset means Council

cannot withdraw value from the Inflation-Adjusted Net Value NCC Investment Portfolio without considering the Council’s Significance and Engagement Policy.

Council acknowledges that, by their nature, investment portfolios can be volatile, and the value will naturally go up and down over time. This may mean that at points in time the **Total Net Value** is less than the starting value or the Inflation-Adjusted Net Value. This does not mean something is wrong or that the fund is failing – it is a normal part of investment cycles. The goal is to grow the value of decades not just year to year.

The distribution policy, that is to form part of the investment strategy, will consider volatility as part of balancing the growth in the annual cash return for Council with capital growth of the NCC Investment Portfolio.

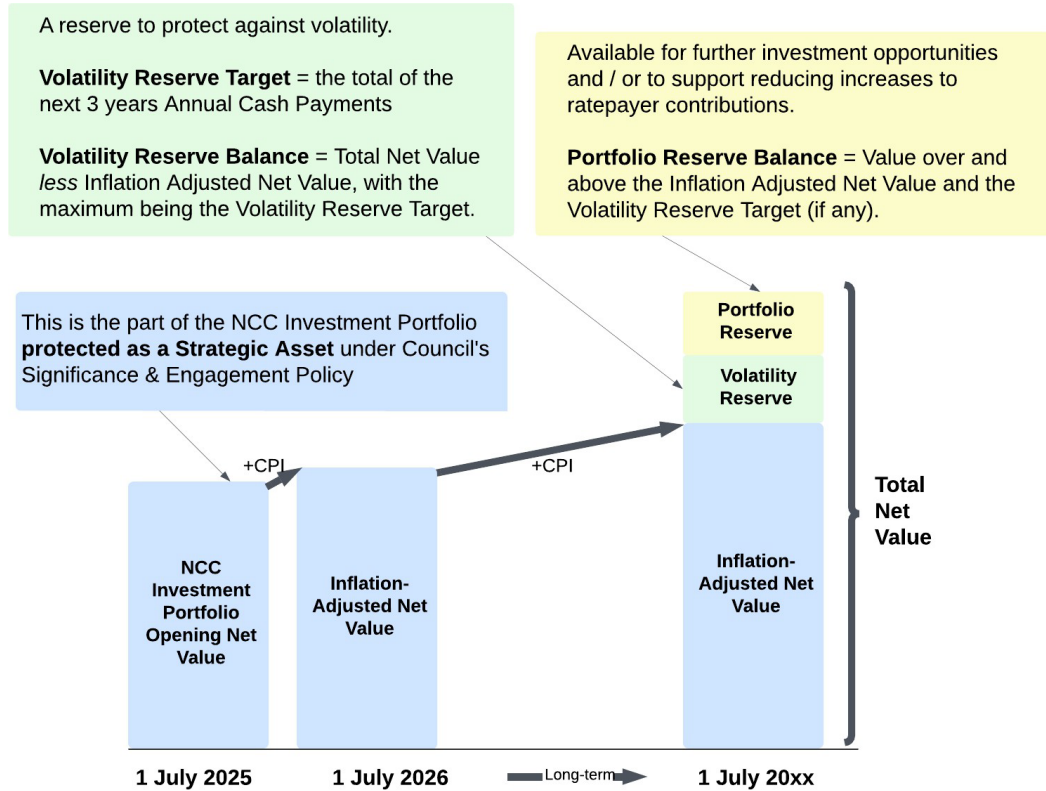
The Inflation-Adjusted Net Value is to be calculated annually as the opening Inflation-Adjusted Net Value at the prior 1 July plus annual inflation. Inflation is to be based on Statistics New Zealand Consumer Price Index (CPI) for the 12 months to 30 June. If a new asset is added to the portfolio part way through a year, the inflation adjustment for that asset is to be pro-rated.

To protect against short-term volatility and create certainty for the **Annual Cash Payment** from the NCC Investment Portfolio to Council, a **Volatility Reserve** will be created. The **Volatility Reserve Target** will be equal to the next three-years Annual Cash Payments, as set out in AIM’s annual Statement of Intent.

Council acknowledges that it could take several years for the **Volatility Reserve Balance** to build up to achieve the Volatility Reserve Target. Council also acknowledges that if the Total Net Value is less than the Inflation-Adjusted Net Value, the Volatility Reserve Balance will be negative.

When the Volatility Reserve Target is achieved, any net value over and above this will be reported as a **Portfolio Reserve**.

Diagram 1: A summary of the NCC Investment Portfolio values and reserves.



Risk Management

To manage risk within the NCC Investment Portfolio, Council delegated its management to AIM and empowered AIM to manage risk. Council expects AIM to manage the NCC Investment Portfolio in accordance with the Enterprise Risk Management Framework and Risk Management Policy.

Council expects risks to be managed by AIM, firstly at a whole of NCC Investment Portfolio level, and secondly at an asset class level. Risk management will form part of the reporting of AIM to Council for the NCC Investment Portfolio.

Acquisitions or Disposal Assets

Council has made AIM responsible for the investment decisions of the NCC Investment Portfolio.

AIM may diversify assets within the NCC Investment Portfolio to achieve the objectives of investment management as set out in this Policy.. The individual assets of the NCC Investment Portfolio are expected to change over time as individual assets are sold, and new assets are acquired.

In considering asset transactions for the NCC Investment Portfolio, AIM is expected to exercise sound commercial judgement, consider relevant Council policies, and consider the impact of a transaction in the context of the objectives of NCC Investment Portfolio as a whole.

Where a specific investment asset is named as Strategic Asset (e.g. Hawkes Bay Airport Shares) Council's **Significance and Engagement Policy**, then that Policy and the LGA must be followed in relation to any disposal.

Where commercial leasehold land is being sold the **Investment Property Portfolio Policy (Leasehold)** also applies.

Commercial leasehold

The commercial leasehold land set out in the Opening Statement (Appendix 1) is land transferred from the Hawke's Bay Harbour Board in 1989 as part of the local government reorganisation and Council, by virtue of the Hawke's Bay Endowment Land Empowering Act 2002.

To support Council's compliance with the Hawke's Bay Endowment Land Empowering Act 2002, it is necessary to track all operating income, sale income, and expenditure related to commercial leasehold land in a manner that meets the Act's provisions.

Managed Funds

Within the NCC Investment Portfolio, some of the assets and asset classes may be managed by a professional third-party fund manager. This Managed Funds arrangement may include directly held or pooled investments in various asset such as shares, bonds, and property and may include offshore investments and currency. Assets managed through this arrangement are subject to Council's Statement of Investment Policies and Objectives (**Managed Funds SIPO**)

Council Equity Interests

For Council Equity Interests within the NCC Investment Portfolio AIM will in line with the LGA:

- Write and issue a Statement of Expectations
- Respond to Draft Statement if Intent from the Entity
- Correspond as needed with the Entity
- Receive investment and strategic presentations from the Entity
- Vote at the Entity Annual General Meeting on matters not affecting the level of shareholding of Council.

Where AIM is the appointed investment manager for a CCO and CCOs AIM must consult Council where:

- There is a change affecting the Council shareholding in an Entity
- AIM proposes a change in Council shareholding of an Entity
- Where an Entity proposes a transaction impacting the level of investment by Council

Council Investments

Risk Management

Council acknowledges that the holding of investment assets carries risk.

Council wishes to ensure that the returns provided by each asset adequately compensates Council for the risk taken in owning the asset.

Council will manage its investments in accordance with the Enterprise Risk Management Framework and Risk Management Policy.

The following sections cover the risk management of Council Investments, except for Council's Treasury Investments which are covered in Council's Treasury Policy.

Acquisition or Disposal of Investments

Except for treasury investments, or where delegation has been given to Council officers, new investments are acquired and divestments are made if an opportunity arises and approval is given by the appropriate Council committee, based on advice and recommendations from Council officers.

Before approving any new investments, Council gives due consideration to the contribution the transaction will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment or making the divestment.

Where a specific investment asset is named as a Strategic Asset (e.g. Hawkes Bay Airport Shares) in accordance with Council's **Significance and Engagement Policy**, then that Policy and the LGA must be followed in relation to any disposal.

Asset Specific Considerations

Set out below are some asset investment considerations that apply to Council Investments.

Council Equity Interests

Council holds Equity Interests in entities held for various strategic, economic development and financial objectives, as outlined in the Long-Term Plan (LTP).

Council's Equity Interests include:

- Shares in Omarunui Landfill Operation; and
- 100% shareholding in Ahuriri Investment Management Limited.

For Council Equity Interests classed as Council Investments except for specific ringfencing provisions for some assets (e.g; Omarunui Landfill), dividends received and proceeds from the disposition of equity investments are used to repay debt, to invest in new assets or investments or any other purpose that is considered appropriate by Council.

For Council Equity Interests, Council will in line with the LGA:

- Write and issue a Statement of Expectations
- Respond to Draft Statement of Intent from the Entity
- Correspond as needed with the Entity
- Receive investment and strategic presentations from the Entity

- Vote at the Entity Annual General Meeting on matters not affecting the level of shareholding of Council.

New Zealand Local Government Funding Agency Limited (LGFA)

Council consulted on and became a member of the LGFA in March 2020.

Council may invest in shares and other financial instruments of the LGFA and may borrow to fund that investment.

Council's objective in making any such investment will be to:

- a) Obtain a return on the investment.
- b) Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of investment and/or debt funding for the Council.

Council may invest in LGFA bonds and commercial paper as part of its financial investment portfolio.

As a borrower, Council's investment is recognised through shares and borrower notes. As an investor in LGFA shares and as a Guarantor, Council subscribes for uncalled capital in the LGFA.

Property Investments

Council owns property that is necessary to achieve its strategic or commercial objectives or deemed to be a core Council function. Council therefore may retain an investment in investment property, car parking, and rental and retirement housing.

Property purchases are supported by registered valuations and, where appropriate, a full business case analysis. Council does not purchase properties on a speculative basis.

Council provides car parking facilities which are operated on a commercial basis.

Property disposals are managed to ensure compliance with statutory requirements. Disposition proceeds from sale of property investments are treated according to each of the following classes of property:

General Land

Disposition proceeds from the sale of General Land (including Roding Land) are used firstly to retire any debt related specifically to that investment prior to use for other purposes.

Investment Property

Outside of development property, Council may own property to generate commercial returns for the benefit of the city. Prior to acquisition of investment property, a financial assessment to determine a reasonable price and likely returns generated from ownership must be conducted. Regular reviews of investment property must be conducted to ensure ongoing financial viability of ownership.

Reporting Procedures

The performance of Council investments is regularly reviewed to ensure Council's strategic objectives are being met. Both performance and policy compliance are reviewed. Internal investment reports are a vital management tool and, depending on their nature, are produced on a daily, weekly, monthly, quarterly, or annual basis. The results are summarised and reported to Council on a quarterly and annual basis.

Policy Review

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

Document History

Version	Reviewer	Change Detail	Date
1	Investment and Funding Manager	NCC Long Term Plan 2015-2025, wording below was reviewed between March and May 2018, and published in the Long-Term Plan 2018-2028	2019
2	Investment and Funding Manager	No change	May 2020
3	Investment and Funding Manager	Significantly restructured with provision for SIPO added.	May 2022
4	Corporate Finance Manager	Significantly restructured with provision for a CCO/CCTO to invest and expansion of additional property assets for investment.	January 2024
5	Programme Manager– Transformation / Corporate Finance Manager	Simplification and more clearly integrate Ahuriri Investment Management Limited. Adopted by Council 31 July 2025	31 July 2025
6	Senior Financial Strategy and Treasury Lead	Reflect transfer of risk management of Council's Treasury Instruments from this Investments Policy to the Treasury Policy.	XX May 2026

Schedule 1: NCC Investment Portfolio Opening Statement at 1 July 2025

Note: Values shown are indicative only and will be updated by the Deputy Chief Executive following the approval of the 30 June 2025 Financial Statements and the completion of ring-fencing the NCC Investment Portfolio within the Council's financial system.

	Component	Opening Value at 1 July 2025
Commercial Leasehold Land	Book value of assets set out in Table 1.	\$89.1m Formal Valuation 30 June 2025
	A ring-fenced revaluation reserve that reflects the variance between the book value and a market value on 30 June 2025.	
	Reserve 953 – Investment Property Portfolio Sale Account balance on 30 June 2025	~\$5.5m Indicative value at March 2025
	TOTAL	~\$94.6m

Surplus Land	Book value of assets set out in Table 2.	\$26.4m Formal Valuation 23 November 2024
	A ring-fenced revaluation reserve that reflects the variance between the book value and a market value on 30 June 2025	
	TOTAL	\$26.4m

Parklands Residential Development Area 3 and 4	Area 3 and 4 inventory values at 30 June 2025	\$26.2m
	A ring-fenced revaluation reserve that reflects the variance between the inventory value and a market value on 30 June 2025	TBC
	Reserve 888 – Parklands balance on 30 June 2025. This is expected to be negative and reflects the working capital debt for the development	~(\$12.5m) Indicative value at 30 June 2025
	TOTAL	\$13.7m + TBC

HB Airport Shares	26% Shareholding in Hawke's Bay Airport Limited	~\$14.6m B/Sheet value at 30 June 2024
	TOTAL	~\$14.6m

Managed Funds	Opening balance	\$0
	TOTAL	\$0

Working capital debt balance	Facility balance	\$30m
	Facility utilised by Parklands Reserve 888	~(\$12.5m)
	Available Balance	\$17.5m

Indicative Total (excl. available debt balance)	\$149.4m
--------------------------------------------------------	-----------------

Table 1: Commercial Leasehold Land

Set out below is a table of leasehold land addresses and their associated legal descriptions. This list was approved by Council on 12 December 2024 and endorsed on 31st July 2025.

ADDRESS	LEGAL DESCRIPTION	ADDRESS	LEGAL DESCRIPTION
		ONEKAWA	
52- 54 West Quay / GO2 1 Lever Street	LOT 1 DP 321505	8 Austin Street	LOT 6 DP 8016
88 Meeanee Quay	SEC 6 SO 541581	16 Austin Street - title 1	PT LOT 1 DP 6211
10 West Quay	LOT 11 DP 11303	16 Austin Street - title 2	PT LOT 1 DP 8078
14 West Quay	LOT 1 DP 10748	39A Austin Street	LOT 2 DP 10199
26 West Quay	LOT 1 DP 27094	8 Cadbury Road	LOT 1 DP 10574
32 West Quay	TN SEC 767 NAPIER	34 - 36 Carnegie Road	LOT 2 DP 27597
34 West Quay	TN SEC 601 NAPIER	1 Dunlop Road	LOT 1 DP 8815
48 West Quay	LOT 1 DP 478162	2 Dunlop Road	LOT 7 DP 8953
56 West Quay	LOT 2 DP 6122	15 Dunlop Road	LOT 2 DP 8815
40 West Quay	LOT 2 DP 478162	33 Dunlop Road	LOT 2 DP 8553
60 Nelson Quay	LOT 1 DP 23082	53 Dunlop Road	LOT 2 DP 11357
AHURIRI OTHER		55 Dunlop Road	LOT 1 DP 11357
14 Bridge Street	LOT 2 DP 17631	57 Dunlop Road	PT LOT 1 DP 7860
16 Bridge Street	LOT 1 DP 17631	26 Edmundson Street	LOT 2 DP 11863
22 Bridge Street	TN SEC 610 NAPIER	6 Ford Road	LOT 3 DP 9474
72 Bridge Street	PT LOT 1 DDP 135	10 Ford Road	LOT 4 DP 9474
4 - 8 Hardinge Road	LOT 1 DP 26638	19 Ford Road	LOT 2 DP 14158
PANDORA		23 Ford Road	LOT 1 DP 14158
22 Thames Street	LOT 101 DP 12262	68 Wakefield Street	LOT 3 DP 10199
26 Thames Street	LOT 102 DP 12262	27 - 29 Cadbury Road	LOT 5 DP 9971
28 Thames Street	LOT 103 DP 12262	4 Cadbury Road	LOT 12 DP 10199
30 Thames Street	LOT 105 DP 12262	6 Cadbury Road	LOT 13 DP 10199
36 Thames Street	Lot 106 DP 12262	64 Wakefield Street	LOT 5 DP 10199
38 Thames Street	LOT 107 DP 12262	16 Austin Street - title 3	PT LOT 2 DP 8078
54 Thames Street	LOT 115 DP 12262	108 Niven Street	LOT 14 DP 12936
60 - 62 Thames Street	LOT 119 DP 12262	18 - 20 Austin Street	Section 4 SO 502169
64 Thames Street	LOT 120 DP 12262	29 Leyland Street	LOT 14 DP 10199
40 Thames Street - title 1	Lot 108 DP 12262	OTHER	
40 Thames Street - title 1	Lot 108 DP 12262	9 Owen Street	LOT 5 DP 5319
44 Thames Street	Lot 110 DP 12262	156 Wellesley Road	PT TN SEC 314 NAPIER
46 Thames Street	Lot 112 DP 12262	160 Wellesley Road	PT TN SEC 569 NAPIER
50 Thames Street	Lot 113 DP 12262		
52 Thames Street	Lot 114 DP 12262		
56 Thames Street	LOT 1 DP 14069		
68 Thames Street	LOT 1 DP 15012		
52 - 54 Pandora Road	LOT 1 DP 15945		
34 Thames Street	LOT 105A DP 12809		
66 Thames Street	LOT 2 DP 17336		
1-35 / 82 Thames Street	LOT 93 DP 16785		
84 Thames Street	LOT 94 DP 16785		
88 Thames Street	LOT 95 DP 16785		

Table 2: Surplus Land

Set out below is a table of leasehold land addresses and their associated legal descriptions. This list was approved by Council on 12 December 2024 and endorsed on 31st July 2025

398 Prebensen Drive, Tamatea excluding land previously designated for	Lot 1 DP 14906
17 Allen Berry Avenue, Pirimai	Lot 126 DP 11689
11 Hospital Terrace, Napier Hill	Lot 100 DP 493568
5 Tangaroa Street, Ahuriri	Lot 2 DP 17736
115 Battery Road, Ahuriri	Lot 11 DP 556903
113 Battery Road, Ahuriri	Lot 158 DP 4703
111 Battery Road, Ahuriri	Lot 157 DP 4703



Quarterly Performance REPORT

QUARTER THREE FY 2025-26
COVERING 1 JANUARY 2026 - 31 MARCH 2026



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri



Contents

Quarterly Performance Summary	2
Strategic Programmes Update	4
People and Capability	8
Health and Safety	10
Capital Plan Delivery	13
Financial Performance Snapshot	14
Performance v Budget	15
Treasury Management Summary	16
Risk and Assurance	17
Regulatory Activity Report	20
Quarterly Service Request Report	30
Service Requests Received	33
Documents Executed Under Seal	37
LGOIMA Requests	38



Quarterly Performance Summary

JANUARY TO MARCH 2026

The following is a snapshot of achievements from the past quarter, including projects, consultations, and other operational activities.

January

Stage One of Emerson Works: The Squares began. This project is an infrastructure and above-ground upgrade of Clive Square East, Clive Square West and Emerson Street between Clive and Memorial Squares. The result will be modern and resilient underground infrastructure and a safer, more accessible and vibrant western gateway to the CBD.

The Taradale Road and Herrick Street culverts upgrade began. This work will improve stormwater flow and protect Marewa and central Napier.

Work began on the Park Island Northern Sports Hub, including three new rugby fields. The development supports more than 500 players and delivers long-term, purpose-built sports infrastructure for Napier.

The Napier Discover Pass was launched. One pass gives access for 2026 to Ocean Spa, Bay Skate, Faraday Museum, National Aquarium and Par2 MiniGolf, plus a bonus visit. The Discover Pass is to encourage locals to explore the city all year round.

Council's Community Resilience team hosted over 60 Street Coordinators for a Neighbourhood

Support Connect morning at the Napier War Memorial Centre. The team created a welcoming space for Street Coordinators to connect, learn, and share ideas, while also recognising the important role they play in building more connected neighbourhoods.

February

Council received its Wastewater Treatment Review Results from Hawke's Bay Regional Council. Last year, a comprehensive review of Awatoto wastewater treatment processes and plant performance was submitted, helping meet our discharge consent conditions and protect the environment. The review results confirmed that the plant is performing strongly, with no additional treatment required before 31 December 2028.

Kennedy Park Resort picked up a Traveller Review Award 2026. This award recognised the facility as one of the highest-rated guest favourites, celebrating the Kennedy Park team's care and pride in looking after customers.

The Community Resilience team organised a successful Whānau Fest at Anderson Park, supporting families and community resilience.

The Bay Skate expansion project continued. The upgrade includes transition features such as a quarter pipe and ramp, along with street elements such as stairs and a grind rail.

March

Consultation on Annual Plan 2026/27 commenced.

Progress continued on the construction of Te Kete, with further foundation pours for the new library and groundwork preparation for the new community and chambers building.

Napier City Council was the first council in New Zealand to be approved as a Climate Action Loan borrower under the new NZ Local Government Funding Agency criteria. This means we are eligible for lower interest loans because we have a proactive and current Emissions Reduction Plan in place. This is a strong endorsement of the work underway to measure, manage and reduce our emissions.

The Faraday Museum of Technology held a successful Volunteer Open Day. The Museum is mostly run by volunteers with an interest in mechanics, history, science, and technology. The Open Day was to encourage new volunteers to join the team.

Whiria Ahuriri, Napier's Multicultural Strategy, was adopted by Council. The strategy recognises the strength and diversity of our communities and will

help to guide how we continue to build a more connected and inclusive city.

Emerson Works continued including new wastewater pipes and footpath upgrades on Clive Square East. On Clive Square West a new footpath and dedicated bus parking area improved safety and access. Emerson Street between the Squares closed to traffic and pedestrians until November while upgrades are completed.

The Animal Control team worked with Vet Services and the SPCA on a pilot programme to improve dog health and registration in some Napier communities. The programme included free vaccinations, microchipping, discounted dog registration, SPCA desexing vouchers and one-off pet food donations.

Council adopted a Water Demand Management Strategy with a goal to cut citywide water use by 10% by 2030. Napier's drinking water comes from the Heretaunga aquifer, and managing demand helps protect the aquifer, reduce pressure on our network, and delay expensive infrastructure upgrades. It also supports Council's water take consent renewal in 2027. The strategy focuses on finding and fixing leaks, better monitoring of the network, and working with large water users, schools and the community to reduce demand across the city.

Strategic Programmes Update

Civic Precinct

PROJECT SCOPE:

Design of new library and community facility and Council Chambers as well as redevelopment of the old Library Tower into officer accommodation

Q3 UPDATE:

Construction on site continues with no issues to date.

Key Milestones:

- Structural steel installation is well underway with the steel portal installed on Level 4 to support the extended plant room, along with the floor plates and slab edge SHSs is completed.
- Exterior columns have been prepared and painted with the façade installation underway on the Southside of Maranga.
- The Te Aka foundations are largely completed, and the contractor is now focusing on installing the structural steel for the backpack structure on the south side of the library building.

Foundations of the new council chambers are underway and progressing well.

The project remains within the \$110,000,000 budget per the latest financial report issued by the independent Quantity Surveyor on 26 January 2026. The value management/engineering process is still ongoing.

STRATEGIC PRIORITY:

- Places and spaces for all

PROJECT STATUS



Inner Harbour

PROJECT SCOPE:

Waka Hub: Provide waka with secure mooring for ocean-going waka in Te Matau a Māui (North Island), via a floating pontoon, and improve access for the waka Hourua.

Nelson Quay: Enhance the inner harbour by delivering sustainable and future-ready infrastructure solutions for Nelson Quay Wharf. It focuses on improving operational efficiency, supporting marine activity, and creating long-term value for the community and stakeholders.

Meeanee Quay: Forms part of the inner harbour revitalisation by upgrading marine infrastructure to improve safety, functionality and resilience. Replace aging pile moorings with modern systems, enhancing public access and parking.

Discharge Wharf: The Discharge Wharf project involves the planned deconstruction and removal of the existing end-of-life wharf structure at the Iron Pot, including safe management of structural, environmental, and ecological risks, disconnection of services, and reinstatement of the site to a stable condition to enable consideration of future use.

Q3 UPDATE:

Waka Hub: Water-based works have commenced, with contractor mobilisation completed and marine construction activities underway.

Nelson Quay: Activity at Nelson Quay during Quarter 3 has been focussed on managing structural risks and prioritising the safety of people and property, while longer-term opportunities to enhance the Inner Harbour continue to be considered.

Meeanee Quay: In Quarter 3, Meeanee Quay transitioned out of the Risk Response phase, with subsequent activity centred on strategic review and consideration of longer-term priorities for the site.

Discharge Wharf: Discharge Wharf Deconstruction procurement activities were initiated to inform cost, methodology and timing considerations, alongside early planning to support future decisions for the site.

STRATEGIC PRIORITY:

- Places and spaces for all

PROJECT STATUS



Ahuriri Regional Park

PROJECT SCOPE:

Redevelopment of council owned Lagoon Farm into a stormwater treatment facility alongside ecological enhancements and cultural narratives. Developed as a joint venture with HBRC, Mana Ahuriri Trust, and NCC.

Q3 UPDATE:

Geotechnical investigations of the Lagoon Farm site are nearing completion, with a report expected in April. Review of the draft Bird Strike Risk Assessment is also underway. A consultant has been engaged to provide a data-based option analysis for in-stream stormwater treatment, due end of June. The ARP Joint Committee reconvened for the new triennium in March, with all four Council members new to the Committee. Cr Isaac-Sharland was appointed Chair, a background paper discussed and a Committee activity programme is in preparation.

STRATEGIC PRIORITY:

- Places and spaces for all

PROJECT STATUS



Emerson Street

PROJECT SCOPE:

- Improve the resilience of Emerson St.
- Improve the resilience of Emerson St by replacing the aged wastewater pipe (dating back to pre-earthquake) and improving stormwater quality.
- Improve the safety and accessibility of our city's main retail street, and make it safer, make it more accessible, and enable greater flexibility around hours of operation.
- Improve way-finding and operational flexibility to make Emerson St a safer, more accessible destination.

Q3 UPDATE:

Construction has been underway since January on Stage 1 - the zip and Clive and Memorial square road corridor. Main contractor John Fillmore Contracting (JFC) and subcontractor Toa Civil are performing well and the project continues on time and within budget. The works area was successfully cleared for the Art Deco Festival in February. Detailed Design for Stages 2-4 (from Clive Square to Marine Parade) is on track for completion in May. Quantity Survey work is beginning to prepare for future funding options. The associated Transport Hub Strategy has been workshopped with Council.

STRATEGIC PRIORITY:

- Places and spaces for all

PROJECT STATUS:



Housing Divestment

PROJECT SCOPE:

Council agreed to shift its focus to delivering senior (retirement) housing only and to divest three social housing villages (Wellesley, Nelson Park and Carlyle). Also to investigate mixed and/or independent delivery models for the senior housing portfolio.

Q3 UPDATE:

- Senior Housing Portfolio - Registrations of Interest (ROI) received in mid-February 2026. 10 responses received with four parties shortlisted. Additional analysis is being undertaken by

Officers which has led to a delay in the Request for Proposal (RFP) being released to the market. A decision on timing of this will be made in Quarter 4

- Social Housing Portfolio - Requests for Proposal (RFP) received in mid-February 2026. Four responses received, with a decision pending on whom Council will engage to act for Napier City Council to divest the three social villages. Timing of taking the three villages to market for sale will be made in Quarter 4.

- Continued engagement with tenants across entire housing portfolio.

- Abbeyfield Hawke's Bay - Council is continuing to work with Abbeyfield on proposed development and commercial terms alongside their own funding activities for the proposed Napier site.

STRATEGIC PRIORITY:

- Financial sustainability

HOUSING DIVESTMENT

PROJECT STATUS



ABBNEYFIELD

PROJECT STATUS



Reimagining of Commercial Transition facilities

PROJECT SCOPE:

Review how facilities are operated in the future, including location or services and activities. This includes National Aquarium, Napier isite, Par2 MiniGolf, and Faraday Museum of Technology.

Q3 UPDATE:

National Aquarium New Zealand (NANZ) Request of interest (ROI)

- National Aquarium New Zealand (NANZ) Request of interest (ROI) process commenced and went to market in late November 2025 and closed 16 January 2026.
- Evaluations and interviews February-March 2026
- Recommendation presented to the Commercial Facilities Governance Group (CFGG) on Wednesday 1st April 2026.
- Council update workshop May 2026
- Decision to proceed to RFP / other options (Council paper) June 2026

Strategic Programmes Update Continued

Napier isite and Par2 Mini Golf Request of Interest (ROI)

- Napier isite and Par2 Mini Golf lease procurement development will commence April 2026.

Faraday Museum of Technology Trust Procurement

- Faraday Museum of Technology Trust procurement development will commence from April 2026

STRATEGIC PRIORITY:

- Financial sustainability
- Great visitor destination
- Spaces and places for all

PROJECT STATUS



Commercialisation of Commercial Transition Facilities

PROJECT SCOPE:

Council agreed to loan-fund the deficits of the three facilities (Kennedy Park Resort, Ocean Spa, Napier Conferences & Events) as they transition to becoming financially self-sustainable.

Q3 UPDATE

- Performance continues to be challenging, and this continues to be communicated. There has been noted improvement in expenses and personnel budgets but revenue is down due to cost of living, environmental impacts of the fuel crisis and cancellation impacts from Cyclone Vaianu.
- Leasing project for Kennedy Park Resort & Ocean Spa has completed the ROI process and now the RFP, inviting five parties to a closed tender for Kennedy Park Resort and four parties for Ocean Spa.
- RFP Evaluations, interviews, and price analysis February-April 2026.
 - We have undertaken interviews, and we are now reviewing and analysing all the tenders to make sure we understand what each provider is offering and the value they bring.
 - This process is taking slightly longer to ensure we are getting the best outcome for Council and our community.
 - This is a generational project that will have significantly favorable financial impacts on the organisation and community.

- Present recommendations to CFGG May 2026
- Council update workshop May 2026
- Recommendation to Council after RFP interviews June 2026.

STRATEGIC PRIORITY:

- Financial Sustainability

PROJECT STATUS



Carbon Reporting

PROJECT SCOPE:

To measure and report Council's greenhouse gas (GHG) emissions, and implement the Emission Reduction Plan (2024)

Q3 UPDATE:

- The Workride low carbon employee transport pilot launched in March.
- Locky Docks secure bike parking stations were installed at the i-Site and The National Aquarium of New Zealand. Three further sites are in progress.
- NCC was approved as an Local Government Funding Agency (LGFA) Climate Action loan borrower, the first council to meet more stringent criteria. This will deliver interest rate reductions on Council borrowing.
- We are planning to trial a new permeable paving product (Porous Lane) utilising recycled tyre rubber in car park and footpath applications.
- A "no mow" rewilding project bordering the Taipo Stream at Park Island is progressing in collaboration with HBRC.
- NCC are supporting plans for a Regional Energy Summit alongside other councils and the Hawke's Bay Chamber of Commerce.
- Projects to install solar and batteries on two community sites are being funded via Energy Efficiency and Conservation Authority (EECA) Community Resilience Fund and co-ordinated by Council. These will provide energy resilience in outage situations.

STRATEGIC PRIORITY:

- Financial sustainability
- Resilient city

PROJECT STATUS



Emergency Management

PROJECT SCOPE:

Focus is to ensure that both Council and the community are well prepared and resilient with the capacity to respond effectively and recover quickly from future emergency events.

Q3 UPDATE

People

- There has been good progress in staff training at the Emergency Management fundamentals level. The next stage will be to concentrate on up-skilling for function managers to lift overall capability.
- The Tropical Cyclone Vaianu response has provided NCC staff with greater awareness of how the Emergency Operations Centre (EOC) is expected to operate. This was particularly useful for staff who have only just completed fundamentals training. The challenge now is to maintain the momentum.

Capability

- The Taradale Library generator remediation is complete, and the focus will now shift to ensuring it can operate as an Alternate EOC. This will require development of the operating space, increase in situational awareness tools and fit out with EOC function boxes.
- The Tropical Cyclone Vaianu response has reinforced that we need to further refine our Civil Defence Centre (CDC) processes and policy. The infrastructure at identified sites is not optimal and will need to be addressed as a priority.
- A strategic approach to future Emergency Management operational infrastructure remains a priority, and LTP development is key to this workstream.

Strategy

- Community Emergency Hubs continue to roll out, supported by development of a community resilience network. A Local Welfare Network has been developed with an agreed TOR. While the NCC network was not comprehensively tested during Vaianu, gains were made in Māori liaison and relationships.
- Now a decision has been made on development of an Emergency Management Strategy, work can continue at pace to guide a whole-of-Council approach. Until this work is complete, and we have further improved the operational infrastructure and capabilities, the overall status will remain orange.
- A Coordinating Executive Group (CEG) leadership sub-committee has been formed to operationalise the Hawke's Bay Civil Defence Emergency Management (HBCDEM) Transformation Strategy and provide robust reporting on assurance to the CEG. The NCC Emergency Management Lead sits on this committee.

Readiness

- The 2026 regional exercise planning group has now been established and there is a road map for key exercises to continue to build operational capability.
- Readiness remains a key area of risk for NCC. While the response to Tropical Cyclone Vaianu demonstrated improvement in some areas, it also accentuated that there has been little progress in others. A robust lessons identified process has been established and will drive further work in the readiness area. Until then this remains amber.

STRATEGIC PRIORITY:

- Resilient City

PROJECT STATUS



People and Capability

Employee exits during the reporting period were primarily driven by career progression and employment transitions, including completion of study, acceptance of permanent roles, and pursuit of new professional opportunities.

A smaller number of departures were associated with organisational change, including restructuring impacts, workload pressures, and culture-related concerns. Fixed-term employment and the conclusion of temporary contracts also contributed to staff turnover. In addition, one long-tenured employee exited due to health and physical demands of the role.

Q3 Workforce and Turnover Narrative

Total headcount decreased over the Q3, from 841 to 838. This change was primarily driven by a reduction in casual employees, which declined from 174 in January to 155 in March (a decrease of approximately 10.9%). Permanent headcount increased by 12 employees in March, while fixed-term numbers remained stable. This reflects a deliberate shift toward greater workforce stability, including the conversion of casual and temporary roles into permanent positions to support effective operations, predominantly in our facilities

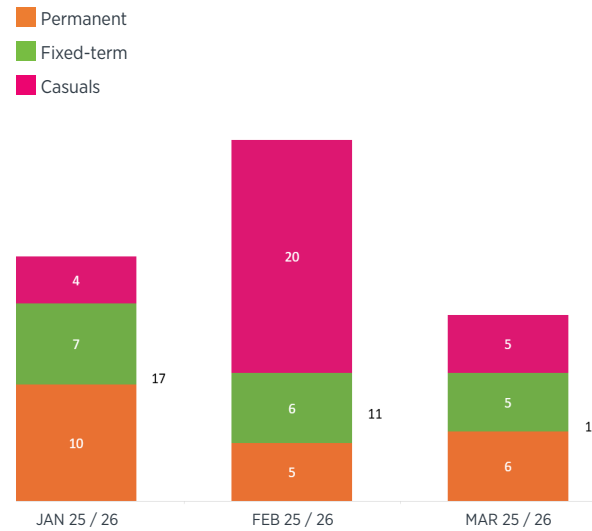
While the number of permanent employees has increased, overall full-time equivalent (FTE) levels have remained broadly stable. This suggests a continued mix of part-time arrangements or a lower average FTE per employee, enabling flexibility while maintaining workforce capacity.

Exit survey data shows that employee exits during the Q3 period were primarily driven by career progression and planned employment transitions, including completion of study and the pursuit of new professional opportunities. A smaller number of departures related to organisational factors, including restructuring impacts.

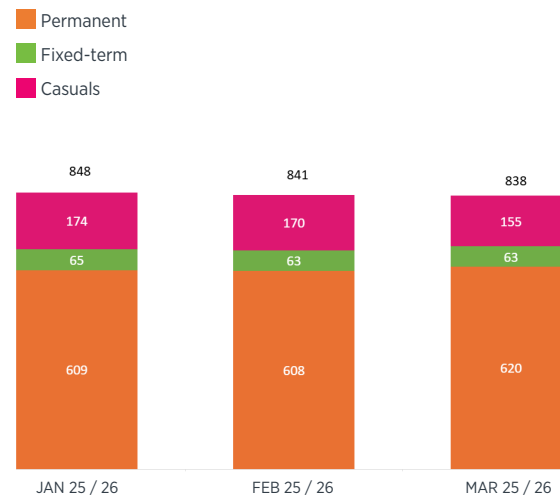
It is also noted that Q3 turnover reporting now reflects permanent employees only, whereas prior quarters included fixed-term exits. Despite this change, Q3 turnover remained consistent with Q2 at 3.5%, compared with 3.2% in the previous quarter. Both quarters remain significantly lower than the Q1 turnover rate of 10%, which was driven by the organisational redesign. This indicates that workforce turnover has stabilised following the earlier period of change.

As a result, annualised turnover has continued to trend downwards, reaching 21.6% this quarter. Overall, Q3 data demonstrates increasing workforce stability and positive workforce retention.

EMPLOYEE EXITS Q3 FY 2025-26



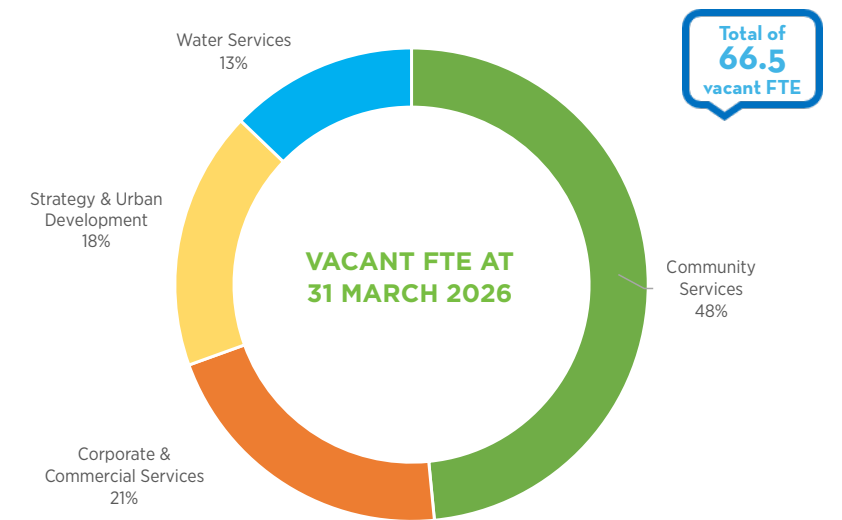
EMPLOYEE NUMBERS Q3 FY 2025-26



EMPLOYEE TURNOVER (PERMANENT AND FIXED-TERM STAFF ONLY)



VACANT FTE Q3 FY 2025-26

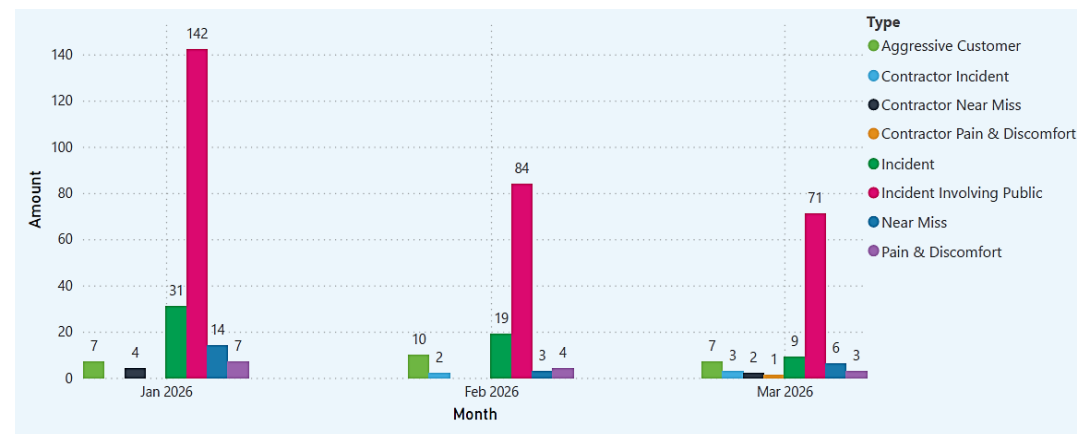


Health and Safety

This report provides an overview of health and safety performance for Q3 2025, including event and injury trends, competency training participation, and emerging focus areas. The data highlights changes in reporting patterns across the quarter and supports ongoing monitoring of risk, workforce capability, and safety culture.

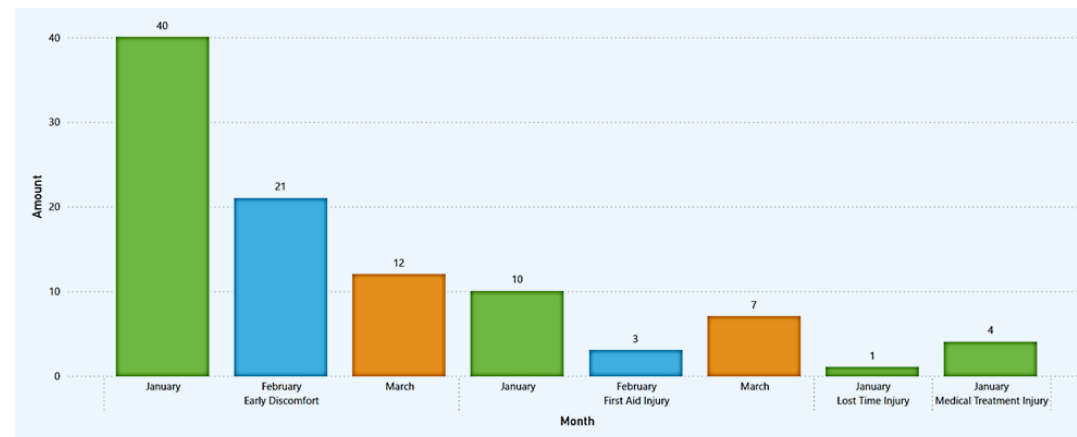
Event by Type

Event reporting was highest at the beginning of the quarter before gradually decreasing across February and March. Incidents involving members of the public continued to represent the largest proportion of reported events, with numbers reducing from January to March. General incident reporting and aggressive customer events also followed a similar downward trend across the quarter. While other event types such as near misses and contractor-related events were reported in smaller numbers, they remain important indicators of operational risk and provide opportunities for preventative action. Overall, the data suggests that staff continue to actively report events, supporting visibility of risks and enabling ongoing monitoring of safety performance across council operations.



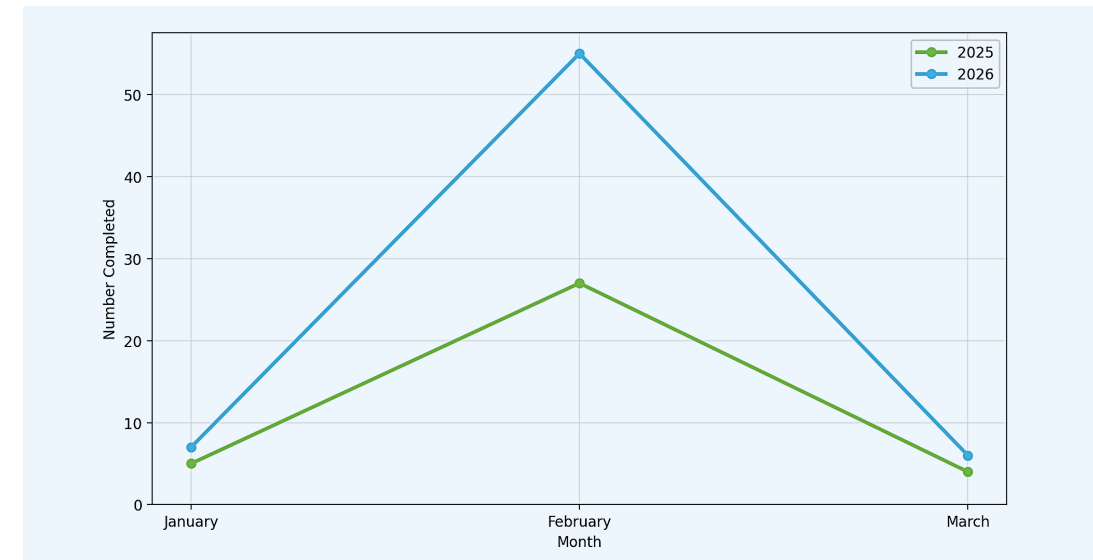
Injury by Type

Injury data for Q3 indicates that injuries remain predominantly low severity, with early discomfort continuing to represent the largest proportion of reported injuries. While injury numbers were higher earlier in the quarter, they reduced toward the end of the period. First aid injuries were recorded at relatively low levels and there were only a small number of injuries requiring medical treatment or resulting in lost time. This pattern continues to reinforce the effectiveness of early reporting and proactive management of discomfort and minor injuries, helping to prevent escalation into more serious harm.



Competency Training

Competency training participation increased compared with the same period in the previous year, with higher completion numbers recorded across all three months. February recorded the highest number of competency completions, likely reflecting scheduled training programmes or operational requirements during this period. While January and March recorded lower completion numbers, overall participation indicates continued engagement in competency development and supports maintaining workforce capability across the organisation.





Capital Plan Delivery

Total capital expenditure of \$63.3m is \$45.7m below the revised budget. Significant project variances include:

- Property Assets:** capital works for the Inner Harbour are \$6.7m below budget due to the structural risks found and new strategy required around the management of these assets. More information on the Inner Harbour can be found in the Strategic Programmes section of this report.
- Transportation:** The Transportation Hub has recently been reviewed in a Council workshop and construction has not yet begun. It is currently \$2.5M below budget.
- Transportation:** The Redclyffe Bridge project is \$1.8m under budget. Since Hastings District Council oversees the project, the variances observed are attributable to timing differences in transferring costs.
- Community and Visitor Experiences:** McLean Park improvements and renovations, which include enhancements to the sound system, screens, and lighting, as well as refurbishment of corporate boxes, lounges, and seating areas, are currently \$2.1m below budget. This underspend is primarily due to delays in progressing projects while capital initiatives are being aligned with the strategic outcomes outlined in the McLean Park Strategy report.
- Community and Visitor Experiences:** MTG Hawke's Bay Building Renewals are \$2.1m below budget. Three significant building projects have commenced but are delayed by varying levels of complexity: replacing chiller, boiler, and building weathertightness.

* Variance Key
Favourable / Underspent
Unfavourable / Overspent

Capital	Year to Date March 2026				Year End		
	Actual	Revised Budget	Variance *	% Variance	Revised Budget	Annual Plan	Variance *
Governance and Representation	-	64	64	100%	86	86	-
Transportation	9,749	19,659	9,910	50%	29,897	26,585	(3,312)
Stormwater	4,483	7,282	2,799	38%	10,545	9,746	(800)
Wastewater	4,917	7,029	2,112	30%	10,640	8,350	(2,291)
Water Supply	7,826	10,434	2,608	25%	12,449	9,549	(2,900)
Other Infrastructure	243	1,064	821	77%	5,446	4,929	(517)
City Strategy	185	907	721	80%	1,185	1,487	302
Community and Visitor Experiences	10,352	21,239	10,887	51%	28,207	21,950	(6,257)
Property Assets	24,086	38,195	14,109	37%	56,826	74,395	17,568
Support Units	1,440	3,099	1,660	54%	4,133	4,306	174
Archived Cost Centres	-	-	-	-	-	-	-
Total Capital Expenditure	63,280	108,972	45,692	42%	159,414	161,382	1,968
Asset Sales	(641)	0	641	>100%	0	-	(0)

Financial Performance Snapshot

* Variance Key
Favourable / Underspent
Unfavourable / Overspent

All Council	Year to Date Dec 2025				Year End		
	Actual	Revised Budget	Variance *	% Variance	Revised Budget	Annual Plan	Variance *
<i>Figures are shown in thousands (\$,000)</i>							
Revenue							
Rates Revenue	82,734	83,917	(1,183)	(1)%	111,890	111,890	(0)
Finance Revenue	635	470	165	35%	626	626	0
Financial and Development Contributions	682	5,927	(5,245)	(88)%	7,903	7,903	-
Subsidies and Grants	7,869	11,482	(3,613)	(31)%	15,281	15,181	100
Other Revenue	36,043	41,238	(5,195)	(13)%	63,543	63,519	24
Other gains/losses	-	-	-		5,407	5,407	0
	127,962	143,034	(15,071)		204,649	204,525	124
Expenditure							
Employee Benefit Expense	45,631	45,388	(243)	(1)%	62,483	62,483	-
Depreciation and Amortisation	38,228	35,216	(3,012)	(9)%	46,955	46,956	1
Finance Costs	3,665	4,174	509	12%	5,565	5,565	-
Other Operating Expenses	53,626	64,699	11,073	17%	85,568	82,707	(2,861)
Share of associate surplus/deficit	-	(519)	(519)	(100)%	(692)	(692)	0
Offsetting Expenditure	-	(0)	(0)	(100)%	(0)	59	59
	141,150	148,958	7,808		199,879	197,078	(2,801)
Net Operating (Surplus) / Shortfall	13,188	5,925	(7,263)	(16)%	(4,770)	(7,447)	(2,677)



Financial Performance Snapshot

The year-to-date net operating shortfall of \$13.2m is \$7.3m unfavourable to the budgeted deficit of \$5.9m. This unfavourable variance is attributable to a combination of factors as outlined below:

Revenue

Total revenue is \$15.0m lower than budget. The lower revenue is offset by lower expenditure in most areas.

- Other Revenue is \$5.2m lower than the revised budget.
 - Commercial transition facilities recorded a \$3.1m shortfall against revenue targets intended to establish commercial viability. Conversely, several high-performing activities exceeded their revenue expectations, including the Faraday Centre, Napier Aquatic Centre, Napier Municipal Theatre, National Aquarium of New Zealand, and Parking.
 - Receipts at Redclyffe Transfer Station were \$744k below budget; however, this was offset by corresponding reductions in operational expenses and landfill fees.
 - Sales for the Parklands Residential Development were \$1.1m below budget, primarily due to the timing of transactions. Ahuriri Investment Management Ltd (AIM) is currently managing this investment and is refining its internal investment approach and forward planning assumptions. The reported budgets are presently aligned with Council strategies that were in place prior to AIM becoming operational.
 - Housing income was \$876k under budget, as rental revenue projections were based on maximum potential values that were not realised due to tenant mix and vacancies pending decisions regarding the future of social housing.

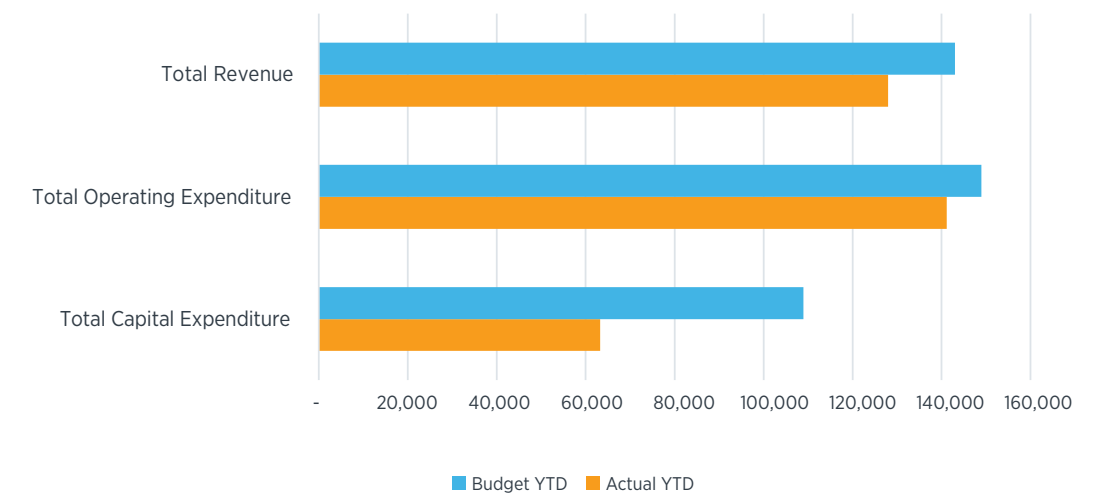
- Financial and Development Contributions are \$5.2m below budget due to uncertainty of external developments and during the budgeting process. A review of the 2026/27 Annual Plan budget is now completed, and further improvements in this process will be implemented for the LTP.
- Subsidies and Grants are \$3.6m below budget due to lower than budgeted capital expenditure in transportation, and timing differences in funding for the bridges in development by Hastings District Council.

Expenditure

Total expenditure is \$7.8m favourable to budget.

- Other Operating Expenses are \$11.1m lower than the revised budget. Underspends are mainly due to delays from organisational redesign, impacting project resources early in the year. There are also underspends in deliverable cost centres which partially offset the lower revenue.
- These favourable variances are partially offset by Depreciation and Amortisation which was \$3.0m unfavourable to budget due to higher than anticipated asset revaluations in the prior two years.

Performance v Budget



Treasury Management Summary Investments Report

INVESTMENT TYPES HELD AT QUARTER-END: 31 MARCH 2026

			Amount
Call Deposits			\$0
Term Deposits			
Bank	S&P Credit Rating	Average Int Rate	
Westpac	AA-	n/a	\$0
ANZ	AA-	3.00%	\$11,000,000
ASB	AA-	2.74%	\$9,000,000
BNZ	AA-	n/a	\$0
Kiwibank	-	3.00%	\$2,000,000
			\$22,000,000
Total Investments as at 31 March 2026			\$22,000,000

RANGE OF INTEREST RATES NEGOTIATED DURING THE QUARTER:

	Rate	Date
Call Deposits (lowest) *	n/a	All
Call Deposits (highest) *	n/a	All
Term Deposits (lowest)	2.40%	2/27/2026
Term Deposits (highest)	3.16%	2/17/2026

WEIGHTED AVERAGE INTEREST RATE FOR ALL CURRENTLY HELD INVESTMENTS:

	Amount	Average Rate
Call Deposits	\$0	0.00%
Term Deposits	\$22,000,000	2.91%
	\$22,000,000	

Weighted Average Interest Rate as at 31 March 2026	2.91%
Benchmark Average Interest Rate as at 31 March 2026	2.76%

(Benchmark = average 6-month 'BKBM' mid-rate of today and 6 months ago)

MATURITY PROFILE OF INVESTMENTS

Term	%age	Lower Limit	Upper Limit	Within Limits	
0 - 6 months	100.0%	30%	80%	No	◆
6 - 12 months	0.0%	20%	70%	No	◆
1 - 3 years	0.0%	0%	50%	Yes	◆
3 - 5 years	0.0%	0%	20%	Yes	◆

EXTERNAL LOANS REPORT

		\$000
External loans as at 31 December 2025		\$110,000
New loans raised in the quarter		\$20,000
Total external loans as at 31 March 2026		\$130,000
Balance of loans forecast to be raised in current year		\$15,000
Total external loans forecast 30 June 2026 (Annual Plan)		\$145,000

Risk and Assurance

During Q3 2025/26, the Risk, Controls & Assurance (RC&A) team liaised and met with key internal stakeholders, to better understand their objectives, key processes, and risks.

This phase allowed the RC&A team to screen, and gather information from all business units, map high-level workflows, and identify areas of priority for their work programme.

A 3-year Internal Audit Plan and the development of a new enterprise Risk & Assurance framework had been endorsed by Council during Q3.

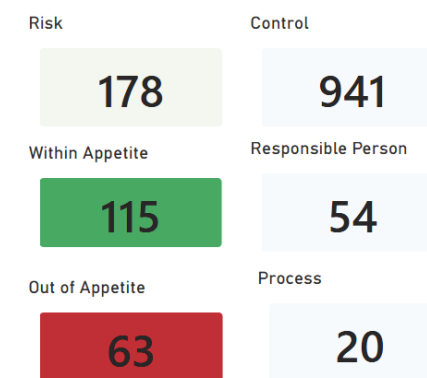
Assurance reports from the first round of internal assessments will be presented at the end of Q4. Implementation of the new risk and assurance

framework will include subsidiary frameworks (alignment) for programme and project delivery, health & safety, and asset management.

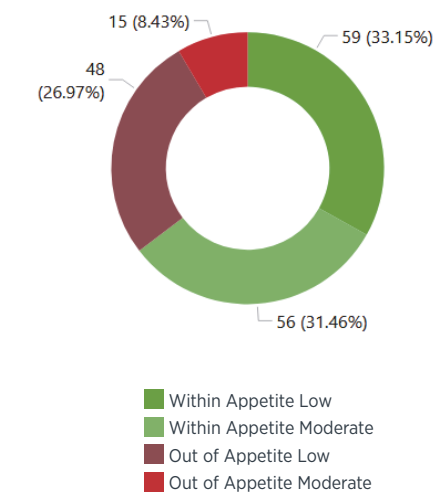
The overall Risk profile for NCC this quarter (Q3) remains similar to previous quarters, however a process of review and revision has been started.

Risk owners are updating their risks, evaluating if these are still relevant, identifying new risks, and reviewing the adequacy of controls and actions currently in place. This work is underway, and will continue through Q4 and the next financial year. Figure 1 provides a summary of the current state.

A) OVERALL RISK PROFILE FOR Q3 25/26



B) RISKS BY REVISED RISK APPETITE



C) RISKS BY PROCESSES

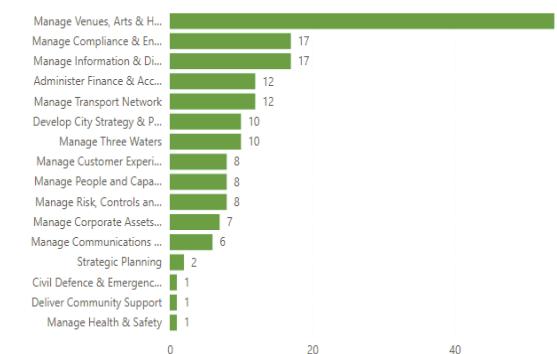


Figure 1. Council's overall risk profile for Q3 25/26. a), total number of risks (strategic and operational) and high-level breakdown in terms of risk appetite; b), ca. 65% of all current risks are within appetite. Of the total of out of appetite risks, 8.4% are further away from the current appetite and need prompt attention and revision. c), Breakdown of the total number of risks by Council's major processes.

Risk and Assurance Continued

The strategic risk landscape for the third quarter 2025/26 (Q3) remains similar to the last quarter, however this similarity is only superficial.

Council's strategic risk register is undergoing an update and revision. Seven out of 11 identified risks are still rated as 'out of appetite', with two of those risks rated as 'High' in their residual state: SR22 and SR36.

Risk SR22 – People & Capability remains High as there are ongoing operational projects in that area as the new organisational architecture is implemented. As part of our programme, P&C will soon be assessed by the Internal Audit function.

Risk SR36 – Delivery of Programmes & Change also remains rated as 'High' as there are external factors (threats to fuel availability and supply-chain) contributing as potential sources of risk (causes) to this area of uncertainty. Risk ownership has been updated, and review and revision of this risk is underway.

The other five risks deemed as out of appetite, are risks which are rated as 'Medium' in their residual state and do not require immediate attention. Figure 2, below, provides an overview of the strategic risk landscape.

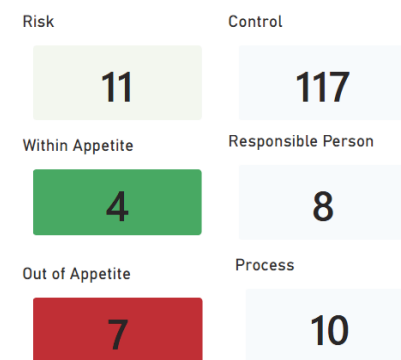
A revision and update process of the Strategic risk register (see Table 1 below) will be conducted during Q3 and Q4. The objective is to expand each strategic risk to their strategic components, increasing the total number of strategic risks, but also providing better visibility and granularity of the potential causes, aiding with the allocation of resources and time needed to put controls and mitigation actions in place. This approach will also allow for a better detection of Council's "top risks", improving our risk assurance and reporting.

Council's risk appetite statements are due for review and update. This work will start during Q4.

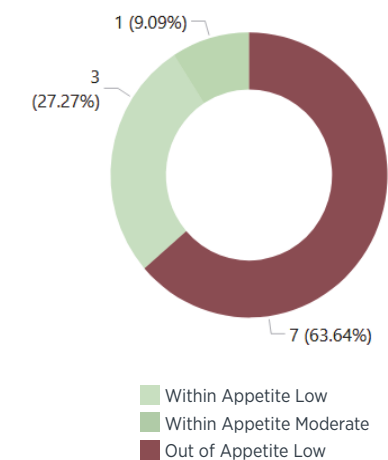
TABLE 1. SUMMARY OF COUNCIL'S STRATEGIC RISK REGISTER FOR Q3.

Risk Code	Risk Issue	Revised Risk Appetite	Revised Risk	Process	Process Owner Position
SR22	People & Capability	Out of Appetite Low	High [37.8]	Manage People and Capability	People & Capability Manger
SR36	Delivery of Programmes and Change	Out of Appetite Low	High [42]	Procure Goods and Services	EPMO Manager
SR32	Failure to proactively manage health and safety risks or maintain safe work systems	Within Appetite Low	Low [7.2]	Manage Health & Safety	Health & Safety Operations Manager
SR15	Infrastructure - Plan for, develop and maintain sound infrastructure	Out of Appetite Low	Medium [10.5]	Manage Three Waters	Executive Director Water Services
SR21	Not enabling our communities to become resilient	Out of Appetite Low	Medium [10.5]	Deliver Community Support	Executive Director Community Services
SR26	Impact of external change and reform	Within Appetite Moderate	Medium [10.5]	Strategic Planning	Head of Strategy and Programme Delivery
SR41	Security, Integrity and Privacy of Data and Information	Out of Appetite Low	Medium [10.5]	Manage Information & Digital Services	Head of Finance Data & Digital
SR23	Sustainable Financial Strategy	Within Appetite Moderate	Medium [10.8]	Strategic Planning	Head of Finance Data & Digital
SR25	Te Tiriti O Waitangi commitments and obligations	Within Appetite Moderate	Medium [10.8]	Manage Treaty Waitangi Obligations	Pou Whakarae Te Waka Rangapu
SR35	Climate Change - to improve infrastructure resilience and the ability of our community to respond to climate change impacts.	Out of Appetite Low	Medium [10.8]	Develop City Strategy & Plan	Head of Strategy and Programme Delivery
SR33	If an emergency response to an event is required and council plans and processes are not well developed, then there is a risk that the response will be uncoordinated leading to community harm.	Out of Appetite Low	Medium [12.6]	Civil Defence & Emergency Management	Head of Community Resilience & Assets

A) STRATEGIC RISK PROFILE FOR Q3 25/26



B) RISKS BY REVISED RISK APPETITE



C) RISKS BY PROCESSES

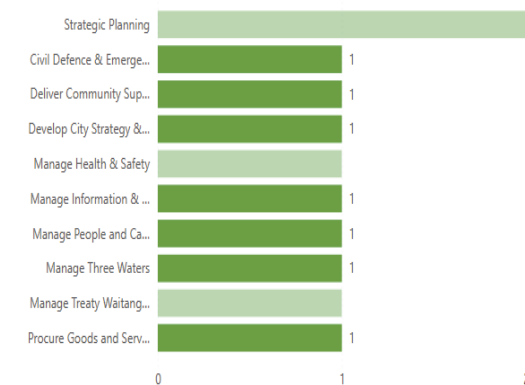


Figure 2. Council's Strategic Risk profile for Q3 25/26. a), total number of risks and high-level breakdown in terms of risk appetite; b), Seven out of 11 identified strategic risk are currently out of appetite (63.6%) in the system. As a revision and update process of the Strategic risk register is underway, the number of total strategic risks and those rated as out of appetite shall change in Q4; c), Breakdown of the number of strategic risks by processes, highlighting the seven areas which have out of appetite risks associated to them.

In terms of assurance work, the following activities were conducted:

- An ad-hoc assessment on water fault response time was conducted during Q3, and will be reported to Council as soon as completed.
- A series of internal audit assessments are being planned and booked to start at end of Q3 / beginning of Q4, following the endorsed 3-year Audit Plan.
- Streamlining of risk and assurance processes, information and data gathering, and risk reporting has been the focus of our Business Improvement function during Q3, and will continue the next quarter.

Regulatory Activity Report

QUARTER 3: 1 JANUARY – 31 MARCH 2026

Officers Comments

Building Consents

210 Building consents were issued this quarter with an estimated value of \$43,681,363.

There were 39 total new dwellings. This compares to 174 building consents and 35 total new dwellings in the same quarter of the previous financial year.

Building processing timeframes: 210 out of 210 consents were issued within the correct timeframe for this quarter.

The data shows a slight increase in building consent numbers for this quarter with no action required in response to the increase.

Resource Consents

This quarter saw 33 Resource Consents processed (16 subdivision and 17 land use) in comparison to 37 total Resource Consents (13 subdivision and 24 land use) in the same quarter of the 2024-25 Financial Year.

Resource Consent processing timeframes: For this quarter, 100% of all applications were processed within the correct timeframe.

Parking

Infringements Issued: A total of 2,591 infringement notices were issued this quarter. Of these, 631 notices (24%) have been paid, while 174 notices (7%) have been cancelled in accordance with standard review processes.

Paid Parking Trends: Paid parking activity continues to show a general upward trend, driven largely by increased parking availability resulting from improved enforcement efforts by Parking Officers. Enhanced monitoring and consistent enforcement have contributed to greater parking space turnover, making paid parking more accessible and increasing utilisation across key areas.

Parkmate Transactions: Parkmate recorded 52,040 transactions this quarter, an increase compared with the same quarter in the 2024-25 financial year, which saw 50,542 transactions. This growth aligns with the broader trend of rising paid parking uptake as turnover improves and parking supply becomes more reliably available to users.

Environmental Health

Noise Complaints: There were 587 noise complaints received this quarter compared to 443 complaints in the same quarter in the 2024-25 financial year. 3 infringement notices were issued compared to 8 in the previous year.

Alcohol Licencing: There were 58 applications issued this quarter compared to 131 in the same period of the previous financial year. These applications comprised of 26 Managers Certificates, 17 Special Licences and 15 premise licences.

Freedom Camping: This quarter there have been 2,998 recorded freedom camping vehicles which is a decrease compared to 3,069 in the same quarter of the 2024-25 financial year. There have been 63 infringement notices issued this quarter compared to 20 in the same quarter in the 2024-25 financial year.

Animal Control

Infringement Notices Issued: A total of 37 infringement notices were issued this quarter, representing a significant decrease compared with 80 notices issued in the same period of the 2024-25 financial year. This downward trend may reflect improved compliance, increased education efforts, or more proactive engagement with dog owners. Where infringements were issued, each case was reviewed and actioned in accordance with statutory requirements.

Dog Registrations: Dog registrations at the end of the quarter totaled 7,617, compared with 7,805 at the same point in the previous financial year. While the reduction is modest, it indicates a slight decline in registration compliance. Follow up reminders and targeted communication campaigns have been undertaken to encourage timely registration and ensure owners understand their legal obligations.

Impounding Activity: A total of 108 dogs were impounded this quarter. Year to date outcomes include:

- 165 dogs returned to their owners
- 33 dogs rehomed
- 123 dogs euthanised, compared with 142 euthanised in the same period last year

The reduction in euthanasia numbers reflects ongoing efforts to increase reunification and rehoming opportunities. Of the dogs euthanised, the reasons were:

- 12 aggressive
- 26 failed temperament assessment
- 17 displaying menacing breed behaviour
- 20 with Parvo Virus
- 6 surrendered due to aggression
- 12 involved in attacking/biting incidents
- 10 with behavioural issues
- 20 surrendered due to poor health or for humane reasons

These outcomes demonstrate that euthanasia decisions continue to be made only where necessary for public safety, animal welfare, or health related reasons. Increased collaboration with rescue organisations and improved owner engagement have contributed to better outcomes where possible.

Napier Assist

The total number of Napier Assist interactions recorded this quarter was 307, continuing a downward trend as strengthened collaboration with Police and a renewed focus on core deliverables reduce the volume of reactive call outs. Retailer and facility check-ins remained the most common activity; however, outside these routine engagements, homelessness (85) and public assistance (53) were the most frequent interaction types.

A significant portion of this work involved active engagement with people experiencing homelessness, including welfare checks, de-escalation, and connecting individuals with appropriate support pathways. The team worked closely with local support agencies and service providers to ensure individuals were referred to the right assistance, whether for housing, health, or social needs. All matters were investigated, and appropriate action was taken in partnership with Police and community agencies.

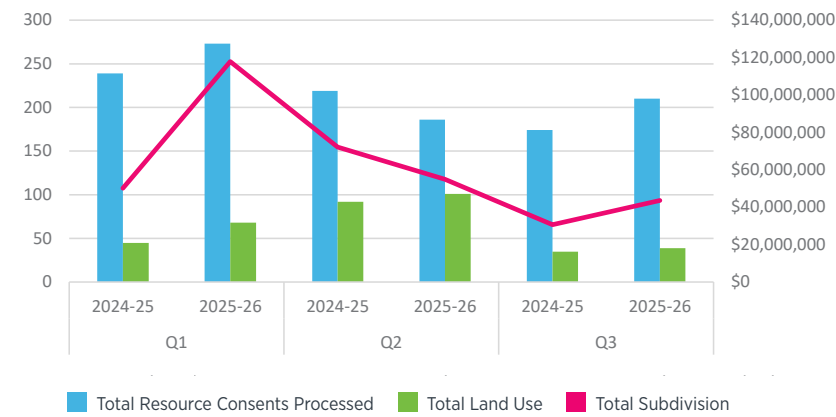


Regulatory Activity Report

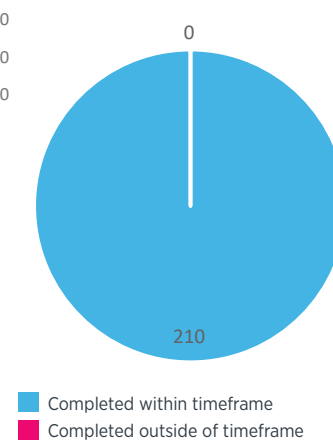
QUARTER 3: 1 JANUARY - 31 MARCH 2026

Building Consents

BUILDING CONSENTS ISSUED

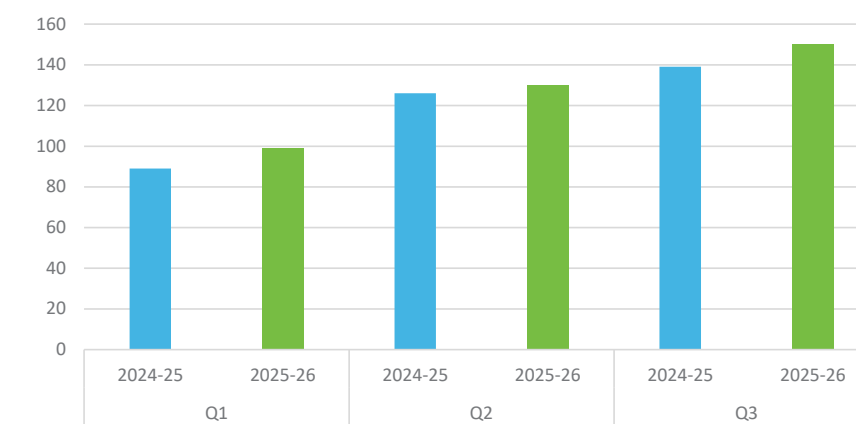


BUILDING TIMEFRAMES



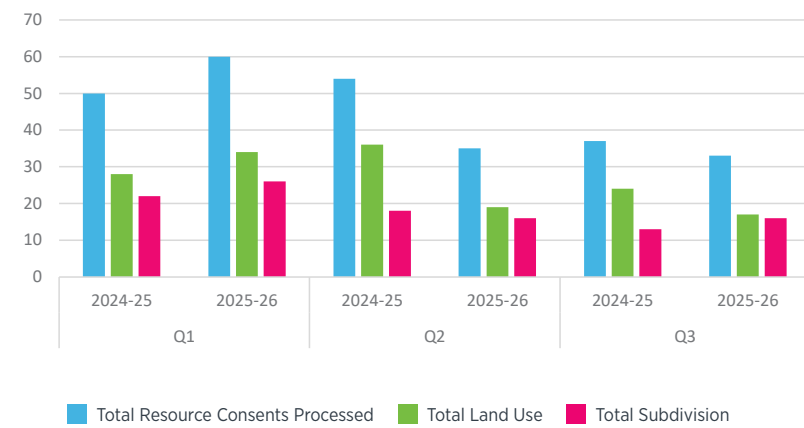
Lims and Property Files

TOTAL NUMBER OF LIMs ISSUED

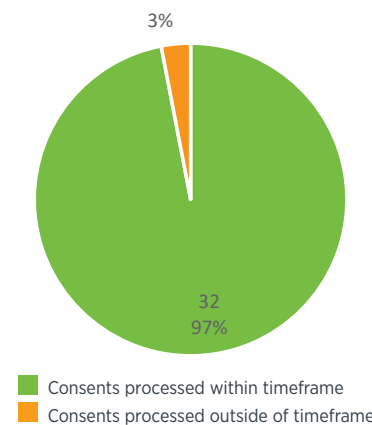


Resource Consents

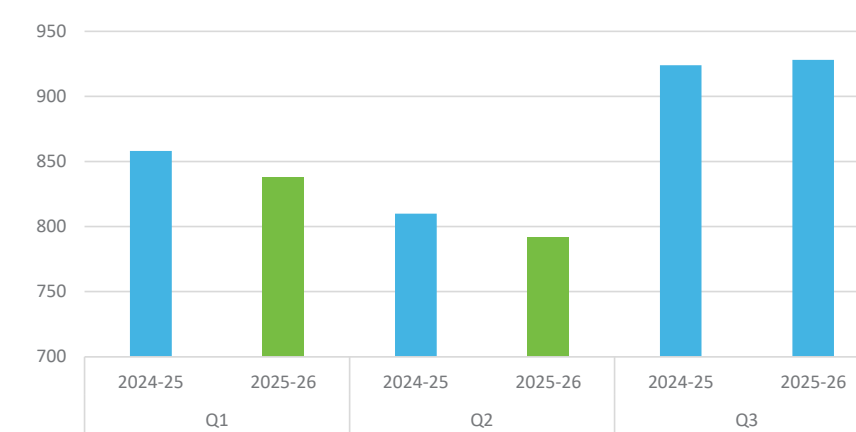
RESOURCE CONSENTS ACTIVITY



RESOURCE CONSENT TIMEFRAMES



TOTAL NUMBER OF PROPERTY FILES REQUESTED

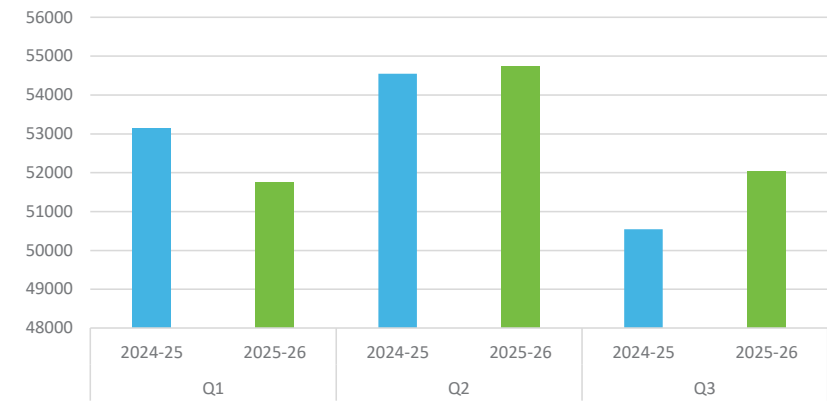


Regulatory Activity Report

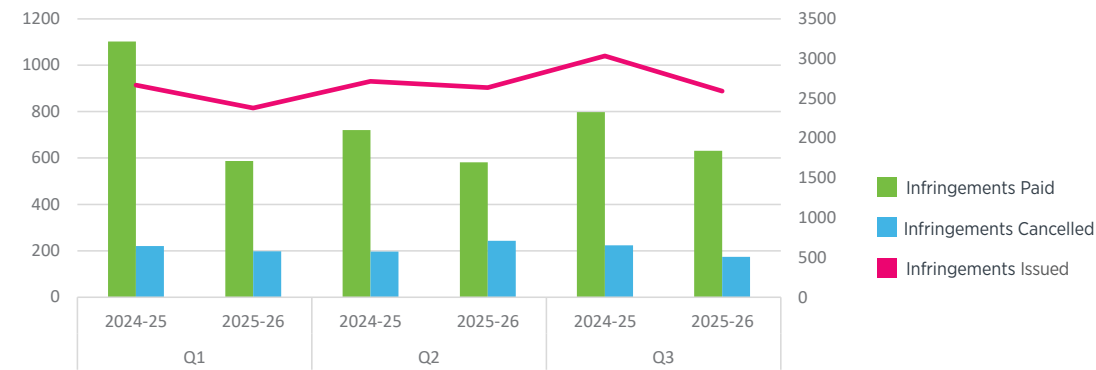
QUARTER 3: 1 JANUARY - 31 MARCH 2026

Parking

PARKMATE TRANSACTIONS



PARKING INFRINGEMENTS

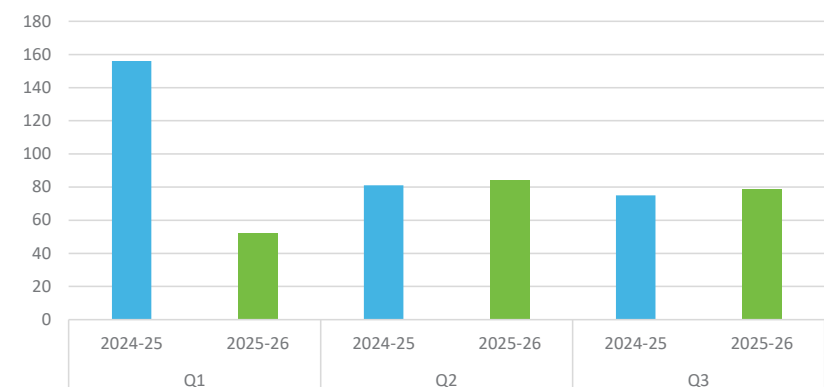


Regulatory Activity Report

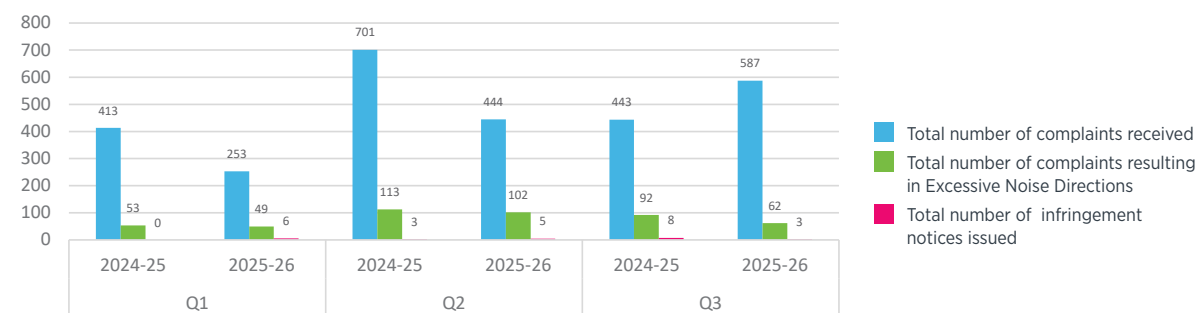
QUARTER 3: 1 JANUARY - 31 MARCH 2026

Environmental Health

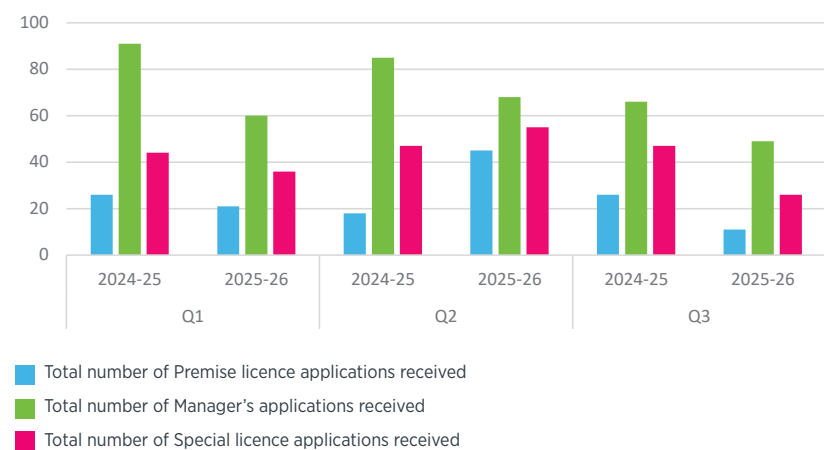
FOOD ACT 2014 AUDITS COMPLETED



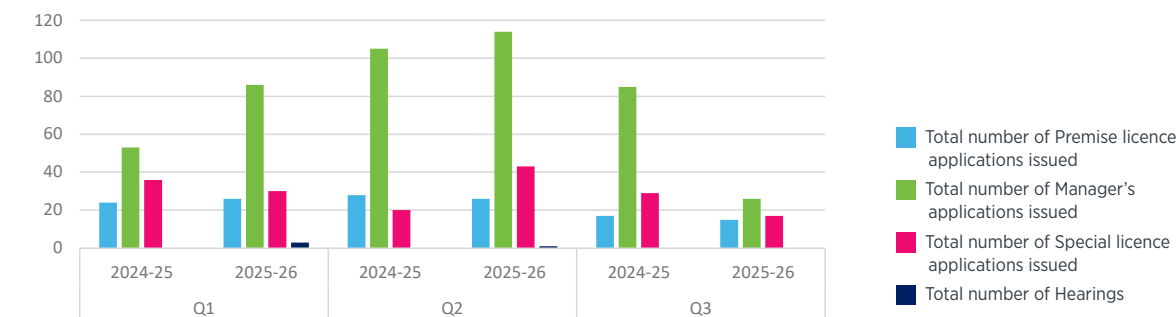
NOISE COMPLAINTS AND OUTCOMES



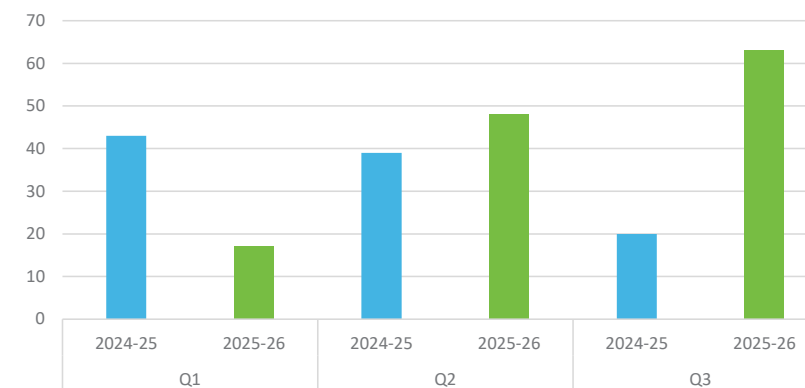
ALCOHOL LICENSING APPLICATIONS RECEIVED



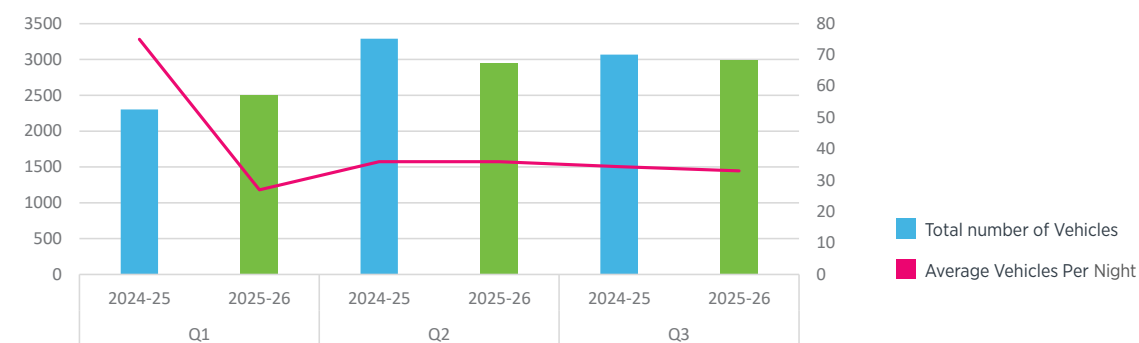
ALCOHOL LICENSING APPLICATIONS ISSUED



FREEDOM CAMPING INFRINGEMENTS ISSUED



FREEDOM CAMPING RECORDED VEHICLES

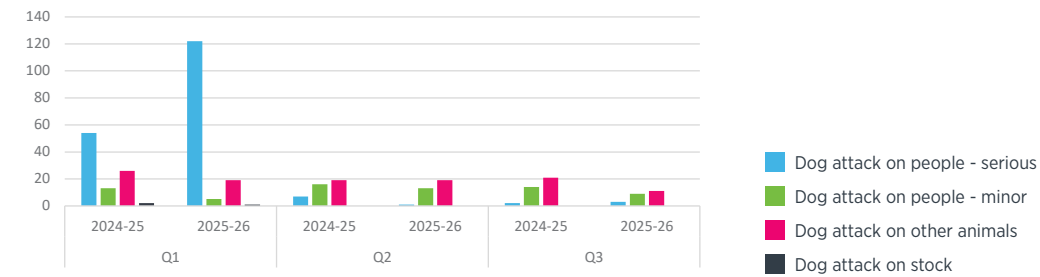


Regulatory Activity Report

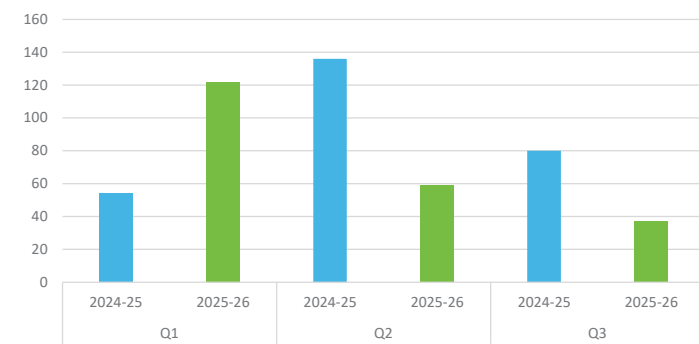
QUARTER 3: 1 JANUARY - 31 MARCH 2026

Animal Control

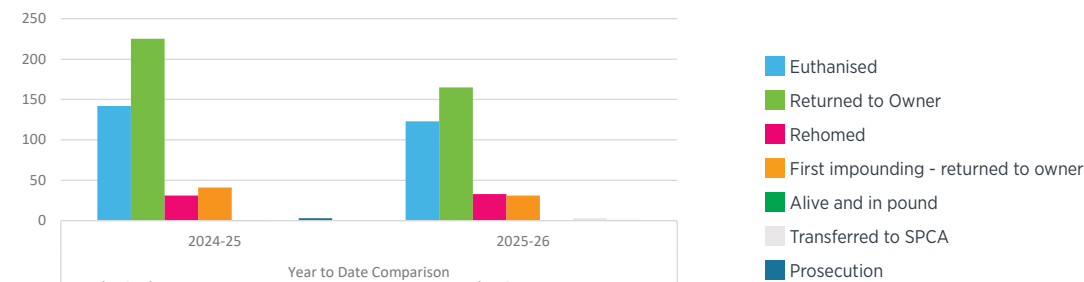
DOG ATTACK REPORT



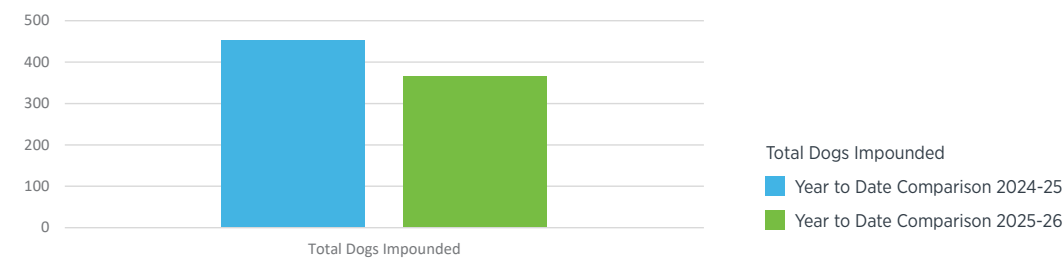
DOG INFRINGEMENT NOTICES ISSUED



ANIMAL CONTROL IMPOUNDING ACTIVITY

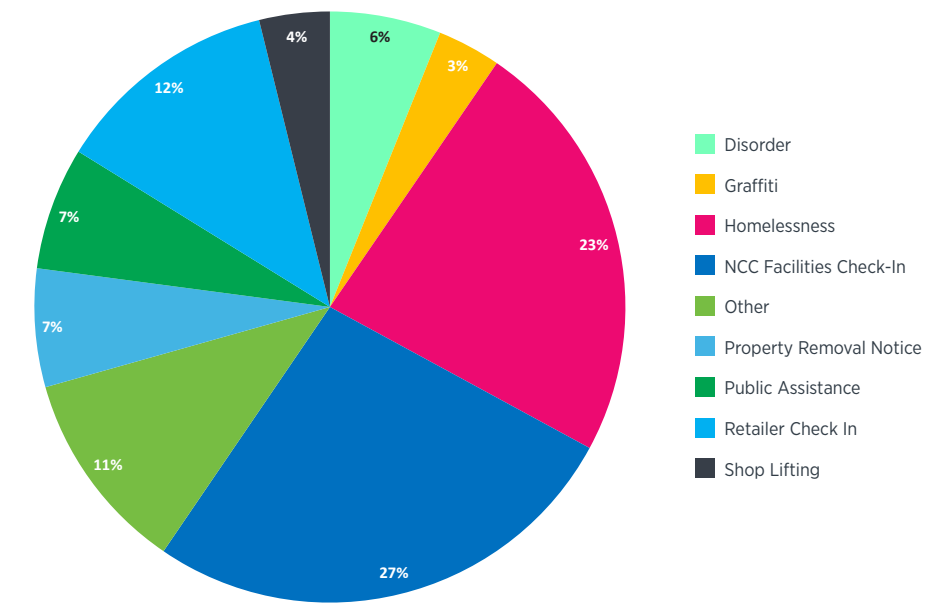


TOTAL DOGS IMPOUNDED YEAR TO DATE

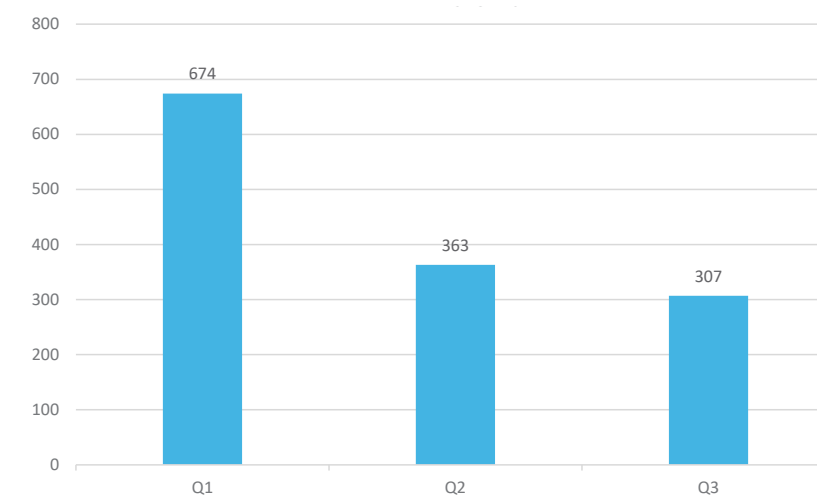


Napier Assist

NAPIER ASSIST INTERACTIONS



NAPIER ASSIST TOTAL INTERACTIONS



Quarterly Service Request Report

QUARTER 3: 1 JANUARY – 31 MARCH 2026

The following provides a high-level overview of what our customers contact us about. Not all customer contacts are requests for service, but if a customer requires information or a service that cannot be immediately provided by Council staff, it is entered into the Service Request system and passed through to the person who is able to action that request. Service Requests cover a wide range of customer requests, including complaints and compliments about our services, request for advice or information, and maintenance enquiries.

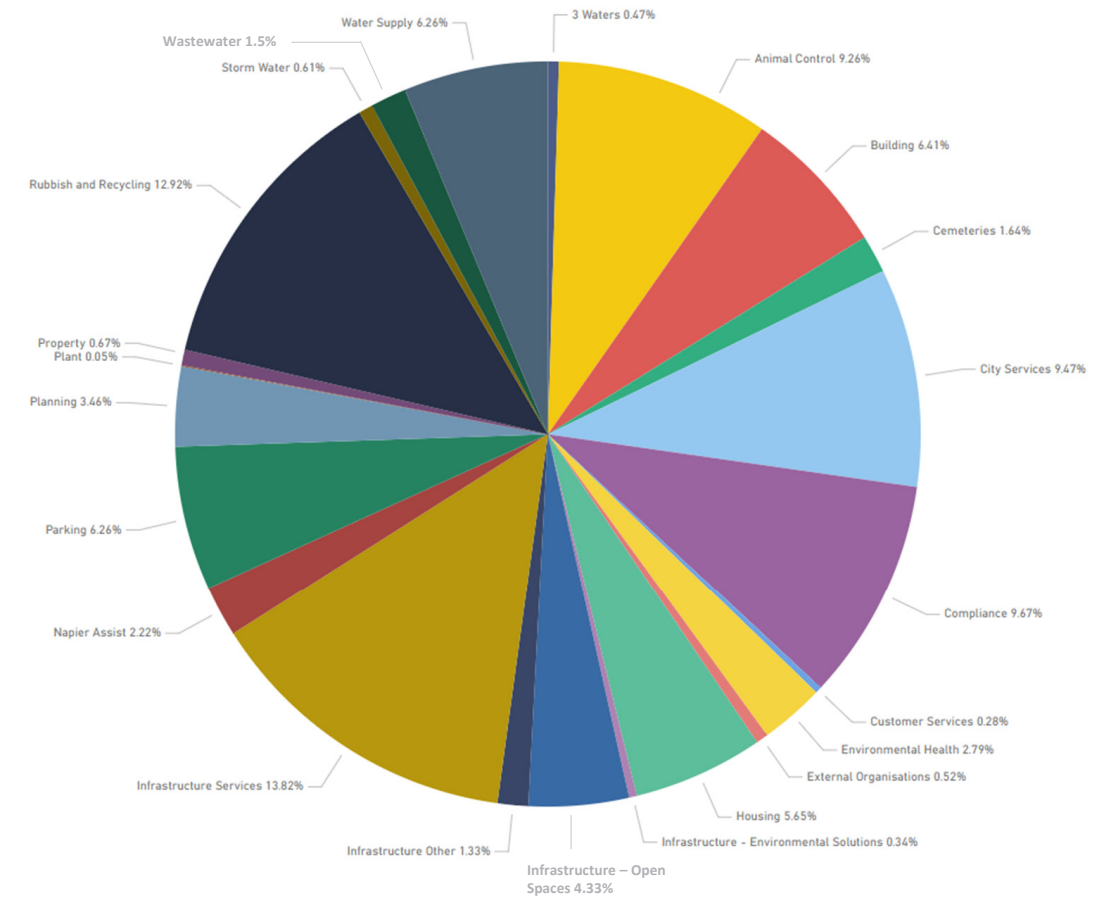
Questions about the data are best answered by the responsible Directorate.

Here is a description of the Service Request categories:

- **Animal Control** – requests relating to animal and dog control
- **Building** – related to building consents
- **Cemeteries** – request related to cemetery operations
- **City Services** – Depot, requests regarding maintenance of our assets and infrastructure
- **Customer Services** – request for the Customer Service team
- **Environmental Health** – requests related to food and alcohol licences, bylaws, and general compliance
- **External Organisations** – request for service from contractors used by Council for services i.e. Waste Management
- **Housing** – requests related to Council's housing tenancies
- **Infrastructure Other** – requests related to environmental matters, 3 waters, parks and reserves
- **Infrastructure Services** – requests related to roading
- **Parking** – requests related to parking
- **Planning** – requests related to resource management planning
- **Plant** – requests about Council equipment
- **Property** – requests related to Council-owned properties
- **Rates** – requests related to rating



PERCENTAGE SPLIT ACROSS DEPARTMENTS

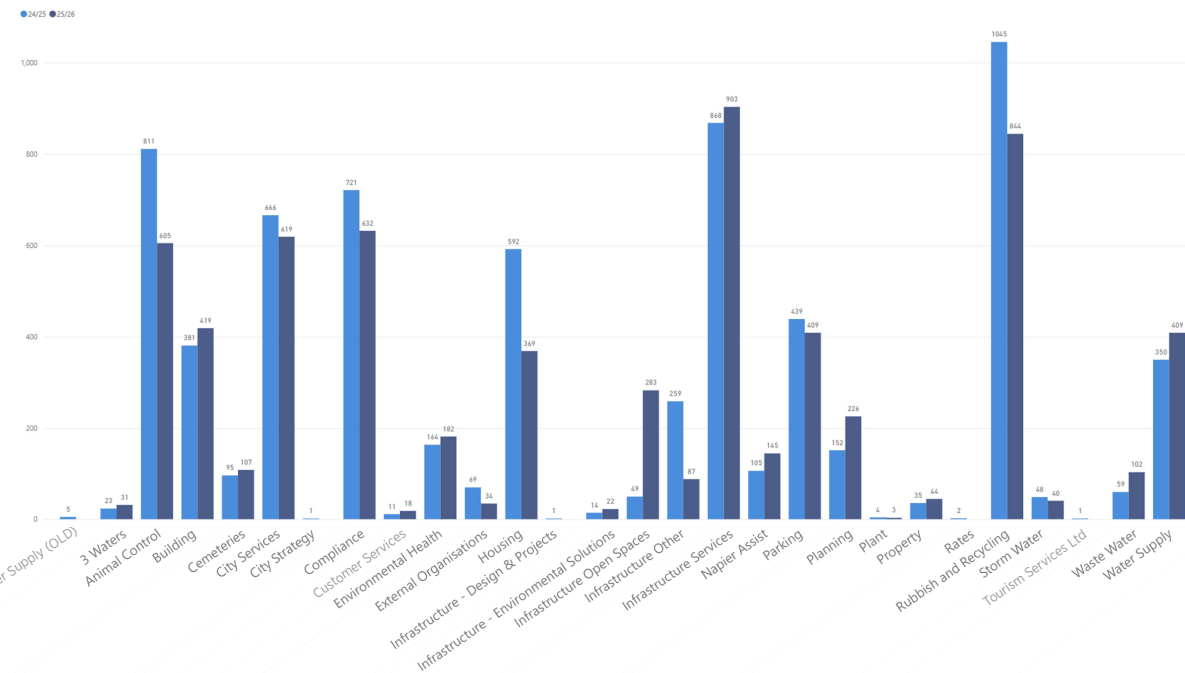


Total number of Service Requests
Quarter 3
6,533

Quarterly Service Request Report

QUARTER 3: 1 JANUARY - 31 MARCH 2026

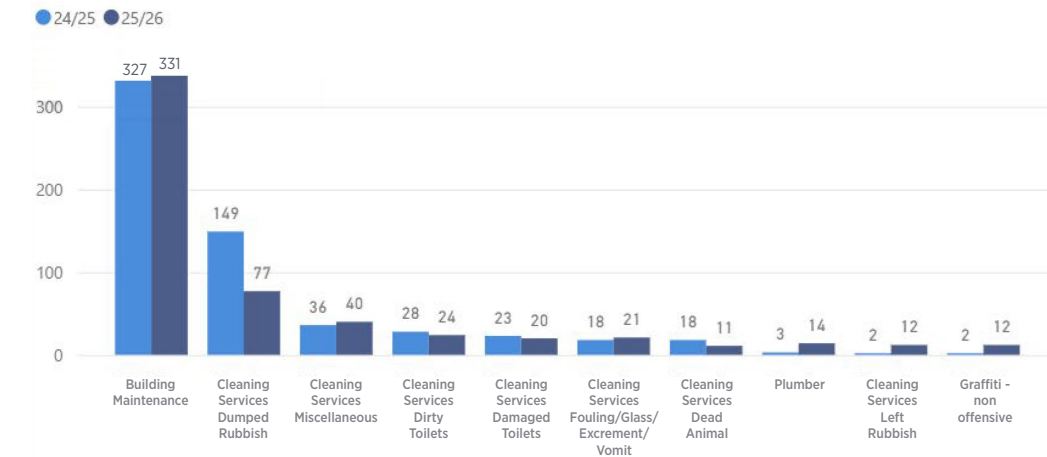
BUSINESS UNIT COMPARISON



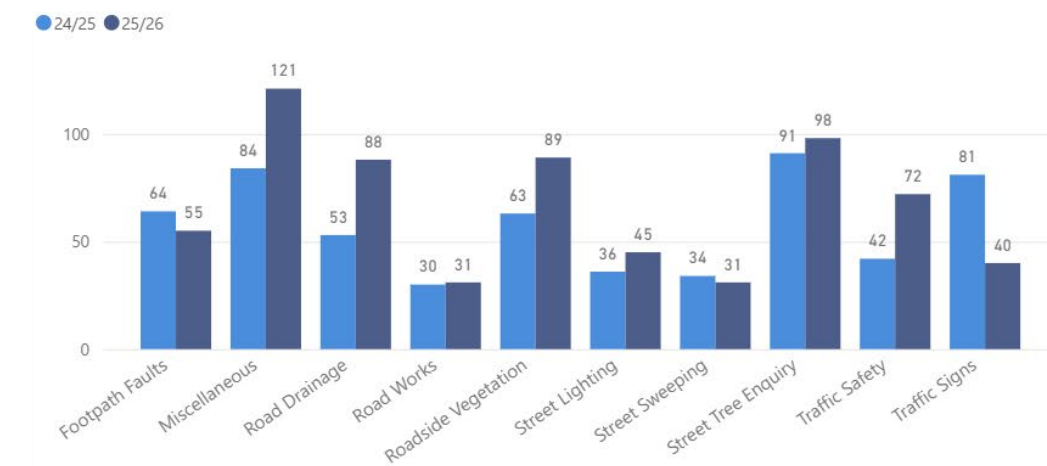
Service Requests Received Top 10 Departments by Type of Request

QUARTER 3: 1 JANUARY - 31 MARCH 2026

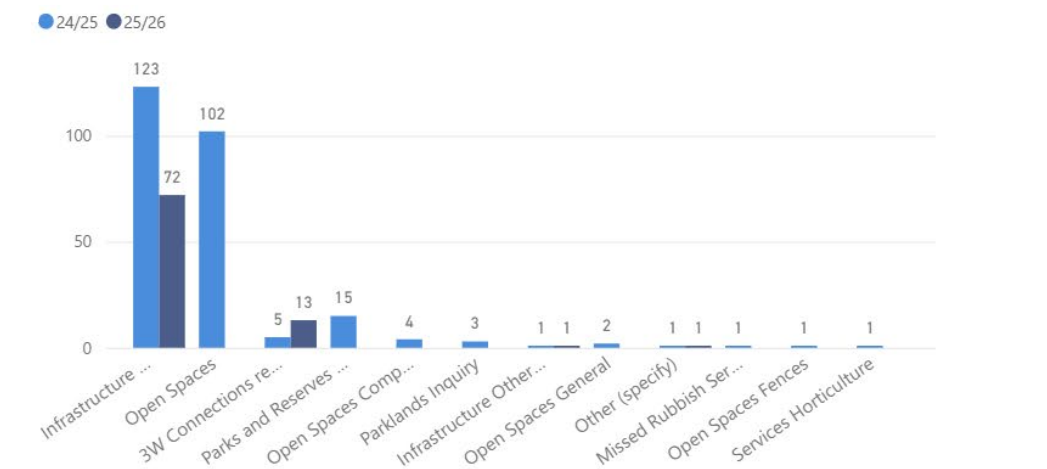
CITY SERVICES



INFRASTRUCTURE SERVICES



INFRASTRUCTURE OTHER

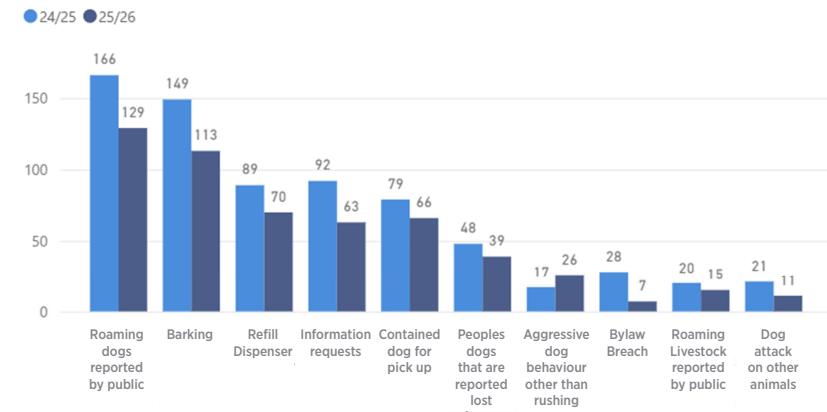


Service Requests Received

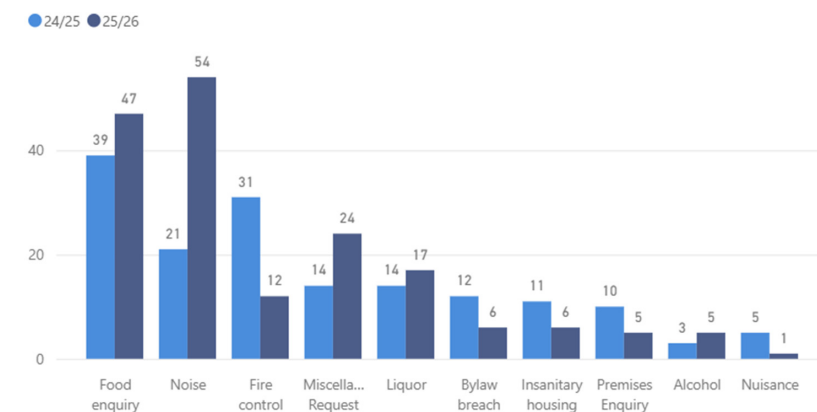
Top 10 Departments by Type of Request

QUARTER 3: 1 JANUARY - 31 MARCH 2026

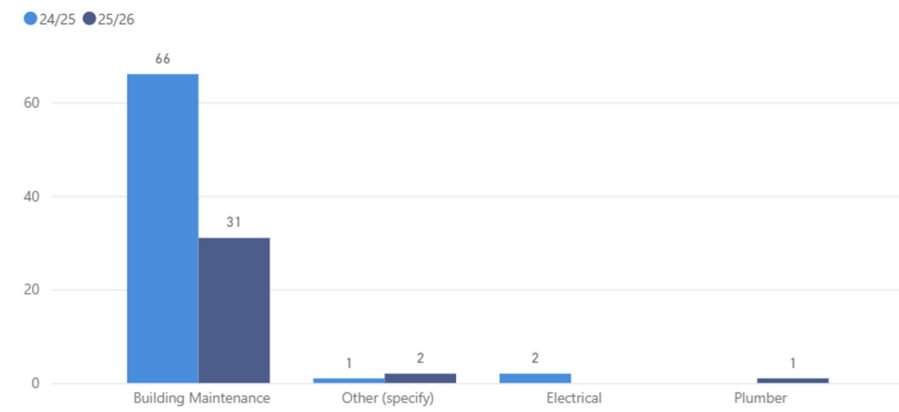
ANIMAL CONTROL



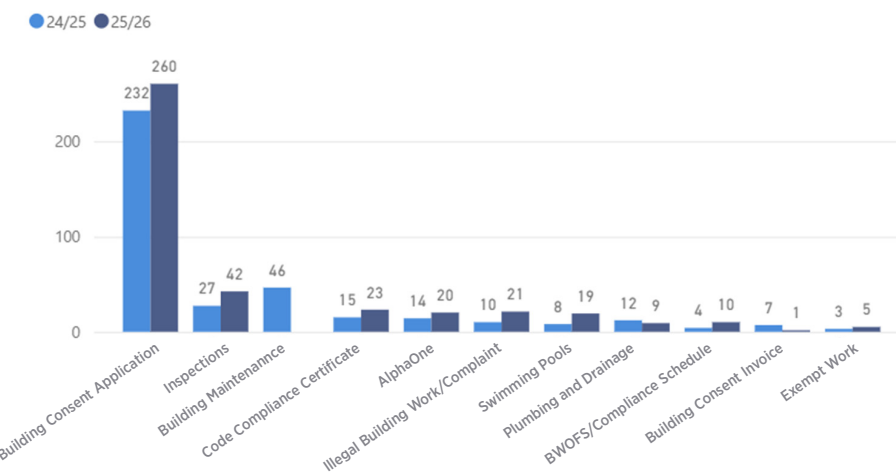
ENVIRONMENTAL HEALTH



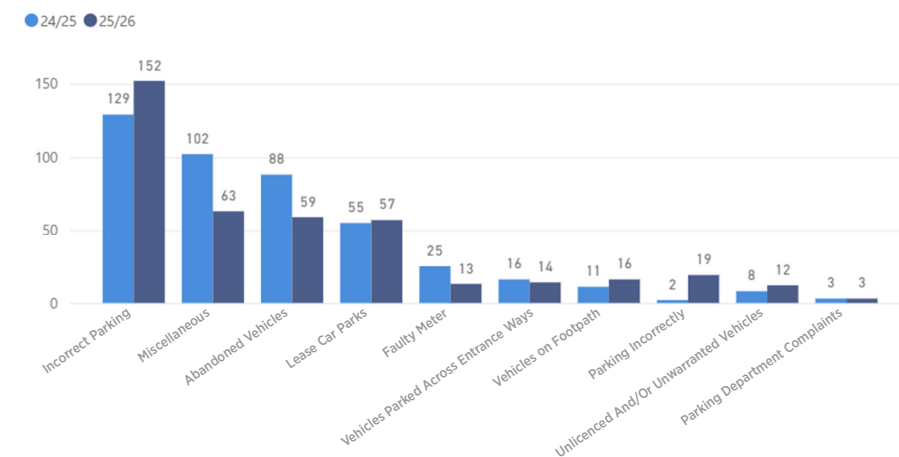
EXTERNAL ORGANISATIONS



BUILDING



PARKING



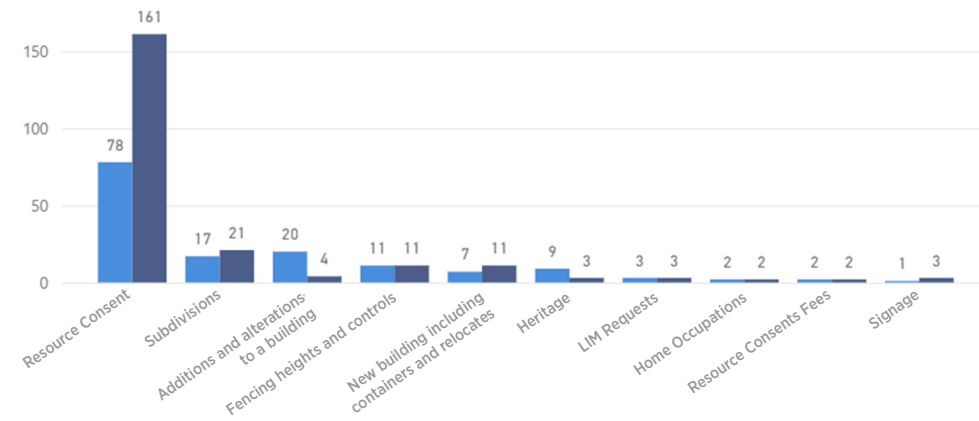
Service Requests Received

Top 10 Departments by Type of Request

QUARTER 3: 1 JANUARY - 31 MARCH 2026

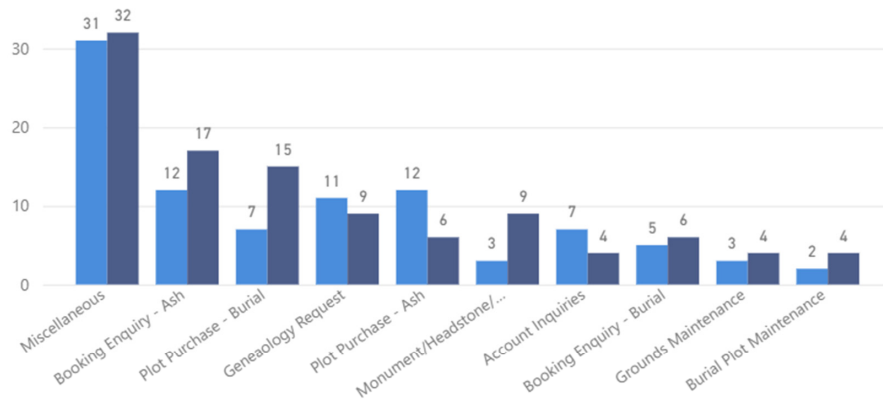
PLANNING

● 24/25 ● 25/26



CEMETERIES

● 24/25 ● 25/26

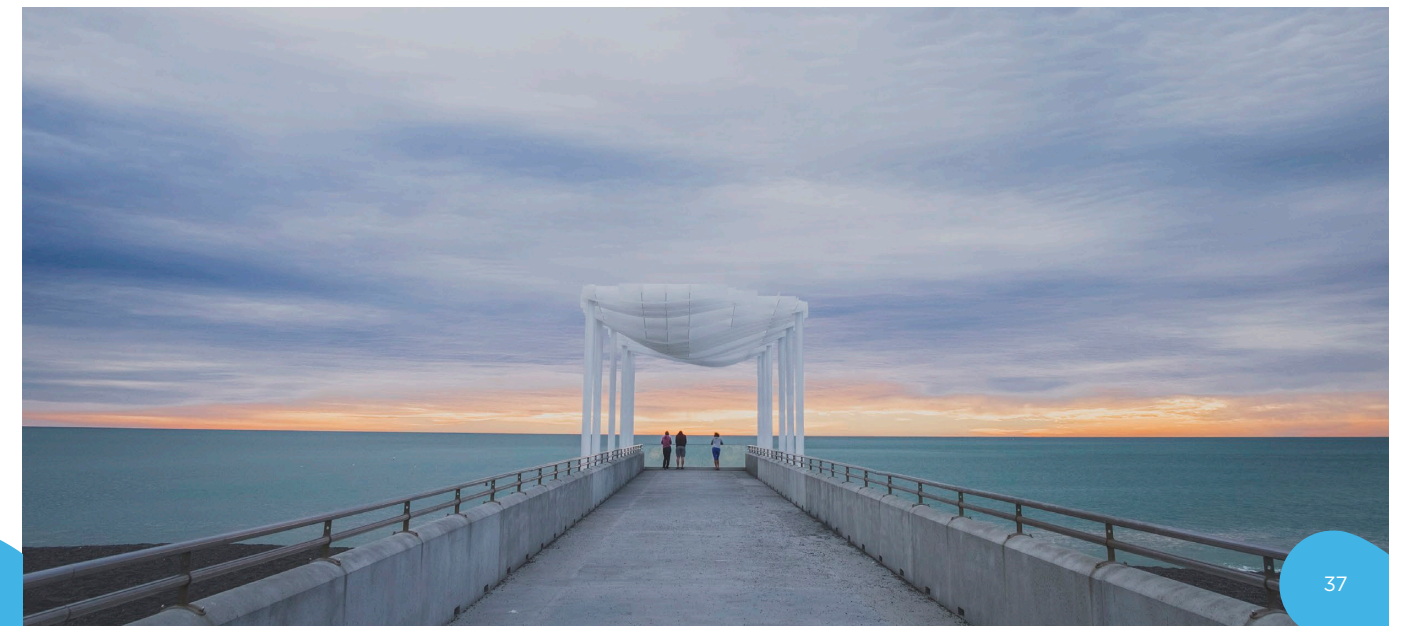


Documents Executed Under Seal

FOR THE PERIOD 1 JANUARY - 31 MARCH 2026

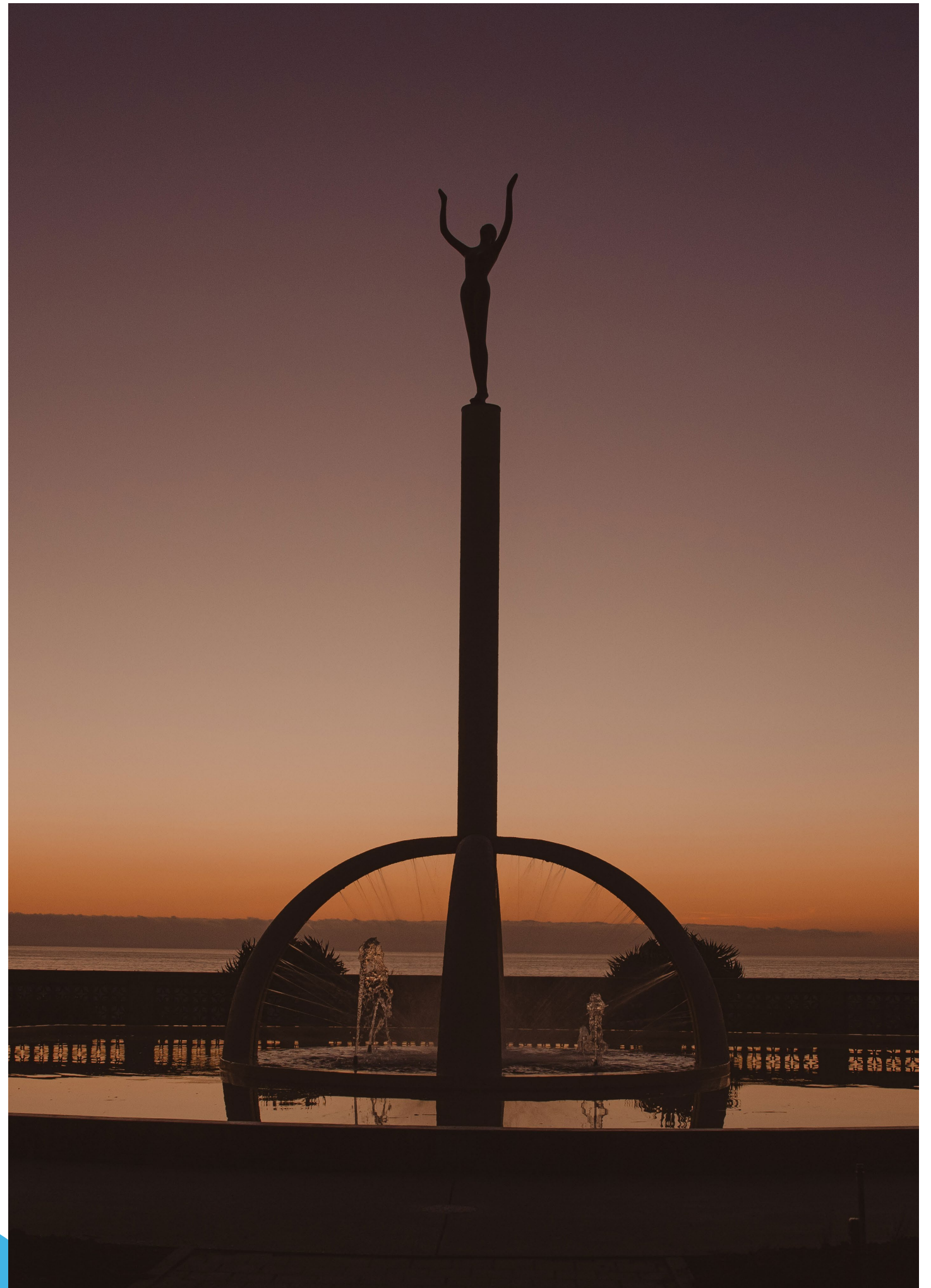
1 JANUARY 2026

16.1.26	Right to Drain Sewage Easement - 18 Bedford Road	Maia Kiriona
23.1.26	Parks & Reserves Bylaw	Lucy Marwick
2.2.26	Right to Drain Sewage - 156 Taradale Road	Maia Kiriona
12.2.26	Easement Instrument - right to drain sewage - 18 Avenue Road, Napier South	Maia Kiriona
12.2.26	Easement Instrument - right to drain sewage - 42 Higgins Street, Napier South	Maia Kiriona
12.2.26	Easement Instrument - right to drain sewage, water and convey water - 1-23 Seddon Crescent	Maia Kiriona
16.2.26	Easement Instrument - right to drain Sewage - 17 Kelvin Road, Napier	Maia Kiriona
19.2.26	Easement Instrument - right to drain sewage - 102 & 102A McGrath Street, Napier	Maia Kiriona
19.2.26	Easement Instruments - Lots 1-4 being a subdivision of Lot 2 DP520053 - 250 Westminster Avenue, Tamatea	Annette Barnard
20.2.26	Easement Instrument - right to drain sewage - 56-57 Hillary Crescent, Napier	Maia Kiriona
20.2.26	Warrants Nishan Singh	David Whyte
9.3.26	Sewage Easement - 47 Richmond Road, Napier	Maia Kiriona
12.3.26	Warrants - Matt Chambers, George Issacs, James Warena, Amy Crysell	Jamey Stephens
20.3.26	Easement Instrument - drain sewage DP595539, over areas A, B, C	Bryan Faulknor
20.3.26	Renewal of Ground Lease - 88 Thames Street	Katie Morris
31.3.26	Right to Drain Sewage - 133A Taradale Road, Napier	Maia Kiriona



LGOIMA Requests

	January 2026	Comment	February 2026	Comment	March 2026	Comment
Requests received year to date	144	130+14	166	144+ 22	202	166+36
Requests received in last calendar month	14		22		36	2 transfers from NZTA
Responses completed in last calendar month	15		21		29	Including 2 withdrawn
Responses within statutory timeframe	15		21		28	1 delayed by 10 w/days
Extensions requested in last calendar month	1	20 w/days	0		0	
Requests where charging was proposed	0		0		0	
Number of responses where:						
• Information released in full	7		9		13	
• Information partially released	7	7(2)(a), 7(2)(c)(i), 17(e), 17(h)	9	7(2)(a), 7(2)(g), 17(e), 17(f), 17(g), 17(h) PA s 50(1)(a)	12	7(2)(a), 7(2)(c)(ii), 7(2)(g), 17(d), 17(e), 17(f), 17(g)
• Request refused in full	1	17(d)	3	17(e), 17(f), 17(g)	2	7(2)(g), 17(f)
Active Ombudsman investigations regarding LGOIMA responses	CASE-023102 CASE-031514 CASE-035182	Complaint investigation Further inquiries Preliminary investigation	CASE-023102 CASE-031514 CASE-035182	Complaint investigation Further inquiries	CASE-023102 CASE-031514	Complaint investigation Further inquiries
Ombudsman determinations received					CASE-035182	Complaint not sustained
Themes	e-mail, coastal hazards, noise, dogs, inner harbour, carparks, telco spending, leases, CCTV footage		Napier Hill roads, communications, property rates, NZTPU ratepayers report, recruitment, art, RMA, licence, traffic footage, recordings, submissions, animals		Property, consents, complaint records, parking, EA resignation, deputy mayor's resignation, NCC flag, letters patent for grant of arms, consultancy costs	





Te Kaunihera o Ahuriri
Napier City Council
215 Hastings Street, Napier 4110 | Private Bag 6010, Napier 4142
06 835 7579 | info@napier.govt.nz | napier.govt.nz

