Napier City Council

Summary

Annual Report

For the period 1 July 2013 to 30 June 2014

CITY OF NAPIER

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***Cover photograph**: Biological Trickling Filter Wastewater Treatment Plant, Awatoto*

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Mayor and Chief Executive Report

It has been a big year for Napier City Council.

One of the most significant projects in 2014 was the building of our new waste water treatment plant in Awatoto. The $32.7 million state-of-the-art facility was project managed by Napier City Council, saving ratepayers millions of dollars. While it will be commissioned early in the next financial year, it will come in on time and budget, which is a credit to the team behind it.

We've also won a few significant awards too. In April, the redevelopment of MTG Hawke's Bay won the award for 'best project' at the New Zealand Museum Awards. The following month, Napier City Council's website won a top accolade at the Local Government Information Management (ALGIM) Web and Digital Symposium awards ceremony. Our support of Art Deco weekend saw us take home the award for 'Best Community Event' at the Local Government NZ Excellence awards in Nelson in July.

The sell-out of the All Black's test match was another resounding success for Napier and the Council-owned McLean Park. What a fantastic sight seeing the park packed with enthusiastic rugby fans celebrating the return of the All Blacks after 18 long years. We are keen to continue to attract and develop large events for Napier and the All Black's game proved we can draw the crowds.

The release of the Waugh Report confirmed Napier's infrastructure is in good shape and asset renewal is being adequately funded. We pride ourselves of delivering a high level of service to our rate payers, and that continues through projects such as roading and stormwater upgrades.

Plans for the redevelopment of Marine Parade continue and are currently being consulted on. The prospect of a new bike pump track and other enhancements will continue to ensure the area remains a jewel in Napier's crown.

We are in a very strong financial position and Napier's average residential rates for the 2013 / 2014 year are the lowest of all provincial cities.

Bill Dalton

MAYOR

Wayne Jack

CHIEF EXECUTIVE

Mayor and Councillors as at 30 June 2014

Back Row (L-R): Cr Keith Price, Cr Mark Herbert (Ahuriri Ward), Cr Roy Sye JP, Cr Tony Jeffery JP, Cr Mark Hamilton (Nelson Park Ward).

Front Row (L-R): Cr Maxine Boag (Nelson Park Ward), Cr Graeme Taylor (Taradale Ward), Cr Kirsten Wise (Taradale Ward), Mayor Bill Dalton JP, Cr Faye White (Deputy Mayor), Cr Michelle Pyke, Cr Annette Brosnan (Onekawa/Tamatea Ward), Cr Rob Lutter.

Councillor Lutter resigned from his position of Councillor at Large on 22 May 2014. A By-Election was held on 19 August 2014 and Councillor Richard McGrath was elected.

Mission Statement

To provide the Facilities and Services and the Environment, Leadership, Encouragement and Economic Opportunity to make Napier the Best City in New Zealand in which to live, work, raise a family, and enjoy a safe and satisfying life.

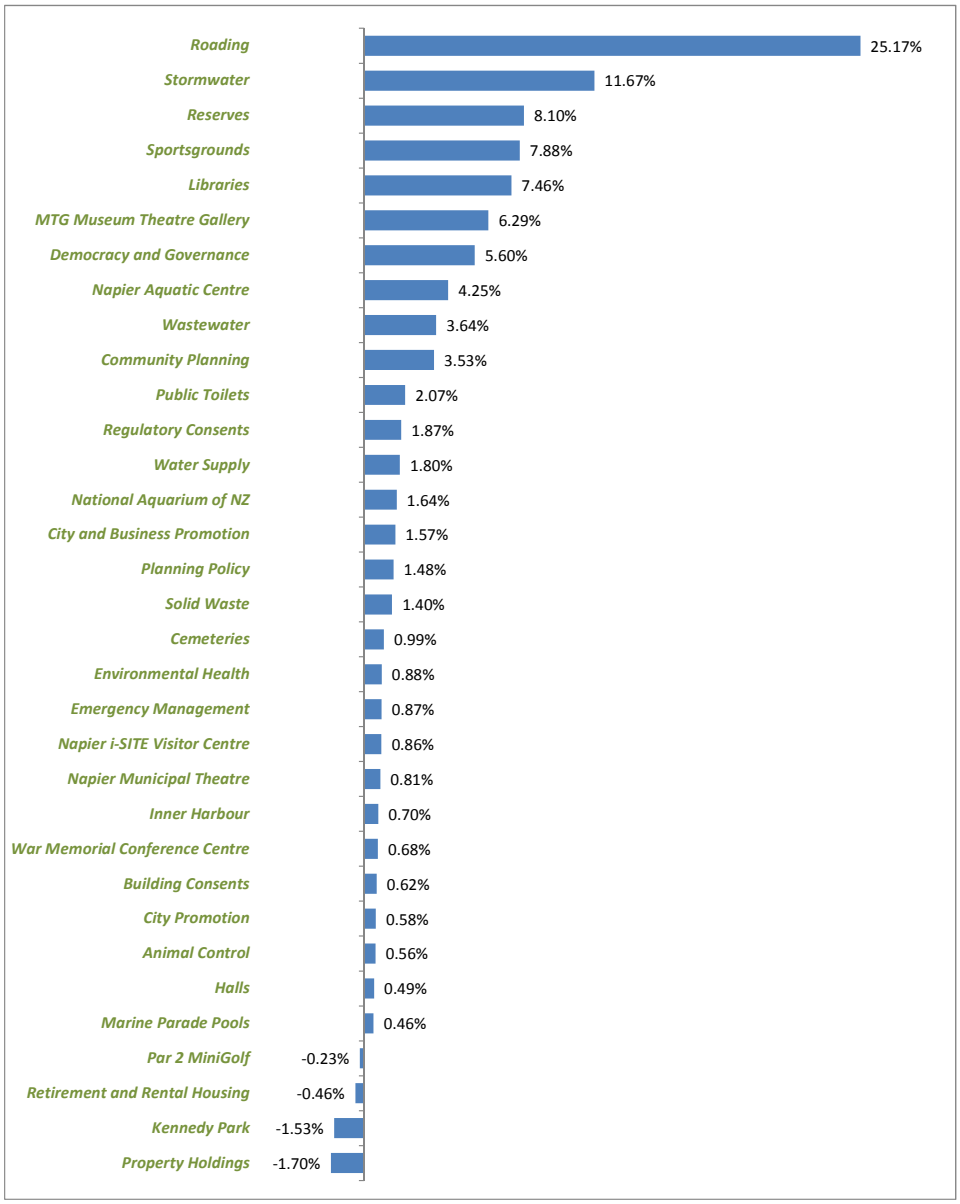
Financial Condition Indicators

	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Rates revenue	46,632	46,134	45,938
Net surplus	7,843	12,425	7,837
Working capital	75,875	12,650	80,147
Public debt	12	12	2,021
Total assets	1,453,680	1,462,683	1,378,123
Proportion of rates revenue to total revenue (%)	52.54%	47.91%	53.48%
Public debt as a percentage of total assets	0.00%	0.00%	0.30%
Proportion of rates revenue applied to service debt (%)*	7.68%	9.20%	7.50%

* Gross interest cost is used for this calculation - internal interest income included not as a reduction of interest cost. Refer Borrowing Programme page 87 of the full annual report.

How Rates Were Spent

The chart below shows the split of rates expenditure between Council's activities. A negative percentage indicates a contribution to rates.



Financial Summary

	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Summary Statement of Comprehensive Income for the Year Ended 30 June 2014			
Total Income	88,754	96,298	85,899
Less Operating Expenditure	80,905	83,957	78,098
Less Finance Costs	108	141	255
Share of associate surplus/(deficit)	102	225	291
Income Tax Expense	-	-	-
Surplus/(Deficit) after tax	**7,843**	**12,425**	**7,837**
Valuation Gains (Loss) taken to Equity	68,309	62,446	(392)
Fair Value Gains/(Losses) through Comprehensive Income on Investments	(2)	-	(20)
Total Comprehensive Income	**76,150**	**74,871**	**7,425**
Statement of Changes in Equity for the Year Ended 30 June 2014			
Balance at 1 July	1,360,387	1,367,525	1,352,961
Surplus/(deficit) after Tax	7,843	12,425	7,837
Valuation gain/(loss) taken to Equity	68,307	62,446	(392)
Total Equity	**1,436,537**	**1,442,396**	**1,360,386**
Statement of Financial Position as at 30 June 2014			
Total current assets	89,275	28,460	94,029
Total non-current assets	1,364,405	1,434,223	1,284,094
Total assets	1,453,680	1,462,683	1,378,123
Total current liabilities	13,400	15,810	13,883
Total non-current liabilities	3,743	4,477	3,854
Total liabilities	17,143	20,287	17,737
Total public equity	**1,436,537**	**1,442,396**	**1,360,386**
Statement of Cash Flows for the Year Ended 30 June 2014			
Net cash from operating activities	29,964	30,463	34,623
Net cash from investing activities	(28,697)	(35,403)	(29,224)
Net cash from financing activities	(2,008)	(2,008)	(2,008)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(741)	(7,044)	3,391
Cash, cash equivalents and bank overdrafts at the beginning of the year	8,003	12,873	4,612
Cash, cash equivalents and bank overdrafts at the end of the year	**7,262**	**5,829**	**8,003**

1. Part 6 Section 98 (4) (b) of the Local Government Act 2002 requires Council to make publicly available a summary of information contained in its Annual Report.
2. The specific disclosures included in the summary financial report have been extracted from the full financial report authorised for issue by the Mayor and Chief Executive on 22 October 2014. This summary has been prepared in accordance with FRS-43: Summary Financial Statements.
3. The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report. The full financial report dated 22 October 2014 has received an unqualified audit report. A copy of the financial report may be obtained from Council's offices and from Councils website napier.govt.nz. Select Plans, Policies, Bylaws tab and then Plans & Reports.
4. This summary financial report has been examined by the auditor for consistency with the full financial report. An unqualified auditor's report is included with this summary.
5. The Summary Financial Statements are for Napier City Council as an individual entity and are presented in New Zealand dollars rounded to $000's.
6. The primary objective of Napier City Council is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, Napier City Council has designated itself as a public benefit entity for the purposes of New Zealand equivalents to NZ IFRS.
7. There have been no significant events since balance date.
8. The full financial report was prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with New Zealand equivalents to International Financial Reporting Standards (IFRS) as appropriate for public benefit entities.

Major Budget Variances

Explanations for major variations from Council's 2013/14 Annual Plan are as follows:

2.1. Statement of Financial Performance

2.1.1 Income

Income was $7.5m below 2013/14 budget and $2.9m higher than 2012/13 year. Significant variances to budget arise from finance income, other revenue, and other gains/(losses) classifications as follows:

(a) Finance Income

Interest income of $3.3m for 2013/14 was better than budget by $1.8m. Interest bearing deposits were significantly higher during the year than anticipated in the budget as cash held by Council was significantly higher than budget. Cash held is invested in interest bearing deposits in accordance with Councils investment policy. Increased amounts held on deposit have resulted in higher than planned interest income.

(b) Other Revenue:

Other revenue: This item was $7.7m under budget for the 2013/14 year. The most significant variances were:

- Parklands Residential Development section sales were $6.1m below budget for the year, and $0.1m lower than 2012/13. New section sales slowed significantly during both the 2012/13 and 2013/14 year, as a result of the current economic conditions.
- Income for the City Promotion group was below budget by $1.3m. The Art Deco Bus service performance was lower than anticipated with a budget year end income variance of $0.4m. This service was subsequently discontinued and an impairment loss of $0.9m was accounted for in 2013/14.
- Vested assets are recognized through revenue when infrastructure assets are passed to Council. This is generally the result of a housing development. Vested assets from residential developments were $1.2m below budget and $0.2m below 2012/13. Vested assets from other assets were $0.7m above budget for the year. City growth was 99% of that assumed in the 2013/14 Annual Plan.

(c) Other Gains/(Losses)

Other gains/(losses) were $2.1m below budget. Other gains/(losses) are detailed in Note 6 of these Financial Statements. The variance between actual and budget was a combination of losses on disposal of assets, revaluation of investment property and library book stock valuation variances.

- Disposal of assets resulted in a variance to budget of -$0.7m. This loss arose from the disposal of a number of Council assets during 2013/14. The amount of loss being the difference between the book value of the asset, and the disposal value. The losses related to disposal of assets which were renewed, upgraded or surplus to requirements. A gain on sale of assets of $0.5m included the property free holding of land during 2013/14, and sale of livestock.
- Investment property revaluation resulted in a valuation gain of $0.3m. This was a -$0.8m variance to budget, however property over the long term continues to be a good investment for Council.
- The Art Deco Bus service was discontinued in 2013/14 and the associated asset impairment of $0.9m was accounted for. The buses have now been sold.

2.1.2 Expenditure

Total operating expenditure is $3.1m below budget and $2.7m above 2012/13 actual outcome. Significant items of variance are as follows:

(a) Other Expenses

Other expenses are $3.0m below 2013/14 budget and $0.6m above 2012/13 year. The variances comprised:

- Development for residential sections sold were $3.0m below 2013/14 budget and $0.6m above 2012/13. The lower actual cost of sales compared to budget is a direct result of lower than budget sales for the 2013/14 year.
- Operating expenditure for the City Promotion group was $0.8m below 2013/14 budget, and $0.2m higher than 2012/13. This was due to lower than forecast activity, including total visitor arrivals and visitor nights staying in commercial accommodation. Kennedy Park was below budget $0.2m. This was a result of lower visitor nights for the year than budget and reflects items such as lower costs of casual staff, restaurant costs and accommodation supplies. Due to the later than anticipated start date of the Art Deco Bus Service, costs associated with this activity were 0.3m lower than budget for 2012/13. Revenue was also lower and consequently did not improve overall surplus.

- Roading operating costs were $0.7m higher than budget for 2013/14 and $1.2m above 2012/13. The budget variance of $1.1m arose from the development of Pandora Roundabout, which has now vested to New Zealand Transport Authority (NZTA) for ongoing maintenance as this roundabout is on a state highway. Note, state highway are owned by NZTA. Depreciation was higher than budget $0.7m, refer 2.1.2 (b) Depreciation below.

(b) Employee Benefit Expense

Employee benefit expense was above budget by $1.1m due to higher than planned staffing levels for reopening of MTG Hawke's Bay, and contract staff requirements for the capital work associated with the Advanced Wastewater Treatment Plant

(c) Depreciation

Depreciation charges were $1.0m below budget for the year. The most significant variance was Social and Cultural Activity Group at $0.5m below budget, and this was mainly due to MTG Hawkes Bay ($0.4m) reopening being later than anticipated due to the additional earthquake strengthening requirements. Roading depreciation was lower ($0.3m) due to the changes in depreciation rates for 2012/13 identified through the revaluation of assets. Libraries depreciation was lower ($0.1m) due to the delay in building capital projects. Other budget variances were immaterial amounts below .

2.1.3 Other Comprehensive Income

The variation in valuation gains/losses taken to equity $5.9m reflects the non cash book adjustment that arose from changes in the fair value of the assets revalued and asset impairment.

2.2. Statement of Financial Position

2.2.1 Current Assets

Significant variances in current assets are:

a. Debtors and other receivables were below budget by $3.9m. This variance was in part due to the lower than anticipated Parkland sales and corresponding forecast receivables at year end.

b. The current asset portion of inventories are $2.2m below 2013/14 budget and $1.5m below the 2012/13 value. The actual at 30 June 2014 budget variance reflects the work undertaken to prepare lots for the anticipated sales associated with the estimated number of sections expected to be sold within the next financial year. This is calculated on the basis of more up to date forecast information.

c. The current portion of other financial assets consisted of cash on deposit, where the deposit is held for greater than 3 months but less than 12 months. Other financial assets under current assets needs to be read in conjunction with other financial assets under non current assets and cashflow analysis, see Note 2.4. The higher level of current assets, that is above budget, reflects known cash requirements at 30 June. As in other commentary regarding variances, a number of projects are in progress and cash will be required for these within 12 months of balance date. Examples are the Advanced Water Treatment project, Roading projects, and the Marine Parade redevelopment.

d. Cash and cash equivalents are higher than budget by $1.4m. This variance is due to lower than anticipated accounts payable levels at 30 June 2014, and lower property plant and equipment purchases compared to budget.

2.2.2 Non-Current Assets

Significant variances in non-current assets are:

a. Property, plant and equipment was $60.0m below 2013/14 budget at year end. Significant variances between property, plant and equipment at 30 June 2014 and budget are outlined in the table below.

Item	Budget 2013/14 $M	Actual 2013/14 $M	Variance $M	Comment
2012/13 closing balance actual vs. budget	1,285.22	1,244.75	41.0	2012/13 actual was lower compared to budget forecast value due to the timing of projects
Depreciation (excluding intangibles)	(22.3)	(21.2)	(1.1)	Higher depreciation 2013/14 see Note 2.1.2(a)
Asset disposals	-	(3.0)	3.0	Disposals not budgeted

Item	Budget 2013/14 $M	Actual 2013/14 $M	Variance $M	Comment
Asset Addition Variances				
Vested Assets	2.5	1.8	0.7	No cash impact from this item – vested assets budgeted each year
Stormwater Projects	4.0	1.8	0.6	Project in Progress
CBD Development/Hastings St Development	3.9	0.7	3.2	Work to be completed in future years. Work delayed to co-ordinate with building redevelopments in progress in Hastings Street.
Sportsground irrigation and development	1.2	-	1.2	Work to be completed in future years
Marine Parade development/ landscaping/ Playground/BMX Track	5.7	0.0	5.7	Project to be consulted on
Infrastructure Renewals and Minor Capital	10.0	6.1	3.9	Projects in progress

b. Investment properties – refer Note 2.1.1(c.) Other Gains/Losses. Other variances arose from a lower than forecast opening balance.

c. Inventory variance of $1.1m is due to Parklands development and associated inventory being maintained at lower levels than budget due to lower average annual sales of sections.

d The non current portion of other financial assets consisted of unlisted shares and corporate bonds, where payment is expected to be more than twelve months forward. The decrease of $6.2m between budget for 2013/14 and actual 2013/14 other financial assets arose from a higher value of other financial assets being held in current rather than non current. Refer also 2.2.1(c) and 2.4 - cashflow.

2.2.3 Current Liabilities

Significant variances in Current Liabilities are:

a. Creditors and other payables are $2.0m lower than anticipated in the 2013/14 budget and $1.3m higher 2012/13 actual. The budget variance is due to the timing of project expenditure such as the Waste Water Treatment Plant. Timing differences have arisen due to budgets being set before detailed timelines were prepared.

2.2.4 Equity

Significant variances in equity are:

a. Retained earnings are $9.0m below budget for the 2013/14 year due to the lower than anticipated surplus ($4.4m) and the opening balance variance. Refer note 2.1.1 and 2.1.2.

b. Other reserves are $3.3m above budget for the 2013/14 year. This is partly due to the timing of projects including the redevelopment of Marine Parade, has resulted in a timing variance in reserves being held at year end. Budgets were developed in advance of the detailed work programme, consequently variances are timing differences only. Opening balance for revaluation reserves and retained earnings were also lower than budget impacting on closing balances.

2.3. Statement of Movements in Equity

Major variations in the statement of movements in equity are the below 2013/14 budget after tax surplus of $8.0m, the transfers from revaluation reserve on disposal of property, plant and equipment of -$0.8m, offset by the higher than planned revaluation reserves at June 2014 of $5.8m, and lower restricted reserve movements of $7.1m as per 2.2.4 b.

2.4. Cashflow

Total cash at year end was $1.4m higher than budget due to lower purchases of property, plant and equipment. However, investments at year end were a lot higher than budget due to timing of major capital projects.

All excess cash arising from operating and investing activities was invested in interest bearing deposits at the 2013/14 year end. Consequently the net variance between proceeds from withdrawals of investments and acquisition of investments was $26.8m above 2013/14 forecast.

Shared Services

The establishment of Hawke's Bay Local Authority Shared Services, a Council Controlled organisation is now complete. Listed below are the existing shared services within Hawke's Bay. These shared services have been achieved through the cooperation of Hawke's Bay Regional Council (HBRC), Napier City Council (NCC), Wairoa District Council (WDC), Hastings District Council (HDC)and Central Hawke's Bay District Council (CHBDC). The shared services company is exploring other opportunities that may exist for cooperation which may entail sharing of computer systems and staff.

	HBRC	WDC	NCC	HDC	CHBDC
Community Services					
Pettigrew Green Arena			√	√	
Sport Hawke's Bay	√	√	√	√	√
Shared Library Service			√	√	
Pathway Development	√		√	√	
Hawke's Bay Museum Trust			√	√	
Settlement Support Service			√	√	
Youth Transition Service			√	√	
Regional Cultural Archives	√		√	√	
Road Safety Initiatives	√	√	√	√	√
Corporate Support					
Joint Property Valuation Contract	√	√	√	√	√
Joint Insurance and Energy Procurement	√	√	√	√	√
Economic					
Hawke's Bay Airport Ltd			√	√	
Business Hawke's Bay	√	√	√	√	√
Tourism Hawke's Bay	√	√	√	√	√
Essential Infrastructure					
Recreational Water Quality Monitoring	√	√	√	√	√
Joint Recycling and Refuse Collection Contracts			√	√	
Strategy and Planning					
Omarunui Joint Landfill			√	√	
Stormwater Drainage	√		√	√	
Regional Transportation Strategy	√	√	√	√	√
Heretaunga Plains Urban Growth	√		√	√	
Napier / Hastings Joint District Plan	√		√	√	
Solid Waste Management Plan			√	√	
Regional Community Outcomes	√	√	√	√	√
Community Outcome Monitoring	√	√	√	√	√
Regional Strategic Coordination Group	√	√	√	√	√
Civil Defence Group	√	√	√	√	√
Policy Sharing	√	√	√	√	√
Joint Alcohol Strategy			√	√	
Joint Regulatory Training		√	√	√	√
Joint Regulatory Purchasing			√	√	
Local Alcohol Policy			√	√	
HBLASS - IT Purchasing - Vehicles - GIS - Environmental Services	√	√	√	√	√

Financial Overview

Rates increases

Napier City Council is a democratic institution and is the primary deliverer of infrastructure and public services to the community for the community. The costs of these are met by the community, consequently decisions taken at all levels in the organisation recognise this and consider community affordability of all actitivities of Napier.

Since 2000/01 Napier City has surveyed Councils of similar size for a comparison of average residential rates. The table of comparison for the last 2 years is shown on page 13 of this report and is compiled from returns direct from each of the Council's listed. While Napier has been below the average of this group since 2006/07, Napier's average residential rates are the lowest within the survey group for the last 2 years and are $580 per annum lower than the highest Council.

There are many reasons for Napier's City Council's clear success in managing rates levels. Choices and decisions made in the management of the strategic direction of Council and in the organisation and focus of Council's operational arm have been on:

- high quality outcomes
- best total cost and
- affordable for this community

This has been the underlying philosophy over successive Councils and as a result the cumulative effect of many small decisions over many years has led to the benefits ratepayers now enjoy.

As noted above Napier City has one of the lowest dependencies on rates income in New Zealand's Territorial Local Authorities Community. This results from well-defined and implemented funding policies which reduce dependency on rates income. As a result of these funding policies some significant activities are cost neutral to the ratepayer for example elements of solid waste, property, housing and inner harbour.

Other examples of why Napier rates are lower than others:

Funding:

- Income generated by Tourism activities which support the cities Tourism businesses
- Property related activities such as the Parklands residential section development project
- Quality of operations is further enhanced through the retention of knowledge of infrastructure assets within the organisation
- Investment property income which supports the inner harbour and city foreshore reserves
- Other allocations of cost recoveries between users and ratepayers via Council's funding policies

Cost Control:

1. Lean overhead structure with minimal corporate overheads
2. Inhouse workforce [1]
3. Low turnover of core staff, Corporate culture and knowledge is retained within the organisation, communications between and within activities is enhanced, cost of attracting new staff, cost of recruitment, cost of staff training and induction are minimised
4. Council departments are sized for core work flows and activities only. Peak and seasonal workloads are managed through employment of temporary or seasonal staff or by contracting out well defined work to external organisations

[1] Inhouse workforce comprises of:

Napier City Services Department

The Napier City Services Department is the principal provider of maintenance, horticultural, building trade services and some civil construction services in a cost effective and sustainable manner. The department undertakes mainly internal works which are demonstrably competitive and high quality.

Quality of operations is further enhanced through the retention of knowledge of assets within the organisation.

Napier City Design Services

Design Services provides design and technical services to other Council departments ensuring the community receives engineering services of maximum quality and safety in a cost effective and sustainable manner. The department undertakes internal works which are demonstrably competitive and high quality. Quality of operations is further enhanced through the retention of knowledge of assets within the organisation.

5. Adoption of Cost Saving Technologies and Practices - Napier Council easily adopts ideas and technologies that are cost effective for the ratepayer. A clear example of this being that 80% of Napier streetlights have been converted to eco-fittings saving ratepayers several hundred thousand dollars per annum in reduced electricity charges.
6. Low cost stable organisation wide IT solutions (analysis has demonstrated that organisation wide changes of IT infrastructure are both time consuming and expensive with forecast cost improvements often not delivered)
7. Stable base of buildings and building locations leading to lower cost of building occupation
8. Shared Services between the Hawke's Bay local authorities
9. Selection of best cost options, for example the cost to build an urban road which lasts 50 years (with appropriate maintenance) is 4% above the cost to build urban road which lasts 25 years (this applies to the local area with shingle sources). Another example was the decision that Council Officers project managed the $30m Sewerage Treatment Plant upgrade as the most cost effective option.

Size of Territory advantages - Napier City is a compact land area and is the 4th most densely populated Territorial Local Authority in New Zealand.

Growth in rateable properties

The table below shows growth in the number of households in Napier City over the last 9 years and the average growth since 1990. The growth of households in the last 4 years is significantly lower than the high rates experienced during 2005 – 2007. The lower growth rate in households during this time reflects both New Zealand household growth generally and the current economic environment.

Year	Number of new properties	Percentage growth per year
2013/14	150	0.60%
2012/13	124	0.50%
2011/12	149	0.60%
2010/11	145	0.60%
2009/10	204	0.80%
2008/09	175	0.70%
2007/08	426	1.80%
2006/07	518	2.20%
2005/06	502	2.20%
Average over last 24 years	**219**	**1.05%**

Residential growth in Napier totalled has been more than 5,000 properties during the last 24 years, an increase of 25% between 1990 and 2014.

Financial and Development Contributions

Growth creates demand for water, wastewater, stormwater services, roads, recreation reserves, sports grounds and community services such as libraries.

Financial and development contributions are a component of growth related projects. These projects are required to ensure city infrastructure is able to meet demand for services from a growing number of households and businesses.

In the case of greenfields developments developers construct and pay for the roads, underground services and recreation reserves on their developments (known as on site services). These services are then vested to Council (vested assets). After these assets are vested to Council, it becomes the responsibility of Council, on behalf of ratepayers, to provide for the maintenance and renewal of these assets. For both greenfields development and city infill, new properties created as a result of subdivision, contribute through financial contributions to the cost of providing network infrastructure to service developments. Council installs and maintains the additional infrastructure and services.

The Council also constructs the infrastructure that is needed to support residential and commercial developments (referred to as off site non local services). For example, new wells and reservoirs are needed to supply water, trunk sewers and pump stations to take wastewater away, stormwater pump stations and drains to deal with stormwater, road widening and intersection improvements to provide capacity for the increased traffic that is generated on the wider roading network, and additional sports grounds, recreation reserves and library books are also needed to ensure that people will continue to enjoy the same level of service after growth as before.

The Council recovers the cost of off site non local services from developers through charges known as financial contributions and development contributions. These charges are designed to provide sufficient funds to construct the off site non local services that are required to service developments. The cost of off site non local services are often recovered from multiple developments, for

example, one well can produce enough water for several medium sized developments. If these costs were not recovered at the time of development the community would need to choose between funding the off site non local services through increased rates, or accept a continuing reduction in the level of service in these areas until it becomes unavoidable to invest significantly in the service. Management of growth projects through this mechanism also facilitates Council to undertake infrastructure projects in the most cost effective way.

It is again important to note that maintenance and operation costs of the increased infrastructure are funded from rates, not from financial and development contributions. The rationale is that new developments should meet the cost for the infrastructure that is needed to support it, but the operation and maintenance costs of that infrastructure is funded from the rates collected, which the new properties contribute to.

The community, through rates revenue, contributes around 20% of the cost of growth related projects by direct contribution to the financial contributions fund. The balance is met, as noted above, through direct charges to developers. All offsite non-local charges are added to the financial contributions fund. The combined ratepayer and developer funds form the total fund from which growth projects are funded. Ratepayers also fund, over and above the 20% contribution to the financial contribution fund, any content of a project which is directly attributable to the existing ratepayers. The existing ratepayers benefit may be through improved service levels or asset replacements occurring as a result of a growth related project. Most growth projects have a component funded from financial contributions and a component funded directly from rates. This is further explored below.

There has been significant discussion around the cost of financial and development contributions over recent months in regard to the extent to which these costs affect housing affordability. Governments intention to 'rein in' development contributions was outlined in the 15 August 2013 release on beehive.govt.nz. The release advised of the government intention to restrict what Councils can charge for development contributions to both residential and commercial development, followed up by change of legislation and Local Government Act 2002.

Recent related media coverage and press releases may give the impression that Council can charge any amount it perceives it can achieve in this area. However this differs from the approach taken by Napier City Council which is in accordance with legislative requirements. Napier City Council sets the level of contribution to any development based on modelling by qualified professionals of the increased infrastructure required for a specific development. For example, some developments, based on location, may require a greater capacity in stormwater due to the topography of the land to be developed or may require increased sewer capacity due to increased industrial effluent output. In addition it is only the costs directly attributable to growth that are included in fee setting for financial and development contributions. Many projects can also improve the level of service to existing ratepayers or replace existing assets. The costs of these components of projects is attributed to existing ratepayers. The split of projects between existing ratepayers and new ratepayers i.e. 'growth' is laid out in the Capital Plan. This is published for public consultation annually in the Annual Plan of Council or in the Ten Year Plan every three years. The Capital Plan (included in the Annual Plan) identifies the split of each project, where there is a split, between growth, levels of service changes and renewals. Analysis of the 2013/14 Capital Plan and carry forward projects from the 2012/13 year shows that of $113 million of growth related projects over the next 9 years, around 50% of the project costs are considered to be directly attributable to growth (of which existing ratepayers contribute 20% of the cost) and the remainder is attributed to existing ratepayers.

Proposals for changes to financial and development contributions are a significant issue for Napier City ratepayers. Core to Councils funding policy is the attribution of costs to groups of ratepayers. This is based on exacerbator pays (broadly defined as user pays) and the current policy in regard to growth related projects flows directly from this core principle. A removal of, or change to the extent of financial and development contributions chargeable will likely shift the liability for growth projects to existing ratepayers either through increased rates or significant increases in debt. Non-targeted rates increases as a result of these proposals could be up to 20%. Any rates increases arising from changes to the charging of financial and development contributions would severely impact the ability of Napier City Council to maintain its ten year plan commitments of holding rates increases at or below CPI.

As noted above, due to lower economic activity New Zealand wide, city growth has been lower than average over the last 3 years. This has meant that financial and development contributions revenue is lower than forecast over the same period. As a result of this lower growth the timing of proposed growth related projects has been reviewed and will continue to be reviewed in future years. Timing of these projects is dependent on actual growth in the number of households being serviced and forecast to be serviced. Timing of projects is also dependent on the availability of funding from the sources identified in the plan. Funding is in place, at the end of 2013/14 for the identified growth related projects outlined in the 2014/15 Annual Plan. as a result these projects have the necessary funding to proceed. It is also anticipated that growth in households will rise back to or above forecast levels as the New Zealand economy improves and drive the necessity for the planned growth projects.

Infrastructure Asset Renewals - Core Infrastructure

The Napier City Council is acutely aware that the provision of essential infrastructure which meets the needs of its citizens is core to the economic, social and cultural needs of the city. The figures below demonstrate the value Napier has invested in its essential assets.

Provision and maintenance of infrastructure is a critical deliverable of all local councils and this requirement is laid out in the amended purposes of the Local Government Act (as amended in 2012).

The citizens of Napier City have invested $1,324m for infrastructure and city assets over successive generations. Significant components of this are:

Roading Network	$610m
Sewer Management	$149m
Water Supply Systems	$81m
Stormwater	$109m
Sportsgrounds and Reserves	$189m

How are these assets managed?

Napier City has detailed asset management plans, which identify and define

- Current levels of service provided
- Probable future demand for these services and
- Planned improvements

The Asset Management Plans are the culmination of extensive work undertaken to understand the whole life cycle of Council's infrastructure assets over many years. The asset management plans are supported by a detailed inventory of the city's infrastructure assets. This includes the age of the assets and is also supported by condition assessments undertaken periodically.

Having the asset management plans in place, with future demand projections, ensures that projects are undertaken with environmental prediction impacts, renewals and projected future demand included in the planning.

A key example of this approach is the cross country drain project. This put in place infrastructure that was more than 20 years in planning and implementation and provides stormwater infrastructure which incorporates

- increased capacity to mitigate the effects of increased rainfall (climate change)
- renewal of existing stormwater system components
- provision of increased stormwater capacity for growth of the city

How does the City know that renewals are adequate?

Council looks at a number of measures to obtain confidence that assets are being renewed appropriately and meeting the demands of the city. The key measures from a user perspective are detailed in the performance measures and targets and customer perception measures (based on the annual NRB survey) reported on in the Annual Plan and Annual Report processes.

The vast majority of citizens are very satisfied or satisfied with the level of service provided in terms of core infrastructure. Napier City also has a long history of meeting or exceeding the performance targets set.

In addition to the customer satisfaction measures Council also monitors both routine maintenance and reactive maintenance. Above planned expenditures on reactive maintenance will suggest that there are infrastructural renewal issues that need addressing. If this arises, funds are immediately available to meet the costs of any indicated renewals without additional impact on rates (see funding below). Balancing operating and capital costs of infrastructure renewals has proven to be a very cost effective strategy for Napier City.

Council also undertakes testing of below ground assets to check the current state on a statistical sampling basis and also monitors water losses from the network as an indication of network issues for water assets.

An added assurance to Napier citizens can be gained from the report produced by Waugh Group. Conclusions from the Waugh Report extracted below.

Asset Management Lifecycle Review

WAUGH

1.5 Conclusion

This report has provided a thorough examination of Napier City Council Wastewater, Stormwater, Water System and Roading Network assets, within the limitations of the assumptions and information available.

An audit approach has been taken to the information provided by Napier City Council. Initial information was requested and provided from NCC reports, audited financial statements, and information systems. Where questions/issues were raised in the analysis these were provided to NCC and either resolved or have remained in the report. The authors are satisfied with this approach and the completeness of the information provided and analysed.

The report has examined past asset renewals, projected future renewals, current depreciation funding provision, and future projected depreciation provision.

Minor issues and questions have been discovered in the analysis. These have been noted in the report, and have been raised with Napier City Council management. In many cases NCC already has programmes underway to address the issues, however sufficient data was not available for the report. The authors expect NCC will address remaining issues in their on-going asset management programmes.

This report addresses the uninformed comment that has suggested 'that Napier is underfunding infrastructure renewals, delaying asset replacement and failing to plan and prepare for future growth as a means to lower rate levels and ensure debt remains low'.

Following the analysis developed and presented, the authors of this report categorically disagree with this uninformed comment.

The findings of the report outline that Napier:

- Has very low debt levels and higher than average equity per ratepayer, and as a result is in a highly enviable position compared to most city councils in New Zealand
- Is sufficiently funding current asset renewals
- Has no observable backlog of renewals
- Has assets that can provide current service levels
- May require funding adjustments for Wastewater Systems in 2030, Water Systems in 2040 and Stormwater Systems in 2050 (possibly raising a concern about intergenerational equity)
- May have wastewater earthenware pipe renewals to complete in the next 5 years. If required these renewals can be achieved within current budgets and programmes. Further investigation and engineering analysis will be required to verify these potential renewal requirements
- Has a roading network that is managed in a cost effective and efficient manner when compared with peer group councils
- Has a roading network that is sustainably managed to provide current service levels, no major additional investment needs are foreseen for the future
- Has well developed growth plans that are in accordance with the regional Heretaunga Plans Urban Development Strategy. The Napier City Essential Services Plans that support this growth planning are the equivalent of New Zealand best practice for a city this size

The picture the authors have built up during the analysis completed in this report is that Napier City assets are professionally managed in accordance with appropriate practice, and that Napier is very well positioned to meet any future infrastructure related growth or renewal challenges.

Renewals Funding

Napier City Council has been funding its core infrastructure renewals program since 1998 and as a result has robust funding programs in place. Prior to 1998 renewals were funded on an as required basis. This method was prone to funding peaks and troughs; consequently a move to annualised values, based on a whole of life model of asset networks, was commenced in 1998.

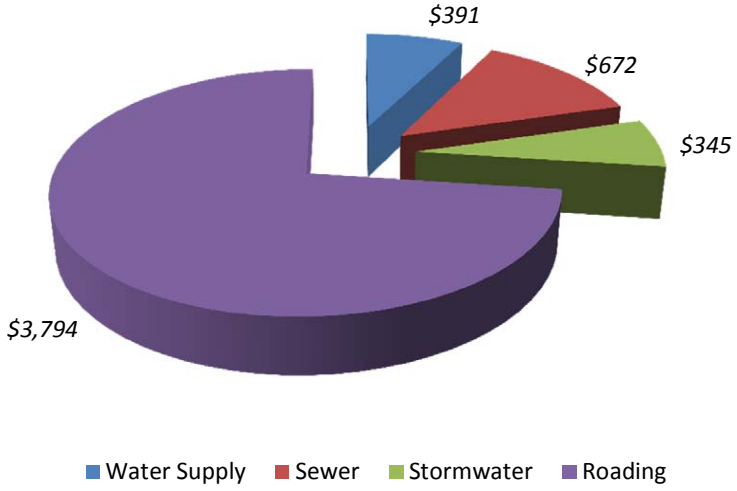
Napier City annually sets aside 65 - 70% of rate funded capital plan to meet the cost of core infrastructure renewals. Funds are set aside, in advance of requirements, based on the annualised projected cost of renewals over the expected life of the assets (excludes Road renewals – see below). Costs of assets 'used up' in any one year can be attributed on a linear basis. However renewals do not follow the same linear pattern. As a simple example, an asset with a life of 100 years will most likely be replaced at the end of 100 years not by 1% per annum, however the community effectively has used 1% of the item during a single year.

Consequently, Council annually moves any unspent renewals funds (difference between plan allocation and actual costs) to the Infrastructure Asset Renewal Reserve to ensure that these funds are used for the purposes intended.

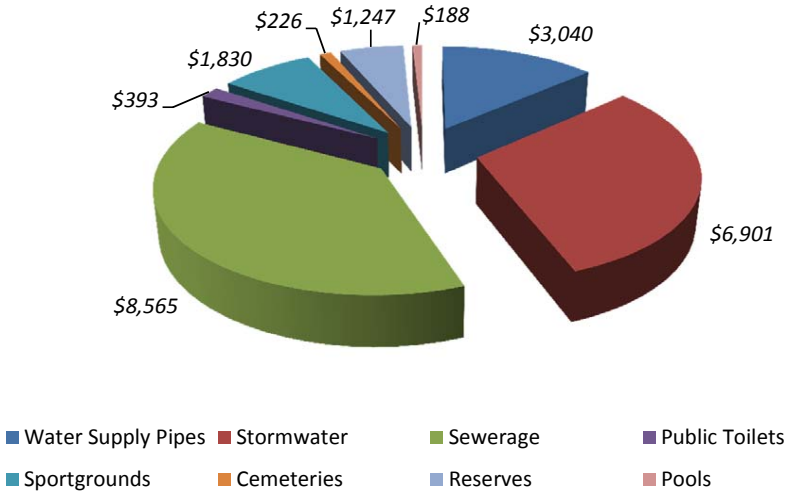
Napier City Council is holding around $22m at 30 June 2014 in infrastructure asset renewal reserves for water, stormwater, sewer, public toilets, sports grounds, cemeteries, reserves, solid waste and pools. Interest earned on the balance of funds held in this reserve is also paid into the reserve to ensure funds collected for this purpose are not diminished as a result of inflation.

Road renewals are not funded through the renewals reserve. These are funded annually from a combination of rates and NZ Transport Agency subsidies. Road assets are not subject to the variation between years that affects other core infrastructure. Consequently renewal work is undertaken at a consistent level annually to maintain the current standard. The major multi-year renewal project concluded during the last 3 years was the renewal and upgrade of Taradale roads.

Renewals Expenditure Infrastructure Actual 2013/14 $000's



Infrastructure Renewals Funds held at 30 June 2014 $000's



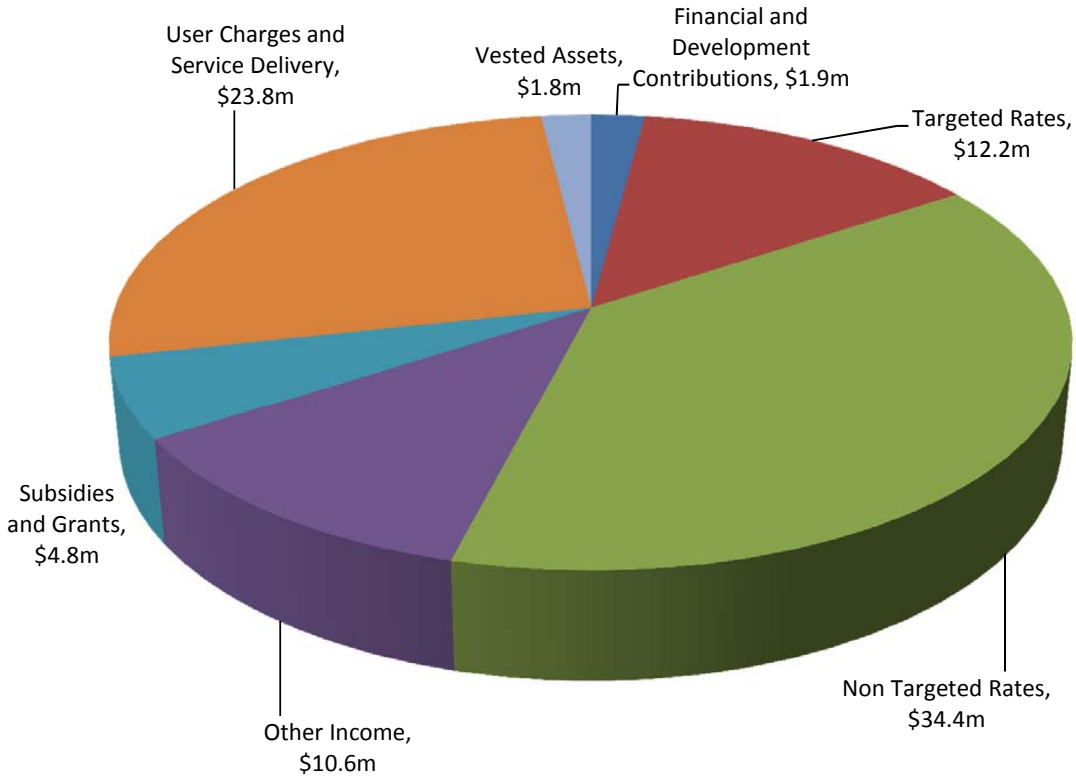
Statement of Comprehensive Income

This section provides an overview of the Council's financial results for the year ended 30 June 2014. For detailed information please refer to the following sections in this Annual Report: Part 2 - Financial Statements and Part 3 - Activity Statements.

	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Income			
Rates revenue	46,632	46,134	45,938
Finance income	3,284	1,500	3,491
Development and financial contributions	1,860	1,879	1,616
Subsidies and grants	4,781	4,789	7,782
Other revenue	33,184	40,898	31,472
Other gains/(losses)	(987)	1,098	(4,400)
Total income	**88,754**	**96,298**	**85,899**
Expenditure			
Employee benefit expenses	27,481	26,392	25,429
Depreciation and amortisation	21,299	22,334	21,099
Other expenses	32,125	35,231	31,570
Finance costs	108	141	255
Total expenditure	**81,013**	**84,098**	**78,353**
Operating surplus/(deficit) before tax	7,741	12,200	7,546
Share of associate surplus/(deficit)	102	225	291
Surplus/(deficit) before tax	7,843	12,425	7,837
Income tax expense	-	-	-
Surplus/(deficit) after tax	**7,843**	**12,425**	**7,837**
Other comprehensive income			
Valuation gains/(losses) taken to equity	68,309	62,446	(392)
Fair value gains/(losses) through comprehensive income on investments	(2)	-	(20)
Total comprehensive income	**76,150**	**74,871**	**7,425**

Council Income 2013/14

The main sources of Council's income are shown in the graph below.



The pie diagram above depicts the breakdown of the $89.7m income received by the Council in 2013/14. Of this funding for Council activities 52% is derived from the rates levied on commercial and residential properties within the Napier City boundaries. In comparison with other New Zealand Councils rates levied are a low proportion of Napier City Councils revenue and reflect Napier City funding policies.

A table of the last 5 years of rates increases, compared to Consumers Price Index (CPI) is shown on the following page, along with a graph of the net rates received and cumulative CPI to cumulative rates increases over the same 5 year period. The key trend displayed is the very close alignment between rates increases and changes in CPI.

CPI is a measure of the changes in the price level of consumer goods and services purchased by households. However, cost changes which significantly impact Council, particularly in the area of capital expenditure are reflected in other indices such as the Capital Goods Price Index (CGPI), the Producers Price Index (PPI) and Labour Cost Index (LCI). CGPI and PPI indices move differently to CPI. This is due to the components within the indices. Items such as electricity, gas, oil and oil products, concrete and iron/steel are significant components within CGPI and PPI whereas food and housing costs are significant components within CPI. Due to the different components of these measures significant variances arise between CPI and PPI and CGPI. PPI and CGPI have, on average, been well above CPI over recent years. This has meant that pressures on Council expenditure from price increases has been above that measured by CPI. Council is very aware of this issue and has addressed cost increases with a multipronged approach to ensure rates increases are kept close to CPI to maintain community affordability. Council's approach has focussed on tight control of all costs, competitive purchasing processes, a focus on core infrastructure within the capital plan and adding new services only when costs for these can be met from within existing budgets.

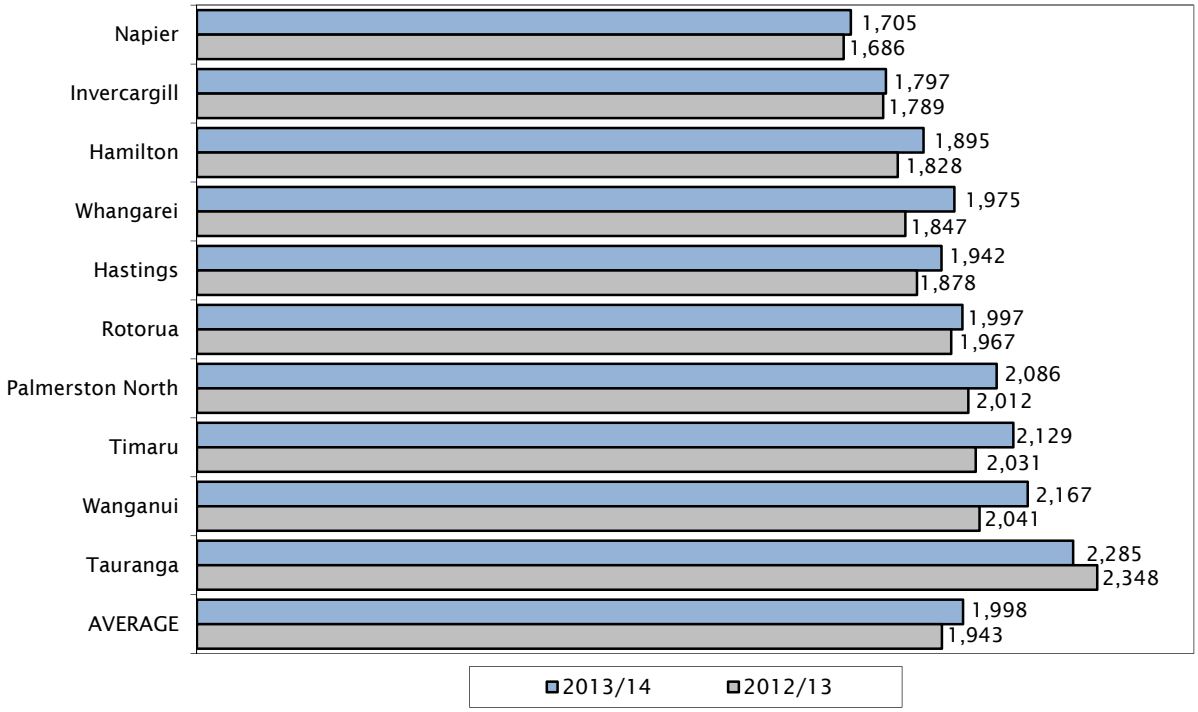
Net Increase of Rating Revenue 5 Year Trend

	2008/09 $000	2009/10 $000	2010/11 $000	2011/12 $000	2012/13 $000	2013/14 $000
Gross Rating Revenue (including Penalties)	41,724	42,898	43,799	44,840	45,938	46,632
Remissions	(386)	(314)	(278)	(273)	(223)	(236)
Net Rates Revenue	41,338	42,584	43,521	44,567	45,715	46,396
	$	$	$	$	$	$
Rates per rateable property (average)	1,718	1,757	1,781	1,813	1,848	1,866
Rates % increase per annum per rateable property	2.5%	2.3%	1.4%	1.8%	1.9%	1.0%
CPI at 30 June*	1.9%	1.7%	3.3%	1.0%	0.7%	1.6%
Net increase (under)/over CPI per rateable property*	0.6%	0.6%	-1.9%	0.8%	1.2%	-0.6%

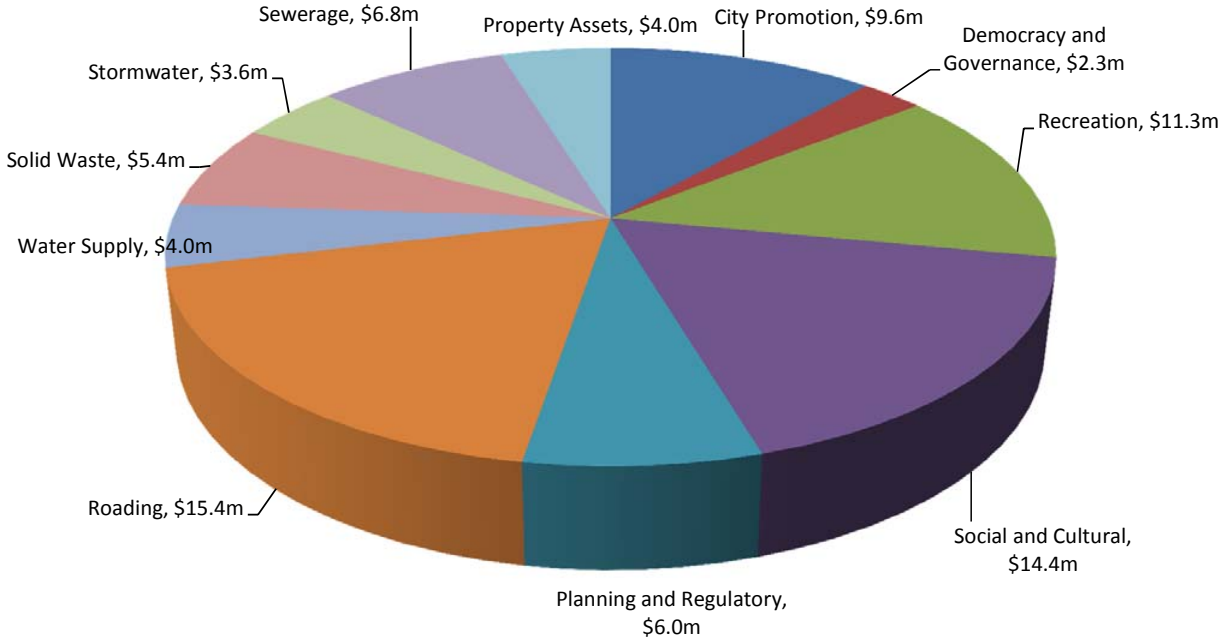
*Note: CPI quoted is the value at the end of the year reported i.e. for 2013/14 year is as at 30 June 2014. The 2010/11 CPI excludes the impact of the change of GST rate from 12.5% to 15%. CPI used for Annual Plan purposes is the reported value as at 30 June for the year prior to the Annual Plan (i.e. for 2013/14 year the base rate of CPI for Plan purposes was the rate at 30 June 2012).

5 Year Trend of Cumulative Rate Increases $ and Cumulative Rate Change % to Cumulative CPI % Change

Average Residential Rates

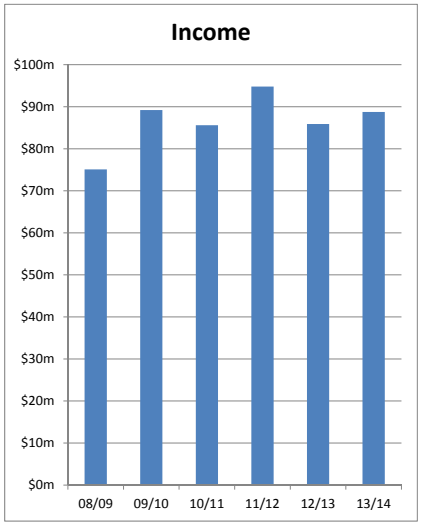


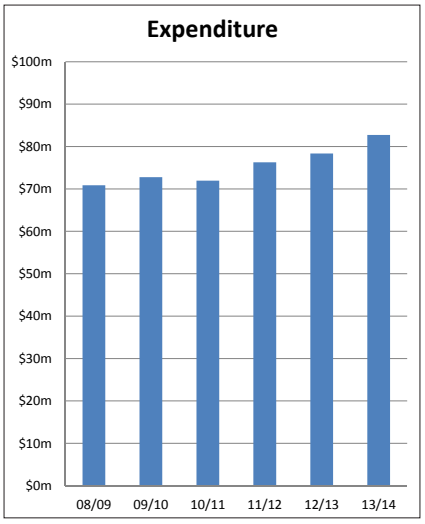
Council Operating Expenditure 2013/14

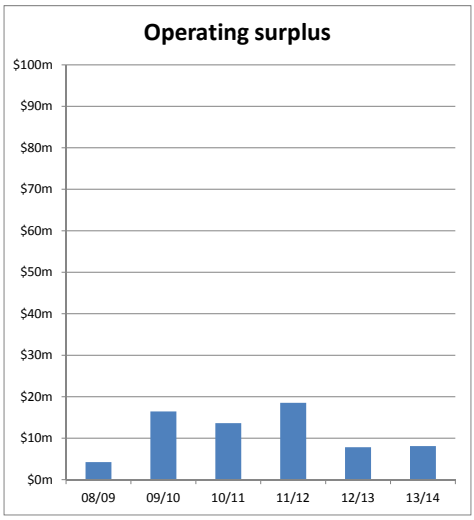


Details of income, operating and capital expenditure for each of the activities above are detailed in Part 3 - Activity Statements of this Annual Report. In addition explanations of significant variances are contained in Note 2 of the financial statements.

The following graphs show the trend of revenue, expenditure and net surplus over the last five years. The 2008/09 result reflects year 1 of the international financial crisis. The impact of this on the revaluation of investment property and Parklands Residential Development sales is clearly shown in the Income and Operating Surplus graphs below. 2011/12 Income and operating surplus was significantly above the 2010/11 due to contributions received for the Hawkes Bay Museum upgrade from government grants $0.5m above 2010/11 year, other grants and donations for the Musuem building $2.2m above 2010/11 year and vested assets from all subdivision development $2.0m above 2010/11 year.







Borrowing

The Council manages its finances prudently and in a way that supports both the current and the future generations within the community. Council prepares and consults on a Ten Year Plan every three years. The budget for the 2013/14 year was based on the Ten Year Plan 2011/12 - 2021/22 years with revisions of this contained in the Annual Plans for the 2012/13 and 2013/14 years. These Annual Plans which provided an update to the 2011/12 - 2021/22 Ten Year Plan, reflected, amongst other revisions, changes to inflation assumptions and other unusual items such as changes to roading subsidy levels.

The development and renewal of assets is funded by a number of sources including government grants and subsidies, contributions from developers for infrastructure costs required as a consequence of development through development and/or financial contributions, targeted rates, fees and charges and borrowing. A ten year plan was adopted on 26 June 2012. Capital expenditure for the next 10 years, the funding sources for this expenditure and the borrowing levels for the next 10 years were reviewed and updated in this plan. As outlined in the 2012 - 2022 Ten Year Plan all external borrowing will be extinguished during the 2014/15 year. The 2011/12 year results have not altered this forecast.

The table below shows the Council's level of secured loans, i.e. loans where an entity external to Council have lent money to Council.

	Actual 2014 $000	Budget 2014 $000	Actual 2013 $000
Current secured loans	8	8	2,008
Non-current secured loans	4	4	13
Total secured loans	**12**	**12**	**2,021**

In line with the Ten Year Plan, Council has continues to fund capital projects from cash, held by Council, that is excess to Council's short-term requirements. Funding of capital projects by this method is termed 'internal loan funding'. Internal loans are used, where possible, for loan funded projects as the net cost of internal loans results in a lower cost arrangement to the benefit of Council. Internal loans are funded from cash sourced from a mixture of equity and special funds and enable effective use of funds held while also ensuring activities with loan funding are not cross subsidised by a other activities. This method of loan cost allocation between activities also supports the integrity of Council's funding policies. The table below displays the gross debt of Council over the last 5 years. However, it is important to note that if Council had funded all loan funded projects through external debt, Council would also have shown an equivalent increase in the level of cash or cash and investments in Council's statement of financial position.

Debt Levels Internal and External	2007/08 $000	2008/09 $000	2009/10 $000	2010/11 $000	2011/12 $000	2012/13 $000	2013/14 $000
External debt (excluding Finance Leases)	11,562	7,055	6,044	4,036	4,028	2,021	12
Internal debt	27,057	31,754	34,233	34,489	32,749	35,261	36,783
	38,619	**38,809**	**40,277**	**38,525**	**36,777**	**37,282**	**36,795**

In addition to existing loans, Council has approved loan funded capital projects in current and prior years capital plans of $23.5m. These projects are either in progress at present or will be commenced and completed in future years. Significant projects which are partly funded by loans, and included in the $23.5m, are sewerage projects $3.9m, Whakariri Groyne and Westshore Beach Reprofiling $3.7m, sportsgrounds development projects $4.9m, roading CBD projects $3.2m and Prebensen Drive projects $3m. Future cashflow requirements and expected loan levels, including the $23.5m of loan funded projects above are included in the forecast financial statements included in the 2012 - 2022 ten year plan.

Under Council's Liability Management Policy, Council is able to borrow to fund projects which will benefit several generations of residents or when a project is a 'one-off' or to fund Council's balance sheet . However, the risk to both current and future generations of uncontrolled borrowing is significant, so Council, within its policy, manages these risks within specific borrowing limits. Performance against these limits is measured annually as a part of year end reporting. The performance against these limits at the end of 2011/12 and over the 5 preceding years is shown in the tables below.

Debt Servicing

Proportion of Rates Revenue applied to Service Debt (External and Internal Debt)

	2008/09 $000	2009/10 $000	2010/11 $000	2011/12 $000	2012/13 $000	2013/14 $000
Debt Servicing Proportion - actual	10.3%	9.2%	8.9%	8.3%	7.5%	7.7%
Policy limit:	16%	16%	16%	16%	16%	16%

Rate Funded Debt per Capita

Net Rate-funded Debt per Capita (External & Internal Debt)

	2008/09 $000	2009/10 $000	2010/11 $000	2011/12 $000	2012/13 $000	2013/14 $000
Rate Funded Debt per Capita - actual	$536	$530	$485	$459	$480	$501
Policy limit:	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000

Debt / Income

Net Debt as a % of total income (External & Internal Debt)

	2008/09 $000	2009/10 $000	2010/11 $000	2011/12 $000	2012/13 $000	2013/14 $000
Net Debt % of Total Income - actual	50%	44%	44%	37%	42%	41%
Policy limit:	100%	100%	100%	100%	100%	100%

Liquidity

Liquidity to peak 12 month Net Debt

	2008/09 $000	2009/10 $000	2010/11 $000	2011/12 $000	2012/13 $000	2013/14 $000
Liquidity % - actual	206%	328%	385%	724%	630%	631%
Policy minimum:	110%	110%	110%	110%	110%	110%

Cash Flows

This table summarises the movement of cash for the last 6 years. The net cash inflow/(outflow) for the year shows the net change in cash and bank balances from operating, investing and financing activities.

Debt Levels Internal and External

	2008/09 $000	2009/10 $000	2010/11 $000	2011/12 $000	2012/13 $000	2013/14 $000
Net cash flows from or used in operating activities	30,196	40,936	31,899	37,069	34,624	29,964
Net cash flows from or used in investing activities	(23,300)	(40,200)	(28,190)	(39,666)	(29,224)	(28,697)
Net cash flows from or used in financing activities	(4,559)	(1,023)	(2,010)	(8)	(2,008)	(2,008)
Net cash inflow/(outflow) for the period	**2,337**	**(287)**	**1,699**	**(2,605)**	**3,392**	**(741)**

Net cash from or used in operating activities is the net of receipts from rates, interest and other revenue received, payments to suppliers, employees and interest paid.

Net cash from or used in investing activities includes purchase and sale of property plant and equipment and intangibles and acquisition and withdrawal of investments.

Net cash from or used in financing activities is the net change in external loan and lease liabilities for the year.

Net cash inflow/(outflow) for the period is the net change in cash and cash equivalents for the year.

Contingent Liabilities

Council are required to disclose liabilities that may be incurred depending on the outcome of a uncertain future event such as a court case. The contingent liabilities that are currently perceived as being significant are discussed below.

In the ordinary course of business Council can be subject to claims from clients utilising the services of Council.

The Council has been notified of a claim by the Hawkes Bay Regional Council concerning the reinstatement of its Napier building. Two further leaky building claims for a West Quay property and Fenwick Street property is currently being discussed by affected parties. The building at 14 West Quay is subject to a claim for potential damage through water ingress to the value of $6 million. Council is defending the claim, and is one of a number of parties to the claim. Council due to the nature of its role, is considered the party of last resort. At this stage there is a level of uncertainty around the total amount of the claim as investigations in regard to the claim are still in progress. While there may also be an inability of other responsible parties to meet the costs Council will make provision when there is further certainty around this matter. Due to the uncertainty, these claims cannot be quantified at this stage.

Activity Summary

Democracy and Governance

Through Democracy and Governance, Council provides a democratic and consultative system for decision making.

Key Issues

The Council triennial election was held in October 2013. Mayor Barbara Arnott and Councillors Kathie Furlong, John Cocking, Dave Pipe, Tania Wright did not stand for their existing positions on Council. Councillor Cocking stood for Mayor but was not successful.

Bill Dalton was elected Mayor, Councillors Tony Jeffery, Michelle Pyke, Faye White, Rob Lutter, Keith Price, Maxine Boag (Nelson Park Ward) and Mark Herbert (Ahuriri Ward) were re-elected and were joined by Councillors Roy Sye, Annette Brosnan (Onekawa-Tamatea Ward), Mark Hamilton (Nelson Park Ward), Kirsten Wise (Taradale Ward) and Graeme Taylor (Taradale Ward). Councillors Lutter and Price were elected at large where as they had been Ward Councillors in the previous Council.

An extraordinary vacancy arose with the resignation of Mr Rob Lutter on 22 May 2014. A by-election has been scheduled to be held on Tuesday, 19 August 2014 to fill this extraordinary vacancy for a Napier City Councillor elected at large.

Performance Measures

70% of residents satisfied with Sufficiency of Public Information Supplies in the NRB Public Opinion Survey (target 80%)

Roading

The City's road network provides accessibility to Napier residents and visitors within a safe, clean and aesthetic environment.

Key Issues

Roading Projects

Key works for 2013/14:

Roading I.A.R. – ongoing works with unspent budget carried forward.

Roading Capital Projects (Bulk Funded):

Ongoing projects throughout the City. Work during 2013/14 included the completion of the North Terrace reconstruction, construction of a retaining wall in Convent Road and the completion of the Herschell Street redevelopment.

Transportation Proposals: Long term budget provision to cater for growth of the City. No physical work was carried out this year, however advanced land purchase has been undertaken to facilitate future works.

Prebensen Drive Four Laning: Council's share of the funding for this has been carried forward from past years. The New Zealand Transport Agency (NZTA) has not as yet approved the subsidy for this project.

CBD Upgrade: The first stage of the Hastings Street upgrade from Vautier Street to Albion Lane has been completed. The second stage of the Hastings Street redevelopment was put on hold pending the completion of the building reconstruction and strengthening works currently being carried out by many building owners / developers.

Cycleway Projects: The Water Trail Pathway joining Ahuriri and Bay View was completed. The second stage of the Taipo Stream pathway was completed and various short sections of paths to provide improved connectivity with the overall cycling network have also been completed.

Reduced NZTA Funding

As a result of the Government's revised targets for the Land Transport Programme, subsidy levels for maintenance and renewal works for the three years from 2011/12 to 2013/14 were reduced in line with previous years. The Council has carefully reprioritised its works programmes, particularly between renewal and maintenance, to minimise any adverse affect of this shortfall in funding.

Increase in Mass and Dimensions for Trucks

Council has been working with NZTA and their consultants to monitor the effects of the increased mass and dimension of higher productivity trucks on parts of the network. Initial indications are that the effect on straight sections of road is likely to be minimal (less than 5% increase in maintenance and renewal) largely because the increased tonnage per vehicle is expected to result in fewer vehicles on the road and the weight is generally spread over more axles. The effects on high stress areas however, (intersections and tight bends) could be more pronounced because of the additional shear forces generated by the additional axle loadings.

Performance Measures

Roading

86% of residents satisfied with Footpaths in the NRB Public Opinion Survey (target 82%) and 93% of residents satisfied with Roads (target 87%).

Solid Waste

Scope

Council provides a domestic refuse collection service for both residential and commercial properties.

Key Issues

Napier disposed of 16,413 tonnes of refuse during the 2013/14 year at the landfill from the domestic collection, the Transfer Station and litter bin collections.

The kerbside recycling collection diverted 3,133 tonnes of waste from landfill and a further 2,582 tonnes was diverted through recycling initiatives at the Redclyffe Transfer Station.

The most topical solid waste issue for the 2013/14 year was plastic recycling. Operation Green Fence caused a shift in the markets for plastic recycling. It involves China's waste legislation being enforced more strictly; recycling bales are checked by officials at the point of import to ensure that loads that have more than 2% contamination are not accepted into the country. Contamination includes plastics that don't have a resin number on them, plastics that are dirty or unwashed, product that is made from recycled materials and plastic bags. Operation Green Fence has been in place for several years but New Zealand has only been strongly effected since the beginning of its 3rd phase from February 2013 to November 2013 followed by the 4th phase beginning in May 2014. For New Zealand exporters, the greatest impact has been on sales of Mixed Plastics grades 3 – 7 and plastic bags.

Markets for mixed plastics are still tough and therefore quality has been, and continues to be, more topical for Councils and recycling businesses throughout New Zealand. Plastic bags may contaminate containers of plastic recycling for a variety of reasons whether it be because of their high level of print, no resin number, or food contamination. Consequently only supermarket plastic bags from the checkout are collected in Napier's kerbside recycling collection. Napier City Council and Hastings District Council share a contractor for the kerbside recycling collection; Green Sky Waste Solutions Ltd. They send these plastic supermarket bags in separate bales to Vietnam. Due to ongoing education and care with the quality of their bales, Green Sky Waste Solutions Ltd are just one of two recycling companies in New Zealand who are still successfully exporting plastics bales grades 1-7 to China.

In the second half of the 2013/14 year Napier City Council and Hastings District Council formed a joint committee to investigate long term alternative solutions to landfilling.

Performance Measures

Solid Waste

279.81kgs per capita of waste to landfill (target <306kgs).

The refuse diversion rate was 25.8% due to green waste being down on 2012/13 (target 31%).

We were compliant with resource consent requirement 100% of the time (target 100%).

92% of residents are satisfied with refuse collection in the NRB Public Opinion Survey (target 92%).

Stormwater

Council provides and maintains a stormwater disposal system for the 13 separate drainage areas or catchments in the City aiming to minimise the effects of flooding.

Key Issues

Napier CBD

The construction of 195m of 2 metre diameter pipe from the Marine Parade beach to the corner of Tennyson and Hastings Street which commenced in 2012/13 has now been completed.

Design works commenced in 2013/14 for the construction of the outfall and associated viewing platform. It is expected that we will be tendering for its construction towards the end of the year.

The extension of the new stormwater main from Albion Street to connect to the 2 metre diameter pipe which has been laid in Tennyson Street is programmed to commence in autumn next year in conjunction with the Hastings Street upgrade works. These works will provide for future stages of the pipeline to continue from the intersection further along Hastings Street towards Shakespeare Road, and down Tennyson Street towards Milton Road.

Taradale

The initial part of these works involve the excavation and installation of new stormwater for approximately 1,000m of alignment from the upstream end of the existing Spriggs Crescent Drain to the intersection of Osier and Gloucester Streets where it will connect into the existing pipelines at this location in order to provide for the increase of capacity for the drainage of the surrounding catchment. These works will also include the extension of the existing Spriggs Crescent Drain along the reserve adjacent to Perry Crescent a distance of 250m.

Initial design works have included the location of existing services as required to identify conflicts and required enabling works. Geotechnical testing has also taken place for the purpose of identifying design solutions for the reformation of the existing open drain, and for its extension.

Purimu Pump Station

The Purimu Pump Station is a critical infrastructural asset as this provides the sole means of discharge for the Purimu Stream and its catchment. The station provides for 5 pump installations. As the large number 2 pump was replaced in December last year, the number 4 pump installation is the only remaining pump to be replaced in order to reinstate the pump station to its full capacity.

Onehunga Pump Station

The Onehunga pump station constructed in 1964, serves the Petane and Atherfold catchments of Bay View. In order to restore the catchments pumping capacity, and overcome a number of existing operational concerns a new pump installation will be established alongside the existing pump station.

Marine Parade Outfalls

The continual egression of the beach crest along Marine Parade has the effect of covering over the stormwater pipe outfalls along this section of the coastline.

Recent works included the extension of the existing Sale Street. This involved the placement of 12m long reinforced concrete box culvert to extend the existing outfall.

Future works include the extension of the Dalton Street outfall located alongside the old Marineland site. Relaying of the outfall at a higher grade from the road edge to the outlet will raise its level sufficiently above the beach gravels to allow for its free discharge.

Georges Drive Pump Station

The pump station has undergone electrical and structural upgrade works for the fitting of a new 70kW submersible stormwater pump.

Once the new number 3 pump has been installed, it is intended that last remaining non submersible pump be replaced.

Performance Measures

Stormwater

Total pumping water pipes were available 96% of the year (target 97%). Refer to Key Issues.

Council were compliant with discharge consent conditions 100% of the time (target 100%).

92% of residents are satisfies with stormwater in the NRB Public Opinion Survey (target 87%).

Sewerage

Council provides and maintains a safe domestic and industrial sewage collection, screening and disposal system to maintain the community's health.

Key Issues

Completion of Wastewater Treatment Plant

A major project with building commenced in 2012/13 was the Biological Trickling Filter (BTF) Wastewater Treatment Plant funded from the Advanced Wastewater Treatment Establishment Fund. The project was scheduled to be completed in August 2014, and was go-live on time by 31 August 2014.

Council committed to providing advanced sewage treatment following thorough investigations and a public consultation process initiated in 1993/94. There is no other single project with significant capital, operational and maintenance costs that has had a greater impact on Council's finances over the past two decades. Council has managed multiple contractors throughout the year for the construction of the Wastewater Treatment Plant. By year end most of the large structures had been completed, construction of the electrical/industrial screenings building was almost complete and work on industrial effluent pipelines, ventilation system and electrical and mechanical fitout was underway. Operating and maintenance smaller than with Advanced Primary Treatment (APT).

The total budget of the project was $36.1m with much of this provided in past plans. Savings of $3.4m were identified before the end of the financial year, reducing the overall budget to $32.7m. Expenditure during 2013/2014 was $15m.

Performance Measures

Sewerage

Number of reticulated properties unable to dispose of wastewater for longer than six hours (due to stormwater infiltration) was one (target zero).

Council were compliant with requirements of resource consents (for quality and volume) 100% of the time (target 100%).

92% of residents are satisfied with wastewater in the NRM Public Opinion Survey (target 90%).

Water Supply

Council provides a water supply system for the supply of potable water as well as for fire fighting purposes.

Key Issues

The district once again experienced a hot and extended summer which often results in days with very high water consumption but again this year the public responded well to the media campaign to use water carefully and the system coped well.

A number of minor water main renewals were carried out during the year, the most notable being in Lever Street where a key secondary trunk main was replaced in conjunction with the resonstruction of the road.

Approximately 45% of the water pipes renewal budget was spent during the year, which was mostly as a result of crews being busy with other work particularly the Wastewater Treatment Plant. However there was no significant impact on the performance of the reticulation because of it.

The first stage of the upgrade of the Chaucer Booster pump station was completed with some further work to be carried out in the 2014/15 year.

Performance Measures

Water Supply

100% compliance with drinking water standards (target 100%).

95% of residents are satisfied with water supply in the NRB Public Opinion Survey (target 90%).

Recreation

Recreation activities includes Sportgrounds, Napier Aquatic Centre, Marine Parade Pools (managed by external contract), Reserves and the Inner Harbour.

Key Issues

Sportsgrounds

Sportsgrounds Development

The Park Island Master Plan was completed in early 2013 and sets in place the future boundaries and layout of the Park Island sports complex. This Master Plan has initiated a process to significantly expand and enhance the City's open space and recreation network and Napier's outdoor sports facilities. Over the next 20 to 30 years, the Council will work with sports organizations and other stakeholders to turn the master plan into a reality. During the past year, further work has been undertaken to pave the way for work to happen on the ground at Park Island, including:

- Recognition of the Park Island Master Plan in Council's District Plan
- Completion of engineering designs to improve traffic management on Clyde Jeffery Drive
- Completion of engineering design to improve walking access around the base of the cemetery hills. Pathway to be upgraded in the second half of 2014
- Rebranding and design of Park Island signage. Programme to replace existing signage to be initiated in the second half of 2014
- Completion of design guidelines to ensure that future developments at Park Island provide the character intended in the master plan and to remove the risk of ad-hoc development over time
- Planning in collaboration with Hawke's Bay Regional Council and Hawke's Bay Hockey to realign and rehabilitate a section of the Taipo Stream, and consequently to support the establishment of hockey's third artificial turf at Park Island
- Planning for the establishment of natural turf playing fields in the new greenfields development area between the existing Park Island sportsgrounds and the Parklands residential development
- Construction of a new central administration building for Central Football Federation

The budget from this and past years will be carried forward.

Bond Field extension is part of the Park Island master plan improvements early projects include design for Clyde Jeffery Drive. Traffic improvements, establishing a central North Island base for Central Football Federatin and undertaking detailed design for the new northern hub expansion. Budget was provided in past years.

Sport and Active Recreation Strategy

The Council continued to work in partnership with other councils in the region, regional sports organisations and Sport Hawke's Bay towards redeveloping the region's existing Sport and Active Recreation Strategy into a better plan for Hawke's Bay.

Cricket World Cup

The Council will provide McLean Park as a match venue for the 2015 Cricket World Cup and has been working closely with the event organiser to ensure the success of the event, which includes three matches at McLean Park in March 2015.

Napier Aquatic Centre

The Enclosure Building Upgrade work has been put on hold until detailed seismic assessments have been completed for all the buildings in the complex. Expenditure for Napier Aquatic Centre I.A.R. is below budget due to works yet to be completed primarily on the outdoor area.

Reserves

Whakarire Avenue Breakwater and Westshore Beach Reprofiling

A resource consent for a breakwater at Whakarire Avenue has been lodged and is being considered by the Hawke's Bay Regional Council. The granting of a consent and subsequent construction of a breakwater would stabilize the southern end of the beach and enable subsequent re-profiling of Westshore Beach to enhance the aesthetics of the beach and make it more user friendly. The construction of a breakwater would also enable more houses to be taken out of the coastal hazard zone.

Hardinge Road Erosion

Coastal storm surges over recent years have led to a gradual deterioration of the rock erosion protection structure along the foreshore of Hardinge Road. An upgrade of the erosion protection structure was necessary to protect the adjoining Reserve and Rotary Pathway. This work was divided into three phases and to date stages one and two have been completed. The third and final stage will be completed in mid to late 2014.

Perfume Point Reserve beach upgrade

Following an Annual Plan submission from the Ahuriri Business Association Council allocated $105,000 to redevelop a portion of the Perfume Point Beach Reserve between Hot Chick and East Pier. The proposal is to convert this section of Foreshore Reserve into a more user-friendly family area with a high visual and recreational appeal. The design concept is planned to be completed by the end of 2014 with construction work commencing early in 2015.

Reconstruction of the historic Art Deco skating rink on Marine Parade

The existing Art Deco skating rink on the Marine Parade (in front of the Soundshell) has over time deteriorated to such an extent that it is now badly cracked and visually compromised. Council Design and Services Department staff have undertaken investigations into a number of the logistical aspects associated with the selection of the correct pigments for the concrete and removal of the old rink, reconstruction of the sub-base and repouring of the existing Art Deco concrete pattern is expected to commence late in 2014.

Botanical Gardens restoration

The final stage of an upgrade of existing infrastructural items associated with the Botanical Gardens is programmed to commence after the start of the 2014/15 financial year. This final stage involves an upgrade of the gardens irrigation system in order to be able to efficiently undertake routine watering requirements to the garden.

Marine Parade Development

Council has been investigating options for the future development of the current Marineland site and the carpark area to the north of Marineland. Work is proceeding on development of an option for a world class roller sports venue, an adjacent interactive water-play recreation area (Reef Garden), a replacement carpark, and a grassed amphitheatre linked to the southern end of the sunken gardens.

A feasibility study of options for the development of the site has been completed and a business case for this option is in progress but has yet to be approved by Council. The cost of this redevelopment option is estimated at $5.7m. Should the project proceed, funding has been identified for $5.7m which will not impact rates. Any option chosen by Council will require an amendment to the Ten Year Plan and Council will conduct a separate consultation process for the amendment.

Other Projects

Budget for the Marine Parade Landscaping and Planting and Landscaping projects was included in past years. Unspent budgets for Reserves I.A.R. and Passive Recreation Reserves will be carried forward to be used on these projects in the future.

Inner Harbour

Investigation into whether the Meeanee Quay jetties should be renewed or redeveloped with a view to providing additional berthage for the future is required. An engineering survey will be undertaken during the next 3 years to establish the remaining life and estimated replacement cost of the jetties.

There is no provision for the renewal of the Meeanee Quay jetties within the current renewals programme.

No issues have arisen that would facilitate the need to commence this project.

Dredging of the channel was completed in October 2013 and it is and it is anticipated that further dredging will not be required for a further 3-4 years from that date

Performance Measures

Sportsgrounds

87% of residents satisfied with Sportsfields in the NRM Public Opinion Survey (target 90%)

Napier Aquatic Centre

Adherence to NZ Water Treatment Standards 100% of the time (target 100%)

Accredited as meeting Poolsafe Standards until 2015.

Reserves

Percentage of residents satisfied with Public Gardens, Street beds, and Trees in the NRB Opinion Survey 96% (target 95%)

Social and Cultural

Social and Cultural activities include Libraries, Napier Municipal Theatre, MTG Hawke's Bay (Museum Theatre Gallery Hawke's Bay), Community Advice, Safer Community, Halls, Retirement and Rental Housing, Cemeteries, Public Toilets and Emergency Management.

Key Issues

Libraries

It is evident that Library members and other visitors are starting to access the Libraries in a different way, and for different reasons, than has been the established tradition. Examples are the use of the library buildings as a community hub for informal meetings; increased use for study; the burgeoning public internet and email service; and programmes for both children and adults. Remote access through the Libraries' website is being increasingly used to renew Library loans online; search the catalogue to place online reservations; to research using the online subscription databases; and to borrow online e-Books and audio-books. In 2013 - 14 Napier Libraries spent a reduced amount on the purchase of multimedia library stock, due to the Collections Team Leader position being vacant for approximately 6 months.

MTG Hawke's Bay (Museum Theatre Gallery Hawke's Bay)

Due to additional earthquake strengthening requirements resulting from the Christchurch earthquake, additional work was carried out on the building resulting in a 3 month delay in opening. MTG opened to the public on 21 September 2013. Budget for the MTG building project was provided in past years.

Community Planning

Population changes present challenges in the medium to long term. Demand will come from both the ageing population and youth.

Funding sources continue to decline for community organisations and demand for their services is on the increase. Council will continue to offer support, resources and advice to organisations, both at individual levels and in group settings.

Safety continues to be identified as a key concern for Napier residents. Work is continuing to strengthen our neighbourhoods by encouraging better connections within them. Council also support community based organisations such as Neighbourhood Support, Napier Community Patrols and the Napier Safety Trust who contribute to making Napier a safer community.

Maraenui Shopping Centre and Reserve

The upgrade of the reserve that was initiated following a Crime Prevention by Environmental Design (CPTED) assessment has been completed with the instalment of a new playground, community stage, toilet facilities, skate park and street furniture.

Community Arts Centre

Following Council approval of a proposal from Creative Napier to use the Old Borough Council Building (now located behind Te Pania Hotel) for a Community Arts Centre, Creative Napier secured the funding required to complete the fit-out work needed to convert the building into an Arts Centre. This work is likely to be completed in November/December 2014.

Halls

A seismic assessment of the Memorial Square building undertaken in April 2013 identified structural issues and the building requires strengthening to bring it up to a satisfactory level of New Building Standard. The building was vacated and remains closed to the public. Further investigation into costs and the scope of work required are underway. Budget for the reconfiguration of the building for a Community Hub has been included in the 2014/15 Annual Plan, this does not include costs for strengthening work.

Other assessments of Community Halls are at various stages of completion. There may also be structural issues identified with these buildings.

Minor refurbishment of the entrance way, kitchen and toilets in the Greenmeadows East Community Hall was completed through the building maintenance programme. A seismic assessment is yet to be completed.

The Taradale Community Rooms seismic assessment identified no issues. The rooms are in need of some minor refurbishment and will be programmed in to the existing building maintenance programme.

Retirement and Rental

In 2011 Council resolved that the funds in the Pensioner Housing Upgrade Reserve, that had been retained to finance additional flats, would be extended to include improvements to existing Retirement Flats. From a feasibility study carried out in 2008, one of the main areas identified was the improvement of retirement flats insulation and ventilation. The insulation was upgraded during the past three years, and is now to the recommended standard for ceilings R2.9 and under floor R1.3. The Pensioner Housing Upgrade Reserve is being used to improve kitchen and bathroom ventilation and, at the same time, renew bathroom fixtures and

fittings. To date 100% of the bathrooms have had ventilation installed and 66% of the bathrooms that require vanities have been upgraded The total value of this work is expected to be $658,000. The kitchen ventilation will commence 2014/15 year.

Cemeteries

Cemetery Extension

In order to accommodate the burial and ash interment requirements for the City, work began in 2012/13 to develop the second half of Western Hills Cemetery. Stage one of this extension centres around the design and layout of the existing land, while stage two relates to the actual construction phase. It is anticipated that the design process will be completed by the end of 2014, with the construction process commencing in 2015.

Emergency Management

A review of the HBCDEM Group Plan is complete and is now in force, a little later than the planned January 2014. Napier City Council will work with the HBCDEM Group to implement the plan in its own area of responsibility and will work closely with surrounding local authorities to ensure a seamless transition between areas in a disaster.

Current legislation, particularly the Civil Defence Emergency Management Act 2002, continues to be in need of review due to significant national events. This may place additional requirements on Council in the future. Part of this has been carried out and the new Coordinated Incident Management Structure (CIMS) has been released by central government and is now in force; this has placed additional re-structure requirements on the Council to ensure compliance in a multi-agency activation for a disaster.

This year there have been two successful Siren tests with consistent growth in levels of preparedness as indicated by the surveys and increase in the number of people hearing the sirens due to the addition of an extra siren at the Airport. National Get Ready Week in September 2013 was a great success with Napier involving itself in the "get to know your neighbours" campaign designed to bolster resilience communities.

A number of minor changes proposed in the previous annual report have started to be implemented ensuring a more robust and agile response capability within the Emergency Management sector:

1. Emergency Management Information System (EMIS).
    a. This has allowed for faster passage of information for Local Controllers and allow the Regional Group and Ministry of Civil Defence Emergency Management (MCDEM) to "view" our situation and co-ordinate a response in aid of the Local Authority.
2. Increase to two Emergency Management Operation Centres (EOC)
    a. This project continues near completion with the introduction of a contract for the Satellite Trailer purchased some time ago.
    b. This will be a "Mobile EOC" and will be used in the event the use of the EOC in the council building is untenable.
3. Following the introduction of the new registration system a complete rework of the volunteer structure has resulted in three teams being established to run one Civil Defence Centre with the capacity to increase. The 9 Civil Defence Centres already allocated will remain as pre-designated sites and various forms of media will be used to advise people which centre is open, or the location of any other site if dictated by the situation.
    a. This will provide the capacity for the volunteers to open a centre wherever it is required and not be held to the current 9 centres which may be affected by an event of great magnitude.
    b. This will be achieved by re-rolling the "Comms Trailer" which will have some of its assets moved into the Mobile EOC, this is now underway.
4. Installation of one more sirens for public alerting, this will be located at Ahuriri.

Performance Measures

Libraries

243 new stock items per 1,000 residents (target > 350)

Napier Municipal Theatre

Number of hire days for theatrical and cultural events were 180 (target 140)

Visitor numbers were 87,918 entries showing good signs of improvement (Target 97,808)

MTG Hawkes Bay (Museum Theatre Gallery Hawkes Bay)

125,155 visitors and local entries to Museum and Art Gallery

15 exhibitions for the year.

27% of residents satisfied with MTG Hawke's Bay

Halls

5 halls, 1 below target (6), Memorial Square currently closed due to earthquake strengthening requirements.

Community Planning

67 youth forums and local community events coordinated (Target 50).

Retirement and Rental Housing

98% occupancy for retirement flats and 97% for rental flats (target 97%)

Cemeteries

Interment and Burial spaces are available on request 100% of the time (target 100%)

City Promotion

City Promotion activities include City and Business Promotion, City Promotion Grants, Aquarium of New Zealand, Napier i-Site Visitor Centre, Par2 MiniGolf and Kennedy Park.

Key Issues

City Business and Promotion

The Business Mentoring service was transferred to the Hawke's Bay Chamber of Commerce part way through the year.

Deco City Discoverer (City Promotion)

The 'Deco City Discoverer' bus service was discontinued due to high operating costs outweighing the economic benefit.

National Aquarium of New Zealand

Marineland has been closed to the public by decisions of Council dated 2 July 2008 and 9 December 2010. Marineland's penguins were moved to the National Aquarium in November 2012. The future of the remaining animals and birds is a key issue for Napier, along with the future use of the Marineland site.

Kennedy Park Resort

Kennedy Park has resigned from the TOP 10 Group effective 30 June 2013.

Performance Measures

City Business and Promotion

85,437 cruise ship visitors (target 108,000), visitor numbers impacted due to weather and ability to get to port.

War Memorial Conference Centre (WMC)

270 national and international hires (target 260), 4 Star Qualmark Venue rating was maintained.

National Aquarium of New Zealand

113,804 visitors (target 99,000). Results improved with new penguin enclosure.

Napier i-Site Visitor Centre

The centre met its target of being open for at least 8 hours per day for 364 days (target 8 hours for 364 days)

Par2 MiniGolf

Visitor admissions numbers 37,624 (target 39,300), due to visitor numbers being lower.

Kennedy Park Resort

23,104 room nights booked (target 25,000). Less visitors staying overnight, due to the tight economy, but showing signs of improvement.

Planning and Regulatory

Activities required by legislation are Planning Policy, Regulatory Consents, Building Consents, Environmental Health and Animal Control. Parking Services is also included in this group.

Key Issues

Planning Policy

Draft Plan Change 10 was developed and notified last year with the primary purposes of:

- Integrating the Ahuriri Subdistrict provisions into the Operative Napier District Plan so that all planning rules for Napier are held within one planning document.
- Harmonising wherever practicable the following district wide activities (and in some instances also 'place-based' activities) between the Napier and Hastings District Plans in order to achieve consistency between the two authorities.

  #### District Wide Activities

  - Natural Hazards
  - Network Utilities
  - Activities on the Surface of Water
  - Earthworks
  - Signs
  - Hazardous Substances
  - Noise
  - Transport (primarily car parking ratios)

  #### Place Based Activities

  - Non Rural uses within the Rural Zones (Home occupations, Supplementary Units, Residential Care Facilities, Day Care Centres, Education Facilities, Travellers' Accommodation)
  - To update planning maps to reflect the harmonised zonings and for consistency in style and colour with the Hastings District Plan
- To update existing Napier District Plan provisions where they are affected by recent Napier City Council policy changes and decisions, including;
  - Temporary signs in rural areas
  - Realigning the parking exemption boundary with the differential rating boundary in the inner city
  - Sports Park Rezoning at Park Island
  - Rezoning Western Hills and Park Island Cemeteries from Sports Park to Reserve Zone
  - Updating Code of Practice for Subdivision and Land Development to reflect current practice
  - Tyre storage
  - Rural Settlement Zone site coverage rules and clarification of serviced/unserviced site requirements
  - Seismic strengthening of heritage items
  - Noise standards associated with Temporary Activities

The Council has also initiated a study of the Ahuriri Mixed Use Zone and Draft Plan changes have been prepared that will be formally notified later in 2014, and integrated with the other changes.

Building Consents

The latest IANZ accreditation assessment the Building Consents operation identified issues that needed to be reviewed and as a result the operations are currently being reviewed.

Environmental Health

There is new legislation covering the sale of liquor. A lot of work has already been completed towards institution of the Sale and Supply of Alcohol Act 2012 and associated regulation. Officers have begun work on a joint Local Alcohol Policy with Hastings District Council and a District Licensing Committee has been appointed. The Food Act 2014 has become law and officers are working towards implementation of the Act when it comes into force early 2016.

Animal Control

Council's focus on identification of unregistered dogs has meant that registration numbers have increased and the amount charged for registration has been held steady. The on-going approach of imposing of penalty fees on non-compliant owners has also resulted in higher levels of compliance. Council has undertaken active door to door checking of various areas within Napier to ensure people maintain a complaint approach to caring for and registering their dogs.

Work is almost complete on the dog pound facility to ensure it remains compliant with newly instituted animal welfare codes. This project also included a security camera system and staff safety equipment. A refittable pod for the Animal Control vehicle was constructed.

Parking Services

A Cashless payment system has been in trial in the inner City this year and after Council consideration may be deployed to further off street parking facilities.

The pay and display zones within Taradale have bedded in and are producing the requisite income to meet the cost of the Taradale main street upgrade loan over the project 25 years.

The Vautier Street walkway from the Vautier Street car park was constructed with budgets provided in past years and cameras were installed to upgrade security in several parking facilities.

Performance Measures

Building Consents

100% (1,715 of 1,715) processed within 20 working days (target 100%)

Building Consent Accreditation (BCA) maintained

Environmental Health

100% of food and non-food premises were inspected (target 100%). Food premises are checked twice annually.

Number of water samples taken compared to number of the National Standard were 181.3% (target 165%)

Animal Control

15.8% of dog owners are licenced (target 20%). Increased number of registered dogs has impacted on percentage of licensed dog owners.

Parking Services

Percentage of residents satisfied with parking in the NRB Public Opinion Survey: CBD 66% (target 60%) Suburbs 60% (target 60%)

Property Assets

Council's property assets include the Lagoon Farm, Parklands Residential Development and Property Holdings.

Key Issues

Lagoon Farm

A steady year with relatively good weather conditions which allowed the farm to return a small profit.

Parklands Residential

The market continues to be relatively quiet with a moderate take up of sections (26 lots). Council has limited its development work to reflect the market.

Property Holdings

Lagoon Farm Business Park

Council has approval for a District Plan change for the Business Park zone. Planning is still in progress regarding staged development of the area.

Earthquake Prone Buildings

In recent years national awareness and involvement in the processes around determining of earthquake prone buildings under the Building Act and the resulting strengthening has grown considerably. The Government has become directly involved and is currently working towards national direction under the determinations made by the Canterbury Earthquake Commission. While we are currently experiencing some uncertainty around the Government policy, owners and developers of buildings in Napier have proactively continued to have their buildings assessed in accordance with the Council's policy and numerous buildings have now been strengthened in accordance with the Building Act. Napier still faces a serious conflict with its Art Deco building heritage. The uniqueness of the City is tied to the 1931 earthquake and the Art Deco redevelopment that occurred in the decade following. The City actively promotes protection of this heritage and in general building owners and developers have a well established record of endorsing and honouring protection and redevelopment of this historic building stock rather than demolition and building new. Because of the age and the building technology of the 1930's, these buildings are becoming difficult if not impossible to insure fully. This in itself will become an issue for future Councils in Napier. There may be future budgetary impacts arising from this conflict for the Council.

Council is continuing with seismic assessments on Council owned buildings. Funding has been set aside for strengthening work on three minor buildings which have been deemed earthquake prone. The only other building deemed earthquake prone is the Memorial Square building which has been closed pending further reviews on its future.

Lotteries funding has now been approved and the Arts Centre Building upgrade is expected to be completed in the 2014/15 year. Minor Capital items include Civic and Library building improvements which have been funded from discretionary building maintenance budgets.

Council has proposed that the provision for Land Development for Growth will be reallocated to the Marine Parade Development project.

Performance Measures

Parklands Development

27 lots were created in the Parklands Residential Development (target 58)

26 sections were sold. Note: the Ten Year Plan measure was for sections sold, however the target of 58 was for lots created. Both results have been reported

NRB Public Opinion

Service	2014 Satisfaction %	2013 Satisfaction %	2012 Satisfaction %
Public Gardens and Street Beds	96	95	98
Water Supply	95	96	96
Sportsfields	87	87	90
Parks and Reserves	96	95	98
Sewerage system	92	92	90
Roads	93	89	94
Stormwater services	92	90	87
Footpaths	86	86	88
Parking in Taradale and other suburbs	60	64	67
Dog control	82	84	85
Noise Control	86	86	86
Public Toilets	78	76	75
Library service	85	84	N/A
Cemeteries, including maintenance	77	77	76
Parking in the City Centre	66	66	75
Refuse Collection	92	94	94
Control of Litter, Graffiti and Vandalism	91	92	93
Swimming pools	56	56	68
Civil Defence Organisation	72	75	N/A
Council's Policies to Promote Job Opportunities	35	31	36
Tourism Promotion	84	87	N/A

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of
Napier City Council's
summary annual report
for the year ended 30 June 2014

The summary annual report was derived from the annual report of Napier City Council (the City Council) for the year ended 30 June 2014. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 7 to 10 and pages 25 to 36 and the contingency liability information on page 24:

- the summary statement of financial position as at 30 June 2014;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014; and
- the summary statement of service provision (referred to as the Activity Summary) of the City Council.

We expressed an unmodified audit opinion on the City Council's full audited statements in our report dated 22 October 2014.

Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with FRS-43 (PBE): *Summary Financial Statements*.

Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 22 October 2014 on the full audited statements.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the City Council.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS-43 (PBE): *Summary Financial Statements*. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): *Summary Financial Statements*.

Other that in our capacity as auditor we have no relationship with, or interests in, the City Council.

S.B Lucy,
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
21 November 2014