

**Subject:** Chief Executive's Activity Report – March 2010

**Prepared by:** Lindsay McKenzie (Chief Executive)

**Meeting Date:** 25 March 2010

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## Report to COUNCIL for decision

### SUMMARY

This activity report is for the period since Council's 25 February 2010 meeting.

In my last report I advised that the Mayor and I were meeting the Chairman of Tauwhareparae Farms Limited to discuss the dividend and Statement of Corporate Intent. The proposed change to the dividend payment régime has since been reported to Finance & Monitoring Committee. I am delighted to advise that **the Chairman presented a cheque for \$1M being the dividend for the 2008/09 year**. Councillors will recall that the indications had been for a drop in dividend that year but the directors decided to meet the undertaking in the SOI. A letter of thanks has been sent.

As requested by Council a report on the **Rugby World Cup** (RWC2011) will be presented to your April meeting. Poverty Bay Rugby Union (PBRU) officials will make a presentation supported by a staff report covering Council's role and expectations. The PBRU is setting up a Trust to oversee RWC2011 events in the region because a separate legal entity is required by funders. Council has been asked to be a party to the Deed and a request has been received to appoint the Chief Executive to the Trust.

Much of my time over the past two weeks has been taken up with the follow up actions to the report Council considered at its February meeting on consultation on possible changes to the **Eastland Community Trust Deed**.

Staff and councillors are currently involved in a round of **community consultation meetings**. While the contents of the Annual Plan are receiving less attention than usual, we are being held to account for the quality of service delivery to rural communities especially relating to reserve land, roading, solid waste, drainage and pest management.

### RECOMMENDATION

That Council

- 1 receives the report**
- 2 thanks the Board of Tauwhareparae Farms Limited for the \$1M dividend for 2008/09**
- 3 agrees to Lindsay McKenzie being appointed to the proposed Tairāwhiti Stadium Trust Board.**

Lindsay McKenzie  
Chief Executive

## 1. GENERAL MANAGEMENT

*(covers business compliance; management structure; service delivery; shared services; strategic partnerships; statutory processes and resourcing)*

Meetings attended and community contacts made during the past month included –

**Cedenco:** Richard Thorpe and representatives of the receivers were in the office to discuss trade waste by-law compliance issues ahead of the registration of interest and due diligence processes that are part of the sale of the business.

**Maori Wardens:** Whiti Timutimu who is the Maori Liaison Officer with the NZ Police has sought the use of Council's facilities in Derby Street as a base for the Maori Wardens. After discussing the matter with the Mayor and Community Facilities staff it was decided not to offer the facility rent free as was requested. Council upgraded the building in anticipation of a lease to the Maori Wardens on semi commercial terms but that agreement fell over. We need to recoup our costs.

**Foreshore and Seabed:** Hans van Kregten and I have had a telephone conference with our colleagues from the Bay of Plenty and Ministry of Justice officials about proposals relating to the review of the Foreshore and Seabed Act 2004. We have also met Agnes Walker (Project Manager for Te Rununga o Ngati Porou) on the same matter. During April the Minister of Treaty Settlements (Hon. Chris Finlayson) is holding a series of hui around the country to present the Government's proposals. One will be held in Whakatane which we should attend. Hans and I will keep you updated when we have something tangible to report.

**Local Chief Executives:** I have joined a group of ten local CE's who have agreed to meet four or five times a year to assist each others' personal development and businesses.

**Regional Affairs Committee:** This committee of LGNZ has meetings in Wellington on 18 and 19 March 2010. A report will follow.

I have signed an agreement which transfers Eastland Port Limited's obligations to grant Council first right of refusal to repurchase certain lands in the 2002 port sale and purchase agreement to **Eastland Investment Properties Limited**. This latter company is an Eastland Group company. The lands subject to the current negotiations are not subject to the agreement. The Council's rights are unchanged. The effect of the agreement is to transfer the obligations that Eastland Port had under the original agreement to a subsidiary on the same terms.

## 2. PERSONNEL MANAGEMENT

*(covers the employer obligations; staff structure; efficiency and effectiveness considerations; leadership and motivation)*

Staffing statistics for the month of February showed a head count of 324 (January = 329). This compares to 275 full time equivalents based on normal hours worked (January = 281). The decrease for this period is due to the summer vacation positions for students and casual lifeguards ending.

We currently have 21 Community Max Project appointments and a further 11 will be starting in March.

Five appointments were made during the period. The vacancy created by Desire Cull's departure to Environment Waikato has been filled by the promotion of Harley Dibble to the role of Planning & Performance Team Leader. His previous position has been filled by one of the other applicants. Vacancies for a Records Officer and an Environmental Health Administration Assistant have been filled. A key appointment is Chris Mills as the Waikanae Beach Holiday Park Manager with a start date in late March. Changes to the staffing arrangements at the Holiday Park will be implemented ahead of Chris starting as manager. Chris and his partner are a Gisborne family returning from Australia. Graham (Shorty) Rogers has retired from Council after 27 years service at the Vehicle Testing Station.

Negotiations for the collective employment agreement will continue in March. Part of the reason for the process taking so long is the availability of people. The other reason is that the agreement is undergoing a major re-write to include our new performance management framework.

Phil Karaitiana (Pests & Plants Controller) is our longest serving staff member. He has just reached a milestone of 40 years service with the Council and its predecessor organisations.

### 3. COMMUNICATION and SUPPORT to COUNCIL

*(covers agendas, reports and minutes; the relationship with Mayor and Council; quality and timeliness of advice; current issues; communications internal and external; active role with business)*

As councillors will know this is a busy time with **community meetings on the Annual Plan** and local issues. The Annual Plan is largely business as usual therefore the emphasis at the meetings is on local issues, services to communities and follow up from last year. While staff have done a good job at picking up the issues from last time the information about achievement or the lack of it is not as strong as I want to see in the future. It is often hard to gauge whether an issue raised has wide support and Council is sometimes asked to intervene in the 'private good' area which makes it difficult to meet needs.

The **wastewater treatment plant** project is gathering momentum at Banks Street. The sheet piling has been completed for the three large pump stations. The ground strengthening for the pre-treatment and control building has been completed and will commence for the biological trickling filter in the week beginning on 15 March 2010. Construction will commence on the building foundations that week also. The site will start to get very busy with the sub-contractor building company establishing on site. The excavation for the outfall pump station has been completed and concrete works are due to commence. Work will start on the Awapuni and western industrial separation at the end of March.

There have been two complaints about the vibration from the sheet pile driving. These were resolved when the complainants were informed that the driving only had one week to completion. Council's Water Conservator has concerns regarding the discharge of process water from the ground strengthening operation to Waikanae Creek. Water quality testing has been undertaken and we have worked with the contractor to resolve the issue.

Suppliers of all mechanical equipment to the project are running to programme. The overall project is also running to programme.

While we have not been liaising directly with Hastings District Council over the odour issue at their plant, we have had access to a report on this and believe it should not be a concern at our plant due to the fact that all the wastewater processing takes place in enclosed conditions with odour treated.

Negotiations with Eastland Group management on the Port Land Exchange have slowed as Council staff seek further advice about the valuation of the upper log yard in particular.

The **Makorori Car Park** purchase had not been finalised at the time of writing. It is the issue of titles that is taking the time. These are frustrating both parties and are largely outside Council staff control. Terry McMillan is doing a good job of managing the relationship between the vendors' representative and the legal advisors.

Work on researching the ownership history of the **AML site** is continuing so that Council can meet any **Public Works Act offer back** obligation. Survey Gisborne is undertaking this contract.

The latest edition of **Town and Country Matters** went to the printers on 2 March and will be distributed commencing on 15 March.

On Monday 15 March 2010 I gave evidence at a **Human Rights Review Tribunal hearing** here in Gisborne. The Council was defendant in a claim brought by Mr Jack Murray that relates to my decision not to disclose personal information relating to him and some others. Mr Murray's issues with the Council go back to 2001 when he was working here for Origen Technologies Ltd on payroll software. If the case is not pre-published, I will update Councillors on the outcome. A copy of my evidence is attached (*councillors only*) as it summarised the issue.

Prior to the February Council meeting I attended, but have not reported on, the regional council chief executives' forum and the follow on meeting with central government CEOs.

The agenda included –

- a report and presentation on the proposed regional councils' land and water information portal
- the contract for service and relationship agreements between councils and the Environmental Protection Agency
- updates on sector benchmarking, Treaty and Foreshore & Seabed issues, the Primary Sector Water Partnership which Hugh Ritchie chairs and the Land and Water Forum which Hon. Nick Smith mooted
- a presentation on the state of the national economy by Treasury officials.

Neil Alton (CEO Poverty Bay Rugby) has e-mailed advising that **a Trust is being established to provide the governance overview of the RWC2011 events in the region**. I understand that a separate governance body is required by funders. He has asked whether I would be prepared to go onto the Trust. I am if the Council agrees and subject to assessing the objects of the Trust and the trustees obligations. The draft Trust Deed requires a lot of work so I haven't attached it. The Trust is proposed to be called the 'Tairawhiti Stadium Trust' which is a reference to the RWC2011 mantra of a 'stadium of 4 million'.

#### **MAORI LIAISON OFFICE**

- No report due to the officer being on leave.

#### **4. LONG-TERM PLANNING**

*(covers support for LTCCP work, statutory consultation; all other planning i.e. annual, assets activity, strategic, community, RMA)*

The further work on **organisational strategy** that the senior management team has undertaken is due to be reported back in April.

## 5. POLICY DEVELOPMENT

*(covers agreement with council on policies to be developed; advice on statutory compliance, policy relevance and currency)*

There is nothing further to report at this time. Committee reports have fully covered current proposals.

## 6. POLICY IMPLEMENTATION

*(covers policy implementation including the Annual Plan; the quality, customer and community focus of services; service delivery reviews; contracting and delegations; business processes to guide staff performance)*

Jenny Chetwyn telephoned on 11 March 2010 to advise that Council's bid to be included in the **model communities funding for walking and cycling project** had not been successful. That was a disappointing result for the staff and councillors who put so much work into the bid at short notice and for the community. Jenny told me that Council ranked 6 out of 20 in the assessment but only the top 4 went forward.

The Minister of Internal Affairs (Hon. Nathan Guy) will be in Gisborne on Thursday 15 April 2010 with the National Rural Fire Officer (Murray Dudfield) to discuss the Government's proposals for enlarged rural fire districts. Hans van Kregten has given notice to councillors of that meeting.

## 7. REPORTING

*(covers Annual Report and regular financial and non financial reporting)*

There is nothing further to report at this time as we are in the planning phase of the cycle.

## 8. FINANCIAL REPORTING

*(covers management of finances; control of investment and expenditure; policy compliance)*

A summary of the Chief Financial Officer's report on Council's finances for February follows.

The accounting result for the month was a surplus of \$1,619K. This compares unfavourably with a budgeted surplus of \$2,023K. The year to date accounting result is a surplus of \$7,257K. This compares favourably with the budgeted year to date surplus of \$3,222K. At this point last year we reported an accounting surplus for the eight months of \$4,348K.

The accounting year to date surplus is more favourable than the underlying operating deficit of \$1,105K. This is because the accounting result includes as income \$6,733K (budget \$4,882K) in capital grants along with capital rates of \$863K (budget \$863K). The expenditure for these items is reported as movements within the Statement of Financial Position rather than within the Statement of Financial Performance. A reported accounting surplus does not mean that we have over collected rates.

Income was \$7.8M against a budget of \$7.5M. The \$263K favourable variance comprised \$78K in rates, \$279K of Government grants and subsidies and \$39K in other income. These positive variances were partly off set by an adverse variance of \$133K in activity income.

The year to date (YTD) income from activities continues to track 10% below budget. This adverse YTD variance is being driven by user fees at \$722K adverse to budget and sales revenue at \$149K adverse to budget. An analysis of the variance in user fees shows that the main contributors are:

- Solid Waste Management \$264K adverse
- Water Supply \$195K adverse
- Gisborne Vehicle Testing \$141K adverse
- Land Transport and Parking \$73K adverse
- Building Services \$64K adverse
- Wastewater \$94K adverse

Operational expenditure was adverse to budget with a variance of \$478K. The year to date expenditure continues to track well and is 6% below budget. The favourable YTD variance also includes efficiency gains which are partly budgeted in the administration area.

Repairs and Maintenance at \$384K was \$89K favourable to budget. This brings the year to date result to a favourable variance of \$693K or 18% below budget.

Administration costs at \$136K were \$80k over budget and this brings the year to date adverse variance to \$496K. Actual administration costs year to date were however \$36K below the same period for 2008/09. The administration cost budget includes an allowance for the 5% efficiency gains. However the savings are made across a number of expense categories. For this reason we can expect the administration costs to report adverse variances to budget during the remainder of the year.

Verified efficiency gains toward the 5% target totalled \$467K for the year to date. This is against a full year target of \$985K. Work continues on this project and we anticipate that the full year target will be met.

Salary costs are \$72K below budget for the month and \$557K under budget for the year to date. While actual wages and salaries to staff are tracking close to budgeted levels, these are being offset by higher than budgeted recharging of these costs into other operational areas. Subject to the outcome of negotiations, there will be a step cost recorded in the April/May period as we transition to fortnightly pays. This will reduce the reported favourable variance.

Financing costs are above budget this month. Interest costs are well above budget showing a \$312K adverse variance. The main contributor was an adjustment to the value of the Interest rate swap contracts. This adjustment aligns their recorded value with the current market value. The result was a \$367K additional cost being recorded for the month. This reverses gains made earlier in the year.

Depreciation previously accounted for at budgeted levels while the fixed asset system was restructured has now been recalculated for the year to date. Depreciation costs are running above budget and the full year adverse variance is estimated to be \$93K.

The cash flow for the month was positive as expected. The net cash inflow from operating activities was \$12,139K. There were three main contributors to this – the quarterly rates receipts of \$8.7M, the dividend from the farms \$1M and receipt of grants and subsidies of \$4.9M. The capital expenditure cash outflow for the month was a modest \$2.5M.

Current borrowing consists of \$15M of debentures. This is \$5M below the February budgeted level. Also as a result of the strong cash flow and delayed capital expenditure, \$3.4M is currently on short term deposit. Debtors and other receivables at \$8M are slightly below budget.

Accounts payable and sundry payables at \$5M are tracking well below budget and in line with the same period last year. Rates paid in advance at \$1.5M relates largely to Housing NZ who pay their full rates on the second instalment.

Capital expenditure at \$2.7M for the month was well below the monthly budget of \$5.8M. The year to date expenditure at \$15.6M is also favourable against the YTD budget of \$20.4M and is in line with the prior year comparative of \$15.5M. The largest variance was in Wastewater where actual expenditure for the month was \$1.2M against a budget of \$3.6M. This is a timing issue.

Other balance sheet items continue to track broadly within budgeted levels.

General land rates debtors are \$2.75M compared with \$1.67M in January. This compares adversely to the February 2009 position of \$2.2M. The number of properties in arrears has increased from 4,192 in February 2009 to 4,548 in February 2010.

Maori land rates debtors are \$2,575K compared with \$2,386K in January and \$1,951K at the same time last year. The number of properties with rates overdue twelve months or more has increased from 507 in January 2009 to 646 in January 2010. The \$624K increase in outstanding rates on Maori land is of concern and the provision for bad debts in the 2010/11 Annual Plan has been increased to reflect this. Water rate debtors are \$76K compared with \$92K at February 2009. Sundry debtors are \$697K compared with \$781K at February 2009.

## 9. RISK MANAGEMENT

*(covers internal audit and risk management planning)*

There is nothing further to report.

## 10. CIVIL DEFENCE

*(covers role as Chair of the Coordinating Executive Group)*

On 27/28 February 2010 our civil defence headquarters was activated in response to the **tsunami risk** that arose from the earthquake (8.8 Richter scale) off Chile. The event provided a reason to test our notification and evacuation procedures. The oscillating flows and surges in the harbour and on coastal beaches provided real evidence of the effect of the pressure waves generated on the other side of the Pacific Ocean not seen here since 1960. Jon Davies was acting controller and led the team well. The experience and contribution of the local harbour masters was first class.

## 11. COUNCIL CONTROLLED ORGANISATIONS

*(covers advice on governance, remunerations, statements of intent and performance)*

A group of six Councillors and the Mayor are involved with **Eastland Community Trust** (ECT) considering proposals to change the Trust Deed. Notes of the first meeting have been sent to all Councillors. Peter Kite has been briefed to provide legal advice to Council when required. At the time of writing we were awaiting the trustees' proposal setting out the preferences.

There is a separate report in the public excluded section of this agenda dealing with ECT's Statement of Intent (SOI). The trustees are required to consult Council on the SOI and for that consultation to exclude the public. One of the matters that Council could raise in relation to the review of the Deed is the provision relating to excluding the public. Both ECT and the Council are bound by the Local Government Official Information & Meetings Act 1987; ECT by clause 13.2.10 of the Deed. Some of the matters that are dealt with by Council on a public excluded basis because of the provision in the Trust Deed would not meet the tests for excluding public from the meeting nor for refusing a subsequent request for information under that Act.

The Finance & Monitoring Committee has considered a proposal from the Board of Gisborne Holdings Ltd (GHL)/Tauwhareparae Farms Ltd (TFL) to change the dividend payment régime to provide for an interim and final dividend. That régime will be included in the draft statements of corporate intent for TFL (note that this is a Port Companies Act compliance issue) and GHL. The statement of intent (SOI) for GHL is due to be discussed at the March Council meeting. A draft has been received by staff but needed changing to make it compliant with the Local Government Act. At the time this agenda closed the company secretary had still to respond. As noted in the summary of this report **TFL has paid a \$1M dividend** for the 2008/09 year.

The current position on **TFLs port company status** and the short form amalgamation process is that the Companies Act part is timetabled for April completion. All documents will be reviewed and agreed with Graham and Dobson, and the Company Directors, before forwarding to the Companies Office for pre-filing approval. Pre-filing approval is to be completed by 31 May 2010 with final signed documents filed on 16 June 2010 with the effective date being 30 June 2010. Graham and Dobson will complete tax returns/forms within 63 days of then to meet IRD filing dates. This fits with Council's annual balance timetable.

The **BOPLASS SOI** has been considered by the Finance & Monitoring Committee. No changes are proposed.

## 12. VALUES and BEHAVIOURS

*(covers expected personal attributes)*

I note with thanks the effort that Council staff led by Louise Bennett, put into the recent Relay for Life event. The team wasn't as visible as they would have liked to have been with the Council's tent and brand 'gear' in Hastings at the inter-council sports tournament. Gisborne hosted that tournament last year. With many of our more active staff in Hastings it was to the credit of the Relay for Life team that they maintained a presence on the circuit for the duration of the event. Many other staff supported their own families and clubs at the event or were involved as organisers.