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Far North District Council

Independent assessment report | October 2017*

An independent assessment report issued by the Independent Assessment Board for the CouncilMARK[™] local government excellence programme. For more information visit www.councilmark.co.nz



Te Kaunihera o Tai Tokerau ki te Raki

*

Period of Assessment March 2017



A measure
for better
community value.

Assessment Summary

AT A GLANCE



Far North district is the northern most part of New Zealand. It starts at Cape Reinga at the northern tip of the Aupouri Peninsula and encompasses the Bay of Islands on the east coast and Hokianga on the west coast. It borders on the Kaipara and Whangarei Districts, the other two territorial authorities in the Northland Region.



LARGE METRO

SMALL METRO AND LARGE PROVINCIAL



SMALL PROVINCIAL AND RURAL

REGIONAL

The current situation

The Far North District Council faces a fundamental challenge in its district's ability to pay for essential services that its many communities require.

The Council services a large land area and a small, ageing and static population who live in a large number of communities, many of which are amongst the most deprived in New Zealand. There is little economic growth apart from pockets in Kerikeri and Paihia. Rates, the Council's main source of income, are proportionately high compared to other council and increases are outpacing household incomes, many of which are fixed.

The Council is struggling to provide cost-effective service at levels residents expect and require. At the time of the assessment loan funding for new works was set at \$10 million per year and the Council had effectively capped its income. The Council is under financial pressure from a catch-up required for major infrastructure renewals, partly due to consent delays and inclement weather. Council may have to borrow to provide the cash for depreciation funding, losses from write-offs on rate arrears and unpaid penalties, an increase in operating costs, in particular salaries increasing by \$6 million, and a policy of not requiring development contributions.

The Council is aware of these challenges and is open with its communities about affordability issues. Priorities will need to be set and hard choices on funding will need to be made. Additional income streams may need to be considered. The Council's Financial Strategy is to be reviewed. Performance improvements are required to lift council efficiencies. The arrival of a new Chief Executive (which occurred after this assessment) provides the chance to address these issues, to further advance improvements, improve efficiencies, and to support economic growth in the district. It is unlikely existing central government and Council funding will be sufficient to meet the needs of the Far North.

The Council has displayed a positive commitment to addressing areas for improvement. It has an active, connected Mayor and motivated councillors and staff. The Council demonstrates openness and councillors and staff are willing to discuss and meet the challenges facing the Council and its district.



\$1,900
GROSS DOMESTIC
PRODUCT¹

SERVES
62,000

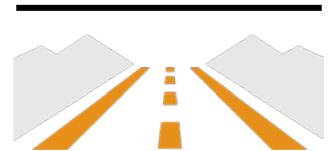
PEOPLE², A MIX OF
59% EUROPEAN/PAKEHA
40% MĀORI
3% PASIFIKA
2% ASIAN



POPULATION TREND
STABLE

MAKES UP
2.729%
OF NEW ZEALAND'S TOTAL LAND AREA
REPRESENTING FAR NORTH DISTRICT,
FROM AUPOURI PENINSULA,
ENCOMPASSING THE BAY OF ISLANDS
ON THE EAST COAST AND HOKIANGA ON
THE WEST COAST. AN AREA OF
7,316 km³

RESPONSIBLE FOR
2,542km
ROADS⁴



Key learnings

Driven by its commitment to the district, the Council is open and willing to pursue continuous performance improvements and to take steps to address its challenges.

Period of assessment

The assessment was conducted on 28 and 29 March 2017.

Commonly used terms

Term	Definition
Asset Management Plan	A tactical plan for managing a council's infrastructure and other assets to deliver an agreed standard of service.
Infrastructure	Local and regional roads, pathways and cycleways, drinkingwater, wastewater and stormwater assets, sports and recreation facilities (parks, sportsgrounds, green spaces etc), community and tourism facilities (playgrounds, public toilets, libraries, museums, galleries and public art etc), town centres, and other facilities.
Local Government Act 2002	The legislative act that provides a framework and powers for councils to decide which activities they undertake and the manner in which they will undertake them.
Long Term Plan	The document required under the Local Government Act that sets out a council's priorities in the medium to long-term.

¹ MBIE 2016
² Stats NZ Census 2013
³ DIA 2013
⁴ Ministry of Transport 2013/14

Assessment Summary

continued...

OVERVIEW

The Far North District Council has improved its performance but there are several identified areas for improvement. There is willingness at the Council for this to occur. The Far North, which is still suffering in parts from deprivation, needs economic growth and an active Council to support this. There is little room for increased Council income from residents who are often on fixed and low incomes, and Council rates and charges are already high compared to average household incomes. The Council is responsive to its communities and has committed staff whom are open to improvement. With a new Long Term Plan being prepared, it is opportune for the Council to match its resources to its commitment.

RATING



Findings



THE COUNCIL HAS SIGNIFICANT ISSUES IN PROVIDING COST-EFFECTIVE AND AFFORDABLE LEVELS OF SERVICE THAT ITS RESIDENTS EXPECT AND REQUIRE. PRIORITIES AND HARD DECISIONS WILL BE NEEDED ON WHAT SERVICES TO DELIVER, AT WHAT COST AND WHEN.

Without economic growth, there is a question mark over whether the Council's income can continue to provide adequate levels of service.



TO ASSIST EFFICIENCY, THE COUNCIL WOULD BENEFIT FROM A CLEAR SEPARATION OF GOVERNANCE FROM OPERATIONS. THESE ARE NOT CLEARLY SEPARATED, WHICH CONSTRAINS OPERATIONS FROM BEING FULLY PRODUCTIVE AND INHIBITS THE DEVELOPMENT OF A SUPPORTIVE CULTURE.

Several operational improvements, particularly around project planning and execution, are required to lift efficiency.



THE COUNCIL IS COMMITTED TO PERFORMANCE IMPROVEMENTS. WITH A NEW CHIEF EXECUTIVE, IT HAS THE OPPORTUNITY TO FURTHER LIFT ITS PERFORMANCE AND TO FACILITATE THE DISTRICT'S ECONOMIC GROWTH.



Governance, leadership and strategy	Financial decision-making and transparency	Service delivery and asset management	Communicating and engaging with the public and business
Variable	Competent	Variable	Better than competent

STRENGTHS

The Council has a strategic focus in its approach and documents, emphasising customer and community needs.

The Council is motivated to improving performance so that it can deliver better value for money services, including quality infrastructure.

Councillors are taking actions to improve their governance skills and have voiced commitment to a clearer separation between governance and operational responsibilities.

The Council's decision to appoint an independent member to the Governance Committee will add expertise and oversight to the Council's procurement, finances and risks.

The Council is investing in mid-tier managers so that it can increase delegations, enhance efficiencies and plan succession.

Shared services such as the *Northland Transport Alliance* can assist the Council in delivering more cost-effective services in collaboration with the other four Northland councils.

The Council generally has positive relationships with business and media, and constructive relationships with Māori/iwi.

The Council is working to simplify statutory documents such as its Long Term Plan, to improve public understanding of the Council's direction and programme.

AREAS OF IMPROVEMENT

The Council would benefit from a more focused and integrated vision that is supported by affordable and achievable goals for its district. To be effective, the vision should consistently be applied in all Council decision areas and documents.

To improve operational efficiencies and to develop a more constructive working relationship between councillors and staff, councillors need to minimise their intervention in operational matters.

The Council's risk register needs to more specifically address actual projects and operational risks.

The Council would benefit from considering additional sources of revenue, or growth in its current sources, as means of increasing funding fairly across its communities and reducing its heavy reliance on rates.

The Council's commitment to shared services needs to be matched by investment in resources to support these services.

The Council should work on its relationships with other councils in the region, so that it can benefit from wider assistance and advice. In particular, it needs to address issues of consenting and compliance involving the Northland Regional Council so that it can avoid incurring penalties and fines.

Given district needs, the Council could reconsider its decision to cap lending at \$10 million per year on new work.

The quality of the data on the Council's assets (particularly underground assets such as water) needs to improve, so that it can be used effectively in performance management. The Council's performance management criteria also need to be improved, to better manage infrastructure planning and to deliver what the Council says it will deliver.

The Council would benefit in moving from largely paper-based systems to more integrated information technology services, and from backing up these services outside the district.

To assist with district and economic development, the Council should increase its involvement with Māori/Iwi. Active involvement of Māori/Iwi in the long-term planning process would signal the Council's increased commitment to Iwi.

The simplification and lack of jargon evident in the Council's public reports should be extended to all its reports and documents, to increase their readability and accessibility.

The Council's communications and customer services should work more closely together, to ensure issues are managed in a coordinated way and the Council's messages are consistent. Customer services would benefit from improved systems for measuring the customer experience.

Leading locally

Governance, leadership and strategy

In examining its direction, the Council could consider developing a more focused and integrated vision that emphasises goals which are affordable and achievable for its district. The Council needs to act on its commitment to separate governance from operations.

Priority grading

Variable

< This assessment was dominated by acknowledgement from councillors, management, staff and stakeholders that there is inadequate separation of governance and operational responsibilities. >

The Mayor's active commitment to improving the welfare of local communities often results in his acting as an "executive Mayor." Management, from the outgoing Chief Executive to mid-tier managers, felt that councillors were too involved in operations. This creates inefficiency and confusion of roles. However, the Mayor and councillors are committed to separating governance from operations and increasing operational efficiencies. A new Chief Executive provides the opportunity for the executive management to give increased confidence to councillors that operational matters will be effectively addressed, and for the Council to more clearly define the governance and operational roles.

Setting the direction for the community

There are several "vision" statements (for the region, the Council and staff) that the Council is working towards. Councillors are reviewing the Council's "direction" and staff are undertaking a review of the triple bottom line sustainability reporting, which has implications for strategic direction.

At strategic and operational levels, having several different visions that only broadly relate to each other detracts from clarity of direction and from any attempt to evaluate how useful any of these visions are to the Council and its communities. The Council

acknowledges its decision-making is inconsistently aligned to its vision, strategy and core plans, even though there is a template designed for doing this. The vision also varies between the Council's documents, for example, the 2015/26 Long Term Plan refers to "The place where people love to be" but the 2016/17 Annual Report refers to "A district of sustainable prosperity and well-being." While the Council says it is unlikely to change these various vision statements, this appears inconsistent with its commitment to a "one voice, one vision" approach.

Nevertheless, the Council's focus on affordable services and economic development suggest that a realistic, single and integrated district wide aspiration is required that the Council can efficiently deliver to its communities.

Creating confident councillors

Councillors felt their induction programme had improved from three years ago, and it will be reviewed before the next local body elections. They also felt that further governance training was required at induction, and an external facilitator was now involved in councillor training.

During the previous term, councillors had undertaken a loose form of self-assessment to identify their individual strengths and weaknesses. It is unclear what outcomes and actions arose from this assessment. Councillors are prepared to explore a wider assessment process that includes feedback from others, which could identify areas for training.

Managing the organisation

A new Chief Executive has been appointed and was to start the week following this assessment.

The principal issue the new Chief Executive will need to address is the clear separation of governance and operations. The Council in its self-assessment observed that councillors, including the Mayor, "do not follow best practice in terms of collective responsibility and adherence to council policies and understanding of governance as opposed to management." There is significant intervention in operational matters and contractual negotiations and arrangements. There is a practice of councillors convening to discuss issues of strategic importance without any management presence. There is a continuing heavy burden of providing

significant information to councillors which traverses the general principle of “need to know as opposed to nice to know.”

Work is being done to improve governance. This includes terms of reference for council committees being developed, streamlining council committees, the Mayor committing to good governance behaviour, councillors taking part in governance training workshops, and the new Chief Executive being aware of the urgent need to clearly separate governance from operations.

The Governance Committee (previously known as the Executive Review Committee) reviews and monitors the Chief Executive’s performance. No external independent advice has been provided on setting and reviewing the Chief Executive’s performance, which is evaluated quarterly.

Improving risk management

The Corporate Committee has taken over the role of the Finance, Audit and Risk Committee. Since the assessment was undertaken, an independent member has been appointed to the Corporate Committee, but this person will not be the chair and will not have voting rights.

The Corporate Committee will consolidate reporting, with monthly reporting for financials and quarterly reporting for risks.

Informing council decisions

Staff are under pressure from councillors to provide detailed information. Mid-tier managers reported that demands for more detailed information were adding to the staff workload and creating unnecessary stress.

Councillors describe the reports they receive as “adequate”, slow, and not always informative on matters such as depreciation and the progress of capital works.

Staff feel that councillors are demanding, and mid-tier managers report that 20 per cent of their workload is taken up with requests from councillors. Some staff spoke of a culture of “mistrust” between them and councillors.

The Council would benefit, as a first step, by separating governance from operations. As there are many internal reviews and reports underway, and as a new Long Term Plan is being developed, the Council needs to act now. Staff will undertake a satisfaction survey during 2017.

Strengths

Councillors are committed to open debate, the separation of governance from operations, reviews that include feedback from others, and training that will improve their performance.

The Council is reviewing its induction for new councillors, so that it can apply the lessons learned from the current programme.

There are reviews planned for all public documents, to make them more accessible.

Terms of reference are being defined for all the Council’s committees, so that their purpose and responsibilities will be made clearer.

An independent member has been appointed to the Corporate Committee. This is intended to provide greater oversight of governance, finance and risk.

In order to improve efficiencies and succession planning, the Council has improved mid-tier management delegation, training and succession planning.

Areas for improvement

The Council needs to separate governance from operations. This will improve the performance of councillors, the efficiency of the Council and the Council’s internal culture.

The Council would benefit from the independent member of the Corporate Committee having voting rights and being considered as chair of the committee.

The Council would benefit from having a single integrated vision that is more focused, is affordable, unifies the Council and its communities, and therefore, is achievable.

Consistent application of a single vision to decision-making, strategy and core statutory plans will provide the Council with clearer accountability for making strategic and operational decisions.

The Council must ensure it can deliver on the many reports and reviews underway that impact on effectiveness of the Council to deliver to the district.

Investing money well

Financial decision-making and transparency

The Council has a comprehensive financial strategy, a good understanding of its financial issues, and a competent finance team. Its fundamental problem is whether its rates, expenditure and borrowings are sustainable, given its income, and whether it has sufficiently tested this.

Priority grading

Competent

<The Council faces challenges in meeting increasing demands from a largely static and narrow income base. >

The district is catching up on infrastructure investment and has faced a range of natural disasters. The Council relies heavily on rating income from an often economically-deprived and fixed income population. Managing finances at sustainable and affordable levels is a constant balancing act, and as such the financial strategy for the Long Term Plan is to be reviewed.

Planning and evaluating financial goals

The Council's financial strategy is well-articulated. With its need to invest in infrastructure renewal and new assets, the Council's strategy of reserving 10 per cent of loan funding for new community facilities is an important one. The Council recognises its communities need to see investments that improve the livability of the district. With high levels of deprivation in parts of the district, the strategy also contains a range of affordability controls.

Debt control requires a careful balance between keeping borrowing costs at a level that does not have an excessive impact on rates and ensuring adequate investment in the future needs of the community. It is unclear whether the Council has this balance right, and staff acknowledged that there was "political aversion" to borrowing. Although the Council has the capacity (within the Long Term Plan) for almost \$250 million of external debt, its forecasts are for less than \$150 million.

At its upper limit, 83 per cent of the Council's income has been derived from rates in recent years. This is particularly high compared with the national average of 49 per cent (reference LGNZ "Working Group Paper on Local Government Funding") and it places a heavy burden on ratepayers. The Council's financial strategy does not give a convincing reason why it has set a 95 per cent limit on income from rates, or why this is reasonable. Nor does it convincingly explain whether other revenue sources have been considered and discounted. At least two other sources of income (development contributions and more user fees) could be considered.

Assessing the financial data

The finance team provides a comprehensive six-weekly financial report on overall operating expenditure, capital expenditure and borrowings. Major variances from budget are identified and briefly explained.

The Council's annual reports comply with statutory requirements, but they are not easy for a layperson to follow. They could be improved by having explanations of key financial terms, graphs which track financial progress over several years, comparative data that allows a reader to see how their Council stacks up against other councils, and "headline" numbers of interest to ratepayers and residents.

Addressing financial risk

The Council has a risk management framework established in 2014, but the framework lacks policy elements such as a statement of the Council's risk appetite, for example, on Council debt. The document is adequate in terms of how risk is characterised, scored and mitigated in a general sense, but it is less clear how specific risk issues that may face the Council will be addressed.

The risk register is provided to the Corporate Committee once every three months. The newly established risk management and improvement team acknowledge that the risk register could be improved, in particular by better identifying the strategic risks that councillors need to focus on.

The “risk summary,” a synopsis of the risk register provided to the full Council, is highly generic, and includes nothing specific to the district. The summary does not include some of the most fundamental risks facing the Council, including its long-term financial viability.

Meeting financial targets

The Council sets zero-based budgets and is diligent in identifying discretionary versus non-discretionary expenditure items. It does not, however, take the additional step of using its annual plans to show the cost-efficiencies it has achieved. However, the annual plans do provide good information on options for major projects (their total costs, effects on rates, and effects on debt).

Staff acknowledged that there was a significant degree of optimism in the setting of capital budgets, as well as a significant and consistent underspending across the organisation at the end of each financial year. Despite the consistency of this underspending, the following years show no significant reduction of the budgets in ensuing years.

The Council has a very capable financial team who clearly are aware of the challenges facing the district. While they manage the finances as best they can, there are factors which undermine the strength of the Council’s financial position (eg limited sources of revenue other than rates) and which are beyond the team’s control.

The greatest challenge facing the district is the ability of the community to pay for the services that they require. Many of these services, such as roads and water, are essential. As well, many essential services have externally prescribed levels of service (eg drinking water standards) that the Council does not set. The district does not have a growing economy and incomes are not keeping pace with the increase in rates. The Council recognises this position is not sustainable.

The Council has a significant debt problem from rates arrears and unpaid penalties. In 2015/16, the Council made the decision to stop charging penalties on arrears and to increase its provision for bad debts by \$4.5 million to \$27.6 million and to write off \$2.2 million in bad debts (in the previous year it had provided for bad debts of \$23.1 million and had written off \$4.1 million). The Council has arranged with residents, particularly in relation to Māori land, to use land productively so that more income can be generated from it.

Approximately \$17 million of rates in 2015/16 became bad debt, with a further \$2 million of uncollected rates written off.

Approximately 10 per cent of the Council’s rates revenue (which represents 80 per cent to 90 per cent of its total annual income) becomes bad debt, which is a significant problem. It underlines the Council’s need to find additional revenue sources, or to grow revenue from existing revenue sources.

Strengths

The Council has a well-articulated financial strategy.

There is good capability within the Council’s finance team.

The Council’s financial reporting is comprehensive.

The Council adheres to fiscal benchmarks.

Areas for improvement

There needs to be more detailed analysis of future affordability issues in both operations and capital expenditure.

The Council needs to make sure that all potential affordability issues are well-communicated to the community and resulting trade offs are understood.

The Council should explore whether there are ways to reduce its dependence on rates as its main source of revenue.

The “risk summary” document should be improved to serve as a more recognisable, fulsome risk framework. It would benefit from a peer review, and councillors should undertake more frequent monitoring of the Council’s strategic risks.

Financial information needs to be presented in more user-friendly ways, particularly in the summary annual report.

Delivering what's important

Service delivery and asset management

The Council has good capability in most operational areas and understands the challenges it faces. Project delivery, however, is weak. This is partly because of the extent to which decisions are revisited by councillors and partly because of a lack of decisiveness and leadership in prioritising work.

Priority grading

Variable

<The Far North district presents a range of challenges to infrastructure and services, including weather-related events.>

The Council's financial and human resources face considerable strain in meeting the needs and likely future challenge of the district, including climate change. Completing projects and delivering the requisite level of service are major performance concerns for the Council.

Planning and evaluating service goals

The Council has a well-established programme for reviewing service delivery options, and clear criteria for determining which of its services need review. The Council has been involved in regional strategies aimed at improved local government co-operation, including the *Northland Transport Strategy* and the *Tai Tokerau Economic Action Plan*. One of the most significant collaborations has been the establishment of the *Northern Roading Transport Alliance*.

Both its commitment to alternative service delivery models and the changes which have been made as a result are very positive. However, the depth and quality of its reviews appears mixed.

Two reviews done under s.17A of the Local Government Act are oriented towards solutions or options to assess. If the Council used a recognised, problem-focused methodology it would ensure the reviews are directed at solutions which deliver improved performance, and are not advocating change or the status quo for its own sake.

Assessing capability and capacity

The Council's human resources team say they are better placed in terms of resourcing than they were three years ago, and they are "now doing the basics well." Additional recruitment has come at considerable cost. The personnel budget has increased by approximately 35 per cent in three years which is of concern to some external stakeholders.

The information and communication technology systems need improvement. The Council is mainly a paper-based organisation with a range of computer systems that are not well-integrated. A business case for a single integrated enterprise resource planning system has been approved at a management level, but has not yet gone ahead because digitisation of all the Council's paper files has been a higher priority.

Assessing service quality

In its documents the Council recognises that, while its core infrastructure "must be the immediate focus," it "intends to provide new community facilities so that the Far North remains an enjoyable place to live." Consequently, the Council has a policy that 10 per cent of its borrowing for new capital projects will be used to fund new community facilities.

The Council's community recreational facilities have a variety of operational management structures. As well as direct management by the Council, there is a range of formal and informal leasing or administration arrangements with various clubs and trusts. The diversity of these arrangements is a contributing factor to the varying levels of community satisfaction with these facilities, which ranges from 78 per cent for parks to 33 per cent with pools.

The Council maintains six public libraries and supports four community libraries. Volumes of borrowing have been declining by about 15 per cent year on year, but the overall number of visitors to libraries is "steady" as the decline in borrowing is being off-set by an increased use of the library for study, internet use and other community activities. The changing use of libraries reflects changing attitudes and objectives of the community.

However, this shift has not been complemented by a longer term strategy or a revised operating model for the libraries.

Evaluating the effectiveness of infrastructure assets

The Council's 30-year infrastructure strategy demonstrates a strong understanding of the key issues facing the district. That is, it has significant land area with a small population that live in a large number of small communities who expect their communities to be serviced by the Council's infrastructure. Twelve of the serviced communities have only 500 to 2,000 people, and the smallest has fewer than 100. As a result there is not the critical mass which would cost-effectively provide the level of service many residents expect and, in some cases, the law requires.

The Council's strategy provides a very clear, albeit daunting, picture for the region. The wastewater schemes have numerous challenges. The Kerikeri and Paihia plants require upgrades, and others, including Kaikohe, Kohukohu, and Whatuwhiwhi, are all likely to require upgrades within 10 years. There are concerns about whether some of the smaller schemes can meet drinking water standards. The road network is coming under more stress from the impact of increased logging.

The assumptions contained in the strategy are generally well-considered and recognise the obvious challenges such as that regulatory standards are likely to increase, the population is likely to decline and most funding depends on rates. The strategy visually presents capital expenditure over the next 10 years, and there is a well-explained summary of the high, medium and low-cost options for each capital project. It is concerning to note that the higher-cost options identified in all the Council's major projects could, if adopted, add \$20-30 million to the current budget, with obvious affordability implications.

A further concern is the availability of depreciation funds. The Council has funds for renewals, but may have to borrow to provide the cash for depreciation funding. If infrastructure renewal becomes urgent in the future, the Council will have to fund such renewal either through a significant increase in rates or by borrowing additional funds.

The Council operates and maintains eight drinking water schemes and has universal water metering. All schemes are chlorinated apart from the Omanaia community. There are several private water schemes that do not comply with drinking standards and these could become the Council's responsibility under the Health Act if the Ministry of Health insisted on strict compliance.

Other drinking water issues include the need to secure new consents to develop new sources because the increasing frequency of droughts has affected security of supply. Consents are also required to upgrade the infrastructure to meet drinking water standards and to improve existing or to provide additional reticulation for small communities.

The concern with management of water in the district is not the extent to which the Council has documented its problems, but the prioritisation being given to some smaller projects relative to more substantial and critical water management issues, such as consenting issues for Kaitaia (where the consent expires in six months) or ensuring additional treatment for Paihia (where there are issues with pollutants and turbidity).

Asset condition is of concern. The Long Term Plan notes the condition of most of the Council's underground assets is unknown. The infrastructure team has said that pipe renewals are a priority as breakages are becoming more common.

Nineteen of the district's communities have a wastewater service, and this is provided by 16 treatment plants. The Council has many wastewater issues to address. These include reducing the volume and frequency of overflows in Kaitaia, expanding the Kerikeri reticulation network and upgrading the Kerikeri plant to meet new resource consent for effluent discharge limits, and reducing ammonia levels in the discharge from the Paihia plant. The district has challenges in maintaining the affordability of its small wastewater schemes.

The Long Term Plan classifies the condition of the Council's wastewater assets as "very uncertain." It notes that close to 30 kilometres of the Council's asbestos cement pipelines are "at or near the end of their life" and that 50 kilometres are within 10 years of their useful life. Staff consider this view maybe unduly pessimistic, but they accept that their priority has been to improve the quality of data on above-ground assets, and that more continuous monitoring is needed of underground assets.

While there is an issue more generally with the Council's capital projects not being completed, this is particularly acute in wastewater. Approximately 70 per cent of the wastewater capital budget is unspent and 25 per cent of the operating expenditure is unspent. Staff noted that delays in new projects were a major contributor to this concern, and that they were completing near to 100 per cent of renewals.

The Northland Regional Council expressed concern at the slow pace the Council addresses its wastewater issues. It is a matter of public record that the Northland Regional Council has had to issue abatement notices against the Council. The Regional Council stressed that it did not like taking enforcement action against another council, but the Council's consent compliance issues are a significant concern.

Climate change, difficult geology, and the increasing use of heavy forestry trucks have an adverse affect on the district's large road network. Staff accept the Council requires better programme management and better prioritisation to address its transport issues.

The establishment of the *Northern Transport Alliance* offers the Council the opportunity both to manage roading contracts more cost-effectively across the entire region and to use the skills and resources of the combined councils in the region to better manage the delivery of its capital programme.

Addressing regulation

The Council has a very active regulatory team which monitors unconsented buildings, codes of compliance, liquor licensing, building warrants of fitness, environmental health, and animal control. However, the Council does not have an enforcement strategy and it does not have a plan to develop one, despite its Annual Report noting that one of the Council's challenges in this area was "establishing an 'All of Council' approach to regulatory enforcement to build common practices to deliver better service."

The district has a significant issue with unregistered dogs and dog attacks. It regularly prosecutes using the Solicitor General's prosecution guidelines. It has seven prosecutions in the courts and a further five planned. Staff noted success in all cases where destruction of the dog was sought. Enforcement is complemented by an active education programme on dog safety in schools, and the Council is putting greater effort into publicity about dog safety and communicating this message to residents.

Meeting capital-investment goals

Even though the Council has a project management team, its record of delivering capital projects could be improved. In the last year, only approximately 60 per cent of all planned capital projects were completed and in some areas completion was less than half of that. Councillors share this concern and recognise the Council lacks good project planning.

The number of projects, particularly those in infrastructure that the Council intends to deliver over the next few years, is too ambitious. Many of the projects have serious regulatory and community implications and, as a result, on-going failure to deliver capital projects is not an option.

While there is merit in the Council's project management initiatives, it must ensure that it sets and achieves a realistic target for delivering its capital projects every year. Improved project governance and reporting arrangements, including greater oversight by councillors, would help achieve this.

Strengths

As well as highlighting its achievements for the year, the Council actively informs its communities of goals that have not been achieved and issues that have arisen during the year.

The Council continuously examines opportunities for improving its service delivery models.

There is an extensive and well-articulated strategy for infrastructure management.

The Council prepares robust business cases for its major capital projects.

Areas for improvement

The Council needs to develop a broader range of performance measures which indicate value for money and efficiency.

There should be greater priority given to improving the use of available technology.

Key infrastructure projects need more effective prioritisation and project management to ensure they are completed.

The challenge of pursuing financially unsustainable infrastructure schemes in small communities needs to be addressed.

The Council needs to prioritise improvements in its asset knowledge, particularly their condition, and to track progress on improvements in its asset management plans.

There should be a clear strategy on the future use of the Council's libraries.

The Council would benefit from developing an enforcement strategy to more effectively prioritise its resources.

Public accountability would be improved if the Council reported on project completion against scope, cost and timeliness.

Listening and responding

Communicating and engaging with the public and businesses

The Council is generally performing well in communications and engagement. It has a new communications strategy and its community is reasonably satisfied with public access to council information. There is a need to strengthen Iwi engagement and work is required to include Māori/Iwi in economic development, especially as Iwi move into the post Treaty settlement phase.

Priority grading

Better than competent

<The Council is active in the district and works hard to provide its various and often small communities with consistent and up-to-date information.>

While information reach appears effective, the wider issue facing the Council is engaging effectively with some of its key regional and district stakeholders.

Planning effective engagement

The Council's new one-page draft communications strategy, which is yet to be approved, is strong on tactical actions and integrates internal and external communications, but it is weak on inputs from the Council's vision (which would provide the "why"), and feedback from community satisfaction surveys and customer service analysis.

The Council intends to develop the relationship between the new strategy and its brand, customer service and its programme of work through input from staff and councillors.

The Council is considering moving to quarterly surveys that will include questions about its reputation and perceived improvement in performance.

Engaging digitally

The Council uses digital communication, but lack of internet access by many users means that its external communication is largely print-based. There is now an in-house graphic designer which will help ensure more graphics are used in publications.

The local media report excellent engagement through the Council's communications manager. Media training is planned for senior managers and an organisational "communications tool box" is being developed to assist Council staff to improve their communication skills.

The communications team works closely with the infrastructure team to assist fast responses to media enquiries, many of which involve infrastructure projects. The Council publishes a public newsletter on council projects and improvements every two months.

Building relationships with Iwi

Māori make up just under 50 per cent of the district's population. Māori/Iwi relations are driven by "chief to chief" relationships between the Mayor and kaumatua from the 10 Iwi in the district, and also at the grassroots level with individuals and members of whanau and hapu.

The working relationship between Iwi and the Chief Executive is not fully developed and the Council needs to ensure it strengthens its working relationship with Iwi across the board to improve its decision making and engagement.

The Council has worked to reduce or eliminate rates debt on Māori land to facilitate the development of the land. The Council has a commitment to developing memorandum of understanding with Iwi. However, the only comprehensive memorandum came about after a lawyer's letter on behalf of Te Whiu Hapu regarding a judicial review of a Council Resource Management Act decision allegedly favouring the Department of Conservation over Māori interests. All other memoranda are specific to projects or activities.

Māori/Iwi are not yet active in economic development with the Council, despite some Iwi being in the post-settlement phase. Māori/Iwi are yet to be invited to be part of the Long Term Plan process.

Building relationships with the community

The Council uses regular updates to inform its communities about key projects (eg the Kerikeri wastewater upgrade). There is a reasonably high satisfaction with the level of council information, with 56 per cent of those who responded to the community satisfaction survey in 2016 satisfied with the information they received.

The linkage between communications and customer services is poor, with a corresponding risk that the Council lacks daily awareness of the critical issues the community sees.

The Council's engagement with its communities would benefit from simpler and shorter statutory documents. The Mayor is actively pursuing this approach for the next Long Term Plan. All Council documents could be shortened, simplified with graphics to make them more readable

The Council is confident with managing civil defence events and has prepared it and its communities for emergencies.

Building relationships with business

Business and other stakeholders reported a positive relationship with the Council. The need for economic growth was highlighted by both stakeholders and the Council, with stakeholders varying in their views on the extent to which the Council could facilitate this. Stakeholders such as Iwi, some in post Treaty settlement, felt they were not yet included in economic development discussions with the Council.

Strengths

The Mayor, a natural communicator, is active and well-connected to the community.

The district's communities are regularly updated on projects.

The Council's relationships with the media are well developed.

There are good relationships with business, and the Council is active in encouraging economic development.

The Council is considering moving to quarterly residents' surveys that will include questions about its reputation and effectiveness.

The Council is developing a "communications tool box" to improve the communications skills of staff.

The Council is committed to finalising memoranda of understanding with Māori/Iwi.

There is a move towards shortening and simplifying the Council's statutory documents.

Areas for improvement

The Council's communications strategy would benefit from a stronger input from its vision, from surveys and customer service, and from evaluation of its performance in communication.

Māori/Iwi should be invited to participate in the Long Term Planning process.

Māori/Iwi need to be more involved in the Council's economic development programme, especially as they move through the Treaty settlement process.

The Council's communications and customer services functions need to be closer aligned, so that the Council can better respond to perceived issues.

Engagement between the Council and the Northland Regional Council need to be improved to prevent the Council from incurring costs relating to non-compliance or lack of consents.

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