

Subject: Chief Executive's Activity Report – July 2010

Prepared By: Lindsay McKenzie (Chief Executive)

Meeting Date: 29 July 2010

Report to COUNCIL for noting

SUMMARY

This activity report is for the period since Council's 24 June 2010 meeting and provides updates on current issues.

The Eastland Community Trust (ECT) General Manager and I have made some progress on **the Waikanae projects**. It is important that this work be progressed so that the current impasse with the hockey turf development can be overcome. It was intended that the available members of Council and the Trustees meet on Monday 2 August 2010 for a joint presentation on the project. The Trust agenda that day precludes this option so an alternative will be arranged.

Planning for the **local authority elections** has begun. The Electoral Officer role is separate from the role of the CEO and that is appropriate. There are however a number of related issues that do fall within the management domain. This report covers some advice to councillors about the pre-election period as well as that which has been given to staff.

Council's staff and contractors responded well to the **flooding throughout the district** in the week commencing 5 July 2010. The damage to Council's roads and infrastructure is still being assessed. The Engineering & Works Manager will report on that to the next Operations Committee meeting.

I met the CEO of the Hawkes Bay Regional Council to discuss the pending report on the **Gisborne – Napier railway line**. The draft report is expected to be completed about the time of your July Council meeting and will be presented to a joint meeting of the Land Transport Committees in late August

RECOMMENDATION

That Council

- 1 receives the report**
- 2 agrees to meet the Eastland Community Trustees on (date and venue to be confirmed at this Council meeting) for a joint presentation on the Waikanae project and to discuss issues of mutual interest.**

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 –

BOPLASS: The Board met in Rotorua on 2 July 2010. The company will not be implementing its decision (as advised in May) to employ a business development person in the short term. We are likely to build up shared services opportunities using contracted people before employing staff.

Environment Sector Advisory Group: I attended the first meeting of this group on 20 July 2010. It was established by the Foundation for Research Science and Technology (FoRST) to review and provide advice on the FoRST's investment in environmental research including land and fresh water, terrestrial ecosystems, marine, climate and atmosphere and Antarctica. The investment by the Government in environmental research is around \$75M annually. The advisory group has supported making it a condition of research contracts that data and findings be made publically available, generally within three months of completing a contract. Other steps to ensure that research findings are communicated better to the community and that the science better supports policy initiatives were agreed to. Given the restructuring that is occurring within the science system I suspect that the commitment to this group will be one or two rather than the five meetings a year initially advised.

Waikanae Project and Hockey Turf: There have been several meetings with Matt Skuse on behalf of Poverty Bay Hockey Association and Leighton Evans (Eastland Community Trust). Matt Skuse is anxious to secure the balance of the funding for the project, obtain resource consents and to have Council confirm the in-principle decision to lease land at Churchill Park. Terry McMillan has separately reported on this issue as part of this agenda. It is also proposed that Council and the Eastland Community Trust meet in early August to discuss this project and other issues (see section 3) of this report and report 10/468 also on this agenda.

Enviroschools: Council is a partner in delivering this programme to schools in the district. A meeting was held to consider how the coordinator's role can be funded following the withdrawal of direct salary support by the Department of Conservation. While DoC is still able to host the coordinator, Council staff are assisting to look for alternative funding to maintain the programme. Enviroschools began in the late 90's as a small community programme in Hamilton. It is now a national movement of one quarter of all schools and kura in New Zealand. Enviroschools gives young people an opportunity to explore real life environmental challenges and to apply their learning. The approach has been to build a network of schools/kura committed to environmental learning, action and creating sustainable communities. Council's involvement assists us meet environmental outcomes through education and extension work.

Navigation Traditions Project: The Mayor has separately reported on this project. We recently had a visit from Dame Cheryl Sotheran who has a senior role with NZ Trade and Enterprise. Her role at this meeting was to ensure that the NZTE funded navigation traditions projects delivers economic advantages to the region by identifying and developing business opportunities as an integral part of the project – not as an 'add on' after the light infrastructure is in place.

Heart of Gisborne: Heart of Gisborne has commissioned Karen Remetis (a consultant with Town Centre Developments) to lead a strategic review of the organisation, its purposes and relationships. Her brief helps deal with the issues that Council was presented with at the Annual Plan submissions. Heart of Gisborne held a public workshop on 21 July 2010 to present the findings of its executive committee's work. Karen and Kathy McVey (Heart of Gisborne Manager) have both called to update me on their process and its outcomes. They have been made aware of Council's thinking about the future of the Heart of Gisborne rate.

Rugby World Cup Trust: This Trust continues to meet and work towards next year's event. Katie Kay of the Council's staff is assisting with this project. At the meeting on 21 July 2010 the Rugby World Cup Trust adopted a draft proposal for funding assistance that will be presented to Eastland Community Trust on 2 August 2010. It is likely that any approval by ECT will be conditional on resolving some outstanding issues including the fan zone costs and improvements to Rugby Park. Council's contributions are in-kind - staff costs incurred preparing the funding application and supporting the Rugby World Cup Trust. Provision for direct costs such as a Mayor reception for the Namibian team and other costs which haven't been quantified yet will be included in the 2011/12 budget bids. I am happy to provide further details in-committee as I do not want what may be said to pre-empt consideration of the funding application to ECT.

Hawkes Bay Regional Council: I have visited my colleague Andrew Newman at the Hawkes Bay Regional Council to progress the report on the future of the Gisborne – Napier railway line, and discuss options for collaborating with us on joint services. The draft report on the railway is expected to be completed about the time of your July Council meeting and will be presented to a joint meeting of the Land Transport Committees in late August

Minister Tolley and Jaqui Dean MP: Councillors met these Members of Parliament on 25 June 2010 to discuss reforms to the Local Government Act, cycling and walkways and freedom camping.

2. PERSONNEL MANAGEMENT

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

Staffing statistics for the month of June showed a head count of 327 (May = 325). There were 278 full time equivalents based on normal hours worked (May = 278). The head count and full time equivalents have remained steady over the May and June period.

The Salaried Officers Collective Employment Agreement was ratified on the 30 June 2010. The first fortnightly pay occurred on the 21 July 2010. Bargaining for the rivers and drainage field staff collective employment agreement has been initiated.

The Waikanae Beach Top 10 Holiday Park restructuring has involved some changes to jobs and employment conditions. Three staff members are affected by the restructuring and will finish work with Council on 30 July 2010.

John Harvey passed away on 9 July 2010. He was employed as a Vehicle Testing Station Inspector for 8 years and was critically ill in Waikato Hospital for several weeks prior to his death.

The senior management team has completed its review of the management tiers of the organisation ahead of the Corporate Affairs Manager's retirement. That role is likely to be advertised in August. Council will be briefed about the other changes that are being considered. It will be necessary to consult internally about some of them.

I have met the Human Resources Manager for the Tairāwhiti District Health Board with a view to collaborating on staff development and the like.

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)

Palmerston Road: Leases have been drafted and forwarded to the Hearing Association, the Gisborne Pipe Band for their rooms and the Girl Guides but have not yet been completed by these parties. Leases are currently being drafted for the remaining occupiers.

The **Banks Street WWTP construction** is progressing as follows -

- Conveyance pipelaying in Banks Street has progressed better than expected and co-operation from adjoining properties that have been inconvenienced has been excellent.
- The contractor is on schedule with the biological trickling filter but behind schedule with the major pump stations. The contractor is currently sourcing more skilled labour in order to increase progress.
- The western industrial separation project is progressing to plan. The recent wet weather has slowed progress but this has not affected the overall programme.
- Work commenced on 19 July 2010 on the Awapuni industrial separation contract.
- The BTF media welding contract is now 60% complete and the BTF distributor has now been delivered from overseas.

The outcome of discussions on the **port lands exchange** is reported separately in the public excluded part of this agenda.

The Eastland Community Trust (ECT) General Manager and I have made some progress on **the Waikanae projects**. It is important that this work be progressed so that the impasse with the hockey turf development can be overcome. It is proposed that Council and the Trustees meet for a joint presentation on the project. This is likely to focus on the scope of it – what projects it embraces – and some form of relationship agreement between Council and the Trust setting out expectations, roles and responsibilities.

Jane Fletcher (Manager Treaty Settlements at the Office of Treaty Settlements) and Ross Phillipson (one of the negotiators) called here on 8 July 2010. They came to discuss the presentation by **Rongowhakaata Iwi** on **Awapuni and Watson Park** to Council's May meeting. I recall that the advice to Council was that the negotiations are past the point that other Council lands can be considered for purchase. The option of some form of co-management arrangement over the lands is open and Council may be approached about that in the near future. There is a separate report about the possible disposal of the AML site on this agenda. That report mainly covers our Public Works Act obligations.

On 19 July 2010 the Mayor and I hosted **Sir Peter Trapski and former Reserve Bank Governor Dr Don Brash** who have been commissioned to review almost 1,000 submissions on the Northland local government reforms. The Terms of Reference for these independent commissioners are, in summary, to prepare an option for local government reform in Northland. Here is an extract from the project web site.

'The local government options process began in early March 2010 with the release of the McKinlay Douglas report which was originally commissioned by all three Northland district councils and the Northland Regional Council, following a call for review by the Regional Council in May 2009. McKinlay Douglas were asked to look at options for simplifying local government in Northland and to evaluate options ranging from the status quo to a single unitary authority (a council combining the functions of both a regional and district council).

Their report recommended either one or two unitary authorities as the best structure to take Northland forward and to help rectify some of the socio-economic issues in the region, as well as dealing with a global and national environment that is now vastly different from when the existing local government structures were established in the late 1980s.'

'The Regional Council subsequently withdrew from the process and Kaipara District Council voted not to accept the report when it was released in March, choosing instead to pursue the option of a merger with the northern part of Rodney District. This option was subsequently removed in the medium term by Government legislation which included all of Rodney in the Auckland Supercity. The commissioners' report should be completed by the end of August 2010 and will be made available to the public. Any further steps will require either agreement between all four councils as to the way forward, or a petition for change signed by 10% of the electors in each District. The Local Government Commission would then conduct further consultation and a binding referendum. If change does occur, the earliest it could be put in place is for the 2013 local body elections.'

A site visit to O'Waiapu has taken place and Mr Les McGreevy has been sent advice about what uses of the site are permitted. These are restricted to use by Girl Guides and kindred organisations. Based on the visit and Mr McGreevy's desire to see the facility better used, Community Development staff have been asked to assist with a proposal to see if we can work with the trustees to 're-commission' the venue.

Planning for the **local authority elections** has begun. The Electoral Officer role is separate from the role of the CEO and that is appropriate. There are however a number of related issues that do fall within the management domain. Staff have been advised about their conduct, roles and responsibilities in the build up to the elections including what needs to occur if they are a candidate. The senior managers have also done some preplanning for the pre-election period, running Council during the interregnum, inauguration and induction and training.

The following notes will assist those of you who will have dual roles as current elected members and candidates.

- The pre-election period is generally described as the 3 months prior to the election.
- Staff have been asked to maintain political neutrality.
- The funds that Council administers are not to be used for electioneering or to benefit one candidate over another.
- Ordinary business is to continue and Councillors are still in office during the election campaign and remain responsible for the activities of the organisation.
- Staff have been asked to be conscious of our collaborative community relationships and who is promoted for what role.
- We should avoid large events and launches in the pre-election period.
- Regular columns in Council newsletters, website and other publications need to be managed – best suspended.
- Staff should not contribute to the political debate – including CEOs.
- Requests for official information need to be responded to 'neutrally and factually' and preferably shared with all candidates.
- Candidates who have contracts with the Council (these won't be current members) in which they are paid more than \$25,000 may need to rearrange their finances as a person cannot be elected to a Council if this situation applies.

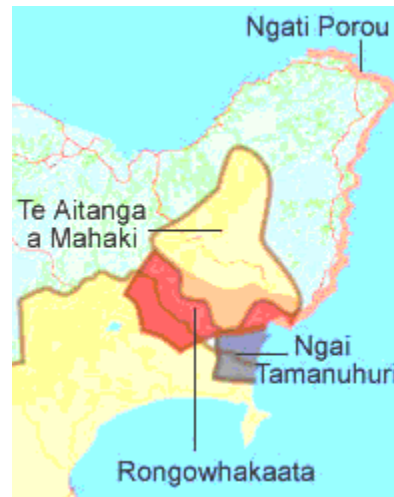
The Electoral Officer will generally be the person to assist but I am also available to discuss issues or concerns relating to the operations of council with any candidate.

The **activities of the Maori Liaison Officer** are set out below and include an update on issues.

Post-Waitangi Tribunal Claims Settlement Iwi

If the Crown manages to meet its current deadline for settlement of claims in our district the region will see a significant shift in the socio-political Iwi scene. Iwi have been through Fisheries Settlement and RMA changes in the last few years which have seen a number of Crown recognised mandated Iwi representative organisations establish themselves as “must have” relationship organisations for Council.

Post Waitangi Tribunal Claims settlement Iwi are likely to not only include the current grouping of organisations but be expanded to also include other organisations that now also have Crown recognised Iwi mandated.



Ngāti Porou: ▶ Te Runanga o Ngāti Porou (Ruatoria and Gisborne offices).

Te Aitanga ā Māhaki: ▶ Whakarau - Te Aitanga-ā-Māhaki Trust, ▶ Ngā Ariki Kai Putahi (Ngā Ariki Kaiputahi Whānau Trust - RMA), ▶ Te Whanau-ā-Kai.

Rongowhakaata: ▶ Rongowhakaata Charitable Trust.

Ngāi Tāmanuhiri: ▶ Ngāi Tāmanuhiri Whānui Trust.

There are other organisations that are currently working though opportunities for themselves:

- Ngati Ruawaiipu
- Ngati Uepohatu
- Te Aitanga-ā-Hauiti

Key settlement issues for Council

- **Resource Co-Management** - ▶ Environmental Matters: Water, Gravel Extraction, Others, ▶ Key Asset Areas:- Industry, Cultural and Heritage Areas, Wahi Tapu.
- **Joint Venture Development-** ▶ Commercial and Community Projects: Navigation and Waikanae.
- **Asset Ownership** - ▶ Land Bank, Foreshore and Seabed.
- **Decision-Making Processes** - ▶ Council and Crown: Formal Relationships, RMA and Foreshore and Seabed.
- **Economic Growth.**

4. LONG-TERM PLANNING

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

Staff are currently assessing the costs and benefits of amending the 2009/10 Ten Year Plan in 2011. The next ten year plan is due to be completed in 2012.

Council has featured in two recent reports of the Office of the Auditor-General (OAG). These include the OAG's Report to Parliament on 2009/19 long-term council community plans (which is still embargoed) and in a report entitled "Local Government: Examples of better practice in setting local authority performance measures". Both references are positive.

5. POLICY DEVELOPMENT

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

There is nothing to add to the work of Committees in this area.

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)

Last month I reported on progress in developing a **business led approach to economic development** in the district as mooted by the Chamber of Commerce at the Annual Plan submissions. Nedine Thatcher-Swann has prepared a report on this topic which is on this agenda.

7. REPORTING

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

The Finance & Monitoring Committee has decided that there will be one Annual Report summary this year that will be sent to all residents and resident ratepayers. Ratepayers out of the district will receive advice about where and how to access the summary. Work on the Annual Report is well under way and preliminary financial results are available. They confirm the recent trends that the Chief Financial Officer has been reporting.

8. FINANCIAL REPORTING

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

A summary of the Chief Financial Officer's (CFO) report to senior managers on Council's finances for June and the end of the financial year follows.

'Finance staff are still working on year end adjustments. There are likely to be differences between the interim results and the final annual report. These results are provided to give an indication of Council's overall financial performance for the year.

The forecast prepared in May anticipated a preliminary full year surplus of \$10,145K. To date the preliminary surplus for Council is \$7,360K. There are three main reasons for the variations between the May preliminary forecast and the June preliminary surplus:

1. There has been \$800K less capital grant income received than was originally forecast. Council is still awaiting approval from NZTA on the year end roading subsidy claim and these numbers are likely to improve.
2. Operational Costs were \$506K more than originally forecast for the June month. This is mainly a timing issue with contract payments (\$215K), Council's share of the Riskpool leaky homes deficit which was unbudgeted (\$160K) and adverse weather related roading costs (\$196K).
3. Financing costs were high due to year end accounting adjustment. That will reverse in the subsequent year.

The preliminary result for the month of June is therefore a deficit of \$1,644K against a budgeted surplus of \$1,286K. This represents an unfavourable variance of \$2,930K. The full year results are an accounting surplus of \$7,360K (as above) against a budgeted surplus of \$5,989K. The two main drivers of the accounting surplus are the additional Government Grants & Subsidies (\$2,537K) and lower than budgeted employee costs (\$312K). These were offset by over budget operational costs (\$507K), unbudgeted depreciation (\$105K) and high financing costs (+\$982K). The underlying operational deficit is likely to be \$390K compared to a budgeted deficit of \$916K.

The full year income from rates exceeded the budget by \$376K. This favourable result arises from changes to the rating information database (RID), after the rates have been struck. Changes include additional properties resulting from subdivisions and changes in values from building work.

Income from activities was down against budget overall by 3%. Increases in sales (+18%) and rental income (+11%) were more than offset by a drop in user fees (-7%) or \$616K on budget. Income in the Annual Report will include an additional \$7M from vesting assets. These will be covered in report 10/490 to the August Finance & Monitoring Committee meeting. This vesting will increase the full year surplus to around \$15M.

Total operational expenditure for the year was \$507k adverse against budget. This was offset by favourable variances in employee related costs of \$312K. It should be noted that efficiency gains are allocated fully to operational costs although some of these are made through reducing employee costs. Because the savings effort is masked by some uncontrollable costs that were not budgeted, a reconciliation of the operational savings project will be prepared.

Finance costs for the year were above budgeted levels by \$982k. This was mostly the result of booking paper losses on Interest rate swaps (\$910K) for accounting purposes. As interest rates rise these swap losses will be reversed.

As expected the cash flow for June was negative. Operating activities had a net outflow of \$1,136K. This combined with capital expenditure of \$3,086K resulted in an increase in bank debt of \$4M. Due to the timing delays in payments for the wastewater treatment plant project, the cash flow for the year was better than budgeted. There was a small overall borrowing of \$1.2M. This left year end debt at \$20M against an LTCCP budget of \$37M.

9. RISK MANAGEMENT

(covers internal audit and risk management planning)

There is nothing further to report from the project team on risk management at this stage.

10. CIVIL DEFENCE

(covers role as Chair of the Coordinating Executive Group)

Heavy rainfall throughout the district in the week commencing 5 July 2010 caused damage to Council's roads and infrastructure as well as to farm lands and other property. It remained wet until around 15 July 2010. The media has covered the statistics and the Engineering & Works Manager will be reporting through the Operations Committee on the cost of damage repairs. His estimate so far is around \$2M. The massive land slip at Anaura Bay will be one of the more costly to reinstate. I must acknowledge the assistance of Boycie Paerata and Council's contractors in assisting the Northern Roding Engineer to get the road open.

Civil Defence & Emergency Management back up staff managed Council's response to the event in the absence of Richard Steele who was on leave – again!

11. COUNCIL CONTROLLED ORGANISATIONS and EASTLAND COMMUNITY TRUST

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

The Council's relationship with the **Eastland Community Trust** (ECT) and a proposal to review the governance arrangements of **Gisborne Holdings Ltd** (GHL) are covered by separate reports on this agenda. In the latter case the issue arises as a result of the change in status of Tauwhareparae Farms Limited.

12. VALUES and BEHAVIOURS

(covers expected personal attributes)

The quality and effectiveness of the organisation's internal communications, including my own with staff and vice versa, is currently being reviewed. There will be a mid winter staff seminar on 17 August 2010. The speaker is Dr Tom Mulholland. Here is an extract from his 'bio' -

'He has a 1st Class Honours degree in molecular biology, is a Medical Doctor, best selling author and global speaker and trainer. He describes himself as an Emotional Architect, designing tools for people to change their attitudes, and their lives.

With a strong science and business background to complement his many years of clinical experience as a Hospital Emergency Department Doctor, he knows full well the consequences of having an unhealthy attitude. Using his own experience and his post graduate training in rational emotive behavioural therapy, he has written books and designed teaching programmes around Healthy Thinking.'
