

## **STAFF REPORT**

**TO: Mayor and Councillors**

**FROM: Chief Executive**

**DATE: 9 February 2011**

**SUBJECT: Chief Executive's Report - RCN11-02-10**

---

### **1. DRAFT ANNUAL PLAN**

- 1.1 Staff across the Council have been involved the work cycle that creates the Draft Annual Plan for the year commencing 1 July 2011. While the Council's overall strategy and direction must adhere to the path charted in the 2009/2019 Ten Year Plan, there are always variations within each year. This year is the third year of the current Ten Year Plan and we are preparing a Draft Annual Plan that will very clearly identify all of those variations, both by way of additions and deletions, in order that our community can very clearly see what is happening.
- 1.2 Overall, the 2011/2012 Draft Annual Plan reflects the 'steady as she goes' nature of the Ten Year Plan. There will be rate increases, but these will continue to track below the predictions made in the Ten Year Plan. The Council has worked very hard over the last year or two to control budgets and keep a tight control on all expenditure. While the tight economic climate has created widespread problems for the whole community there is at least a silver lining in terms of very favourable contracting conditions, and those better-than-expected prices are starting to flow through to benefit ratepayers.
- 1.3 Notwithstanding those gains, the 2011/2012 Plan will be extremely challenging. At a core level, the Council is proceeding as predicted and within budgets. However the abnormal flooding events over the Christmas period have created a whole additional funding requirement which must inevitably sit on top of those core requirements. It is intended that the Draft Annual Plan will put the facts relating to those additional costs squarely in front of our community in order that the ratepayers can see exactly the implications and offer their views as to how we should move forward.
- 1.4 The flood was a 1 in 167 year event and the repair costs well beyond the limited resources of Golden Bay or Murchison ward. As a district we all benefit from our union with these wards, and as a district we all accept responsibility to help repair the damage. As a district we built up special reserves to cope with the immediate aftermath of a disaster, but those reserves are now seriously depleted. An abnormal event requires an abnormal response, and we now have an urgent need to rebuild those reserves. Today the council will discuss the possibility of the Draft Annual Plan including a special general rates surcharge for the next two years. As recommended

by staff, this surcharge will average about 50 cents per week for each rateable property in the district.

## **2. AMALGAMATION - LOCAL GOVERNMENT COMMISSIONER HEARINGS**

- 2.1 I personally attended virtually all hearings. I found this to be an extremely worthwhile and informative exercise. Submitters from within the Tasman District significantly outnumbered submitters from within Nelson. It was very clear that the proposal for a merger found little favour within the district and only lukewarm support within the city. The three members of the Local Government Commission are highly experienced in local government matters and were quite clear that the nature of the petition required that they looked at one model only – that is, that the two unitary councils be merged into a single unitary council. Suggestions by submitters that other models be examined were rejected. As the hearings progressed, the Commission members demonstrated a very clear understanding of the urban dominance that would probably emerge from any merger due to the application of the so-called ‘10% + or –’ rule on representation. Commission members regularly asked submitters what answer they had to this problem, given that within any single council, two thirds of the Councillors would automatically have to come from the urban area. As any change has to produce both better governance and financial savings, it was a great pity that the media chose to ignore this vital aspect of the Commission’s considerations.
- 2.2 At the same time, no submitters produced evidence to justify claims of financial savings other than those that already appear to be possible by way of shared services. I was impressed by the considerably detailed work undertaken by the some submitters who had conducted their own research and come to the same conclusions as the Tasman District Council’s submission; that is, that there would be few cost savings and these savings may well be off-set by other cost increases caused by a merger.
- 2.3 I also noted that while the Council’s submission was sharply criticised by some Nelson-based submitters, this criticism was emotive or philosophical. No attempt was made to counter the more objective and factual detailed calculations provided by Tasman District Council, particularly as they related to the likely rates burden shift.
- 2.4 Since the hearings, the Commission has sought some additional information from the Council but we have no other information as to whether they have sought further details from the Nelson City Council or nor whether they will be commissioning any further financial studies. Any information requested information requested by the Commission has been promptly provided by Tasman District Council.

## **3. SHARED SERVICES INVESTIGATION**

- 3.1 The three Top of the South Councils; Marlborough, Nelson and Tasman, have commissioned Mr Leigh Auton to undertake a study that will examine the possibilities for additional shared services between two or more of the three councils. This report will be presented to the joint staff of the three councils some time over the next few weeks and subsequently I would hope to be able to bring recommendations to a future

Council meeting. At this stage of affairs we believe that there are possibilities for additional shared services that could produce either better services and/or financial savings for the ratepayers.

#### **4. COUNCIL STAFFING**

- 4.1 While New Zealand currently has higher than expected unemployment this tends to lie almost entirely in the unskilled category. In many areas, the country faces a shortage of skills, and this is becoming evident within local government. Engineers are becoming increasingly difficult to attract and retain as private enterprise is prepared to increase market rates to get the staff they need for business such as the earthquake recovery in the Canterbury region. The attraction of high wages in Australia is also going to be a major handicap over the next year or two as that country moves to rebuild from recent disasters. Council will have to be realistic as it approaches this employment situation. The pressure to attract and retain the qualified staff that Council needs to fulfil the promises of the Ten Year Plan will continue to increase.

#### **5. FINANCIAL REPORTING**

- 5.1 Councillors will be aware that there has been significant criticism of the impact of the new international accounting standards. The new standards are extraordinarily complex and interpreting the financial reports in accordance with the new standards has become something of a trial. Personally, I believe that the new standards have failed to deliver and that there needs to be a serious rethink of their use, especially as they relate to public bodies such as local government. The good news is that I am led to believe that there is considerable work going on behind the scenes, largely as a result of the previous Auditor General's severe criticism of the standards in his outgoing report. In the meantime we are saddled with the complexities of the new standards and we will do our best to come up with more simple explanations at the time that the accounts are presented to the public.

#### **6. LOCAL GOVERNMENT LEGISLATION REFORM**

- 6.1 Mr Hide's reform Bill, commonly known as the TAFM Bill (Transparency, Accountability and Financial Management) is now law. It is extremely doubtful that the changes brought through will actually improve efficiency or transparency as was the Bill's original intention. While some matters have been simplified, others have been made more complex, with additional processes required. Staff will be attending briefings over the next few weeks in order that we can be assured that the Council will comply with the new legislation as it comes forward.

#### **7. COMMUNITY BOARDS**

- 7.1 In August last year, the Council received a long report from myself which endeavoured to get to grips with the problems associated with the Council's Community Boards. That report concluded with 16 different recommendations, many of which have already

been implemented. However it will be important that the Council continues to work on those recommendations and constructively sets out to build a better relationship with the two Community Boards.

- 7.2 To that end, the Mayor, myself and other senior staff have met with the two Community Boards and worked through many of the issues raised by the Boards and some of the matters covered in my report. I would expect to bring a report to Council in the near future updating progress in this area, however I think it is fair to say that we have made a good start and hopefully, with good will on both sides, we can continue to improve in this area.

## **8. CONSULATION**

- 8.1 As an organisation we go to extraordinary lengths to try and establish a community link with various council initiatives and proposals. This is an essential component of local democracy, but it comes at a cost. Everybody agrees that Councils consult too much but nobody seems to be able to agree where the excesses actually occur. As the new Council settles down and moves forward, it will be important that the Council establishes a fair and proper balance for consultation. At a time when there is enormous pressure to reduce rates, there needs to be a recognition that every round of consultation not only delays decision making, but that it also costs large sums of money. The key to holding rates is increased productivity, and yet this is sometimes at odds with increased consultation.

No process is free of cost. There are times when the Council's indulgence of serial squeaky wheels is funded by the long suffering silent majority.

## **RECOMMENDATION:**

**THAT the Chief Executive's Report RCN11-02-10 be received by the Tasman District Council.**

P Wylie  
Chief Executive Officer