

Report No:	RCN11-06-21
File No:	
Date:	20 June 2011
<i>Information Only – no decision required</i>	

REPORT SUMMARY

Report to: Tasman District Council
Meeting Date: 30 June 2011
Report Author: Paul Wylie, Chief Executive
Subject: **Chief Executive's Report**

EXECUTIVE SUMMARY

This report provides an update on various matters for the months of May/June.

RECOMMENDATION/S

That the report be received.

DRAFT RESOLUTION

THAT the Tasman District Council receives the Chief Executive's Report RCN11-06-21

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1. STAFFING ISSUES

Employment Contracts

- 1.1 Negotiations are currently underway with the PSA to establish a new collective employment agreement for staff. Negotiations have proceeded well with a healthy respect by both parties for current economic conditions. Settlement is expected to be achieved within acceptable levels and I hope to be able to report an outcome to the next Full Council meeting.

Staff Morale

- 1.2 The uncertainty created by the Local Government Commission decision to proceed to a draft reorganisation plan has impacted negatively on staff morale. Currently the Council is in the selection process for a mid-level Council position. Immediately after the draft merger proposal announcement, two favoured applicants withdrew their applications on the basis that announcements signalling 68 job losses post-merger would put them too much in risk of redundancy in the near future.
- 1.3 The publication of the *Strateg-Ease* report claiming that staff numbers in a combined Council could be reduced by 68 persons is extremely unfortunate. While the report itself was a desktop exercise, based on a brief survey of the two council's Long Term Plans, Annual Plans and Organisational Charts, it contains serious factual errors and logic errors which we will attempt to correct during the consultation process.
- 1.4 I had previously advised this council on several occasions that staff numbers within the Tasman District Council are extremely lean and that there is no 'fat' within the system. As you are aware, I have even warned you on occasion that due to long hours currently worked by some sections and some individuals within the Council we could be putting people at risk. Unfortunately the Strateg-Ease consultants responsible for this desk-top

exercise have concluded that 1-in-8 staff could be eliminated and this information has been widely publicised thanks to local media.

- 1.5 While every endeavour will be made to reassure existing staff, and to reassure any applicants for jobs, it would be naïve to expect that this false conclusion will not impact negatively on both existing staff and potential staff until this merger question is finally resolved. Council should expect that we will experience difficulties retaining quality staff who have the ability to transfer elsewhere, and in a similar fashion, difficulty attracting quality new staff when vacancies inevitably occur.

2. INSURANCE

- 2.1 The Annual Plan for the 2012/2013 year includes a much-increased provision for insurances. As Councillors will be aware, insurance industry rules in New Zealand have been re-written after the Canterbury earthquakes and premiums have increased very significantly. Some Councillors will be aware that neighbouring Councils have been made to make extraordinary provisions to allow for increased premiums of up to \$1 million. Our Councillors may be concerned that the provisions made in our forthcoming Plan are inadequate. The reality is that all insurance is based on the risk profile for the body being insured. Fortunately, the Tasman District has its risk spread out over 17 settlements, and only in one or two locations are we dangerously close to known faultlines. In comparison to others, such as Nelson, we have a much lower risk profile and this should benefit Tasman ratepayers going forward.

3. COMMUNITY BOARDS

- 3.1 Councillors will recall that Council considered a comprehensive report on Community Boards and Community Associations late last year. That report included sixteen recommendations towards change. Many of those recommendations have been adopted and are now in place but others, particularly relating to budgets and delegated functions have remained unresolved.
- 3.2 As part of this agenda there is a report noting that, for the first time, there is now some clear and definitive guidance available as to possible roles and delegations for Community Boards. One good outcome of the draft reorganisation plan, as prepared by the Local Government Commission is that it has taken note of many of the suggestions included in that earlier Tasman report and produced its own determination as to the roles and delegations that

would be made available to Community Boards in a merged council. The Community Boards report included as part of this agenda recommends that this determination be adopted immediately as it is not in conflict with any of the recommendations put forward last year and indeed appears to have developed and refined some of the suggestions considered at the time.

4. SHARED SERVICES STUDY

- 4.1 Marlborough, Nelson and Tasman Councils have for some time been working at a staff level to consider where ratepayers interests could be better served by an increase in shared services.
- 4.2 Nelson and Tasman ratepayers already enjoy the benefits of shared services in a wide range of areas where savings can be identified. It is hoped that more gains can be achieved by bringing Marlborough into the partnership. There is no reason why this work should not continue with or without a merger proposal and I expect to be able to provide a report to Council in the not-to-distant future outlining some of the possibilities that the three councils have come up with.

5. INDUSTRIAL WATER USERS

- 5.1 Councillors will be aware that future water charges are heavily influenced by the impact of any special pricing arrangements forced on the Council by virtue of the historical agreement with the three industrial water users. As previously reported this matter is subject to formal, binding arbitration. Regrettably there have been further delays in establishing a date for this arbitration to occur, and at this point in time it is unlikely that we will have any resolution until towards the end of the calendar year.
- 5.2 I wish to assure both the Council and ratepayer that Tasman District Council staff are continuing all efforts to have this onerous matter settled as quickly as possible.

6. FUTURE COMMITTEE STRUCTURES

- 6.1 Council normally establishes a committee structure at the beginning of each three-year term. One of the Council's committee is the Council's Enterprises Subcommittee, which is a subcommittee of the Corporate Services Committee.

6.2 Every committee brings with it its own costs and there is a suggestion that matters currently considered by the Enterprises Subcommittee could be

handled more efficiently and effectively if they were transferred to other committees, particularly the Corporate Services Committee itself.

6.3 Subject to staff availability and other commitments, a report will be brought to the Council considering what options it has available to it in this matter.

7. REPRESENTATION REVIEW

7.1 Local authorities are required to carry out a representation review every six years. Tasman District Council completed their last review in 2006, and therefore must complete a review before December 2012 or earlier. The first step in this process is for Council to make a decision on what electoral system it wishes to use for the 2013 elections, and whether to establish Maori wards or constituencies. A report on both these matters will be provided for the Council meeting on 11 August 2011.

8. DURING THE MONTH

During May I was privileged to attend that Local Government Managers Australia National Congress in Cairns. It was an interesting and informative conference, and some of the highlights are attached as an appendix to this report.

9. RECOMMENDATION

That the report be received.

10. DRAFT RESOLUTION

**THAT Tasman District Council receives the Chief Executive's Report
RCN11-06-21**

Paul Wylie
Chief Executive

2011 LGMA NATIONAL CONGRESS AND BUSINESS EXPO, CAIRNS

- 1.1 I have attended this conference over recent years as I have found it to give a refreshingly different perspective to local government matters.
- 1.2 The Australian local government system has many features in common with the New Zealand local government system, but significant difference in terms of the relationships with both state governments and the federal government.
- 1.3 One key note speaker was a Mr Lindsay Tanner, a former Minister of Finance in the Rudd government. After a long career in politics he abruptly departed and has now written a thoughtful and perceptive book detailing the influence of the media on both central and local government and the Australian scene. The main theme of the book is that the media no longer reports the issues but instead reports the personalities. His explanation of the changes that are currently occurring within the Australian media duopoly goes a long way towards explaining the creeping move towards tabloid journalism in this country. With most New Zealand newspapers under the same ownership it is clear to see the obvious parallels in New Zealand media. In his view the media is moving from analysis to entertainment with the media deciding what the message will be, not the original speaker.
- 1.4 Mr tanner offered a wide range of observations on local government generally. I found his views on town planning and infrastructure investment to be refreshing and well-researched.
- 1.5 During the conference several speakers drew attention to the situation in the United Kingdom, where as a result of government downsizing it is expected that upwards of 200,000 local government staff will lose their jobs. By way of contrast the continuing growth in the Australian economy has placed extreme pressure on local government ability to attract and retain quality staff. Local government Australia will now make a deliberate attempt to actively fill these shortages by recruitment throughout the UK. New Zealand local government should take this as a warning. The cost of relocating somebody from the UK is going to be considerably more than the cost of relocating somebody from New Zealand, and given the relative attractions of Australia's overall economy compared with New Zealand, many of our younger staff will look towards Australia for their long term future.

- 1.6** Australian local government is facing tremendous difficulties attracting and retaining staff. The workforce is aging rapidly and an increasing percentage of employees aged over 60. By way of response, Australia is moving rapidly towards performance-based remuneration and actively setting out to provide conditions that will be attractive at both ends of the age scale.
- 1.7** Within Australia the amount of money spent on roading has decreased in relative terms largely as a result of political will rather than need. In the 60's 50% of council money was spent on roads. Thirty years later that figure dropped to only 25%. Australia now has a significant need to repair its basic local government infrastructure. Some estimates put the amount required as high as \$500 billion. In this respect New Zealand's earlier adoption of asset management planning has avoided such a large build up of unmet need. As part of Australia's move to make itself more competitive internationally, a government body has been created called Infrastructure Australia. This is controlled by six civil servants and six private enterprise representatives. This body has established a range of priorities for Australian infrastructure and it has a clear mandate to lift Australia's productivity. Unlike New Zealand, Australia has relatively low debt (5% of GDP) and as a result is prepared to consider anything even if it does involve borrowings. The presentation by representatives from Busan-Jinhuo demonstrated what can be done if the will is strong enough and the government backing is available. The BJ Free Economic Zone is currently being established on 110 square kilometres of reclaimed land. The Zone will include an enormous port which will be built in just 2-3 years. While no RMA restrictions appear to apply, this 'ecofriendly' enterprise is designed to take over from areas such as Singapore and Hong Kong. As an incentive businesses are allowed to operate tax-free for up to seven years and have a three-year introductory rent holiday. The Zone aims to service Japan, Korea and China etc as a gigantic distribution hub for those countries.
- 1.8** Professor Dollery has previously been engaged to write reports for Local Government New Zealand. In particular he was the original author of the shared services report and for many years he has researched the effects of reorganisation within local government. Professor Dollery carried on detailing a massive backlog for infrastructure in Australia. This has now been made worse because of the floods, but, in his view, it is problem that is not limited just to Australia.
- 1.9** Professor Dollery did point out that while he has studied this problem over a long period he is firmly of the view that there has been no difference in performance between those states who have pursued amalgamation of local bodies and those states who have not. Professor Dollery was also a

contributor to the recent Australia/New Zealand joint study that there was little evidence amalgamation ever produced promised savings, and that there was a problem with politicians who continue to perpetuate and promote such a myth.

- 1.10** Interestingly the Professor encouraged Australian local government to look at establishing a body similar to the debt-funding vehicle currently being established by Local Government New Zealand. In his view this would be a very good shared service that would save councils considerable sums of money. Professor Dollery also confirmed earlier speakers' comments about Australia's slow uptake of asset management planning, and that the problem in his view had been compounded by Australia's reluctance to fund adequate maintenance budgets. Future maintenance costs are often ignored when capital decisions are being made. Fortunately this situation is nowhere near as prevalent in the New Zealand scene. He blames this practice on short-term political expediency and a failure to accept responsibility for the future.