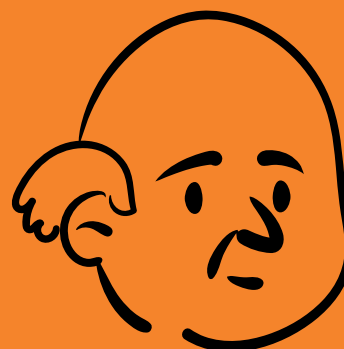


ĀWHINATIA MAI TE
ANAMATA O PAPAIOEA

HELP SHAPE PALMY

PALMY
PAPAIOEA
PALMERSTON
NORTH
CITY



**PALMERSTON NORTH
CITY COUNCIL**

PRE-ELECTION REPORT







ĀWHINATIA MAI TE ANAMATA O PAPAIOEA HELP SHAPE PALMY

The next local government elections are being held later this year, closing on Saturday 8 October.

Elections are when you vote for the Mayor and Councillors who best represent you and what you want for our city. These people will make decisions about Palmerston North - on your behalf.

By voting or by standing for election, you'll help shape the future of our city!

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MŌ TE PŪRONGO NEI ABOUT THIS REPORT

This report outlines the key considerations our city needs to make in the next few years and takes a close look at our financial position and how we fund our projects, services and facilities. Its purpose is to promote public discussion and informed debate in the lead-up to the election on Saturday 8 October 2022.

Whether you're looking to stand as a candidate, or simply casting your vote, this report is a must-read ahead of the election.

We hope that by reading this report you'll better understand Palmy's current position, what's planned for the city, and you'll be able to make better informed decisions.

This report is prepared by Acting Chief Executive, Chris Dyhrberg, independently from the mayor and councillors and is a legislative requirement of the Local Government Act 2002.

This report is not required to be audited and includes information from audited reports and unaudited information.

Want to know more?

The Annual Plan, Annual Report and 10-Year Plan can all be found on our website: pncc.govt.nz

PAPAIOEA – TAKU KĀINGA, TAKU WHAKAHĪ WE'RE PROUD TO BE PALMY

The small regional town of Palmerston North is a thing of the past. We're quickly becoming known as the bustling metropolis of Palmy, with our population and diversity reaching all-time highs. We're now home to 90,500 people and this is expected to grow to 100,000 by 2030.

While this growth stimulates our economy, boosts innovation and is ultimately good for our city, it's not all roses from here on out. When a new mayor and councillors are elected in October, they'll have their work cut out for them. We need candidates who are prepared to roll their sleeves up and make bold decisions for Palmy's future.

For those who're considering standing, I urge you to read this report carefully and gain a good understanding of the big issues and challenges facing our city.

As people flock to Palmy and we continue to grow, we need to consider how we keep up with housing and transport demands. We need to make homes more readily available, make it easy to get around, and everyone's needs must be considered as Palmy expands.

There is a great deal of change coming. Some significant government reforms are currently underway, and these may result in massive shifts to the whole system of local government. There'll also be some big changes to the existing resource management system, which will have implications for the way we plan and make decisions. Some of the biggest changes will come about under the Three Waters reform.

This will see Palmy's wastewater, stormwater and drinking water infrastructure being managed by a separate entity in the future. These are all significant reforms that will shape the city for years to come, adding to an increasingly complex and uncertain operating environment for all councils.

While there may be a lot of change coming, our job at Palmerston North City Council remains the same. We need to ensure Palmy grows in ways that support Council's goals for an innovative, creative and exciting city, a connected and safe community, and an eco-city. We remain ambitious, and in the years to come, we aim to further transform our city centre, have our businesses thriving, our visitors buzzing, and make it an even more vibrant and lively place to live and work.

It's an exciting time to be part of local government and an exciting time to call Papaioea home. I look forward to seeing who steps up to the plate to help shape our city's future. If you're not standing, make sure you're enrolled and ready to vote!



Chris Dyhrberg
Acting Chief Executive

More than **10km** of shared river pathway, and more than **7km** of He Ara Kotahi



Palmy **ethnic groups** 152 (2018),



Palmy has the **7th highest employee earnings** – 3,079M (March 2020)



Palmy **languages spoken** – 127 (2018)



34% of retail spending comes from visitors to Palmerston North



More than 100 **parks and reserves**



Palmy has the **7th highest employee count** – 52,900 (Feb 20)



93% increase of median wages between 2000-2020, NZ was 87%



Palmy has the **9th highest GDP** – \$5,864M (Dec 21)

\$8B+ being invested in major development projects by 2035



Palmy's **median age** was estimated to be 34.5 (June 20), NZ was 37.7

Palmy's **median house price** was \$660,000 (Jan 2022) NZ was \$880,000



Palmy's **median salary and wage** was \$54,500 (June 20), NZ was \$55,680

Palmy's estimated **tourism expenditure** was valued at \$396M (June 20)



Palmy has the **9th biggest population** – 90,500 (June 21)



E MAHI TAHI ANA MĀTOU ME RANGITĀNE O MANAWATŪ

WE PARTNER WITH RANGITĀNE O MANAWATŪ

We have a strong relationship with our Te Tiriti o Waitangi partner and tangata whenua, Rangitāne o Manawatū. This relationship is founded in Rangitānenuiarawa and is essential to the long-term future and wellbeing of Palmy people.

A partnership agreement was signed in 2019, formally acknowledging Rangitāne as mana whenua, and ensures that Rangitāne values and perspectives have significant weight in decision making, as Council works towards becoming a Te Tiriti-led city. In this current term, Rangitāne representatives sit on the Community Development, Economic Development and Environmental Sustainability Committees, as well as on the co-governance committee for Te Motu o Poutoa.

Council officers and management have regular hui with Rangitāne o Manawatū leaders and this is enhanced by kanohi-ki-te-kanohi (face to face) proactive engagement with our elected members on the Long-Term Plan, major projects and programmes and the general direction of the city.

Through this partnership, Council gains a better understanding of the views and needs of Māori. We're provided with invaluable history and knowledge of Rangitānenuiarawa, tikanga Māori, te ao Māori and together we set out to deliver the aspirations of a multi-cultural city.





WE HAVE SOME BIG DECISIONS TO MAKE



Palmy's set to face some big challenges which will need to be prioritised and understood as these will shape the city for years to come.

While some of these challenges are particular to Palmy, or have come about from growth, many are a result of government reforms which affect councils throughout the country.

But the good thing is – we're aware of them and we're already planning ahead!

Over the following pages we outline these challenges, what they mean for our city, and the opportunities they present.



**E KAINAMU MAI ANA HE PANONITANGA
MŌ TE TURE KĀWANATANGA Ā-ROHE
ME TE TURE WHAKAHAERE RAWA**

LOCAL GOVERNMENT AND
RESOURCE MANAGEMENT ACT
CHANGES ARE COMING SOON

As times and ideas change, it makes sense to take a regular look at the lifecycle of legislation. Right now is one of those times, with the overall structure of New Zealand’s local governance currently under major review by a government appointed panel. Reforms from this work could cause the biggest shake up seen by local and regional councils for decades.

While we don’t know exactly what our structure and operations will look like in the future, we do know the process, and our response to it, will be very important over the next few years. The success of any transition will depend on how it’s resourced and implemented, so our focus will be on what the reforms mean for our Council in a practical sense. We’ll need to look closely at how they may impact our day-to-day business, and how we can adapt.

Three of the biggest reforms will be the Future for Local Government review, Resource Management and Three Waters.

Future for Local Government:

The Review into the Future for Local Government aims to “identify how our system of local democracy needs to evolve over the next 30 years, to improve the well-being of New Zealand communities and environment, and actively embody the treaty partnership.” It will cover the whole system of local governance, including:

- roles, functions, and partnerships
- representation and governance and
- funding and financing

This reform could have a far-reaching effect on the nature and shape of councils, communities and other organisations. One of its major aims will be for councils and central government to work more collaboratively.

Resource Management:

The Government plans to repeal the Resource Management Act (RMA) which became legislation in 1991. Before the RMA came about, the management of resources was split between many different agencies. The RMA was intended to bring all the different statutes and regulations involved under one piece of legislation, and to oversee development in a way that sustainably managed adverse effects on the environment.

While the RMA provided an environmental bottom line, it’s also come under a high degree of scrutiny. Common themes of concern are that it can be difficult to negotiate and is slow moving, with more focus on managing adverse effects than outcomes.

The three new pieces of legislation which will replace the Resource Management Act (RMA) 1991 are:

- the Natural and Built Environments Act (NBA)
- the Strategic Planning Act (SPA)
- the Climate Change Adaptation Act (CAA)

How might these reforms affect Palmy?

The reforms will result in big changes to the existing resource management system, which will impact our planning processes and decision making. The draft looks like planning functions will be regionalised and a more standardised approach to planning will be taken. While this may result in greater strategic alignment between regional authorities, there may also be a risk of communities having less direct input into local planning decisions.

As always, change will bring both challenges and opportunities. As 2022 rolls on, more information will be revealed on how changes will be applied; what they mean for our existing plans and processes; and the best ways to transition to the new system. How central government supports the transition will be of particular importance over the coming term.



Negotiating the transition and outcomes of these reforms will require strong leadership from our elected members who will need to steer the Council through these uncharted waters.

How do we make sure that these reforms result in optimal outcomes for us?

How do elected members plan for the future when there is a great deal of uncertainty?





**KO TE WHAKAHOUTANGA 'NGĀ
WAI E TORU' TĒTAHI PANONITANGA
WHAKAHIRAHIRA MŌ TŌ TĀTOU TĀONE
NUI HEI NGĀ TAU E HAERE AKE NEI**

THE THREE WATERS REFORM WILL BE ONE
OF THE BIGGEST CHANGES OUR CITY FACES
IN THE COMING YEARS

The Government’s Three Waters Reform is the most advanced of all the reforms directly impacting us in the short-medium term.

Around two years ago the Government announced it was looking at a move away from councils managing and operating the three water services and having separate entities in charge of delivering this key lifeline.

The reforms provide opportunities for a well-needed change in the way iwi rights and interests are recognised. These are woven throughout the new system with statutory recognition of Te Tiriti o Waitangi and Te Mana o te Wai, as well as creating a mana whenua group in the governance of each entity.

While we do know some core things, there’s a certain element of crystal ball gazing underway to determine any potential effects on our organisation and our city.

What you can be assured of is that we are regularly feeding information to the Department of Internal Affairs, and some of our staff are on advisory boards. Our former Chief Executive is also heading the transition agency, so that means there is a good understanding of Palmy’s situation during these discussions.

Our water situation is better than most

We’re really proud of the service we deliver to our residents. Our predecessors had the foresight to build the Turitea Dams which supply two-thirds of our city’s water, and our consecutive councils have consistently invested in new bores and water infrastructure. Like many councils around the country, most of our underground pipes are in reasonable condition, but over decades could have done with a bit more investment.

Our consents for our wastewater treatment and discharge are expiring in 2028 and we’re currently in the process of applying for new ones. You can read more about this project, called Nature Calls, on page 20. The timing of our new consents has fallen at a time where there’s been significant technological developments, far stricter environmental requirements, greater cultural awareness, and more societal pressure to look after our environment – while also keeping costs down. Our Nature Calls project is expected to cost around \$500 million dollars, and we simply don’t have the funds available to make it happen. This project is the single greatest challenge to the long-term financial sustainability of our organisation. We simply wouldn’t be able to fund this as we wouldn’t be able to borrow the money to do so. There’s a lot more detail about this in the Finance section of this report on page 57.

This means that the Three Waters Reform could be seen as somewhat of a saving grace for our city.

Here’s what we do know about the Three Waters Reform:

- Compliance will be managed by a new agency known as Taumata Arowai.
- There will be four operational entities with Palmerston North being in Entity C.
- The new entities would officially begin life on 1 July 2024. Local authorities would remain responsible for these services to that point.
- The new entities will own and operate three waters infrastructure on behalf of territorial authorities, including transferring ownership of three waters assets.
- They will take responsibility for wastewater, drinking water and stormwater.
- Independent, competency-based boards will govern each entity.
- There’ll be a suite of mechanisms to protect and promote iwi/Māori rights and interests.

- An economic regulatory regime will protect consumer interests and provide strong incentives for performance.
- The entities will still be required to consult on strategic direction, investment plans, prices and charges etc.
- It’s proposed that local authorities will own the entity on behalf of their communities and mana whenua will have a joint oversight role. Local authorities and mana whenua will appoint representatives to their Regional Representative Group via a nomination and voting process. We expect Palmy to have two shares of entity C. These are based on population. Shares do not have revenue or dividends attached to them; but are there to protect against privatisation.
- The Government has announced a programme called ‘Better off Funding’ which will grant councils funding over the transition phase. In the 22/23 year Palmy is expecting to receive \$8.1 million dollars. The spending has a set criterion, which includes iwi being involved in the decision and that funds should be used on projects or programmes already in our 10-Year Plan.
- A second block of funding totalling \$24.5 million is expected to be available from 1 July 2024.

We still don’t know enough to fairly say what this will look like or mean for Palmy.

- No chief executives have been appointed for the entities yet, and we don’t know where the headquarters will be based. The transition agency has said there will continue to be local people on the ground in each area.
- We’re assuming most of our current staff will remain with us until the new entities begin life on 1 July 2024, but recognise some could go earlier, or they could potentially stay with us longer if there’s a phased approach to the transition.

- The Government has said everyone working mainly in water will have a job.
- We don’t know if the entities will also request staff or require secondments during the transition for continuity of work. For example, engineers, asset planning, human resources and communication and engagement support.
- We don’t know if they will want to ‘take’ key projects or staff early or potentially phase some large projects (like Nature Calls) in over time.
- We expect that when the entity wants to do construction, they would be applying for access like other utility providers which requires them to reinstate our roads to a good condition.
- We don’t know whether Palmy will continue to get the great water services they currently are. We have said it is essential that communities maintain their existing level of service. The problem the entity has is that this changes significantly council to council.
- Stormwater (essentially heavy rain) is likely going to be the hardest transition. We mitigate flooding by utilising underground pipes and also large areas of land to absorb the rain, including backyards and parks. This water eventually ends up in our streams and then the river. There’s been an indication that we will have to look at these assets and determine if their primary purpose is stormwater or natural amenity/ recreation and that would then determine which organisation looks after it. We’re also uncertain as to who has responsibility when flooding occurs.
- Our other big concern with stormwater is that it’s one of the most significant factors in how we plan our city’s growth and developing land for housing or business. That work, the costs involved and the prioritisation between growth by a council and water by a separate entity could have some significant flow on effects for us.

KĀORE E ROA KA TŪ TE KAUPAPA WHAKATIKA WAIPARA PAI RAWA ATU O AOTEAROA KI PAPAIOEA

PALMY SOON HOME TO NEW ZEALAND’S BEST WASTEWATER TREATMENT

Currently our wastewater is treated and discharged to the Manawātū River. But in September 2021, after three years of technical work and public consultations, Council voted to move to a hybrid option where the treated wastewater is discharged to land and the river. Three-quarters of the time the treated wastewater will be discharged solely to the Manawātū River. During the remaining 25 per cent of the time, the discharge of wastewater reduces to the river by 75 per cent and this highly treated wastewater is then used to irrigate crops. Council voted to cap the amount at 760 hectares of land, to give communities some certainty over the amount of land needed. This gives farming, businesses and landowners some surety for their ongoing infrastructure investments.

In terms of the treatment of our wastewater, nothing changes in the system between your home, business and when it gets to our treatment plant. But, when it comes into our plant, one of the major new treatment additions is called microfiltration, which is a relatively new technology that has started to come in to use in New Zealand over the past five years or so. This special filtration technology removes tiny micron sized particles, and the filtration is so advanced it can even remove some bacteria and viruses. But this will become an important step as we progress to our new treatment method. We’d be using a biological nutrient removal process called Bardenpho which uses micro-organisms to remove most of the nitrogen from the system. We’d also continue to remove phosphorus from the treated wastewater to ensure we’re doing all we can to protect our taonga. Council is currently preparing the consent applications and the new treatment technology would start five years after the consent is granted.





**TE WHAKARATO WHARE
HEI KĀINGA MŌ TE MAREA**

HOW WE KEEP UP WITH
HOUSING DEMAND

As Palmy’s population continues to grow, so does demand for housing. Currently 90,500 people call Palmy home and we expect that this will reach 100,000 by 2030. That’s an average of nearly 24 new residents a week.

To continue this positive growth, we need to free up housing options for new residents and those of us who’re already here. This will mean increasing supply to keep Palmy an accessible market to both buy and rent in.

We need to build 5,000 dwellings over the next 10 years and almost 13,000 over the next 30 years.

We have good data on Palmy’s housing situation:

- The average household will likely get smaller, increasing the need for smaller houses (one or two-bedroom homes).
- Palmy housing is more affordable than in most other cities but is becoming less affordable. The Real Estate Institute of New Zealand put the median house price in Palmy at \$660,000 in January 2022, up from \$655,000 the previous January.
- Over the last few years our data shows a strong supply of infill housing in Palmy, with it becoming the main type of housing, contributing 57% of the increase in housing supply.
- Social housing provider waiting lists show there are many people who don’t have secure housing here yet.

- There is little innovation in the types of new houses being built to meet changing demographics and needs, and we have only a small number of major developers in Palmy.

But there’s no need to fret, we’re being smart about Palmy housing and looking at ways we can effectively manage all of this.

We’re opening up land for development, by reviewing zoning. We’re currently working on plan changes to allow for this right across the city.

- The first stage of a new area to the west of the city, Kīkīwhenua, has been rezoned residential.
- Napier Road Residential Extension Area has been rezoned for more housing.
- We’ve started working with landowners at Aokautere, Ashhurst, Kākātangiata and Roxburgh Crescent to initiate planning processes to rezone land for more housing.
- A Private Plan Change for Whiskey Creek has been lodged and a hearing is underway.
- The former Hokowhitu Campus has been rezoned and housing development is underway.
- We’re looking at developing Huia Street Reserve for housing. We’re currently promoting a local bill to amend the Palmerston North Reserves Empowering Act 1966. The amendment would bring Huia Street Reserve within this Act, enabling development and potential sale of this land.
- The old Terrace End Bowling Club at Summerhays Street has been demolished and Council will be discussing potential housing options for the site.

We’re committed to getting more people into affordable housing as quickly as possible.

Palmy’s newest subdivision, Tamakuku Terrace, is well underway. We’ve teamed up with local community housing provider Homes for People to make it easier for residents, including first-home buyers, to secure a property at the James Line development. Twenty of the 114 sections have been sold to Homes for People, who will build these for those eager to enter the Palmy property market.

We’re one of the few local councils to be building new social housing.

We’ve committed a further \$14 million in our 10-Year Plan towards the construction of new social housing in addition to the \$3.6 million allocated for the third and final stage of the Papaioea Place development, which is currently underway.

We’ve made changes to the District Plan to enable more housing choices.

Since the demand for smaller homes is very likely, we’re working on how we can give landowners increased options on ways to make more use of, and money from, their land.

In the District Plan, multi-unit developments are encouraged close to the city and suburban centres, and minor dwellings are intended to meet the demand for small and affordable rental accommodation.



While we’re on the right track in keeping up with housing demand, a number of considerations remain.

We need to think about Council’s role in how future projects are funded, what types of housing should be prioritised, and what can be done to make housing more affordable. We need to consider what other changes could be made to the District Plan to ensure there’s sufficient development capacity to meet future demand. We too need to look at what other plots of Council and Government land can be used for housing.

Also, the right infrastructure needs to be in place to accommodate new housing. Roothing and our water networks go hand-in-hand with housing, so how do we provide this infrastructure in a way that offers value for money for current and future ratepayers?



**MĀ MĀTOU E NUKUNUKU
TONU AI A PAPAIOEA**

WE'RE KEEPING PALMY MOVING

Despite Palmy’s rapid growth, only eight per cent of people in Palmy regularly walk to work, four per cent bike and only two per cent catch the bus. If we are to avoid congestion and issues affecting other growing cities in New Zealand, we need to change the way we move. This means striking a balance between supporting freight movements with our urban development goals of building slower streets which support pedestrian and environmentally friendly transport.

So, what needs to be considered?

- Safety of all road users, such as motorists, pedestrians, people on bikes.
- Cycling and walking infrastructure, so we can cope with growth by leaving our cars at home and still move safely around our city.
- Public transport to keep our city moving and get the best returns from our expenditure.
- Smart planning to meet future transport needs and to change our existing vehicle-centric attitude.
- To understand and embrace new ways of travelling and be clear about what opportunities it can offer our growing cities.
- How we can leverage Government funding for local roads.

One of our biggest challenges is funding. We spend millions of dollars each year on roads and other transport initiatives. We rely heavily on subsidies from Waka Kotahi – New Zealand Transport Agency to build and maintain our roads. Our share of the cost comes from rates and borrowing, which often means we are unable to fund projects when central Government funding is declined. Decisions on whether we qualify for Government funding are often delayed, which makes planning and prioritising jobs difficult.

The state of our road network is another problem. Many of our roads are built on soft clay soil that doesn’t drain well. This often leads to water under the road surface, which can cause potholes and requires significant maintenance. Compounding the issue is an increase in heavy freight on our network. We are working with our road maintenance contractor Fulton Hogan to identify and prioritise the main areas that require immediate repairs.

We’ve made progress on the implementation of our Urban Cycle Network Masterplan. Though, despite our investment, the number of people on bikes remains low and conflict exists between different road users, businesses and homeowners as to what projects should be prioritised.

Another area of progress has been approval from Waka Kotahi – New Zealand Transport Agency of the Palmerston North Integrated Transport Initiative (PNITI). The initiative is forecasting a 50 per cent reduction of heavy freight vehicles on residential streets and a 50 per cent reduction in the number of congested intersections. It also aims to achieve a 35–40 per cent reduction in deaths and serious injuries.

Several programmes including the continued implementation of the Urban Cycle Network Masterplan, revised Public Transport Network, redevelopment of the Urban Bus Terminal, rollout of a city-wide Parking Framework and review of speed limits are critical to unlocking further Government funding, which we need to achieve our long-term roading goals.

We are also continuing with our city centre transformation, with roads being upgraded on The Square, Cuba Street and the intersection at Ferguson and Pitt Streets.

Transport is a challenging change for our residents.

Becoming a bustling metropolis certainly has its perks, but also some challenges. As we move from a small regional centre to being more like a metro, we’re seeing that those changes aren’t always welcome.

The biggest area we’re noticing this is in the transport space. Decades ago our roads were quiet and parking was in abundance. If you wanted to visit a business or shop, you simply grabbed a carpark in front of it. You could leave home five minutes before your appointment, and quieter streets made it easier and safer for our kids to walk or cycle to school.

But as our city grows, we need to be able to continue to move people around safely and efficiently. Having a thriving city centre means

we need to make changes to our roads and carparking so pedestrians feel safe and public transport thrives. We need to get people to consider riding bikes more, but to do that they need to feel safe and that means providing a physical protection between the lane of traffic and people on bikes. But with many narrow streets, this means on-street carparking can sometimes be a trade-off.

We’ve become a regionally significant distribution hub with several local and international businesses choosing to locate in Palmerston North and employ our people. However, this is leading to more trucks on our roads which aren’t built to cater for the demands they’re now carrying. We’re investing in this space, but we simply cannot invest fast enough, and that means potholes are more common and ‘patch’ repairs are becoming frequent.



Council must make tough decisions to plan for our city for the coming years, and that means having to juggle different user groups’ priorities. But we can’t shy away from this - without making these hard decisions now, our city will face massive congestion issues which will become harder and more expensive to fix in the future.

**The questions are challenging yet clear:
How do we keep everyone happy?
How do we change attitudes?
And how do we help our residents adapt to change as we transform our city?**



TĀ MĀTOU HEI PAKANGA KI TE ĀHUARANGI HURIHURI

DOING OUR BIT TO COMBAT CLIMATE CHANGE

In December 2020 the New Zealand Government declared a climate emergency in response to a report from the Intergovernmental Panel on Climate Change. This triggered programmes like the Emissions Trading Scheme and first National Emissions Reduction Plan (NERP), which was recently released in May 2022. There is now a sustained national effort to get to net zero carbon emissions by 2050 to do our part in keeping global warming to +1.5 degrees or below.

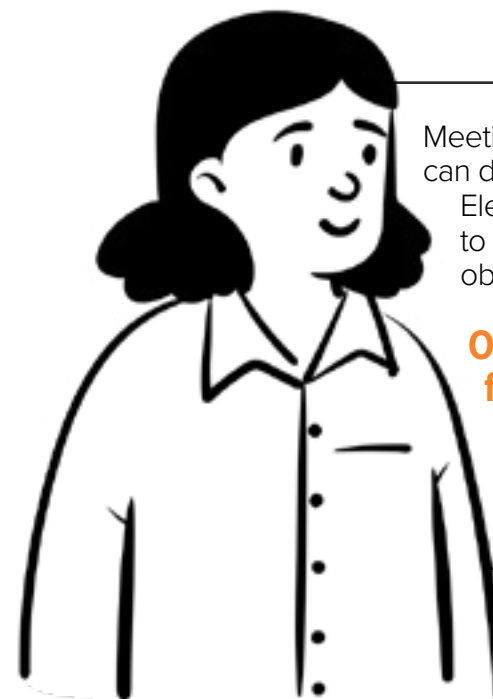
This effort requires actions across every sector of the economy. It means Council will need to find ways of lowering our own emissions, and use our regulatory powers to encourage others to lower theirs. Much of this work will need to be led by our Elected Members.

Palmerston North City Council has already adopted many of the principles of these international and national reports in its Eco-city Strategy 2021-31 and Climate Change Plan 2021-31. Working with the regional Climate Joint Action Group we are helping to develop a

regional climate change action plan which is due in September 2022. This document will provide structure for the delivery of the NERP 'on the ground'.

To help reduce our Council emissions, Elected Members have created a 'Low Carbon Fund' which invests \$1 million each year in lowering carbon outputs from our operations. So far we've used this towards more efficient streetlights, boilers, systems at the Lido and electric pool cars for our officers. In the lead-up to the 2023/24 Long Term Plan our Climate Change team will be looking into what other low carbon technologies and processes we can adopt.

To help align with the national direction, Council recently committed to reducing citywide carbon emissions at least 30 per cent by 2031, and becoming carbon neutral by 2050. This will mean finding more ways to decrease our carbon outputs and may include planting more native forests to offset any remaining emissions. Our Elected Members will play a major role in driving this initiative towards success.



Meeting our carbon targets is not something Council can do alone. As community leaders, Council's Elected Members will have the opportunity to both guide Council in meeting its legal obligations, and champion change at a local level.

Only with widespread buy-in and effort from our community can Palmy create a climate-resilient future with cleaner air and energy, better transport options and healthier homes.



KO NGĀ ARA TUKUTUKU RAWA KEI TE WHAKARARU I ĒTAHI O Ā MĀTOU KAUPAPA

SUPPLY CHAINS HAVE AFFECTED A NUMBER OF OUR PROJECTS

Strong demand for goods during the COVID-19 pandemic has disrupted global supply chains – and Palmy is not exempt.

Several of our existing construction projects are either impacted or delayed due to shipping disruptions, contractor availability or lack of specialist expertise.

New Zealand’s position at the end of the supply road makes things worse. This is because impacts at one port have flow on effects further down the supply chain – such as a lockdown in Shanghai halting exports out of China. In addition to this, many ports are experiencing groundbreaking cargo volumes; for example, the Port of Los

Angeles is reporting its busiest period in its 114-year history. Total cargo at the port is up nearly 25 percent from 2020. This coincides with a shortage of workers to move freight, such as port workers and truck drivers.

Competition for limited shipping space creates challenges for our contractors ordering materials – such as steel – and having them shipped and cleared through customs before construction is scheduled. In New Zealand, the average wait time for goods from China has increased by more than a month – which is where most of our construction materials come from. There is currently another one-month delay getting things cleared through customs in New Zealand.

We don’t know how long these issues will continue, so that poses problems for financial forecasting and the ability to plan and deliver major construction upgrades or projects.

Elected members will need to prioritise upgrades and projects and give thought to packaging multiple construction jobs as one piece of work.





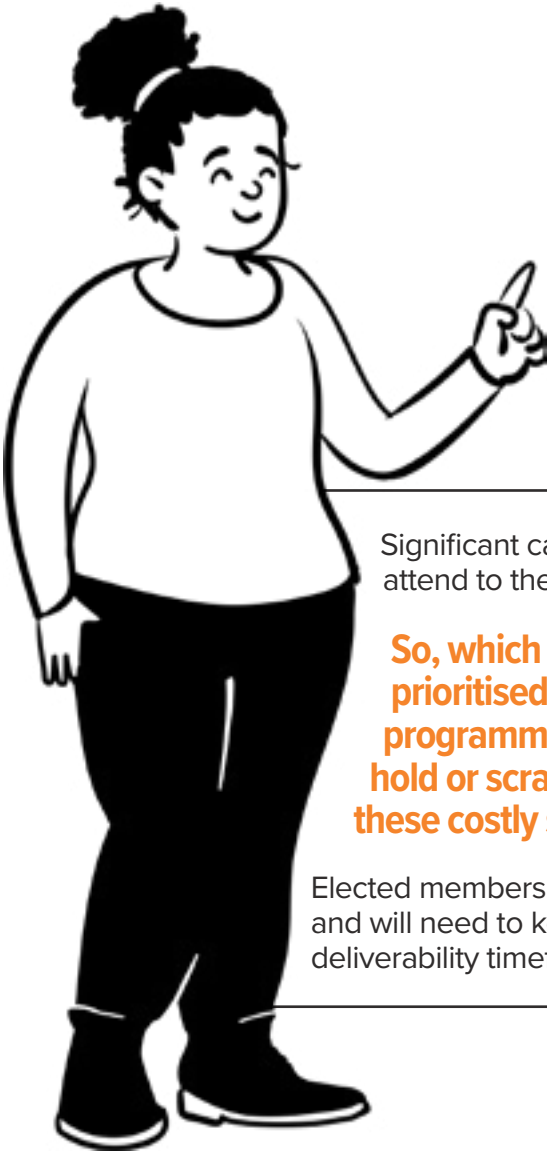
NGĀ WHAKAPAKARI WHARE RŪ WHENUA
SEISMIC UPGRADES ARE NEEDED

Palmy has a high number of potentially earthquake-prone buildings scattered across the city and by law we need to strengthen or demolish them. Timeframes are tight, as buildings must be upgraded within the next 15 years.

We’re working with building owners, tenants and the community to upgrade these buildings, retain those with heritage value, and ensure the city centre remains commercially viable.

As building owners obtain more detailed information about the scale of the investment they may need, some challenging decisions will need to be made. Some earthquake-prone buildings are also protected heritage buildings. This means we need to be sympathetic to the building. Demolition is discouraged within our District Plan.

While Council owns several buildings classified as earthquake-prone, it’s important to note that these buildings aren’t deemed dangerous and they can continue to be occupied for the foreseeable future.



Significant capital investment will be required to attend to these buildings over the next 15 years.

So, which buildings should be prioritised? What projects and programmes of work need to be put on hold or scratched altogether to allow for these costly seismic upgrades?

Elected members will have tough decisions to make and will need to keep a close eye on budgets and deliverability timeframes.



**HE MAHA NGĀ TAKE E WHAKAHOUHIA
ANA TŌ TĀTOU POKAPŪ TĀONE**

WE'RE TRANSFORMING OUR CITY CENTRE
FOR A NUMBER OF REASONS

Think of every city you’ve visited. The city centre is usually front of mind in almost all memories of visiting or living in a city. We want you to be proud of our city centre, have our businesses thriving, and for our visitors to be in awe of just how great Palmy is. More than 10,000 people visit our city centre each weekday, and we see far more people in the weekend.

We want our city centre to be a vibrant and exciting place where people want to live, work and play any time of the day. Bringing this vision to life will have the heart of our city humming, and help businesses thrive.

Our City Centre Transformation is made up of a wide range of programmes, that we’re working on over the next decade, and have funding for in our 10-Year Plan.

Civic and Cultural Precinct

Some of our city’s most treasured buildings and institutions like our Central Library, Te Manawa Museum and Art Gallery have been identified as needing to be upgraded to meet the new earthquake standards. Time is ticking and we need to have this work completed in the coming decade.

We’re using this opportunity to take a deeper dive into how these buildings will function in the future. If we’re going to be doing major construction, we want to be sure that we won’t be coming back again in 5, 10 or even 20 years for further upgrades to ensure they’re fit for purpose.

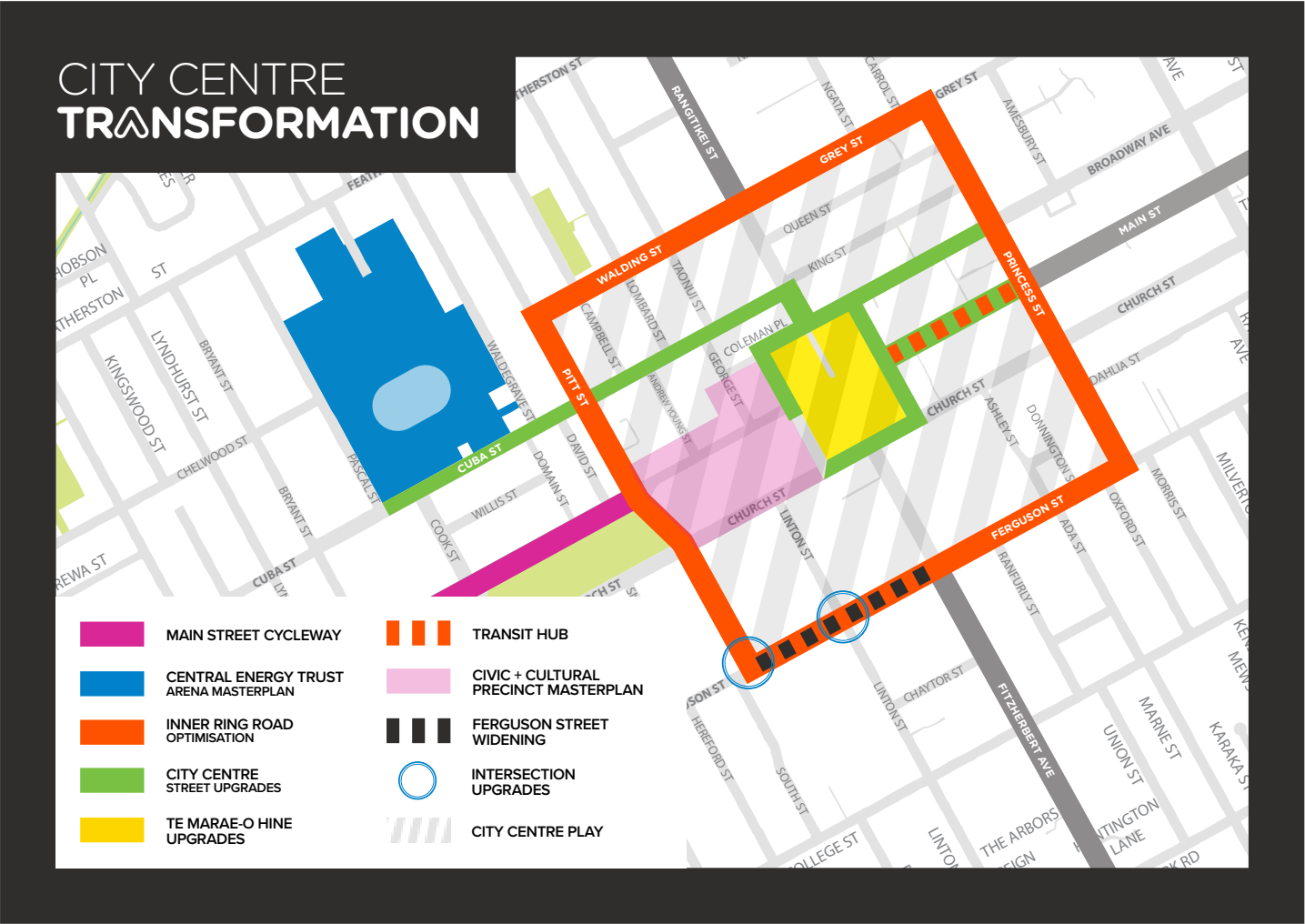
During 2021 and 2022, we’ve been working with key groups, including these institutions, to figure out how these buildings are used, what the future looks like and to come up with a plan for the future of these important community facilities.

In late 2022/early 2023, we’ll be presenting a masterplan to Council for consideration. It’s likely we will be looking at getting public feedback in 2022/2023. This masterplan and the business case to support it is funded, and in our 10-Year Plan we have set aside budget for the seismic upgrade of both the Library and Te Manawa. Once the Masterplan and Business Case are complete, we’ll have a better idea of how much this work will cost.

City Centre Street Upgrades

For our city centre to be a hub of activity, people need to feel safe. Our streets in these areas are deteriorating in condition as they’re quite old, so these upgrades take care of that and are making our city centre safer, more attractive and more welcoming for pedestrians and people on bikes and also having great flow-on effects for our businesses.

These street upgrades bring our vision to life by creating wider footpaths, narrower roads, more trees and other plants, better streetlights and more spots for outdoor dining. The result is a city centre that is a destination in its own right. We’ll have a safer and more attractive, vibrant and exciting city centre. The heart of our city will be a key destination to shop, eat, attend events and do business. Our businesses will reap the benefits, and Palmy will become an even more desirable place for investment.



These street upgrades will mean that over time people’s behaviour will change. The work focuses on slowing cars down and therefore discouraging people from using The Square as a shortcut across the city. Instead, we’ll be encouraging them to use our ring road (Princess, Ferguson, Pitt and Grey) to move quickly around the city.

We know people love to park outside the place they’re visiting, but our population is growing, and as a result we’ll all likely need to walk a bit further to shops in the future. Don’t panic though, we’re

not driving vehicles out of our city centre, there’ll still be carparking available for everyone. Parking is and will always be a hot topic, and we’re currently looking deeper into how we manage parking long-term so we can provide certainty to our community and our elected officials for when they make decisions. This will include things like time limits, hours of operation, accessible parking, different ways to pay etc. We’re not proposing any dramatic change in the short term. We just want a plan for the future that everyone understands and helps shape decision making.

Main Street cycleway

Palmy people most likely know this infamous cycleway for the planter boxes that were used as the separator to keep people on bikes and vehicles separated during the cycleways’ trial.

Following the first COVID-19 lockdown, Waka Kotahi funded projects that encouraged councils to trial cycling and pedestrian initiatives. That’s what we did for Main Street between March 2021 and November 2021.

Numbers of people on bikes increased during the trial, and in March 2022 Council voted to remove the planter boxes and install a different temporary measure until we have designed the permanent cycleway.

This cycleway is ranked in our top 10 priority routes in our Urban Cycle Network Masterplan. This route is important as it connects the Longburn Shared Path, the Mangaone Stream and our western suburbs with our city centre, meaning people on bikes can be separated from this busy road for a significant distance as they travel around our city.

Ferguson Street widening

Part of our efforts to make our city centre a destination, and to improve safety is to encourage people to use our inner ring road (Pitt, Princess, Ferguson, Grey/Walding streets), rather than cutting through the city centre. People should only be driving within the city centre if they’re shopping, enjoying an event or visiting a local business. To bring this vision fully to life, we’ve been needing to do some upgrades to Ferguson St. They’re a long time coming too, the first designs for this work date back to the 70s. Almost all of the ring road has four lanes of traffic - two for each direction. But the section of Ferguson in front of Intermediate Normal School only has one, and this causes bottlenecks,

especially at the Pitt St intersection. Over 2022/2023 we’re widening this section of Ferguson St so it too has four lanes. We’re also upgrading the Pitt St intersection to have traffic lights and making some minor changes to the Linton St intersection so motorists don’t cut across four lanes of traffic.

The inner ring road is all about moving people and goods efficiently. This means large trucks utilise these roads often. The ring road is essentially the best route for cars and trucks, and we encourage people on bikes to use our safer, quieter roads nearby.

This work is co-funded by Waka Kotahi and is one of the key projects of the PNITI development mentioned on page 28 of this report.

Ring Road optimisation

While we upgrade our city centre streets to maximise the safety and vibrancy of our public spaces, we’re also constantly monitoring and assessing how vehicles and people move around. As we construct and finish each section of street, one of the key things we reassess is the traffic light phasing. In time, our city centre’s lights will be phased to prioritise pedestrians more. For example, each direction of traffic will get a green light, and then we will allow pedestrians to cross. Around the ring road, this will be the opposite, we’ll phase the lights to give motorists more opportunities to move efficiently.

The other element of this optimisation work is to remove the ability to have motorists cutting across the ring road to get to other side streets. These small changes will occur over time.

Parking Framework

Our transport team is currently developing a citywide strategic parking framework to guide future decision making on Council-controlled parking spaces for on-street and off-street parking. The framework will set out our aspirations and objectives for parking across the city, define priorities of use in different parts of the city, guide our strategies for managing supply and demand and outline our approach to setting parking fees, time restrictions, provision of loading zones and mobility carparks etc.

Transit Hub

An effective, efficient and attractive public transport system enables Palmy to achieve sustainable growth while delivering improved safety, city vibrancy and equitable access. A high quality, future-proofed transit hub linking people to services and opportunities is a key contributor to ensuring public transport is a viable option for many trips currently made by private car.

The existing bus terminal was constructed in the early 2000s to replace an earlier iteration. But it’s uncomfortable, discourages people from spending more time and visiting local businesses, and has constrained access for users with higher mobility requirements.

The ability for the current terminal to cater for increased demand in future is limited, and there is a negative perception of this area which can act as a significant barrier to public transport uptake. Several reviews of the strategy and concept design have been carried out since 2008, with the 2016 City Centre Streetscape Plan containing the most recent work to investigate improvements to the terminal.

A redeveloped Transit Hub and improved bus service – separately being reviewed by Horizons Regional Council – are key to the city and regional councils’ efforts to increase the take up of public transport over the long term, to help ensure the service is viable, attractive and a dependable transport option. With Horizons’ review of the service aiming to deliver a major step-change in the quality of the public transport service provided to Palmy residents, the existing terminal needs to be improved and revitalised to ensure there are viable alternatives to Palmerston North’s dependence on cars, and to support the decarbonisation of the city’s transport system.

Our parking framework will also evaluate our transport needs for the future, considering issues such as the reduction of carbon emissions, catering to population and urban growth, integration of parking with the wider transport system, managing parking space as a limited public resource and evaluating the needs of individuals, businesses and the wider community.



Te Marae o Hine

In 2020, we made the important decision to start using both Te Reo and English names for The Square. Te Marae o Hine has great value for our tangata whenua, and it’s important to us that we recognised this. Te Marae o Hine – The Square refers only to the park aspect; the streets around the park are still known as The Square. This is an important differential due to postal reasons.

We’ve been working with Rangitāne on how we tell the significant history and meaning of our city centre and they are a key partner in all of these city centre projects.

One of the projects coming up over the next year is some important drainage work around the clocktower. For many years the limestone has become mushy in heavy rain, which means this popular seating area is far less appealing for our residents to spend time in. We’re going to add some drains in, and then use concrete instead so the area can be enjoyed year-round. We’re working with Rangitāne on having some storytelling elements involved in this project.

Central Energy Trust Arena

Central Energy Trust Arena is our 18.5 hectares flexible sports and entertainment hub in the heart of our city centre. It holds about 3000 events each year and is home to 36 sporting codes.

Our masterplan for the Arena focuses on how we can continue to improve the facility, bringing vibrant events to our city centre, and the significant economic impact this has. The speedway season alone brings around \$25 million to our local economy.

In 2021, we completed the first stage of the masterplan, with a new entrance plaza, including bridge and digital screens. Palmy’s iconic speedway has also benefited, through the relocation of the speedway pits. They’re more user-friendly for drivers and crews, as well as more visible to speedway spectators. These areas are dual purpose and able to host community activities, like MidCentral DHB’s vaccination drive. Improvements have also been made to the lighting, embankment seating and amenities spaces.

Our masterplan was created in 2017, is currently being reviewed, and there’s budget in the 10-Year Plan for future projects as part of the masterplan.

Our upgrades to Cuba St to widen the footpaths and narrow the road also help the Arena thrive as it encourages visitors to enjoy our city centre and support businesses and hospitality in the area, as well as provide a safe, comfortable walking route to the facility.

City Centre play

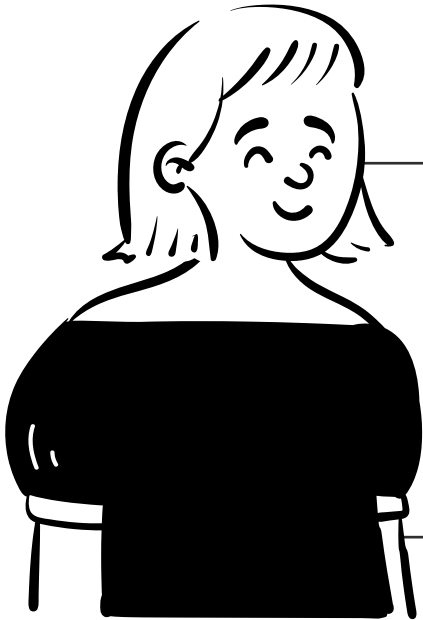
Whether you’re 4 or 84 we all love to play. Play is so much more than just a playground.

Over the past few years, we’ve had outdoor gyms, hopscotch, giant chess, a basketball hoop and musical instruments all in Te Marae o Hine – The Square and we’ve loved hearing your laughter as you have fun playing outside together. That inspired us to look at rolling out more options each year, which brought our city centre play programme to life.

These fun play objects will encourage people to spend time outdoors, bring people into our city centre to support local businesses, improve your mental and physical wellbeing and help us create a vibrant heart to Palmy.

In our 10-Year Plan we have budgets for fixed play and pop-up play. Fixed play is for more permanent things like the bucket fountain on Cuba St in Wellington. Pop-up play is for cheaper things that are used in a space for a short period of time and can be moved around easily. Pop-up play is great for helping support businesses when roads may be closed for events or construction work.

We’re going to be working with the community to decide what kind of play features we should have. For the fixed play items, we’re looking at how we can build these into our street upgrades around the city centre.



What do you think about our City Centre transformation? What kind of city centre do you want for Palmy?

How would you support businesses, jobs and economic development if you were on Council?



E WHANAKE ANA TŌ TĀTOU TĀONE NUI

WE AREN'T THE CITY WE ONCE WERE

For years on end, Palmy wasn't really known for anything. Yes, we've got windmills. Yes, people would stop in on the way to Wellington or heading north. Yes, we hold some amazing sporting events and concerts at our arena. Yes, we have some great tertiary options (but so do lots of cities). But, as our ambition and innovation began to grow, we decided to make some big moves to really set ourselves apart from the rest of the country.

First off, we completely revamped our brand and identity to keep up with growth. We activated the nickname 'Palmy,' which pretty much everyone in the city has lovingly referred to our city as, and refreshed our logo, personality, presence and vision to be bold and to stand out from the crowd.

'Palmy' has always had positive colloquial connotation and we wanted to leverage that. 'Palmy' also brings a realistic and authentic factor into our city, and it helps us manage an ungainly long name into a simple, compelling and memorable identity.

'Palmy' is a unique and recognised term of endearment and is increasingly becoming adopted by both business and public organisations – Palmy BID, Fly Palmy, Palmy Revolution, Palmy Unleashed and #PalmyProud.

Our logo embeds a visual clue – the north arrow, just like how Nike uses the tick, McDonalds has the golden M etc. The arrow draws directly from 'North' in our name. But more importantly, it becomes the shorthand for the new places that our creativity and innovation can take us to. It symbolises our ambition for a city that's smarter, continually growing and evolving, innovating, collaborating and finding enlightened ways to work with nature.

We then set our eyes on what we want to be known for – Palmy being the centre of food innovation for Aotearoa.

Our location makes us the central hub for distribution and logistics for many industries and the wider Manawātū region is founded on agriculture and farming. We also have Massey University in our backyard, the country's leading agriculture and applied science university.

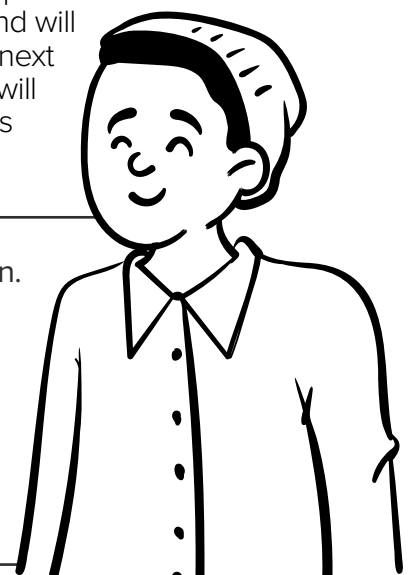
In recent years we've been able to develop an extensive and well-established food innovation ecosystem. From farming and agriculture to transport, distribution and logistics; food resilience to food rescue; education and training to waste management and sustainability; and much more. This, paired with our unique geographic location, enables Palmy to lead and enable the future growth of a range of industries that follow the food innovation spearhead.

As a city cradled by agriculture, we've always been innately connected to the land – to the growth, care, potential, and richness it can provide. We also understand that only innovation can take the natural advantages we already enjoy and turn them into something more relevant, powerful, entrepreneurial and valuable.

As we continue on this road to becoming the food innovation capital of Aotearoa, we'll be rolling out a food strategy on how we can embed this into our city and region. This will be led by Palmy's Central Economic Development Agency (CEDA) and will guide us into the next few years, which will be bold, ambitious and exciting.

We've certainly changed for the better, but the questions remain.

How do we keep our brand and identity alive and fresh? What can we do to take out the title of being the food innovation capital of Aotearoa? How can we stand out from the other metros? What else do our residents want Palmy to be known for?





**HE WERO HOKI KEI MUA I TE AROARO O
TŌ MĀTOU WHAKAHAERE**

OUR ORGANISATION FACES CHALLENGES TOO

Many of these sections talk about the growth in our city and the challenges and opportunities for our city and our work. As an organisation, this growth also significantly impacts us in many ways.

Attracting and retaining staff can be a challenge

- As our city grows, this creates increased workloads for our staff as we need to do more to plan or consent for that growth. Adding more staff has a rating impact for our ratepayers.
- In the current environment of low unemployment and difficulty to recruit staff, employees are considering other options and staff turnover has increased. Some of our team with specialist skillsets or certifications, or who are very experienced in their fields, are being headhunted by other organisations who can offer significantly higher salaries. These specialist staff often work in areas of growth such as consenting or infrastructure, so that means at times our residents may be impacted by slower service or we can't get work done when it was originally programmed for.
- Palmy's housing prices have increased significantly over the past few years which means it can be harder to attract talent. In the past, our highly affordable housing meant Palmy was a great lifestyle choice. While we believe it still is, the cost of housing and rental costs are now similar to many other locations.

COVID has changed the way the world works

Just like the whole world, the pandemic has meant we've had to work differently over the past few years.

- We're now looking into hybrid working more and how that works for our organisation. Hybrid working is a key recruitment attribute, but we're conscious that we are also a major city centre employer and our staff help support local businesses and add vibrancy to the area. Due to the operational nature of a lot of our work, this also isn't possible for some teams.

- Virtual working means taking a look at what technology we need in the future to continue to serve our community best.
- It means over time we'll need to take a look at our physical spaces and reevaluate what we may need in the long-term.

New legislation means we're reviewing and implementing new practices often

- One of the big areas over recent years has been changes with Health and Safety, and that will continue to be a big area of focus for us over the coming years. This affects Council as an organisation, but also ensuring our contractors are meeting requirements too.

We need to do better with technology and data collection

Good data is key.

- We're setting out to build a modern data analytics platform and make it available for anyone to use. The platform will allow our business units and our communities to build their own data models and make data driven decisions. The more information we can gather, the more insight we will have to drive innovation, operating efficiencies and lower costs.

We need to simplify and modernise our IT.

- Our current IT applications are outdated and poorly connected to each other. By modernising our systems and ensuring they are integrated, we will be able to deliver faster, more reliable and efficient outcomes for the people using them.

Our application and data security need to improve.

- Poor security makes people nervous, slows them down and stifles innovation. We want to create an environment where security is invisible. This will make personal data safe from theft or misuse and it will help protect us from external attacks that can result in disruption to delivery of services.





MŌ TE
KAUNIHERA

WHAT
COUNCIL IS
ALL ABOUT

HE AHA IA NGĀ MAHI A TE KAUNIHĒRA?

SO, WHAT DOES A COUNCIL DO?

City, district and regional councils play a broad range of roles, taking responsibility for the social, cultural, environmental and economic well-being of their communities.

At times, our services get mixed up with those of Horizons Regional Council's, so let's set the record straight. Horizons is a completely separate organisation to Palmerston North City Council.

We take care of all the community services in Palmy, such as road maintenance, town planning, libraries, recreation areas and land use. Collecting your rubbish and recycling, keeping your streets well-lit with safe footpaths, and providing enough

carparks are all in our large scope of work. If you spot a roaming dog, or perhaps there's a pothole that needs fixing, you can give us a call.

Horizons Regional Council is the council that manages land, air, and water resources on behalf of the 250,000 residents who call the wider Manawatū-Whanganui Region home. This area includes not just Palmerston North but Horowhenua, Manawatū, Tararua, Rangitikei, Whanganui and Ruapehu. They also look after our public bus services, plan the region's transport networks, protect people and properties from floods, and are the region's lead for Civil Defence and Emergency Management.

E RITE ANA TĀ MĀTOU MAHI KI TĀ TE NUIŅGA O NGĀ KAUNIHĒRA TĀONE NUI, KAUNIHĒRA Ā-ROHE

WE OPERATE LIKE MOST CITY OR DISTRICT COUNCILS

We have 16 elected members, including the mayor, who are ultimately responsible for our Council's performance.

Council employs the chief executive, who then employs all remaining staff, on behalf of the council. The role of the chief executive and their staff is to provide advice to the council and implement its decisions.

Most of these decisions are made in formal committee meetings. And the way that these decisions are made are all subject to a number of rules and regulations set out in the Local Government Act 2002 and other statutes.

KUA WHAKATŪRIA HE ROHE PŌTI MĀORI KI PAPAIOEA I TĒNEI PŌTITANGA

PALMY WILL HAVE A MĀORI WARD IN THIS ELECTION

We'll be one of 35 councils who will be having Māori ward seats in this election. This means things will be a little different to previous years.

Residents and ratepayers will continue to have 15 councillors and a mayor to represent them, but as of October, the councillors will represent one of the following two wards

- Te Pūao Māori ward (made up of 2 councillors)
- Te Hirawanui General ward (made up of 13 councillors)

Te Pūao Māori ward will represent Māori in our community so that decision-making is fairer and more inclusive.

Māori ward councillors will have a particular responsibility to represent people of Māori descent and bring forward Māori views and aspirations. But just like Te Hirawanui (general ward) councillors, they also represent the entire city.

Candidates can decide which ward they wish to stand in. But only those on the Māori electoral roll will be able to vote for candidates who stand in Te Pūao ward.

While we will be having a Māori ward, we'll also continue to appoint Rangitāne representatives to Council committees.

Māori wards provide a way for Māori to contribute to decision-making and have representation at Council.



HE MATATINI NGĀ RŌPŪ MĀTANGA, RŌPŪ TOHUTOHU KA TUKU KŌRERO MAI, KA ĀWHINA MAI

WE GET FEEDBACK AND ADVICE FROM VARIOUS REFERENCE AND ADVISORY GROUPS

These groups provide a link between Council and our community, helping us shape a number of our decisions. Normally meeting every six weeks, these groups bring knowledge and extra insight into Council about how the different needs of our communities can be addressed.

The Disability Reference Group ensures that the needs of disabled people are appropriately given consideration when the Council plans projects and activities across the city.

The Welcoming Communities Advisory Group makes our city even more welcoming for everyone, with a focus on migrants, former refugees and international students.

We have two new groups this year - a **Seniors Reference Group** and **Pasifika Reference Group**. Both of these groups came out of our 10-Year Plan 2021-2031 and will provide dedicated platforms for older and Pacific people's voices to be heard and considered by Council.

We also love getting feedback from residents (community organisations and individuals) who make submissions and come and speak to councillors at committees or whenever councillors are out and about in our community.



HE AWHERE NUI Ō MĀTOU MŌ TE ANAMATA O PAPAIOEA

WE'RE AMBITIOUS ABOUT PALMY'S FUTURE

Palmy is the heart of the Manawātū region. We're a small city with a lot to offer, and we're ambitious about where we're going.

He iti rā, he iti pounamu Small city benefits, big city ambition

Our vision for Palmy is to take advantage of all the benefits that a small city brings, while offering our people the lifestyle, education and business opportunities that are available in much larger metropolitan cities.

We value the great quality of life, community spirit, and affordable access to services that comes with being 'small', and we are proud to offer so much more.

To make our vision come to life, we have five goals for the city.

He tāone auaha, he tāone tiputipu An innovative and growing city

A city that is clever about the way it uses its natural advantages to encourage and support innovation, entrepreneurship and new industries, and positions itself to take advantage of change to fuel sustainable growth, prosperity and wellbeing.

Target: 12,000 more jobs by 2031

He tāone whakaihihi, tapatapahi ana A creative and exciting city

A city that draws inspiration from the diversity within its culture and creates a vibrant urban

environment that attracts creative and clever people, and nurtures creative talent.

Target: A score above 65 in the Creative Cities Index by 2031.

He hapori tūhonohono, he hapori haumaru A connected and safe community

A city that includes, supports, connects and uses the talents and advantages of the whole community in the pursuit of prosperity and wellbeing. A city that has an international reputation as a safe city in which to live, study, work and play. A city that embraces its lwi heritage and partnership, and where people connect with the city's past, celebrating its history and heritage.

Target: More than 75% of people consider Palmy is a welcoming and inclusive city with a good standard of living by 2031.

He tāone tautaiāo An eco city

We want a future-focused city that plans for and cares about the future, enhancing its natural and built environment. Our city will realise the benefits to society from creating clean energy, lowering carbon emissions, and reducing our ecological footprint.

Target: A 30% reduction in CO2E emissions in Palmerston North by 2031 [from the 2018 baseline]

He Kaunihera ahunui, whakamana i te iwi A driven and enabling Council

A Council and organisation that works as one team with its communities and is a catalyst and enabler for change in the city.



**NGĀ ĀHUATANGA AHUMONI
A TE KAUNIHERA**

COUNCIL FINANCES

KARAPATANGA
AT A GLANCE

- The Council has assets worth about \$2 billion (\$600 million of which relates to the three waters activities).
- By investing more in asset management planning, we're able to better assess our infrastructure assets. This information has led us to increase investment in both asset maintenance and renewal.
- Currently, debt levels are moderate for a regional city (especially given the range and quality of services provided).
- Rates levels are comparable with other districts of our size.
- The recent property revaluations issued by the Valuer General caused a significant redistribution of rates in the City and this led residents who are most impacted to express concerns about the current land-based rating system. A review of the rating system is underway to determine if land value is the most appropriate method for determining rates, or whether a capital-based system or combination of the two is a more appropriate system.
- Council is planning for medium population and household growth as forecast by Infometrics, plus a margin, as required by the National Policy Statement for Urban Development.
- The requirement to update the City's wastewater treatment and disposal system (Nature Calls) provides the greatest single challenge to the long-term financial sustainability of the Council. In the 10 Year Plan it was assumed that an acceptable option can be obtained for \$350 million, plus inflation, but the preferred option which was adopted by Council currently has an estimated cost of nearer \$500 million, plus inflation.
- To fund the forecast capital expenditure programme (including Nature Calls), the 10 Year Plan assumption is that the Council's overall debt would rise to nearly \$900 million. Such debt levels would breach the Council's prudent borrowing ratios and those of potential funders. As a consequence, Audit NZ issued an adverse audit opinion on the Council's 10 Year Plan saying it is not financially sustainable.
- The Council decided to adopt the Plan despite this, in the knowledge that central government was planning significant reform to the three waters activities, involving transferring all responsibility for management and funding of them to new regional water entities as from 1 July 2024.
- While there is still a huge amount of effort required to determine the detailed transition, the Government remains committed to the transfer date.

- The transfer will have a large impact on the Council organisation and its finances including relieving the Council, but not the community, of the forecast cost of the Nature Calls project. The Council is working through the more detailed implications for its remaining activities, including how shared overheads will be funded in future. The Government has promised local government it will provide funding to assist with the transition.
- The first block of funding of \$8.1 million has been made available from 1 July 2022, subject to applications for projects that meet various criteria. The Council is in the process of determining what projects will form part of the application. A second block of funding totalling \$24.5 million is expected to be available from 1 July 2024.
- If the Three Waters activities are not transferred from 1 July 2024, the Council will need to find ways of significantly reducing its capital expenditure programme and obtaining funding from other external sources.

TĀ MĀTOU MAHERE NGAHURU TAU,
RAUTAKI AHUMONI NGAHURU TAU

OUR 10 YEAR PLAN AND FINANCIAL STRATEGY

Our 2021-31 10 Year Plan has key information including forecasting assumptions. It also outlines our financial strategy which guides the decisions about what can be done and how it should be funded.

What has changed since the adoption of the Plan?

Since the adoption of the Plan in 2021, planning has become even more uncertain. The Council, like many others is facing challenges such as:

- The extended impact of COVID-19 on worldwide supply chains
- A shortage of contractors and staff
- A rapidly increasing Consumer Price Index (CPI) and interest rates on borrowing

As a consequence, it's becoming more difficult for the Council to deliver its programmes within defined timeframes and to be sure it can maintain levels of service within allocated budgets. In June the Council approved the Annual budget for 2022/23. It was based on year two of the 10 Year Plan, updated to incorporate the impacts of revised assumptions. Although the 10 Year Plan projected an increase in total rates revenue of 8.1% would be required, the Council decided that due to the current economic climate, it needed to find ways of reducing this. A number of programmes were reduced or deferred in order to reduce the increase to 5.8%. This will mean finalising an appropriate annual budget for 2023/24 is likely to be very challenging.

Performance against Financial Strategy – Rates and Borrowing

Council set limits in the financial strategy to guide the level of capital investment that is possible, having regard for the impact on rates levels and the level of Council borrowing. The rates increase policy is determined by reference to local government cost indices and city growth. The main borrowing limit set by the Council is debt being no more than 200% of revenue. At

this level the Council considers there would not be an unfair burden placed on future ratepayers and the Council's current strong credit rating (AA long term rating by the international agency, S&P Global Ratings) would not be put at risk. Over the last three years the Council has performed well within these limits as shown in the following table.

KEY FUNDING AND FINANCIAL PARAMETERS SPECIFIED IN THE FINANCIAL STRATEGY			ANNUAL REPORT		FORECAST
			2019/20	2020/21	2021/22
Rates income	% of City's rateable land value	Limit	2%	2%	N/A #
		Actual	1%	1%	N/A #
Rates increase	% increase in total rates	Limit	4.6%	4.5%	12.5%
		Actual	3.7%	2.3%	8.0%
Borrowing	Net debt to total assets	Limit	20%	20%	20%
		Actual	7.5%	8.1%	8%
	Net debt to revenue	Limit	200%	200%	200%
		Actual	105.9%	121.2%	119%
	Net interest to revenue	Limit	15%	15%	15%
		Actual	4.0%	3.3%	3.5%
	Net interest to rates	Limit	20%	20%	20%
		Actual	5.6%	4.9%	4.7%

- the requirement to set limits on rates income was removed from legislation in 2019 and therefore no limit was set in the 2021-31 10 Year Plan

The 2021-31 10 Year Plan projects these limits will be significantly exceeded if the Council retains the three waters activities and that the Council's financial position would not be sustainable.

In view of the current Government's commitment to three waters reform, no contingency plan has yet been produced to determine what options there might be for the Council in the event it does not happen by 1 July 2024.

NGĀ REITI RATES

The Council has a Revenue and Financing Policy that describes how each activity is to be funded. This guides the setting of fees and charges and the structure of the rating system. The current rating system includes fixed charges for some activities and a variable general rate based on the land value of the property and nature of its use. The land value is updated every three years and the most recent update will form the rating base from 1 July 2022. Due to the magnitude and variability of the land value increases, there are significant changes to rates for individual properties for 2022/23.

To moderate the impact, the Council adopted changes to a number of elements of the rating system.

Assuming the three waters activities transfer to new entities from 1 July 2024, rates will reduce from that date. The structure of the rating system will need to be reviewed. Capital value may be a more appropriate base for the general rate. More analysis and public engagement are to come over the next two years and if there is to be a change, it is likely to be transitioned from 1 July 2024.



NGĀ HUA HAUMITANGA RETURNS ON INVESTMENTS

Council is the 100% owner of Palmerston North Airport Limited (PNAL) and has very small investments in other entities such as the NZ Local Government Funding Agency. It has very limited ability to influence the financial performance of the smaller investments and manages its investment in PNAL through an annual statement of intent. The main reason for the investment is to ensure there is an appropriate air gateway to

the City and in the current economic climate, the Council has agreed to forgo dividends to enable PNAL to reinvest any surpluses in essential infrastructure.

The following table shows our returns on investments compared to the quantified returns on investments. These are specified in the financial strategy in the relevant 10 Year Plan, updated in each year’s statement of intent.

PALMERSTON NORTH AIRPORT LTD	2019/20		2020/21		2021/22	
	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	FORECAST
Net surplus before interest/tax/ revaluations to total assets	6.0%	2.6%	2%	4%	4%	3%
Net surplus after interest/tax to consolidated shareholders’ funds	3.1%	2.4%	-1%	0%	3%	1%
Consolidated shareholders’ funds to total assets > 40%	69%	78%	74%	76%	72%	76%
Interest cover (net surplus before interest and tax to interest) > 2.5	5.1	3.4	-1.6	1.9	6.5	6.1
Net tangible worth > \$50m	\$63.1M	\$67.1M	\$67.6M	\$68.3M	\$71.3M	\$68.9M

TĀ MĀTOU TŪNGA AHUMONI

OUR FINANCIAL POSITION

The **Statement of Financial Position** reflects what Council owns and what it owes to other people.

The main changes reflect the planned investments in plant, property and equipment to maintain capability and provide for city growth and the increase in borrowings required to fund this.



Palmerston North City Council Statement of Financial Position as at 30 June	ANNUAL REPORT ¹		ESTIMATE ²	ANNUAL BUDGET ²	2021-31 10 YEAR PLAN ¹		
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS							
CURRENT ASSETS							
Financial assets	14,884	18,740	41,228	16,962	14,097	14,386	14,682
Other current assets	385	230	622	230	386	386	386
TOTAL CURRENT ASSETS	15,269	18,970	41,850	17,192	14,482	14,772	15,068
NON-CURRENT ASSETS							
Property, plant and equipment	1,835,362	1,973,020	2,082,485	2,107,951	2,096,298	2,310,971	2,596,620
Intangible assets	1,281	1,153	983	1,127	1,246	1,246	1,246
Investment property and forestry assets	5,969	6,820	6,765	6,396	5,969	5,969	5,969
Investments in CCOs and industry companies	13,926	14,501	15,630	14,500	13,926	13,926	13,926
Other non-current assets	5,104	10,266	14,937	4,261	5,104	5,104	5,104
TOTAL NON-CURRENT ASSETS	1,861,642	2,005,760	2,120,800	2,134,235	2,122,543	2,337,216	2,622,865
TOTAL ASSETS	1,876,911	2,024,730	2,162,650	2,151,427	2,137,026	2,351,988	2,637,933
LIABILITIES							
CURRENT LIABILITIES							
Trade and other payables	33,169	36,742	34,841	34,679	37,681	37,833	37,987
Borrowings	20,000	10,000	25,000	-	-	-	-
TOTAL CURRENT LIABILITIES	53,169	46,742	59,841	34,679	37,681	37,833	37,987
NON-CURRENT LIABILITIES							
Provisions and other payables	13,564	7,417	2,156	7,737	8,303	8,441	8,582
Borrowings	122,000	156,125	172,000	230,749	323,060	501,883	669,035
TOTAL NON-CURRENT LIABILITIES	135,564	163,542	174,156	238,486	331,362	510,324	677,617
TOTAL LIABILITIES	188,733	210,284	233,997	273,165	369,044	548,157	715,604
EQUITY							
TOTAL EQUITY	1,688,178	1,814,446	1,928,653	1,878,262	1,767,982	1,803,831	1,922,329

* Estimate based on 30 June 2022 forecast position ¹ Audited ² Unaudited

NGĀ PUNA TAHUA HEI UTU I NGĀ WHAKAPAUNGA

HOW SPENDING IS FUNDED

The **Funding Impact Statement** shows the amounts we receive and pay out each year.

It shows what’s received, how it’s used to provide services, what is spent on assets to provide future services and how these assets are funded. We plan to have a yearly cash operating surplus and to use this to fund the renewal of assets (to maintain capability) and to repay debt in a structured way.



Palmerston North City Council Funding Impact Statement for the year ending 30 June	ANNUAL REPORT ¹		ESTIMATE ²	ANNUAL BUDGET ²	2021-31 10 YEAR PLAN ¹		
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
SOURCES OF OPERATING FUNDING							
General rates, UAGC and rates penalties	75,271	77,848	84,000	86,526	94,117	99,335	104,244
Targeted rates (including metered water)	23,582	23,252	25,100	28,844	33,500	40,442	51,872
Subsidies and grants for operating purposes	3,613	4,050	4,500	5,286	5,115	5,552	5,312
Fees and charges	6,015	7,735	7,500	8,004	7,888	8,063	8,242
Interest and dividends from Investments	1,042	273	300	17	17	17	17
Local authority fuel tax, fines, infringement fees and other receipts	22,769	22,678	22,200	23,930	24,691	26,006	26,931
TOTAL SOURCES OF OPERATING FUNDING	132,292	135,836	143,600	152,606	165,328	179,415	196,618
APPLICATIONS OF OPERATING FUNDING							
Payments to staff and suppliers	104,288	103,937	108,000	119,815	121,321	129,789	133,921
Finance costs	5,535	4,975	5,100	6,731	8,332	11,570	16,349
Other operating funding applications	-	-	-	-	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	109,823	108,912	113,100	126,546	129,653	141,359	150,269
SURPLUS/(DEFICIT) OF OPERATING FUNDING	22,469	26,924	30,500	26,060	35,675	38,056	46,348
SOURCES OF CAPITAL FUNDING							
Subsidies and grants for capital expenditure	6,808	13,978	9,200	8,341	21,352	29,148	28,274
Development and financial contributions	2,992	2,187	2,300	2,588	3,249	5,327	7,463
Increase/(decrease) in debt	20,800	24,125	5,000	54,748	57,377	178,824	167,151
Gross proceeds from sale of assets	74	175	-	5,000	7,826	7,502	-
Lump sum contributions	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	30,674	40,465	16,500	70,677	89,803	220,800	202,888
APPLICATIONS OF CAPITAL FUNDING							
Capital expenditure							
➤ to meet additional demand	1,331	995	1,000	4,486	7,907	13,153	14,288
➤ to improve the level of service	24,399	37,964	20,000	59,598	87,449	208,954	199,455
➤ to replace existing assets	27,413	24,273	26,000	32,653	30,123	36,749	35,494
Increase/(decrease) in reserves	-	4,157	-	-	-	-	-
Increase/(decrease) of investments	-	-	-	-	-	-	-
TOTAL APPLICATIONS OF CAPITAL FUNDING	53,143	67,389	47,000	96,737	125,478	258,857	249,237
SURPLUS/(DEFICIT) OF CAPITAL FUNDING	(22,469)	(26,924)	(30,500)	(26,060)	(35,675)	(38,056)	(46,348)
TOTAL FUNDING SURPLUS/(DEFICIT)	-	-	-	-	-	-	-

NGĀ PŌTITANGA 2022 – NGĀ KŌRERO MATUA

2022 ELECTIONS – WHAT YOU NEED TO KNOW

KEY DATES

- Enrolment is open until 5pm on **Friday 12 August**
- Nominations for people wanting to stand to be a city councillor or the mayor are open from **Friday 15 July to 12pm on Friday 12 August**
- Voting is open from **Friday 16 September to 12pm on Saturday 8 October**
- Preliminary results will be known early on **Sunday morning, 9 October 2022**, and we expect that final results will be known and announced on **Thursday 13 October 2022**.



ENROL

To vote, you need to enrol!

If you tick all the boxes below - you're eligible to enrol and vote!

- 18 years or older on Election Day (Saturday 8 October 2022)
- A New Zealand citizen or permanent resident
- Live or own a property in Palmerston North
- Have lived in New Zealand for at least one year continuously at any point

How to enrol or get an enrolment form:

- Head over to **vote.nz**
- Free text your name and address to 3676
- Visit any post shop
- Call (0800) ENROL NOW (0800 36 76 56)



STAND

Are you passionate about helping your community? Do you have fresh ideas? Do you want to be someone who helps shape the BIG decisions for Palmy?

It's time to put your hand up and represent your community in leading positive change for Palmerston North.

Nominations will open on Friday 15 July 2022 and close on Friday 12 August 2022.

During this period, nomination forms will be available from:

- Civic Administration Building, Palmerston North City Council, 32 Te Marae o Hine - The Square, Palmerston North
- pncc.govt.nz
- by calling the electoral office on 0800 922 822.

To be eligible to stand for election, a candidate must be:

- a New Zealand citizen and
- on the electoral roll (18 years or older) and
- nominated by two people whose names appear on the electoral roll of the area that a candidate is standing for.

You will need to pay a \$200 deposit.



VOTE

Do you like the way our city is heading? Or do you think things could be done better or differently? Now is the time to have your say.

Our city needs your voice and your vote!

You need to understand which candidates align with your personal views. All of this info can be found on the PNCC website. You can also search for information regarding candidates, as they will likely be running their own campaigns and discussing all of the main issues that are important to them.

Once you've decided who you want to vote for, make sure you follow the instructions on the form to cast your vote. Your voice and your vote matter!

