

Report No:	RCN12-09-07
File No:	
Date:	28 August 2012
Information Only – no decision required	

REPORT SUMMARY

Report to: Full Council
Meeting Date: 6 September 2012
Report Author: L McKenzie, Chief Executive
Subject: **Chief Executive's Activity Report**

EXECUTIVE SUMMARY

This report highlights my key activities since the 26 July 2012 Council meeting.

A summary of the issues discussed at the recent Regional Chief Executives' Forum and the Chief Executives' Environment Forum is provided. Water issues, including advice about the Government's likely approach to irrigation infrastructure funding and the Local Government Act Phase Two work, dominated the meetings.

The report on finances includes the provisional 30 June 2012 result. It contains a \$2.855 million deficit. That provisional deficit includes losses from write-downs of \$5.783 million.

An update on the funding of new staff positions in the 2012/13 budget is included in the overview of staffing issues.

The attachment to this report is a submission to the New Zealand Productivity Commission on Local Government Regulatory Performance, which the Council is requested to endorse.

RECOMMENDATION

It is recommended that the report be received.

DRAFT RESOLUTION

THAT the Tasman District Council

- 1. receives the Chief Executive's Activity Report RCN12-09-07; and**
- 2. endorses the submission to the New Zealand Productivity Commission on Local Government Regulatory Performance in Attachment 1.**

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1. Purpose

- 1.1 The purpose of this report is to inform Council about the operational activities of the Chief Executive for the period to 30 August 2012. The report headings have been adapted from the key accountabilities in my job description.

2. Strategy and Planning – *vision, direction, plans and policies, Long Term Plan, implementing*

- 2.1 **Managers had a strategy session** on Friday 24 August 2012 led by Bryan Travers. Staff at Tier 3 and above attended. I've previously advised Council about Bryan's background and approach. While the strategy aspect of the workshop was important, the day also covered –
- business process improvement – waste and value
 - staff engagement and the role of the individual in the organisation
 - how to create a sense of urgency
 - change management
 - root cause analysis

I will report to Council in the New Year on the outcome or the ongoing work.

- 2.2 We now have a written agreement with Port Tarakohe Ltd (the Butts family) to give priority to supplying water to **Port Tarakohe**. At the 26 July 2012 Council meeting I reported that we were reconsidering the merits of installing a weigh bridge to provide a fair basis for charging mussel farmers for using the port. A lot of work has been done since and we have taken advice from other ports. It is clear that the charging mechanism is a secondary consideration – the primary consideration being an agreement on the method of calculating the fixed and variable costs that have to be met. As a first step towards that Jim Frater has been asked to prepare a port users agreement or terms and conditions of trade for port users. There are many useful templates for this approach. Such an agreement is a necessary precursor to any basis for charging users including on the basis of a line levy.
- 2.3 The staff working group is making good progress with the review of certain aspects of Council's **Development Contributions Policy**. An opportunity was provided for

stakeholders to give feedback on the future shape of the policy at a meeting on 28 August 2012 held at our office in Richmond.

- 2.4 We have been asked (and have agreed) to participate in a case study on approaches to the use of development contributions and part of the Office of Audit General's and Department of Internal Affairs' Phase Two Local Government Act review work.

3. Advice and Reporting – Long Term Plan, annual report, current issues, governance support
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- 3.1 Work on the **2011-12 Annual Report is underway**. I have asked for some changes to the format so that the front end of the report covers what has been achieved, including financially. The compliance information and detailed financial information should be at the back. We are currently missing an opportunity to tell the story of our achievements nor can we do justice to it in the summary report. The immediate focus for the finance team is on completing the financials for the 30 June 2012 Annual Report. We are on track to meet audit requirements. The auditors are here from 17 September 2012. Managers' assistance in completing the Statements of Service Performance is needed and appreciated. Once past the Annual Report, staff will be looking at a restructured financial reporting format, along with improved timeliness in the financial reporting process.
- 3.2 The **Waimea Water Augmentation Committee** has sought advice about which body or person should be the applicant for the resource consents that the Lee Valley Dam will require. That advice has been sought for them from the legal adviser who provided the earlier governance advice. The Committee is also expected to formalise a request for Council to proceed with land purchase for the dam site and bed of the proposed reservoir.
- 3.3 Julian Ironside; Fletcher, Vautier Moore, called to brief me about the outcome of the **industrial water users arbitration** which concluded on 17 August 2012. A decision may only be a couple of weeks away. His view is that it was correct for the Council to bring this matter to a head and not risk a further compromise agreement. The cost to Council, internal and legal, is significant but so are the potential returns. We will report the outcome including the costs as soon as we have the decision.
- 3.4 The **New Zealand Productivity Commission** has invited submissions on its investigation into local government regulatory performance. A discussion paper was released in July detailing the issues and is part of the Government's Better Local Government Programme. A submission has been prepared by staff and is attached for Council endorsement. (Attachment 1).
- 3.5 The **Regional and Unitary Council CEOs (RCEOs)** and the **Chief Executives Environment Forum (CEEF)** met in Wellington on 8 and 9 August 2012 for their quarterly meetings. The agendas covered:

1. Water

There is concern at central government about the speed with which some councils are implementing the National Policy Statement on fresh water. The issue is that some discomfort is occurring now that the obligations of councils under the NPS and the implementation measures they are taking may be seen to be in conflict with the Government's economic growth agenda.

The Government has advised the Land and Water Forum (LAWF) to refocus on its high-level task, and that the detail of change to the country's water management regime is not their role. This may be the reason behind LAWF's work programme not being extended. The work that the Regional Sector Group is doing on plan agility (appeals to the Environment Court and the like) is likely to occur around rather than within the LAWF process. The Regional Sector Group has also contracted work on water allocation frameworks. That has concluded that there are no silver bullets and that the answer lies in how we manage the current system to optimal effect.

2. National Imagery Coordination Project

National Imagery is one of thirteen fundamental geospatial data themes identified by the Government as critical to the effective running of New Zealand. The project relates to passive aerial and satellite imagery. Much of the imagery held by local councils is in the public domain or jointly owned by the image taker. There is a challenge to preserve the value of the data that exists and to that end the data needs to be digitised.

3. Ministry for Economic Development (MED) Block Offer – Oil and Gas

David Binney, General Manager, New Zealand Petroleum and Minerals, at MED spoke about the 17 basins with potential for oil and gas production outside of Taranaki. There was a discussion about the Apache and Petrobras exploration on the East Coast and the Raukumara Basin. The consensus was that Petrobras was not well supported by MED in their community interactions, and Apache are also concerned by the extent of public opposition. The block allocation system is not managing the risks and MED is working on a long term strategy for engagement. The consensus was that MED needs to get ahead of the RMA processes. There was a sense that until the land owners or communities get some money out of oil and gas reserves there will always be issues

4. Resource Management Act Technical Advisory Group (TAG)

Claire Wooding gave us a report and spoke about the work on better integration between planning instruments. The group is advising, with respect to RMA Section 6 and 7 work, that the words 'use and development' are likely to stay in and 'national interest' is out. It was observed that there are things in the report to like. There was some discussion about the quiet release of the TAG report. The response was that Ministers need time to make judgements about how to respond to the report. The choices that they have are to include some changes in the proposed 2012 Bill, which will be short term and narrower; or the 2013 Bill, which will include longer term planning initiative changes. The opportunity to link as a package plan, including plan agility matters is attractive to some.

One discussion that is occurring as a result of the Act/National coalition agreement is a commitment to a single district Plan. There are concerns about that possibility, given the

fact that many smaller districts do not cover a rational geographic area for planning for the use and development of natural and physical resources

5. Local Government Regulatory Performance.

We received an update on the work of the Local Government Efficiency Task Force and were advised that the focus was limited to the Local Government Act and its connections. A draft interim report is due about now and the process will be completed by October. There are some positive proposals on the Long Term Plan process; including more focus on representative democracy (elected members as decision makers) except for higher level issues where community engagement will be needed. There is the prospect of some useful recommendations coming out of this work, especially refocussing the role of Councils as decision-maker and potentially the role of the staff and executive as executor and implementer of agreed Long Term and Annual Plans.

6. Dairy Accord

The debate continues about whether or not Regional Councils should be in or out. The consensus appeared to be that we should be in; that it is New Zealand's biggest industry, and that we should be in the process. There is no clear majority view.

7. National Environmental Standard plantation forestry

It was agreed that we need to persevere with this work. A small group led by regional sector nominees with experience managing the effects of plantation forests has been mandated to complete this work and to report by Christmas to Ministry for the Environment (MfE).

8. Local Government Act

The generally held view is that the 'wellbeings' in the Local Government Act purpose statement are gone and that this is a political reality. Many who say that the wellbeings should go still accept that there is economic and legal justification for the status quo. Concerns remain that the linkage of financial benchmarking to the intervention options by the Minister could result in perverse investment decision outcomes on infrastructure by councils who are operating close to the benchmarks.

Around 500 submissions have been received on the Amendment Bill. Officials advised that the Government is looking for better and clearer decision making 'at the margins' and advised that Crown Law's view was that the change in purpose won't risk a challenge to councils' functions.

9. National Resources Business Growth Agenda

A report entitled 'Building Sustainable Growth from Natural Resources' is to be released in late 2012. I have a summary of its introduction. Ministers are clearly working together more and water will be the focus of that report. For the first time really constructive engagement across portfolios is occurring.

10. Irrigation and the \$400 million

It is evident that the Government is aware of the complexity of the political and environmental issues that need to be resolved in enabling the investment of these funds in irrigation schemes. The Government is currently looking at business models for their

investment from cooperation through to corporations. Ministers English, Joyce and Carter are leading this work jointly. The provision of the \$400 million is a discussion for the 2013 budget. The Government sees this as a 10 - 15 year programme of investment. There is a need for us to reinforce the point that irrigation is part of the response to the need to manage water differently – a tool to deal with over allocation and an instrument to assist deliver the National Policy Statement (NPS) on fresh water. Following on from the RCEOs meeting, MfE agreed to clarify Ministers' expectations of NPS implementation given the concern that they have that the pace of implementation is too fast.

4. Management of Council Resources – *finance, operations, systems and processes*

4.1 The monthly report to Departmental Managers provides **the interim result for the year** ended 30 June 2012. Some year-end financial processing is required to complete the year end position but the result is close to being final. Income was \$102.2 million (102.4% of budget) and expenditure was \$105.1 million (109.3% of budget). The provisional net result is a deficit of \$2.855 million. Several extraordinary items including the special dividend from Port Nelson have significantly affected the overall operating result.

Losses that have contributed to the provisional deficit are -

Decrease in value of Derivatives	\$5.061M
Decrease in value of 189 Queen St	\$345K
Decrease in value of Westpac Building	\$130K
Decrease in value of Forestry	\$210K
Assets Written off	\$36K

4.2 Capital Expenditure at \$32.9 million is around 82% of budget. The budget included \$7.4 million of projects carried forward from the previous year. Total Debtors are up compared to this time last year. This can be explained by –

- the late charging out of River Z reparation works to landowners
- the final NZTA claim for the year being higher than the previous year
- Development Contributions – this debt is expected to drop now that additional tools for collection can be used.

4.3 Vested Assets have been low all year. While there has been some increase in the 4th quarter they are still well behind budget expectations. Wages and salaries are a significant single line item of expense and are marginally under budget for the year. Legal Fees, as previously signalled, are significantly over budget for the year, primarily due to the litigation on the Motueka Groyne and Jackett Island. The legal costs of the Industrial Water Users arbitration case will increase the over spend when they all come to charge.

5. Organisational Development – *leadership, culture, change, service delivery*

5.1 Managers are currently holding staff meetings to consider the JRA Best Places to Work survey results and to agree on future programmes for improvement.

- 5.2 The **Engineering Services Review business case** is due to be approved by the senior management team on 10 September 2012. That approval is a precursor to Council's approval being sought. Peter Thomson will soon confirm the dates for the Council workshop. I anticipate that the matter will go onto a Full Council agenda following the workshop – subject to the outcome of the workshop. Peter and I have met MWH's Chief Executive to try and ensure that key people are not lost to either of us in the changeover.
- 5.3 Work on the review of **report and agenda format** and style is underway. Pamela White is leading the group responsible for this task and for implementing Infocouncil across all committees – except possibly consent and plan hearings.

6. **Managing People – good employer, performance, health and safety, policies**

- 6.1 **Staff numbers** at the end of August were 211.5 full time equivalents (FTE) and with the recruitment of a new 0.5 (FTE) Assistant Librarian the head count will increase to 240. These figures compare with the year ending June 2012 of 211 (FTE) and a headcount of 239.

Current vacancies and recruitment involves a -

- Library Assistant – Young Adults (1 FTE) – Melissa Savage (ex NMIT) starts 17 September
- Business Systems Analyst (1 FTE) – Liz Hegarty (ex EDA) starts 3 September
- Assistant Librarian (0.5 FTE) – role is currently re-advertised as no suitable applications were received
- Summer student holiday work programme – applications close 15 September, and this year we have 9 positions.

The Corporate Services Committee has asked about new positions in Year 1 of the Long Term Plan. The roles are:

- 1 FTE Customer Services Officer/s - Richmond
- 1 FTE Reserves Planner
- 1 FTE Resource Scientist
- 4 FTE Engineers – Engineering Services
- 0.5 FTE Assistant Librarian – Richmond

We have only committed to recruiting one of these roles – Assistant Librarian. The positions are funded through rates, except in the case of the Resource Scientist position where user charges contribute to the cost of the role and in that case no increase in rates funding of the activity was needed as the budget was not increased.

- 6.2 A '**Public Complaints Against Staff**' policy has been drafted and is currently being reviewed by Senior Management. The purpose of the policy is to provide a transparent process that can be followed if there is a complaint about the conduct of or decision by a staff member.
- 6.3 Council has received an **ACC levies discount** of \$14,290 for April to March 2012 levy period and \$12,829 for the 2013 levy period. This is a result of our ongoing commitment

to health and safety demonstrated by an ACC Work-Place Safety Management Practices Tertiary level accreditation discount of 20% and further 21% (two year average) Experience Rating discount.

- 6.4 In response to the question raised about the JRA **Best Places to Work** survey at the Corporate Services Committee meeting on 16 August 2012, all Councillors can access a copy of the results via Council's Intranet Home Page. The CEO Review Sub Committee has hard copies of the summary document.
- 6.5 The **Chief Executive's performance** measures for the year ahead have been agreed and, subject to any final editing, are ready to be signed off.

7. Relationship Management – Iwi, customers/ratepayers, media, other councils, CCOs
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- 7.1 An initial meeting of the three CEOs at the Top of the South councils has been held to begin the process of implementing the recently adopted **Shared Services Agreement**. That agreement has also been adopted by the Nelson and Marlborough councils. Susan Edwards and I will lead this work.
- 7.2 On 17 August 2012 I attended a meeting of Nelson City Council's joint committee with Iwi. It is evident that "Kotahitanga" is transacting business or relevance across our two districts therefore I have approached Richard Johnson about the possibility of being given a standing invitation to observe.
- 7.3 On 7 August 2012 nga Iwi o te Mohua welcomed me, my family and several Council representatives onto the Onetahua Marae. This was followed up by a visit to people affected by the December floods in the Pohara Valley.
- 7.4 My other contacts outside the organisation included –
- an NRSBU procurement workshop
 - a field trip to see erosion problems in the Motueka River Valley
 - a liaison meeting with Federated Farmers where river management and rating issues were discussed
 - the AGM of the Tasman Area Community Association
 - a meeting of the Mapua and Districts Community' Association
 - the Murchison and Districts Community Council AGM and meeting
 - a meeting with Fish and Game Council representatives about the East Gowan access issue
 - the Network Tasman Chair and CEO about undergrounding cables at Motueka, our Schedule 30 'lakes and rivers' process and CCTV opportunities in Richmond
 - the Joint Shareholders' Committee to consider the loan to the Tasman Bays Heritage Trust

8. Draft Resolution

THAT the Tasman District Council

- 1. receives the Chief Executive's Activity Report RCN12-09-07; and**
- 2. endorses the submission to the New Zealand Productivity Commission on Local Government Regulatory Performance in Attachment 1**

Attachments:

Attachment 1: Submission to the New Zealand Productivity Commission on Local Government Regulatory Performance