Firm Foundations for a Sustainable Future
Toka Tū Moana

Three-Year Plan 2024-27
Consultation Document

Tē tōia tē haumatia
Nothing can be achieved without a plan, a workforce and a way of doing things

Contents

Where is the 2024-34 Long Term Plan?

Due to the disruption caused by Cyclone Gabrielle, the government changed the legal requirement for NCC to produce a 10-year Long Term Plan. We are instead producing an unaudited, three-year plan for 2024-2027, with a focus on recovery. This change acknowledges the effects Cyclone Gabrielle has had on our ability to deliver previously planned projects. Our Three-Year Plan will still provide information on budgets and plans beyond 30 June 2027 to give our community visibility of projects planned over the longer term.

What do you think about our plans and priorities?

Last year, we outlined our priorities and the external factors that are affecting our plans over the next three years. We spent some time asking our community what they thought of our strategic priorities and thinking for the Three-Year Plan. Here is what we heard:

- Council needs to be financially sustainable and spend money carefully.
- Napier needs to be able to withstand unexpected knocks and shocks.
- Core activities, such as waste management and clean and safe water provision are important.

This consultation document outlines the key aspects of our Three-Year Plan that we want your thoughts on. It details the internal and external factors affecting our budgets and activities and describes what we need to focus on over the next three years. Tell us what you think!

How to have your say

Read this booklet, then visit sayitnapier.nz and fill in the online form.

Need help making an online submission?

Call into our Customer Service Centre at 215 Hastings Street, or Napier or Taradale Library, where our staff can help you make an online submission. This is the easiest way to have your say. You can also pick up a paper submission form at those locations.

This document is also available in the following formats:
NZ Sign Language (online only)
Easy Read
Large Print
Audio (online only)

Engagement Events

A NZ Sign Language communicator will be available at all sessions.

Community Meetings

Drop-in sessions:
National Aquarium of New Zealand, 1pm to 2.30pm, Sunday 7 April
Taradale Library, 10am to 11am, Saturday 20 April

Public meeting:
Napier War Memorial Centre, 6pm to 7:30pm, Wednesday 17 April

Three-Year Plan Hearings

Monday 27 and Tuesday 28 May 2024
Napier War Memorial Centre 9am – 5pm.

Consultation Timeline

- Submissions open Monday 25 March 2024
- Submissions close 5pm Friday 26 April 2024

- Three Year Plan hearings Monday 27 and Tuesday 28 May 2024, Napier War Memorial Centre
- Adoption of Three-Year Plan 2024-27 Thursday 27 June 2024

Looking for funding?

Our budget for this Three-Year Plan is tight. We like to be able to support great ideas and projects for our city. If you are seeking funding support, we encourage you to visit: napier.govt.nz/napier/grants/ where you can find out how to apply for a grant or contact our team at csgrants@napier.govt.nz who will provide advice on what funding could be available to you or your group. Funding applications close on 1 May 2024.

About the dollars

Rates impacts shown in the consultation topics relate to all years of our Three-Year Plan. Big projects will stretch across multiple years and have ongoing impacts as they progress. A table showing the full rates impact over the next three years is in the Finance and Infrastructure section of this document on page 31.

Kia ora from Kirsten Wise

After Cyclone Gabrielle, central government gave us a dispensation to prepare a three-year plan. Usually, we'd be setting out a work programme of ten years in a long term plan. Now we can really focus on a concentrated three-year programme that helps our community recover from the impacts of the cyclone and puts us on firm foundations for the years ahead. This is our chance to reconsider and significantly change the way we do things to benefit the wellbeing of everyone in Napier. The most important part of this plan is YOU. Your voice and your views will make this draft a solid road map for the three years ahead of us.

Our three-year plan sets out what we are going to deliver and how we will go about it. In this draft plan we are proposing an average rates increase of 23.7% in the first year. Included in this are funds that will be set aside so we can build our capacity to withstand and recover from challenges. This would be spent on activities related to emergency preparedness and projects that will improve our resilience.

Looking overall at this draft plan, it's clear there are competing priorities that are pulling on our resources. Recovery from the cyclone is one, and this includes rebuilding assets, some of which we own with Hastings District Council, and resourcing property buy-outs. It also means building resilience into existing and future assets such as the work planned for the Wastewater Treatment Plant and the Awatoto industrial zone. We must also respond to the effects of climate change by planting along foreshores and waterways and helping mitigate coastal erosion.

There are many factors contributing to our need to increase rates and you can read details about them in this document. The most important thing is that we put in place strong foundations that mean Napier will have financial sustainability in the future. This includes making full use of the resources we have including changes to how we manage commercial assets, like our investments and our visitor-focused facilities.

Zooming out, across New Zealand all councils are facing challenging financial situations and this year, many will propose significant rates increases to their communities. Across the board, there is an ongoing balancing act required to deliver best service to our community. Infrastructure is essential, and maintaining it is costly, with material and labour costs rising. Recovery too still requires significant resourcing. At the same time, we need to stay focused on the core services our community wants and needs from us. Creating an attractive and vibrant home for our residents and a desirable destination for our visitors is also important.

To strike the right balance, we need to rise to the challenges, not shy away from them. We must consider how to grow our assets and ensure they deliver an inter-generational return. This is the time to get the building blocks in place to firm up our foundations and focus on what we can do now to benefit future generations. This draft plan gives us an opportunity to rethink, adapt and be bold.

Kirsten Wise
Mayor of Napier

Setting the scene

Our Vision

Enabling places and spaces where everybody wants to be.
Ko rua tē pāia ko Te Whanga

Community Outcomes

In 2023, Napier City Council adopted five strategic priorities to guide its decision-making over the coming years. These Strategic Priorities are also the 'Community Outcomes' that underpin the contents of our Three-Year Plan. They are all equally important and will help us to decide which projects, activities and budgets to prioritise in our Three-Year Plan 2024-27.

Financially sustainable Council
He kainga ka awatea
Council has an operating model and financial strategy that is affordable for ratepayers and enables us to achieve our objectives.

A resilient city – the ability to thrive and withstand impacts, knocks and shocks
Te toka tū moana
Council makes good future planning and investment decisions to prepare for a changing climate future and enables our community to build self-reliance. Our people, economy and infrastructure are resilient.

Spaces and places for all
He wāhi taurikura
Napier has spaces and places that everyone has access to and wants to use. We have a focus on accessibility, affordability, safety, and city vibrancy.

Nurturing authentic relationships with our community and partners
Te takutai moana
Council fosters meaningful relationships, demonstrating our commitment to listen to our community's needs, concerns, and aspirations. Developing strong partnerships with mana whenua and tangata whenua ensures we uphold our obligations under Te Tiriti o Waitangi.

A great visitor destination
Te ūnga waka
Napier is a destination aspiring to provide 'world class' facilities and attract visitors to our city. We make it easy for people to invest in our city and create experiences that attract widespread participation.

The national and local context

We understand that people around New Zealand are facing cost-of-living pressures that make it harder to manage further rates increases. Councils around the country face similar challenges. Costs to maintain and build infrastructure for services like water and transportation have increased a lot recently. Climate change and preparing for climate-related emergencies is another issue facing all councils that will cost time and money.

Locally, Napier has many issues that need attention. There are unexpected costs from Cyclone Gabrielle, with parts of our community still recovering from this event. We need to stay focused on cyclone recovery while still providing the core services and infrastructure the community needs and expects of us. We must also keep working on other important projects that will help us achieve our community outcomes.

We believe it's important to adapt to these challenges by changing the way we do some things. We want to be a financially sustainable Council, so we're looking at taking a more commercial approach to how we operate some of our services. We are also thinking about how our assets can work harder for us, to bring in more income for the city and reduce pressure on ratepayers.

Changing how we do things means we'll need to make bold decisions. It will take time and focused effort, but it will result in a firm foundation for a sustainable future.

Internal challenges

Ageing infrastructure (physical assets)
To help keep rates low in previous years, we have taken a more risk-based approach to managing our physical assets. We have now reached a point where significant investment in these assets is needed to deliver required levels of service and keep up with Napier's growth.

Inability to deliver on time
Over the past few years, staff shortages with certain roles, supply chain issues and external events such as Cyclone Gabrielle mean we've struggled to complete projects in the time we said they would take. This has resulted in budgets and work being moved to the next financial year, creating an even bigger work programme the following year.

Financial sustainability
Our external and internal challenges have made it harder to maintain our financial sustainability. In response to this, we reviewed different parts of our organisation and considered new ideas to see if there were any efficiencies, cost savings, or opportunities to make further income for the city. We want to know what you think about these reviews and plans. They are discussed in more detail later in this document.

External challenges

There are external factors that are affecting our ability to deliver all the services and activities we want for the city. These challenges also make it harder to keep our rates increases as low as they have been historically:

Impacts of Cyclone Gabrielle
Cyclone Gabrielle affected Hawke's Bay and Napier City Council in many ways. Our Wastewater Treatment Plant became inoperable, and we had to spend a large amount of money and staff time on recovery work that will continue for a few years. The cyclone affected our ability to deliver what we had planned over the last 12 months. We need to be realistic about what we can deliver for Napier over the next three years. You can read more about our recovery projects on page 7.

Increasing inflation and affordability
Just like everyone, we are feeling the impacts of rising costs. This is mainly through increasing insurance premiums and labour costs. To help us achieve our priority of being a financially sustainable council, we need to live within our means.

Long-term effects from Covid-19 and Napier's 2020 floods
Some projects were put on hold while we focused on dealing with these events. We're still catching up on the work we had to put on hold. This has had a knock-on effect on the timing and funding of other projects and essential work.

Climate change and the environment
Climate change presents challenges. It affects our health and wellbeing, our safety, the natural and built environments, food production, essential infrastructure and the economy.

We want to become a more resilient city. It's important that we lead our community in improving climate resilience and reducing emissions, but it's not just up to Council. We will need authentic partnerships with residents, businesses, industries, community organisations, government agencies and other local councils. Building climate resilience includes having more sustainable transport and urban development. It includes improved water quality and management and improved biodiversity.

We have a role in educating and helping people to take ownership of these matters. We also need to get our own house in order, by reducing our carbon footprint across all areas of our work. We are developing an emissions reduction plan that is aligned with New Zealand's targets and will roll this out over the next three years.

Our recovery plans

On 14 February 2023 Cyclone Gabrielle caused widespread damage, flooding and extreme isolation for Napier.

The Napier Wastewater Treatment Plant in Awatoto and associated industrial area were completely flooded as water overflowed the Tūtaekurī River stop banks. Parts of urban Napier, as well as the areas surrounding urban Napier, and productive horticultural land, were destroyed.

Our Wastewater Treatment Plant was fully restored by August 2023. We are now focusing on improving the future resilience of the treatment plant. Some of this work will take place over the next three years.

The Government is contributing $64 million towards the permanent replacement of the Redclyffe Bridge in the long term, which we co-own with Hastings District Council. Napier is also receiving $3.5m (50% of the cost) to allow us to administer voluntary residential property purchases in Category 3 areas of Napier.

There are many other recovery projects that we need to plan and budget for in the coming years:

- Work to reduce coastal erosion
- Development of the Omarunui landfill (jointly with Hastings District Council
- Improving stormwater drainage
- Resilience planning for the Awatoto industrial area
- Civil Defence & Emergency Management planning and readiness
- Planting along the foreshore, waterways and cemeteries
- Rebuilding Brookfields Bridge (jointly with Hastings District Council).

Government Reforms

Water reforms

Over the past few years, central government developed new legislation and operating reforms for how drinking water, wastewater and stormwater would be managed throughout New Zealand. This was to address the growing pressure all councils were facing to deliver water services efficiently, safely and affordably. After last year's change of Government, the reform programme stopped. A new *Local Water Done Well* framework and transitional arrangements will be introduced and enacted in mid-2024. Legislation to establish enduring settings and begin transition will be introduced in December 2024 and enacted in mid-2025.

A national regulator will be established to oversee water infrastructure. The regulator will ensure water is managed sustainably, with fair pricing and quality standards. *Local Water Done Well* will require all councils to submit alternative water service delivery models to the Government for approval. There is flexibility for councils to choose a model that works best for them. The new policy will also introduce financial rules to councils for managing water. More information about *Local Water Done Well* can be read online at beehive.govt.nz.

In 2019/20 – before the nationwide reform programme was rolled out – Hawke's Bay councils developed a regional model for jointly managing water services. This model proposed having a Council Controlled Organisation (CCO) owning Hawke's Bay's water assets. Now that councils have flexibility to choose their own way to manage water, Hawke's Bay councils are looking at whether a CCO is still the best option for Hawke's Bay communities.

They will consider the effects and challenges of Cyclone Gabrielle. They will also consider the final shape of the *Local Water Done Well* reforms, which are intended to provide a streamlined process for establishing CCOs. If a CCO model is preferred by Hawke's Bay's councils, this will be the subject of separate community consultation in line with current legislation.

Until decisions are made about next steps, this Three-Year Plan 2024-27 has been prepared assuming that Napier City Council will continue to provide drinking water, wastewater and stormwater services to Napier residents. Our investment in water services will be the same as our historical investment until a way forward is decided.

You can find out more about the projects and maintenance planned for our networks on napier.govt.nz using the keyword search #water.

Other government reforms
The Government has committed to repealing the Natural and Built Environment Act 2023 and the Spatial Planning Act 2023, with legislation now passed. It also has plans to amend and, over time, replace the Resource Management Act 1991 with new resource management laws. These changes will all have impacts on our ways of working.

An overview of the finances

What's pushing our rates up?

We know that finding money to pay for a rates increase is hard for many households. We have looked carefully at how to keep next year's increase to a minimum. We have brought down the rates increase by proposing to increase certain user-pays fees and charges (see page 22). We are proposing to pay the deficits (losses) of certain Council facilities with loans for three years (page 23). We're also moving some of our lower priority capital expenditure to future years (page 31).

There are various reasons why we must raise Napier's rates. In previous years, Council made decisions that resulted in rates increases for 2024-27. These decisions include using loans to:

- pay for some of our housing portfolio budget
- keep Napier Aquatic Centre's building and equipment operational
- reduce the rates increase for the 2023/24 Annual Plan.

Other factors that mean we need to increase rates include:

- increased labour costs (staffing)
- inflation impacts on our operating costs, including insurance
- cyclone recovery costs
- funding needed for essential projects.

Proposed rates increase for 2024/25

We are proposing an average rates increase of 23.7% for 2024/25 with further rises in each year of our Three-Year Plan. This is an average of $13.66 per week, or $710.28 per year. Included in this is a proposed Resilience Rate. You can read more about this on page 16.

Check our online rates calculator to see what this means for your rates bill in 2024/25 at napier.govt.nz/rates-calculator.

We carefully considered whether a smaller increase was a better option. The consequence of a smaller increase would be borrowing more for operating expenses. Ratepayers would have to pay for this borrowing in time, which would result in higher rates increases in years 2 and 3 of this plan. We therefore ruled this out.

Increasing rates to 23.7% reduces our need to borrow to pay for operating expenditure. This will ease pressure on ratepayers by having lower future rates increases. It also means we can ensure we have the right amount set aside to properly maintain our physical assets.

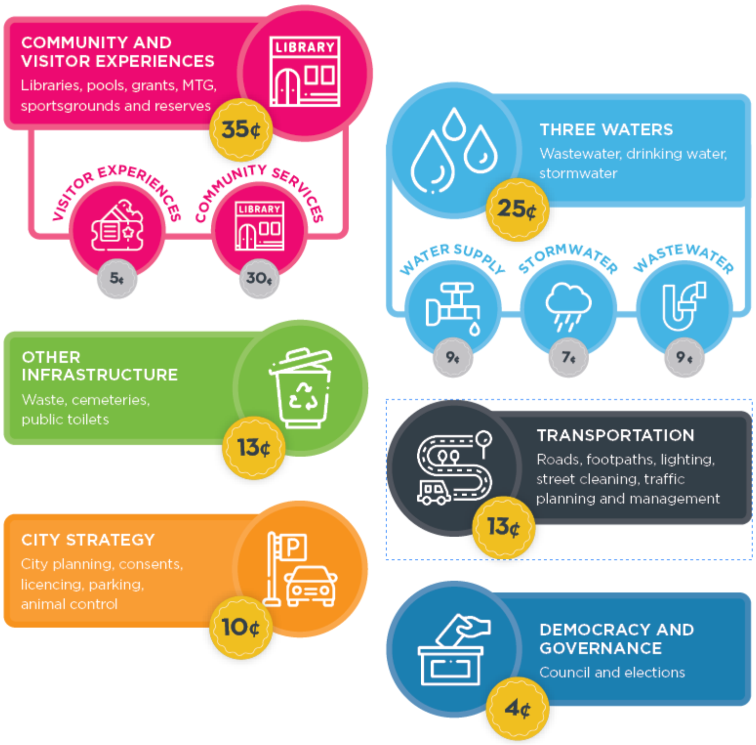
Proposed rates increase over the next three years to current ratepayers

2024/25: 23.7%
2025/26: 10.5%
2026/27: 8%

Proportion of each expense type accounting for rates increases

Labour costs: 11.57%
Other general cost increases: 5.20%
Inflation: 3.90%
Borrowing costs: 1.56%
Insurance: 1.47%

How every $1 of rates will be spent in 2024/25



Why do we need to borrow?

Some of our infrastructure (physical assets) is getting old and needs fixing or replacing. We have a big programme of work ahead of us to address this. We are borrowing to fund this as it would be too much of a burden to ratepayers if we increased rates to pay for this work.

Our city's infrastructure benefits not only the current generation of ratepayers but also generations to come. We are using long term loans, so today's ratepayers are not paying for all the debt. Instead, the repayments are spread over many years so future ratepayers contribute to the cost of the infrastructure too.

We are carefully managing our borrowing and staying within our debt limit of 175% of our income. We use the Local Government Funding Agency to get the best deal on interest rates for our loans.

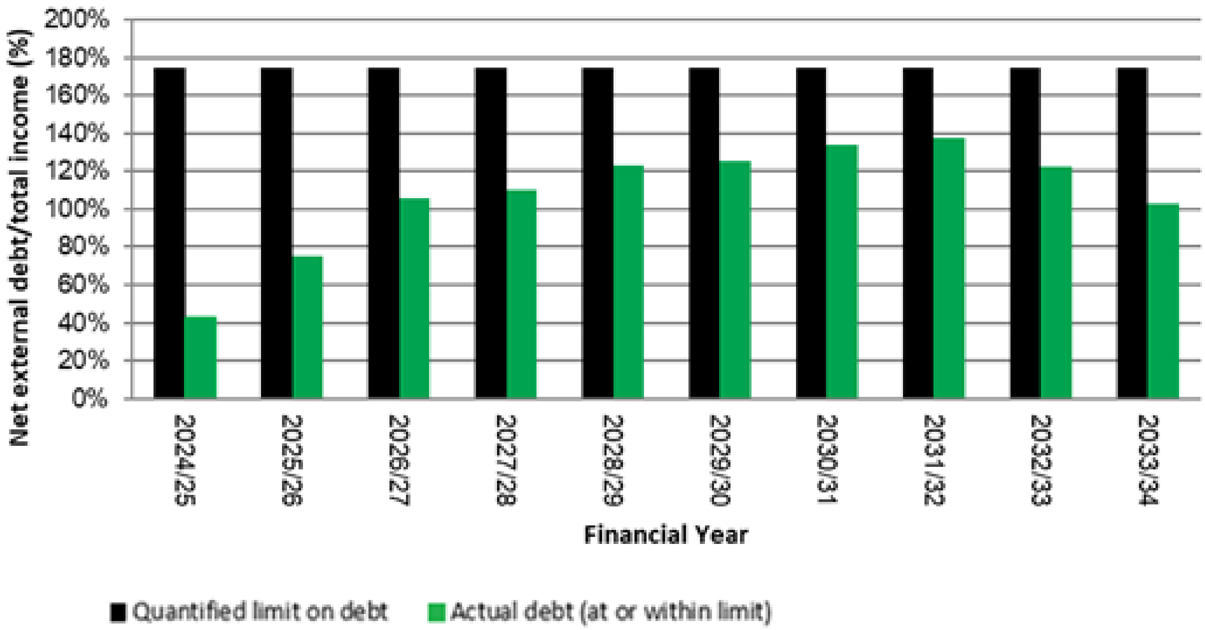
We are looking to develop a commercial investment portfolio to reduce our reliance on borrowing and rates in the future. You can read further details on that on page 17.

For more details on our finances, see the Financial and Infrastructure Strategy section on page 31.

Debt to income

What does this graph show?

The black line is the limit we have set so that we don't borrow more than we can pay off. The bars show what percentage our debt is versus our income.



Financial Sustainability
He Kainga Ka Awatea

The future of Council housing in Napier

We own and manage 377 council housing units situated in 12 villages across Napier. This housing is for people on a low income with few assets and a special housing need. Council subsidises the rent these tenants pay. Most of our tenants are aged over 65 and live in nine of our villages that focus on retirement, containing 304 units. The remaining three villages mainly have social housing tenants, containing 73 units. Social housing tenants are people who have a low income with few assets, or those who might have accessibility needs that can't be met through private rentals.

Over the last few years, costs to provide council housing for our community have increased a lot. Our housing stock has an average age of around 50 years, and maintenance is costing more. The way we provide housing has become financially unsustainable for our ratepayers and community, particularly when considered alongside other services we must provide.

In the last five years Council made a net contribution of $3.5 million to help fund our housing units. This amount includes rent subsidies, maintenance, insurance, debt servicing and renovating units between tenancies. If we continue in this way, we will need to contribute more than $16.1 million over the next ten years.

In around 15 years' time, the number of older people living in Napier will increase a great deal. By this time, it is estimated there will be around 19,500 people aged 65 and over. They will make up 26% of our population*. An increasing number of Napier's older people cannot afford to pay for private retirement villages, and they rely on affordable rental options for their retirement instead.

We recognise council housing remains one of the core options available in Napier for people whose income is limited to superannuation and who have no other assets. There are limited alternatives for this group in our community. We believe that there are more alternative options available for our current social housing and supported living tenants.

Keeping all this in mind, we've been looking at different ways to deliver council housing, acknowledging the current situation is not financially sustainable. We would like your feedback on two questions as outlined below.

When considering which option should be progressed, we would apply the following criteria to ensure best value to the community. This includes looking at further potential sale options as well as redevelopment possibilities.

Financial sustainability – Considers whether the approach will be affordable for ratepayers and will enable us to achieve our housing objectives.

Housing supply – Considers the impact on the overall supply of housing across Napier.

Community need – Considers the impact on the community and tenants, both now and in the future.

Potential supplier – Considers the capability and capacity of potential providers and the external environment in which they operate.

Council achievability – Considers the ability of Council to influence housing outcomes and to implement the changes required.

It is important to remember that with all the options below, other than the status quo, any change to how we operate our housing will take a significant amount of time to implement.

** Napier City Council Positive Ageing Strategy 2020-2024*

Question 1 – Should we continue to deliver our current council housing by increasing rates and borrowing, or should we shift Council's focus to retirement housing only and sell our social housing villages?

There are two options to consider under Question 1:

Option 1a: Continue to use loan funding and rates increases to support Council's current housing delivery approach. This is the status quo.

Option 1b: Shift Council's focus to delivering retirement housing only and sell some Council-owned housing (This is our preferred option).

Option 1a: Status quo - Continue to use loan funding and rates increases to support Council's current housing delivery approach

Under this option, we would continue to provide council housing of 377 units across our 12 villages. There will be no change in the service provided, and no disruption to current tenants.

The operating and capital costs needed to deliver the current model would increase over the next 10 years, from $4.7 million to $7.5 million annually. As rental income is currently fixed at $4.4 million annually, a net ratepayer contribution of $16 million would be needed to fund our housing activity over the next 10 years. This would mean an average annual rates impact of 1.8% over the next 10 years.

Under this option, we would focus on maintaining the current service level. Limited finances would reduce our ability to adapt to our community's future needs. For example, this may affect our ability to maintain the standard of our housing units.

How will this impact your rates?

2024/25 + 0.4% + $12.31 average rates increase per rateable property Total ratepayer contribution = $400,000	2025/26 + 0.7% + $20.43 average rates increase per rateable property Total ratepayer contribution = $600,000	2026/27 +0.7% + $20.82 average rates increase per rateable property Total ratepayer contribution = $600,000

Option 1b: Shift Council's focus to delivering retirement housing only, and sell some Council-owned housing (Preferred)

This is our preferred option. By focusing on our retirement community, we'll be able to meet the needs of the community while also ensuring we are financially well positioned for the future.

Under this option, we would sell three housing villages that are currently used for social housing purposes: Nelson Place, Wellesley Place, and Carlyle Place. These villages have multi-storey units with a mix of 1-3 bedrooms and are not well suited to retirement housing. The money from these sales will be set aside to fund the remaining housing villages.

If we went with this option, there could be disruption for some tenants. It is not certain if social housing and supported living tenants, who occupy the villages to be sold, would need to be moved to alternative non-council accommodation. If this situation were to come about, we would work with these tenants to ensure a smooth transition. Retirement tenants living in the villages to be sold would be offered a place in one of our remaining nine retirement villages. All tenants of retirement age would stay in one of our housing villages, but we would not be able to guarantee that it would be the same unit they are currently in.

The rates impact details for this option are outlined in Question 2 below.

Other options

We did consider selling all Council housing. This would mean we would no longer provide housing for social and retirement tenants. Instead, the portfolio could be sold. There would be no certainty that the units and land would continue to be used for housing.

We ruled out consulting on this option given Napier's ageing population, and the community need for affordable retirement housing as well as previous community feedback.

Question 2: If we shift to a focus on retirement housing, how can Council deliver this in an effective way?

Question 2 only needs to be considered if Council chooses to focus on retirement housing (Option 1b). We would like to gather your thoughts on this now, so we know the community's views in advance.

There are three options for Question 2:

Option 2a: Retirement focus using the current approach to delivery

Option 2b: Retirement focus with mixed delivery approach. This is our preferred option.

Option 2c: Retirement focus with an independent delivery approach

Option 2a: Retirement focus using our current approach to delivery

Under this option, Council would continue to deliver housing services the same way we currently do. We would look after the housing assets and run the tenancy management services. There would be fewer housing villages though, as we would sell the three social housing villages (Nelson Place, Wellesley Place, Carlyle Place). For the remaining retirement tenants, and for new retirement tenants, there will be no change in service or rent.

The funds made from selling the three social housing villages will be set aside to fund the running of the retirement villages for the next ten years only. After this the funds will have been fully used, and we would likely return to the same financially unsustainable position we're in now. This means we would need to reassess our housing service before the ten years are up. This could potentially include rental increases and changes to how we deliver the service.

This option means there will be little disruption and change in the short to medium term, but we will likely need to reconsider everything again in the longer term.

How will this impact your rates?

2024/25 + 0.4% + $12.31 average rates increase per rateable property Total $ cost to ratepayers = $400,000	2025/26 + 0.3% + $8.10 average rates increase per rateable property Total $ cost to ratepayers = $200,000	2026/27 + 0.2% + $5.33 average rates increase per rateable property Total $ cost to ratepayers $200,000

Option 2b: Retirement focus with mixed delivery approach (Preferred)

In 2022 we shifted towards a flat weekly rental rate. This was based on 80% of the cost of providing all housing villages at that time. The other 20% was a council contribution that we funded with loans. There are forecasted cost increases, so our 20% contribution will increase significantly over the next ten years. One way to help minimise these increases this is to review rental annually so that it stays at 80% of the cost of running the housing, as this cost grows over time.

This means we could afford to provide retirement housing over the longer term and consider developing villages further. This option allows us to better provide for the needs of current and future tenants because we could respond more easily to increasing costs and demand.

We would also work with other housing providers to see if they could manage the tenancies or look after maintaining the houses, so these services are provided efficiently.
Any arrangement would need to consider the needs of existing tenants.

Funds would be generated through selling the social housing villages (Nelson Place, Wellesley Place and Carlyle Place). We would also consider developing some of the remaining villages. We would work with other housing and development providers to decide which options would be best. Our intention would be to generate enough money to replace older units with new ones. This would allow us to respond to the growing community need for retirement housing, and to provide fit-for-purpose homes.

This option would involve us entering commercial negotiations with other housing and development providers.

We acknowledge that this option would create disruption and uncertainty for current retirement tenants if future development and sales took place. However, we will be committed to engaging with tenants and the community once plans are more formally developed.

We're committed to providing affordable and healthy homes for people aged 65 and over who have no other accommodation options.

> ***What does 'mixed delivery' mean?***
>
> *Mixed delivery means our housing villages could be delivered by Council, plus the potential for delivery by other providers.*

How will this impact your rates?

2024/25 + 0.4% + $12.31 average rates increase per rateable property Total $ cost to ratepayers = $400,000	2025/26 + 0.4% + $12.85 average rates increase per rateable property Total $ cost to ratepayers = $400,000	2026/27 + 0.5% + $13.43 average rates increase per rateable property Total $ cost to ratepayers = $400,000

Option 2c: Retirement focus with an independent delivery approach

Independent delivery means the service would be provided by other housing providers on Council's behalf. If this option was taken, we would explore the potential to lease or transfer our housing assets to other providers. This means that the housing service would be run by an independent provider – such as a community housing provider – and not Council. The new provider would make decisions on any future rent increases.

This option is highly dependent on a successful commercial negotiation, and it would need significant resources in the short-term to confirm arrangements. We would use the same criteria as outlined earlier to assess whether there is a housing provider that can deliver housing services and ensure the best value to the community.

An independent delivery approach could mean that housing is delivered in a more responsive manner, but it would mean that Council no longer has control over the services provided. There would likely be little disruption to remaining retirement tenants in the short to medium term. There could be further disruption as the new provider makes decisions about how to best deliver the services.

While some debt funding will be needed in the short term to cover these transition costs, further long-term debt is not expected once the lease or transfer has occurred.

How will this impact your rates?

2024/25 + 0.4% + $12.31 average rates increase per rateable property Total $ cost to ratepayers = $400,000	2025/26 No impact on rates	2026/27 No impact on rates

What about previous consultations?

In 2022, we consulted with the community on whether to keep the housing or sell some or all of it. Council decided to keep all housing and fund the shortfall through loans for a few years.

Our intention had been to consult on a rates increase in the 2023/24 Annual Plan, to fund housing over the long term. Our focus on recovery from Cyclone Gabrielle meant we had no resources to do any consultation for the 2023/24 Annual Plan.

Since the 2022 decision, rising costs have impacted our ability to keep the houses maintained with the budget we thought would be required. Our preferred option of keeping our housing villages in their current form must now change.

Council officers are creating a housing strategy that will outline Council's role in housing. Council currently acts as a connector, an advocate and a housing provider to ensure there are sufficient options for retired people who cannot afford private rental and home ownership. This will be reflected in the housing strategy.

Did Council historically ringfence its housing income?

In 2015, a fund was established to ringfence the housing income away from the rest of Council's finances. Research into this undertaken in 2022 identified that only maintenance expenditure was ringfenced in 2015, and this was corrected in 2019. Since 2019, all our housing activity has been fully ring fenced.

Building up our community resilience

The impact of Cyclone Gabrielle brought unexpected costs for Council. These included rates remissions for cyclone-affected ratepayers, and new costs for recovery and resilience planning. To help pay for these costs, on 1 July 2023 we introduced a Disaster Recovery Rate to fund a cyclone recovery budget of $1.5 million for 2023/24. This money was set aside for cyclone recovery purposes only. We want to keep this rate so we can build our resilience to knocks and shocks and thrive no matter what the future holds.

Our recovery from Cyclone Gabrielle is still ongoing, and we recognise that we must be ready for future emergencies. This planning will come at a cost. Climate-related events are likely to become more frequent, and we need to build up reserves (savings) to pay for other potential emergencies beyond Cyclone Gabrielle.

Option 1: Continue with a rate to build resilience (Preferred)

Under this option, the Disaster Recovery Rate would be renamed the Resilience Rate. It would be set aside for activities related to emergency preparedness. This could include activities like civil defence planning or working with other organisations to get the community prepared for emergencies. It could also include projects to help us withstand knocks and shocks, such as improving our stormwater network so businesses can continue to operate and residents are safe from flooding.

The Resilience Rate would be calculated as a Uniform Annual General Charge of $85.90 per rating unit, on all rating units in Napier. It is a fixed amount applied to every property, regardless of value or property type. It will be shown as a separate item in rates invoices.

How will this impact your rates?

2024/25 + 2.45% + $85.90 rates increase per rateable property Total $ cost to ratepayers = $2.16 Million	2025/26 + 2.52% + $88.26 rates increase per rateable property Total $ cost to ratepayers = $2.23 Million	2026/27 + 2.57% + $89.55 rates increase per rateable property Total $ cost to ratepayers = $2.27 Million

Option 2: Don't continue with a rate to build resilience

Under this option, funding for emergency preparedness would come from our existing general rates budget. This would mean our ability to improve our readiness for civil defence events would be limited and such improvements would be made over a longer period.

Examples are projects such as upgrades to improve the resilience of infrastructure, or partnerships with other organisations to help ensure residents are ready for emergencies.

If our city was faced with another emergency, it would create further financial pressure that would need to be funded by ratepayers either through loans or our existing general rates budget.

How will this impact your rates?

2024/25 + 0.41% + $14.35 average rates increase per rateable property Total $ cost to ratepayers = $361,925	2025/26 + 0.44% + $15.29 average rates increase per rateable property Total $ cost to ratepayers = $386,783	2026/27 + 0.47% + $16.30 average rates increase per rateable property Total $ cost to ratepayers = $413,672

A new approach to managing Council's investments

Council owns investment assets worth more than $160 million that bring in income. These include assets such as sections being developed for sale in Parklands, residential rental property, commercial property, and cash held in term deposits at banks.

In 2023 we started developing an Investment Strategy to guide us on how to better use our investment assets to bring in a higher and more consistent income to Council. The strategy takes a long-term view on how we manage these assets as an investment portfolio to generate better financial returns. In time, these better returns will mean we'll rely less on rates to fund our core services and activities.

Managing the value of our investment assets as an inter-generational investment portfolio would benefit the residents and ratepayers of today, and those in generations to come. It will eventually give us extra income to fund more services and activities our residents want and need, without depending as much on rates funding. It will help to build our financial resilience to unexpected events, such as what we have experienced with Cyclone Gabrielle, the 2020 Napier flood, and Covid-19 lockdowns. It will help us diversify our investment types to lower our risks. It will also help us to protect the value of our cash assets against inflation.

We have been looking at different scenarios of how we could manage some or all these assets as an investment portfolio for Napier.

More detail on each of the options below can be found in the supporting documents on page 36.

Option 1 – Create a Council Controlled Trading Organisation to establish a commercially focused investment portfolio (Preferred)

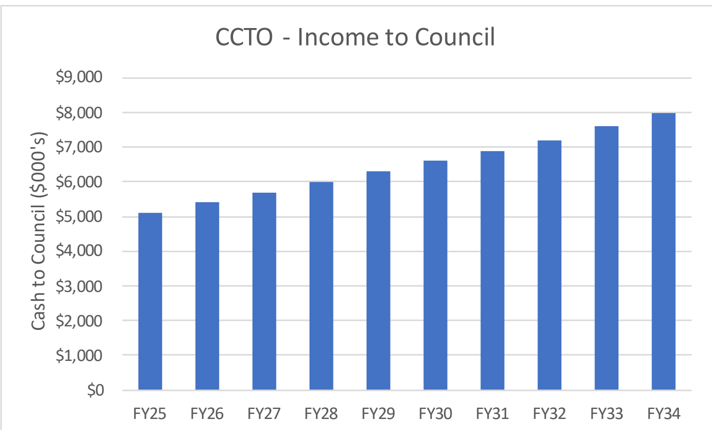
Our preferred option is to explore forming a Council Controlled Trading Organisation (CCTO). A CCTO is a subsidiary organisation of a council. In this case, it would be focused on managing the investment portfolio to achieve commercial objectives for Council. A CCTO would also allow Council to attract commercial expertise and partnerships that would be unlikely if the investment portfolio was managed within Council.

Under this option, investments would be managed proactively, with a focus on maximising income over the long term (an inter-generational investment). Management and investment decisions on the investment portfolio would be done by dedicated experts, according to the wishes of Council. Council would set these expectations through a formal document called a Letter of Expectations.

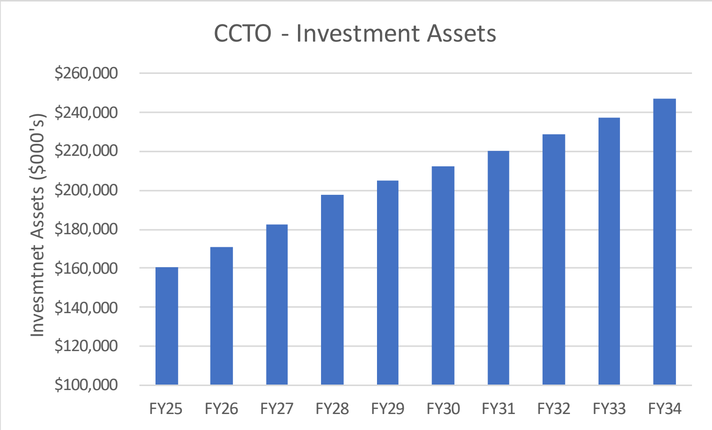
The independence of CCTOs has allowed other councils to access people with suitable governance and management experience. By doing something similar, we believe we can seek development income and investment partnership beyond our Parklands property portfolio, which may not otherwise be available to Council directly.

There will be an extra cost to create and run the CCTO, but this would be outweighed significantly by the additional income the CCTO would generate. Based on similar CCTOs set up at other New Zealand councils, we estimate the one-off establishment cost would be around $750,000.

Our draft Three-Year Plan is using the financial assumptions of operating a CCTO. Our cash flow from our investment portfolio is targeted to grow consistently at 5% per year. At this level of cash flow distribution, the CCTO is keeping some cash for reinvestment in the early years of the Three-Year Plan. This is to provide both long term asset growth and resilience in Council's assets and future income.



What does this graph show?
Conservative estimates of the income earned by property and cash assets through the CCTO that could be distributed to Council. This isn't the total return as some funds would be reinvested to make more income. Council would actively continue development activity with other property and would source new ones for development.
Income is stable for the first three years then makes steady gains from 2027.



What does this graph show?
Conservative estimates of the value of property and cash assets in the CCTO's investment portfolio. Steady growth in value begins from 2026.

How would it operate?
The CCTO's board would be appointed by Council. Council would be responsible for deciding which investment assets should be managed by the CCTO. Core social obligations of Council would not be passed to the CCTO. The CCTO board would have access to investment professionals responsible for the day-to-day decision-making and stewardship of the investments. The CCTO would be accountable to the community and to Council on the investment portfolio's performance through a statement of corporate intent that is approved by Council.

CCTOs are a common practice in local government. More details can be found about them in our supporting documents on page 36.

We expect there would be more expenditure than income in the first year of operating the CCTO. However, we expect this will turn around from the second year of the Three-Year Plan. Over ten years, we expect a net benefit to Council of $15 million more than Option 2 below and $20 million more than Option 3 below, the status quo. Just like an investment such as a savings account, the income earned by the CCTO would increase gradually over time, starting from around 2027/28.

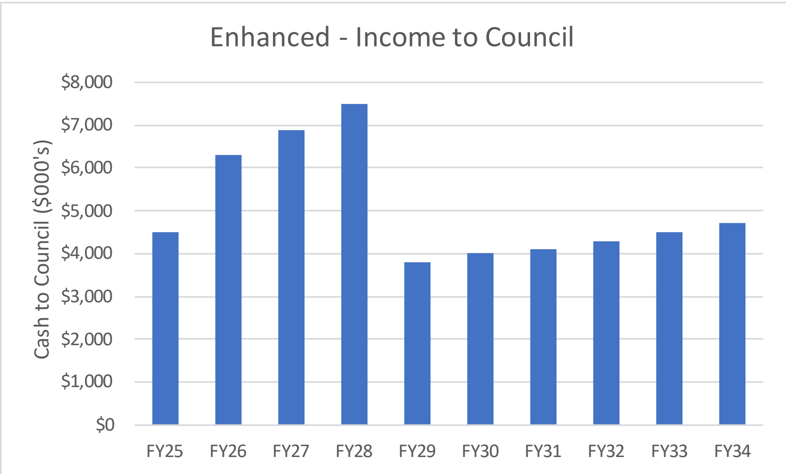
How will this impact your rates?

2024/25	2025/26	2026/27
No impact	+ 0.79% + $23.26 average rates increase per rateable property Total $ cost to ratepayers = $700,000	+ 0.90% + $26.58 average rates increase per rateable property Total $ cost to ratepayers = $800,000

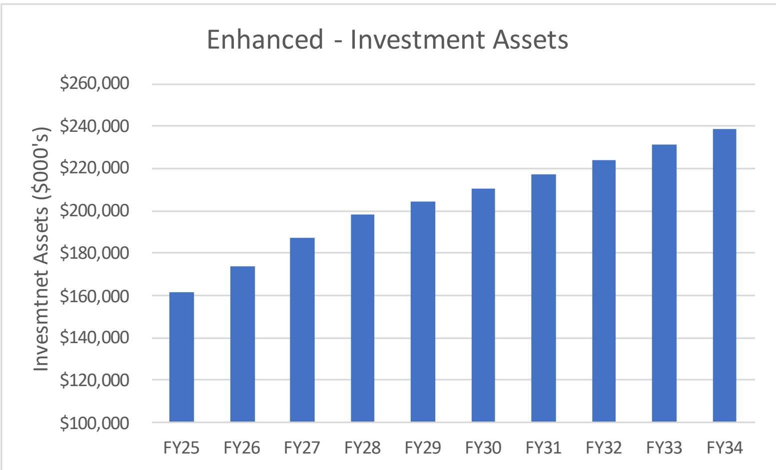
Option 2 – Manage the investment portfolio within Council.
Under this option, the investment portfolio would be managed by Council staff whose roles would be dedicated to this purpose. Their focus would be on making commercial returns, although the investment approach would be more passive.

The likely returns will be higher than option 3 below, the status quo, given the focus on increased returns. They would not be as high as Option 1 due to conflicting objectives such as social and wellbeing objectives.

The advantages of this option are reduced costs in managing the investment portfolio, through using Council staff and our Audit & Risk Committee. The modelled returns assume all income generated is spent in the year it is gained.



What does this graph show?
Conservative estimates of the income earned by property and cash assets if they were managed by Council staff. Council actively continues development activity with other sites and sources new ones for development.
Income rises steadily at first, then drops from 2029 as development and sale of Parklands sections are completed.



What does this graph show?
Conservative estimates of the value of property and cash assets if they were managed by Council staff. Growth follows a similar path to option 1.

How will this impact your rates?

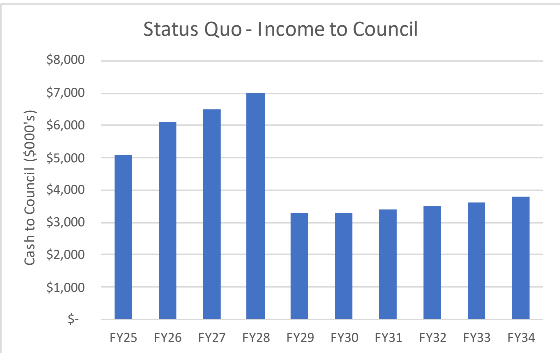
	2025/26 - 0.23% - $6.64 average rates decrease per rateable property Total $ **benefit** to ratepayers = $200,000	2026/27 - 0.45% - $13.29 average rates decrease per rateable property Total $ **benefit** to ratepayers = $400,000

Option 3 – Status Quo: Council investment assets continue to be managed without prioritising financial performance and asset growth.

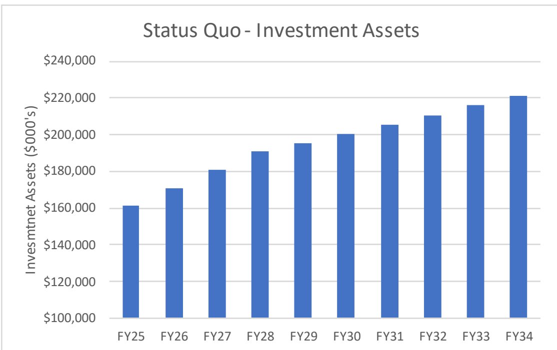
Currently, Council investment assets are managed across the organisation by the team most closely related to the function of that asset. For example, leasehold property is managed by the team that looks after Council buildings that are held for either social or investment reasons. Parklands development is led by our infrastructure team. This approach to asset management has ensured that we've achieved our delivery objectives, but there has been no focus on the investment income to Council. Each investment asset is therefore managed in isolation at present.

Most Council assets are held where there is a social, economic, environmental, or cultural benefit to Napier. Earning a financial return on our investment assets has never been our main objective. There is little risk management currently applied in terms of building financial resilience by diversifying the asset types. In some cases, assets have been sold to reduce the impact on current rates, with no reinvestment of the proceeds to help reduce future rates increases. This includes the earlier stages of the Parklands development.

The constant sale of investment assets to fund operating costs is not sustainable and denies our future ratepayers the benefit that these assets could provide. Ultimately, it means rates will become more expensive as time goes on. There is no financial advantage to keeping with the status quo. The modelled returns assume all income generated is spent in the year it is gained.



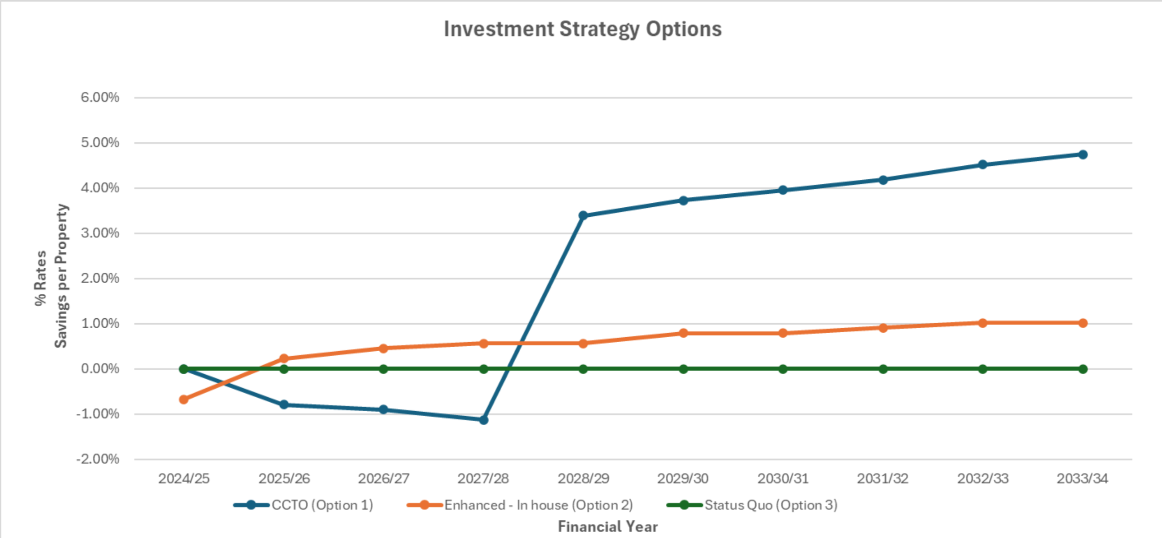
What does this graph show?
Conservative estimates of the income earned by property and cash assets if they were managed as they currently are.
Income rises significantly at first, then drops from 2029 as development and sale of Parklands sections are completed.



What does this graph show?
Conservative estimates of the value of property and cash assets if they were managed by Council staff. Growth is steady but the value of the assets is much lower.

How will this impact your rates?
No change in rates in any years of the Three-Year Plan.

Rates savings for each investment strategy option
What does this graph show?
The percentage of rates saved per property over the next ten years, according to each of the three proposed options.



Reviewing our fees and charges

We have reviewed the fees and charges of all Council user-paid services for 2024/25. We do this each year to ensure we are recovering some operating costs through user pays. The standard increases are in line with the Consumer Price Index (CPI).

As outlined earlier in this document, we are facing increasing financial pressure from external challenges, such as rising costs, and internal challenges, such as the need to fund the repair of ageing infrastructure. We are therefore proposing increases that are greater than the CPI for some of our facilities and activities. This will help to ease this financial pressure and contribute to lower rates increases and Council's overall financial sustainability.

Option 1: Increase some fees and charges beyond the CPI increase of 5.6% (Preferred)
Under this option, fees and charges will increase by a base 5.6%, in line with the Consumer Price Index.

We are proposing increases beyond this to parking fees. The proposed increase in parking fees will cover operating costs of the parking activity. Any surplus would go into our Parking Reserves Fund to potentially be used for projects related to redeveloping or improving city streetscapes.

Prices will also increase at a greater rate for Napier Conferences & Events, Ocean Spa, and Kennedy Park Resort. This is because these facilities will move to a commercial operating model from 1 July 2024, with recovery of all operating costs through fees and charges. Any changes to fees and charges at these facilities will have no impact on rates because we are proposing to support these facilities with loan funding from 1 July. See page 23 for more details on the loan funding proposal. You can also read more about the move to commercialise these facilities on page 27.

Details on the full schedule of proposed fees and charges for 2024/25 are in the supporting documents section on page 36.

How will this impact your rates?
For all years of the Three-Year Plan
- 1.10%
- $32.25 average rates decrease per rateable property
Total $ **benefit** to ratepayers = $970,542

Option 2: Status quo – adjust fees and charges in line with the CPI increase of 5.6%
Under this option, fees and charges would increase by the base 5.6% only, without additional increases to some. As an example, we would not further increase parking fees beyond 5.6%.

With only a base increase to parking fees, there would not be sufficient funds that could potentially be used for projects related to redeveloping or beautifying city streetscapes.

More generally, this would result in less cost recovery and therefore rates would increase further. Affected services and activities would be limited in their ability to improve and broaden their levels of service.

How will this impact your rates?
For all years of the Three-Year Plan
+ 0.31%
+ $9.13 average rates increase per rateable property
Total $ cost to ratepayers = $274,779

A change to how we fund some tourist facilities

In 2023, we carried out an independent review of our business and tourism facilities to see if any could operate without rates funding. The aim of this review was to improve our financial sustainability.

At the end of the review, Council supported the approach of transforming three of our facilities into Council-owned commercial businesses from 1 July 2024, with the objective of being financially self-sustainable. These facilities are Napier Conferences & Events, Ocean Spa and Kennedy Park Resort. You can read more about this review on page 27.

Until these three facilities reach the point of being self-sufficient, they will continue to operate as loss-making businesses. Currently we fund this loss through rates. Continuing to fund the losses this way is not financially sustainable and will potentially result in bigger rates increases over time, as costs increase.

Until they can financially break even, we need to support these three facilities in a way that doesn't impact rates.

Option 1: Loan-fund the deficits (losses) of the three facilities that will become commercial businesses (Napier Conferences & Events, Ocean Spa, Kennedy Park Resort). (Preferred)

Currently, these facilities are partly supported by rates funding. Even after they move to commercial operations from 1 July 2024, it will take some time for them to become financially self-sufficient. To reduce pressure on ratepayers, we are proposing to loan-fund the operating shortfalls of these facilities until they are financially self-sufficient. The loan funding would be for a maximum of three years.

This is our preferred option because it takes pressure off our ratepayers through not having to fund the losses with rates.

This will impact future rates increases as we need to repay the loans. However, the impact on rates increases would not be as much as if the deficits weren't loan funded.

How will this impact your rates?
No change in rates in any years of the Three-Year Plan.

Option 2: Status quo: continue to fund the deficits (losses) of these facilities with rates.
Under this option, Napier Conferences & Events, Ocean Spa and Kennedy Park Resort would transition into commercial businesses, but we would continue to fund the deficits of these facilities using rates. Funding the deficits this way would continue until the facilities are financially self-sufficient.

Rates will potentially increase even more in future to continue funding the rising operating costs of these facilities.

There could also be potential drops in levels of service because we might not be able to carry out maintenance and upgrades as often as needed.

How will this impact your rates?

2024/25 + 3.62% + $106.47 average rates increase per rateable property Total $ cost to ratepayers = $3.2 million	2025/26 + 2.86% + $84.04 average rates increase per rateable property Total $ cost to ratepayers = $2.52 million	2026/27 + 1.76% + $51.80 average rates increase per rateable property Total $ cost to ratepayers = $1.55 million

Spaces and Places
He Wāhi Tau

Napier City Council office accommodation
Our 'back-office' staff have worked from several buildings in town since the old Civic building and Library Tower on Station Street were vacated in 2017 due to safety concerns with their structures.

The Library Tower is owned by Council, and we have been thinking about whether our staff could move back to that site – either into a new building, or after strengthening and refurbishing the existing building.

Having staff working in several buildings is operationally inefficient. It has separated different teams, making it harder for them to work together and communicate. It has also increased costs through having to pay rent to landlords.

We have looked carefully at the pros and cons of all options, including demolishing and rebuilding, selling the building to a developer to strengthen and refurbish and then leasing back the building, or redeveloping it ourselves.

Our analysis of the options shows that demolishing and constructing a new building is likely to take longer than a redevelopment. There is the risk of project delays, for example for unforeseen ground conditions, material procurement delays, or weather disruption. It is also not the best option from an environmental sustainability point of view. Therefore, we have decided not to consider this as one of our options.

Option 1: Council strengthens and redevelops the Library Tower for its staff (Preferred)
Under this option, we would use the same architects and consultants that are currently working on Te Aka, the new library project. We believe this is the best option because developing the two projects under one construction contract would save time and money. It means we could take advantage of our existing working relationships with the Te Aka architects and consultants, helping us to maximise the best outcomes for both developments. We could redevelop the building and the surrounding area exactly to our needs and we would continue to have long-term ownership of the site and building.

Being based in one building next to the new library, customer service centre and councillor meeting space makes sense. It will allow our staff to work with each other more easily by providing quick and easy access to other parts of the organisation. They would be in a safe and modern working environment.

Under this option, it is likely that the building will be ready to reoccupy in 2027.

You can read more about this proposal in the supporting documents section on page 36.

How will this impact your rates?

2024/25 + 0.17% + $5.03 average rates increase per rateable property Total $ cost to ratepayers = $151,387	2025/26 + 1.15% + $33.92 average rates increase per rateable property Total $ cost to ratepayers = $1.02 Million	2026/27 + 2.84% + $83.53 average rates increase per rateable property Total $ cost to ratepayers = $2.51 Million

Option 2: Sell the Library Tower to a developer and lease back the building for Council staff.
Under this option, Council would reoccupy the building through a lease, after it had been strengthened and refurbished by its new owner.

This reduces the cost for the first few years, but the long-term cost is greater because we would have to pay a premium market rental rate. This option would still provide our staff with a safe and modern working environment, but it means we couldn’t redevelop the building and surrounding area exactly to our needs. Selling the building would provide us with money up front, but we would lose a valuable property asset.

As with Option 1, being based in one building next to the new library, customer service centre and councillor meeting space makes sense. It will allow our staff to work with each other more easily by providing quick and easy access to other parts of the organisation. They would be in a safe and modern working environment.

Under this option, the building would be ready to be reoccupied at a time later than Option 1.

How will this impact your rates?

2024/25	2025/26	2026/27
+ 0.1% + $3.06 average rates increase per rateable property Total $ cost to ratepayers = $92,048	- 2.86% - $84.11 average rates decrease per rateable property Total $ **benefit** to ratepayers = $2.53 Million	+ 0.82% + $24.09 average rates increase per rateable property Total $ cost to ratepayers = $724,885

Napier's new library

Te Aka is the name of the project that is delivering a new library and meeting space for our community and councillors. This area will also be the new base for our customer service centre. The new buildings and outdoor area will be in the block bound by Hastings, Station and Dalton Streets.

This is a rare opportunity to design a space that will celebrate our cultural values and unique history. It will be a community gathering place for ceremonial events and celebrations that acknowledges Napier's history and diverse cultures.

From the beginning of the project, we've worked in partnership with mana whenua to co-design the new building and its surroundings. The design will reflect what is unique about our place and people, and the stories that are important to the whenua (land).

We are currently developing the designs for the new library and councillor meeting space. We have set aside $58 million to complete the project.

At the same time, we're developing designs for the outdoor space next to the new library, as well as the wider area and the lane between the new facility and the District Court. It will be a high-quality civic space that all residents can be proud of, supporting small and large events. We have set aside an additional $7.5 million to develop the outdoor area.

The design of the outdoor space will allow library activities to extend beyond the new building, such as for children's story time. The area will provide for cafe dining, waiting spaces for buses, e-bike charging stations and shaded seating for people to enjoy the outdoors all year. New pathways and laneways will be built throughout the area and ground level changes will be made to create safe and fully accessible pedestrian flows. There will also be plantings throughout the site.

The New Zealand Green Building Council runs a sustainability rating system for commercial buildings known as Green Star ratings. We're targeting a Green Star Level 5 rating. This represents excellence and best practice in sustainable design and construction.

This project is now well underway after previous consultation with the community. Therefore, we are not seeking community feedback specifically on the library project.

We anticipate that Council will approve the detailed designs in late 2024 and we aim to start construction towards the end of 2025. Further details on the project can be found at napier.govt.nz, using the keyword search #TeAka.

2023 business and tourism facilities review

Our tourism facilities are a key aspect to Napier being a great destination for visitors and a city that provides inviting spaces and places for residents.

In 2023 we carried out an independent review of some of our business and tourism facilities to see if any could operate as commercial businesses. This is important to know because the income we make from business activities can help to reduce rates increases. The intended outcome of this review was to improve our financial sustainability.

The facilities reviewed were Napier Conferences & Events, Kennedy Park Resort, McLean Park, National Aquarium of New Zealand, Bay Skate, Napier isite, Par 2 Mini Golf, Ocean Spa, Napier Municipal Theatre and Napier Aquatic Centre.

As a result of the review, the facilities were placed into three groups – ‘commercial’, ‘reimagined’ and ‘community’. We have different plans for each of the groups.

Commercial facilities

Facilities in this group will be enabled to successfully operate as Council-owned commercial businesses within two to three years. The aim is to eventually not need rates or loan funding. Each facility will have strategic plans and business cases developed to support the new approach. We will update the facilities’ funding policies to recognise that they will operate commercially from 1 July 2024. For more details, see our separate Revenue & Financing consultation on sayitnapier.nz or view the proposal at our Customer Service Centre, 215 Hastings Street.

Fees and charges for these facilities will be reviewed to reflect their new commercial approach. This is likely to mean increases to fees and charges.

We are proposing to loan-fund the deficits (losses) of Napier Conferences & Events, Ocean Spa and Kennedy Park Resort. Read more about this on page 23 and have your say on our proposed options.

Napier Conferences & Events

Napier Conferences & Events operates from the Napier War Memorial Centre. The Napier War Memorial building was built as a facility for the community to commemorate and pay respect to war veterans. This purpose is protected by law and will remain unchanged. When we move Napier Conferences & Events into a commercial business, we will ensure there is no negative impact to the original and legal purpose of the Napier War Memorial.

Ocean Spa

There is good potential for Ocean Spa to be profitable, but some parts of the facility are ageing. This will be considered as we move Ocean Spa into a commercial business operation.

Kennedy Park Resort
Kennedy Park Resort is well known and has good potential to be operated as a commercial business. We will take a close look at the future development of the park, and how to improve the facility's operations as we move it to a commercial focus.

Par 2 Mini Golf

Par 2 Mini Golf delivers good financial outcomes and currently does not require rates support. We would like to explore new ideas so its financial performance could be further improved.

What about the other Council-owned facilities?

Facilities to be 'reimagined'

The following facilities need more thought on how they will operate in future. This could mean changing their location or services and activities. After considering all other options, it could mean closure as a last resort. Any change to the status quo, including closure, would involve further business cases, Council decisions, and staff and community consultation.

National Aquarium of New Zealand
In the 2021-31 Long Term Plan consultation, we said we needed to consider the long-term viability of the National Aquarium of New Zealand. Our aquarium is a significant tourist attraction for the region and supports several of our strategic priorities. However, the building is in poor condition. It needs significant work to maintain a viable and engaging visitor experience, with appropriate conditions for the animals, staff and visitors. Operating and capital costs will continue to rise, and it is not sustainable for our ratepayers to continue to part-fund these. The status quo is not a realistic long-term option.

The facility's reimagined future could include various options. Examples are reimagining the National Aquarium's activities to make it financially sustainable, such as investigating biodiversity tourism opportunities. A last resort could be closure and adapting the building for another tourism activity(s) or dismantling the building.

Part of the reimagine process would look at different models of operations, such as private/public partnerships, that ensure the activity would break even financially, with little or no rates impact.

We will soon begin working on options and budgets for a reimagined facility. When we have some suitable alternatives ready, we will consult with the community on these. In the meantime, we are keeping capital expenditure on the building to a minimum over the next three years. We have money set aside for repairs and basic maintenance to keep the building safe and operational until 2027.

Napier isite
We see the benefits of having an isite visitor information centre in Napier for our community and visitors, but we need to think of ways to make it financially sustainable and explore options to improve the activity. We will consider options and budgets for a reimagined isite from 2024/25. While the activity of the isite will continue, it might not be in the same location.

The isite had extensive remedial building works carried out in 2022 and 2023, which has extended the life expectancy of the facility for a further 15 to 20 years. When we have some alternative options ready, we will consult with the community on these. In the meantime, we are keeping capital expenditure to a minimum over the next three years.

McLean Park.
Before the 2023 facilities review began, we were working on a strategy for McLean Park to ensure its activities meet the needs of Napier and Hawke's Bay. We paused the strategy's development while the facilities review was taking place.

The review showed that reimagining McLean Park's activities should be considered. To address this, we have restarted work on the McLean Park Strategy. Once the strategy is finalised, it will be used to help with decision-making as we develop the Park and future options for this facility.

Community facilities

The following facilities will focus on continuous improvement and increasing their income but will still be partly ratepayer funded. Fees and charges will be reviewed for all in this group. They will focus on being facilities for the community that help us become a great visitor destination and fulfil our vision of *enabling places and spaces where everybody wants to be.*

Napier Aquatic Centre
We have started a $4 million project for essential maintenance on the facility's buildings. This will keep Napier Aquatic Centre operating for another ten years. We are budgeting some funding in our Three-Year Plan to understand what Napier needs in a future aquatic centre. We are also setting aside a budget of $75 million to develop a new aquatic centre starting in four years' time, which is outside the scope of this Three-Year Plan. Getting started on the plans, location, timing and funding options will not be considered for at least four years.

Municipal Theatre and Bay Skate
We have established an Arts, Culture and Heritage business unit, of which the Municipal Theatre and Bay Skate will be part. This new business unit will help us lift the status of arts, culture, and heritage in Napier, and be a great visitor destination. The new unit will also include MTG Hawke's Bay, Napier Libraries, and the Faraday Museum of Technology, which weren't part of the 2023 facilities review.

Revitalisation of Emerson Street

It has been over thirty years since Emerson Street was last invested in as one of New Zealand's first pedestrian-friendly streets.

In 2023 we asked the community for feedback on how they would like to see our prime shopping street look and function in the future. This includes all of Emerson Street from Clive and Memorial Squares down to Marine Parade, as well as Market Street.

The vision for Emerson Street is to be a vibrant city centre destination that communicates the identity and culture of Napier. This includes putting pedestrians first and having the flexibility to provide for a range of everyday needs and celebratory events. The inclusive design will consider both locals and visitors, providing easy-to-access and social places for all.

The project will signal to our community, the commercial sector, and visitors that Napier is vibrant, safe and forward-moving. There are examples across New Zealand that show these types of improvements will attract more investors and entrepreneurs and over time, positively affect real estate valuations.

The western gateway of Clive and Memorials Squares, and the eastern gateway of Marine Parade are bookends to our city centre. These places can be vibrant front doors to the city, better suited for community gatherings, festivals and markets.

We are working through the design for the entire street this year and will carry out the construction in four stages over the next three years, subject to funding. This will ensure there is one consistent vision and level of investment for the whole street, while spreading the cost over time and reducing disruption to people using Emerson Street.

We have government funding of $1.65 million for this project. It will pay for community engagement, the concept design of the entire street, and the detailed design of stage 1 (between Clive and Memorial Squares). Stage 1 construction will be paid for with the remainder of this government funding and will be tailored to this budget. Our intention is to begin Stage 1 construction in the second half of 2024.

More information on the project can be found at napier.govt.nz using the keyword search #emersonst.

Changes to earlier plans

Faraday Museum of Technology

In our 2021-31 Long Term Plan consultation, we told the community that we were considering our future involvement with the Faraday Museum of Technology. At this time, we are preparing a business case to analyse the various options to ensure the best path forward. One potential option involved purchasing and improving the museum building. After a thorough evaluation, we decided not to pursue this option now, as the building needs a significant upgrade. Through a reimagining process, we will consider several options ranging from the status quo to operating the Faraday Museum from a different location or changing its activities or operating model. See page 27 for more details on our facilities review.

The future of Te Pihinga

In our 2021-31 Long Term Plan consultation, we asked the community whether they wanted us to continue with the development of a community centre for Maraenui, known as Te Pihinga. Our preferred option at that time was to start this work from 2023 to 2025. Since then, we've had a large amount of recovery work due to Cyclone Gabrielle, and other competing priorities, so this work did not start last year as planned. Te Pihinga will now form part of a wider review of all our community halls that will start in 2025/26.

Ahuriri Regional Park development

In our 2021-31 Long Term Plan consultation, we asked the community whether they wanted us to invest $12.5 million into the development of Ahuriri Regional Park from around 2026/27, with Hawke's Bay Regional Council doing the same. Other priorities have come up for both councils since then, so the funding has been removed from this plan. Both Councils will allocate funding for the Regional Park's development from the 2028/29 financial year onwards. In the meantime, we will continue with planned stormwater quality improvements, which will result in better water quality for Te Whanganui a Orotu.

Finance and Infrastructure Strategy key issues

We have prepared a combined Financial and Infrastructure Strategy (F&IS) to satisfy the requirements of the Local Government Act 2002 and the Severe Weather Emergency Recovery (Local Government Act 2002—Long-term Plan) Order 2023. The purpose of the joint strategy is to set out the key infrastructural and financial considerations and challenges that need to be overcome to meet our short and long-term strategic objectives.

The financial aspects of the strategy include our intended levels of service over the next ten years, our limit on rates increases and borrowing and an assessment of our ability to maintain levels of service and meet additional demands within rates and borrowing limits. The strategy also specifies Council's policy on giving securities for our borrowing, and what we're trying to achieve in holding and managing any investments and equity securities.

The infrastructure section of the strategy outlines significant infrastructure issues faced by Council, and the main options and their implications for managing those issues. It contains a description of the major capital projects that Council is proposing or implementing, including cyclone recovery projects. It describes the likely funding options for those major projects and the implications of those options for rates and debt.

Our current financial position

We're starting off this Three-Year Plan in a relatively strong financial position. We have a very low level of external debt in comparison to other councils across the country. Due to the work ahead of us, that needs to change and we're anticipating finishing the 10-year period covered by this strategy facing quite a different reality.

A new approach to managing our finances

Napier's historically low rates restricted our ability to deliver everything our community needed. This historical approach has come at a cost to the condition and performance of our physical assets. We are therefore proposing to shift away from consistently low rates increases. Instead, we're proposing the necessary rates increases, along with strategic borrowing, so we can balance our budget. A balanced budget means our income meets our budgeted operating expenses.

Over the next three years, we're planning for a $354 million infrastructure investment. Our projects for this Three-Year Plan have been prioritised carefully so our budget is manageable, and our work programme can be realistically delivered in the time we said it would take. We have prioritised projects that fall into one or more of these categories: statutory, contracted, recovery, externally funded. Projects outside of these categories have been included where they are considered necessary to achieve our desired community outcomes (see page 4).

The proposed strategy is focused on maintaining existing levels of service. There is no intention to significantly change our levels of service over the next three years, as this would increase our operational and capital expenses. However, if we are consistently faced with escalating costs, we might need to look at reducing levels of service.

Balanced budget benchmark

What does this graph show?

Operating income versus operating expenditure over ten years. It demonstrates the years when our income will be more than our expenditure. The only year we don't have a balanced budget is 2024/25.

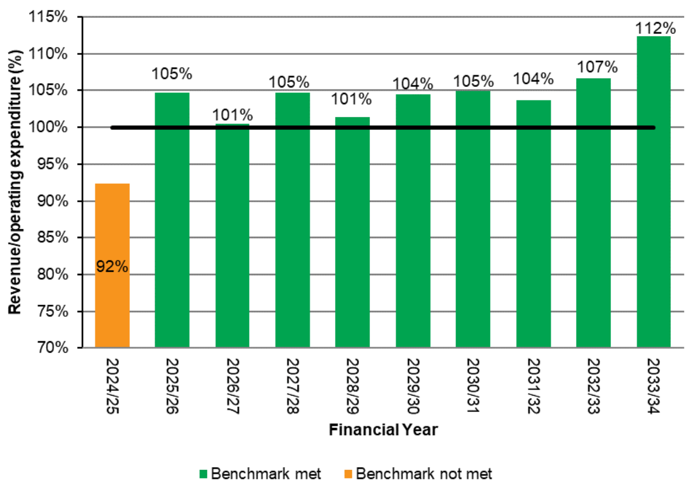


Table of rates impacts on consultation items for every year of the Three-Year Plan

Consultation item	Options	Rates impacts Year 1	Rates impacts Year 2	Rates impacts Year 3
Housing	**Mixed delivery model (preferred)**	**0.4%**	**0.4%**	**0.5%**
	Status Quo	0.4%	0.7%	0.7%
Resilience Rate	**Keep rate (preferred)**	**2.45%**	**2.52%**	**2.57%**
	Don't keep rate	0.41%	0.44%	0.47%
Investment Portfolio using CCTO	**Manage portfolio with CCTO (preferred)**	**0.00%**	**0.79%**	**0.90%**
	Manage portfolio internally	0.68%	-0.23%	-0.45%
	No changes	0.00%	0.00%	0.00%
Fees and charges	**Increase beyond 5.6% CPI (preferred)**	**-1.10%**	**-1.10%**	**-1.10%**
	Increase in line with 5.6% CPI	0.31%	0.31%	0.31%
Commercial Facilities	**Loan fund losses (preferred)**	**0.00%**	**0.00%**	**0.00%**
	Status Quo – rate fund losses	3.62%	2.86%	1.76%
Officer Accommodation	**Strengthen and refurbish building ourselves (preferred)**	**0.17%**	**1.15%**	**2.84%**
	Sell building and lease back	0.10%	-2.86%	0.82%

Example of proposed rates for 2024/25

Examples of Rates for 2024/25

Examples of the impact of rating for 2023/24 are shown in the following table:

Differential Category	Land Value	Capital Value	Rates 2023-24	Rates 2024-25	Change $	Weekly Change $	Change %
Residential							
Average Value & Land Value	380,000	785,000	2,992	3,642	650	12.50	21.7%
Average Value - above average LV movement	450,000	785,000	3,099	4,031	931	17.91	30.0%
Low Value residential	220,000	495,000	2,210	2,819	609	11.71	27.5%
Parklands Residential	460,000	1,040,000	3,158	4,092	934	17.96	29.6%
Te Awa Residential	345,000	860,000	2,995	3,510	515	9.90	17.2%
Bay View Residential	370,000	570,000	2,920	3,523	602	11.59	20.6%
Ex Rural Residential (City fringe)	870,000	1,390,000	4,794	6,065	1,271	24.44	26.5%
Commercial / Industrial							
Other Commercial Average	1,126,000	2,155,000	13,775	17,453	3,678	70.74	26.7%
CBD Average	771,000	1,463,000	11,318	14,383	3,065	58.95	27.1%
Industrial Average	936,000	1,774,000	13,012	14,131	1,119	21.52	8.6%
Bay View Average Commercial	473,500	855,500	6,980	7,556	576	11.09	8.3%
Rural Average Commercial	457,200	1,610,600	7,031	7,446	415	7.98	5.9%
Rural							
Average Rural	1,832,800	2,320,400	7,147	7,991	844	16.24	11.8%
Rural Residential							
Bay View Average	375,400	782,700	2,801	3,008	208	4.00	7.4%
Other Rural Residential in Stormwater area	457,500	875,900	2,815	3,070	255	4.90	9.1%
Other Rural Residential outside Stormwater area	457,500	875,900	2,505	2,811	307	5.90	12.2%

The three -yearly revaluation for the city for rating purposes was undertaken in 2023 and those new valuations apply as the basis for setting the rates for 2024-25

The rating examples should be read having regard for the following:

Council's total rates revenue for 2024/25, excluding rate penalties and water-by-meter charges, will increase by 23.7%

As property values directly affect the level of general and targeted rates charged on either land or capital value , changes in property value, above and below the average movements across the city will mean that the rate increase properties will be greater or less than the proposed overall increase for individual properties.

Where we are now: financial and infrastructure 'health'

- Current external debt: $10 million (as at 30 June 2023)
- Projected debt as at 30 June 2034 $340 million.
- Capital plan of $1.13 billion over 10 years.

What is infrastructure?

Infrastructure is the system of physical assets that supports our daily lives.

- Roads and footpaths
- Three waters (water supply, wastewater and stormwater)
- Parks, reserves, and sportsgrounds
- Public buildings and facilities
- Rubbish and recycling

Key issues

Affordability and fairness across Napier's generations

We need to balance rates affordability against the need to take good care of assets like roads and reservoirs. We have a lot of work to do to modernise and futureproof our ageing physical assets and improve our resilience against natural disasters. Our community also expects to see continual improvement of services because of regular rates increases. The cost of major asset upgrades must be spread across the generations who will benefit from them.

This Three-Year Plan proposes a significant rates increase in 2024/25 of up to 23.7% and steady increases over the next ten years. We're also planning to borrow to make sure we can deliver projects when they are needed. We will regularly look at our levels of service to ensure what we're focusing on lines up with what the community expects and is willing to pay for.

Ageing assets

Many of Napier's physical assets are over 50% through their useful life. This means their reliability is now less predictable and more frequent maintenance is needed. Additionally, our population is increasing so we are outgrowing our infrastructure. More infrastructure will be needed, meaning we need to ensure we have the funds to do this. We plan our maintenance and improvements according to the best information we have about our assets, but we know there are gaps. Those information gaps make it harder to maintain or replace assets before they fail. We'll consider the condition of assets, so we know what to prioritise for maintenance and upgrades, while still maintaining day-to-day operations and reacting to unanticipated failures.

Cyclone recovery

Cyclone Gabrielle means we're still facing unanticipated costs and challenges to fix or replace lost assets, such as bridges. We also need to adapt important physical assets, such as our Wastewater Treatment Plant, so they are protected against failure in future events. We will plan and prepare for future resilience and make targeted improvements where most needed. This will allow us to take care of the most urgent needs, while preparing for well-researched, long-term resilience planning. The cyclone showed us that we need to act now. Having important physical assets out of action for a long time had serious negative impacts on our community.

Preparing for climate change and natural hazards

With land increasingly at risk from erosion and coastal inundation, we must strengthen existing structures and ensure new developments can withstand the tests of weather and time. Sustainable land use and comprehensive water management will help to prevent issues before they arise. Improving our readiness for emergencies is vital for our safety. By proactively tackling these risks, Napier can ensure a sustainable and resilient future for its residents and businesses.

We'll prioritise actions that can make a big difference now, without overwhelming our budget. This will allow us to take care of immediate concerns effectively while planning for broader improvements as funds allow. It's a practical step forward, demonstrating our commitment to keeping Napier safe and sustainable, ensuring we do what's necessary today to protect our community tomorrow.

Significant infrastructure projects over next 10 years

What does this table show?

Major projects related to our infrastructure (physical assets), their cost and approximate timing when they will be undertaken.

	2024	2026	2028	2030	2032	2034
Redclyffe Bridge replacement (part Govt. funded and shared with HBRC)	$52.5M					
Roading renewals (51% Waka Kotahi)	$115.6M					
CBD/Emerson St revitalization	$10.5M					
Local traffic safety plans (51% Waka Kotahi)	$7.2M					
Mataruahou reservoir	$4.7M					
Improved water treatment	~$8.8M					
New Mission reservoir (developer contributions)	$10.5M					
Pipe renewals	$13.8M					
Lagoon farm diversion and storage	$26.4M					
Bayview stormwater culvert upgrades		$3.5M				
Maraenui stormwater trunks project (10% IAF funded)	$3.7M					
2020 flood alleviation projects				$9.4M		
Whitmore Park flood alleviation				$7.6M		
Wastewater Treatment Plant storage	$6.2M					
Treatment upgrade at Wastewater Treatment Plant			$3.7M			
Pipe renewals and relining	$25.3M					
Ahuriri Regional Park (shared funding with HBRC)			$13.2M			
Onekawa Park			$1.2M			
McLean Park returf			$6.5M			
Napier Aquatic Centre			$75M			
Retirement housing	$5M+					
Extending cemetery capacity	$4.4M					
Omarunui landfill development	$21.6M					
Food scraps kerbside collection		$540,000				
Te Aka Design & Build	$67.5M					
Accommodation Tower	$45M					
Iron Pot Upgrade	$8.7M					
Waka Hub (IAF Funded)	$3.4M					
Meeanee Quay pier replacement + facilities upgrade	$2.8M					
	2024	2026	2028	2030	2032	2034

Supporting documents

All documents below will be available on sayitnapier.nz from 25 March 2024.

Government reforms
Local Water Done Well – dia.govt.nz/Water-Services-Policy-and-Legislation

The future of Council housing in Napier
2024 Housing Review

A new organisation and approach to managing Council's Investments.

- Report from the Office of the Auditor General – *Governance and Accountability of CCOs: oag.parliament.nz/2015/cco-governance/docs/cco-governance.pdf*
- Prosperous Napier Committee Paper 8 February 2024 “Investment Strategy Next Steps”

Fees & Charges schedule

Napier City Council Office Accommodation
Due diligence report of civic accommodation business case

Napier’s new library
napier.govt.nz keyword search #teaka

A Facelift for Emerson Street
napier.govt.nz keyword search #emersonst

Draft Financial & Infrastructure Strategy

Rates Postponement Policy

Liability Management

Rates Remission

Remission & Postponement of Rates on Māori Freehold Land

Rates Policy

Financial information

A note about the independent auditor’s report

Due to the disruption caused by Cyclone Gabrielle, the Government changed the legislated requirement for NCC to produce a Long Term Plan with a ten-year horizon. The Government has instead enabled NCC to produce an unaudited, three-year plan for 2024-2027. This change is an acknowledgement of the effects Cyclone Gabrielle has had on our resources and ability to deliver previously planned projects.

Other consultations

We are running three other consultations at the same time as our Three-Year Plan consultation. We want to know what you think about these too. Go to sayitnapier.nz to have your say or pick up the consultation information from our Customer Service Centre, 215 Hastings Street, Napier.

Significance & Engagement Policy

Our Significance and Engagement Policy outlines how and when the community can expect to be involved in our decision-making processes. It lets the Council and the community identify the degree of significance attached to issues, proposals, assets, decisions and activities. We have proposed some amendments to this policy.

Revenue and Financing Policy

The Revenue and Financing Policy outlines our general policies on how we fund our operating and capital expenditure. We are proposing to make some changes to how certain services and activities are funded.

Financial Contributions Policy

The Financial Contributions Policy sets out the contributions required from property developers to help fund the cost of new infrastructure in the city. We are proposing changes to the policy to provide more clarity and align wording with what is used in the proposed District Plan.