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Matamata-Piako District Council

Independent assessment report | July 2017\*

An independent assessment report issued by the Independent Assessment Board for the CouncilMARK<sup>™</sup> local government excellence programme. For more information visit [www.councilmark.co.nz](http://www.councilmark.co.nz)

  
matamata  
piako  
district council



A measure  
for better  
community value.

\* Period of assessment: February 2017

# Assessment Summary

AT A GLANCE



The Matamata-Piako District is well known for its dairy farming and thoroughbred racing industry.



LARGE METRO

**SMALL METRO  
AND LARGE  
PROVINCIAL**



SMALL PROVINCIAL AND RURAL

REGIONAL

## The current situation

Matamata-Piako District Council is, on the whole, fiscally prudent and operationally sound. It has internal and external stakeholder support for its direction, although the Council's investment appetite and pace of change are challenged by some businesses and Māori/Iwi stakeholders.

The Council considers itself as innovative and a leader, and aspires to be one of the best performing councils in New Zealand. It has supported large processing plants and tourism projects in its district, and is recognised in various achievements and awards.

There is a strong platform for the Council to develop its next (2018-28) Long Term Plan.

### Period of assessment

The assessment took place on 31 January and 1 February 2017.



**\$1.7b**  
GROSS DOMESTIC  
PRODUCT<sup>1</sup>

SERVES

**34,120**

PEOPLE<sup>2</sup>, A MIX OF  
86.3% EUROPEAN/PAKEHA  
14.8% MĀORI  
3.9% ASIAN  
1.6% PASIFIKA



POPULATION TREND  
GROWTH

MAKES UP  
**0.66%**

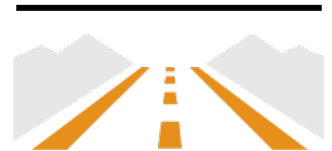
OF NEW ZEALAND'S TOTAL LAND AREA<sup>3</sup>  
REPRESENTING MATAMATA-PIAKO  
DISTRICT, INCLUDING MATAMATA  
THROUGH TO MORRINSVILLE AND  
TE AROHA, AN AREA OF

**1,755 km<sup>2</sup>**

RESPONSIBLE FOR

**996km**

ROADS<sup>4</sup>



## Key learnings

The Council benefits from an active Audit and Risk Committee, with an independent chair who provides experience and input to the Committee. The Committee and chair provide oversight and guidance across all Council areas, including clarifying and simplifying council documents to increase their readability and accessibility by public audiences. The Council will need to choose an equally competent successor for the independent chair when his term comes to an end.

1 MBIE 2016

2 Stats NZ Census 2013

3 DIA 2013

4 Ministry of Transport 2013/14

# Assessment Summary

## continued...

### OVERVIEW

Matamata-Piako District Council is a well-performing and well positioned Council. Its balance sheet and community support enable the Council to advance a pragmatic vision and an affordable investment programme. However, there is also strong potential for the Council to further enable the district and its communities to grow.

### RATING



## Findings



The Council is generally open to improvements and change to achieve outcomes, and has the benefit of guidance from Sir Dryden Spring as Independent Chair of its Audit and Risk Committee. The Mayor and the Chief Executive are well regarded by staff and external stakeholders. The newly elected Council, representing wards from the main population centres, reports a willingness to work as one for the district.



There is a strong base for the Council to develop its next (2018-28) Long Term Plan. The Council recognises this plan must balance the needs of a largely ageing fixed-income population with the aspirations and needs of those in the growth areas of the district's economy and community.



The Council has shown itself to be able to take considered risks and is well positioned to do so, especially to encourage business to establish itself in the district. With its proximity to Auckland, Hamilton and Tauranga, the district will face changes and opportunities. Land use change to more intensive food production and processing is already underway. The Council will need to have a clear and simple vision to guide and enable the district's development.

### 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.



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

#### STRENGTHS

The Council is generally seen by its community to be heading in the right direction.

The Mayor and Chief Executive are well respected and have the ability to turn consultation into action. Their relationships with major stakeholders, as well as that of the Council, have the potential to realise growth opportunities from business and Māori/Iwi.

The Council operates a prudent and largely risk-averse balance sheet that emphasises core Council services and low rates. However, the Council also encourages new business to the district through developer agreements, recognising business needs that benefit the district.

The Council has strong governance procedures, including risk assessment and management, that are reflected across the organisation. Financial management is strong and Council services operate efficiently.

There is emphasis on clarity and simplicity that produces strong communications.

#### AREAS OF IMPROVEMENT

Information on the district's growth outlook currently is from moderate to high in the Council's view. To achieve buy-in for the Council's vision and to address the required pace and extent of change in the Long Term Plan for the district, councillors will need the most objective growth information available.

In the new Long Term Plan, Council performance needs to be driven by improved key performance indicators linked to the Chief Executive's performance agreement, which in turn links to management's key performance indicators.

Opportunities for improved service delivery may be realised through more substantive operational reviews under s.17A of the Local Government Act.

The Council should further strengthen its financial and asset strategies, and link these more clearly in the Long Term Plan.

Future Council infrastructure expenditure is highly dependent on NZ Transport Agency (NZTA) decisions for the Waikato region. Looking forward, the Council needs to strike a careful balance between investment in transport and the three waters (drinking water, stormwater and wastewater) and a significant fixed-income rating base.

Council and community would benefit from actively engaging with Māori/Iwi in economic development.

The Council requires an overarching engagement and communications strategy.

# Leading locally

## Governance, leadership and strategy

The Council is effective in this area. It appreciates that to lead and enable its community the Council requires a compelling vision, strong governance and affordable operations. While the Council's direction is largely accepted by the community, some stakeholders question if the boldness and pace of its implementation is ambitious enough, particularly as the Council is in a strong financial position to meet change.

### Priority grading

Competent

< The current (2015-25) Long Term Plan has a broad and functional vision. Core business functions are carried out at affordable levels to keep rates low for a largely fixed-income population. The vision and goals permeate Council priorities, strategies, plans, policies and structure, and the community and stakeholders are generally in agreement with the Council's strategic direction and priorities.>

The Council has low debt and one of the lowest levels of rates in the Waikato region. After providing for its core business activities, the Council uses its remaining resources in areas such as economic development, social assistance (eg pensioner housing) and tourism.

Local business and Māori/Iwi consider the Council is "getting there" in its direction, but argue for a bolder vision and commitment in delivering the vision. The Council's relationships with Māori/Iwi are developing.

### Setting the direction for the community

The Council has commenced work on its 2018-28 Long Term Plan. It is anticipating moderate growth in population and economic activity over the next 10 years. It considers itself as "an enabler" for growth and development in the district, as well as innovative and open for business.

Council recognises that its new Long Term Plan will require:

- > balance between the needs of its fixed-income residents and the demands for an increased pace of growth for the district;
- > acknowledgement of the changing role of Māori/Iwi and business in development;
- > best-quality information on population and economic-growth projections (a range of "high" and "low" scenarios may assist here);
- > a clear understanding of the impact that issues such as three waters management, roading, economic development, tourism and housing will have on the district – especially given the district's proximity to large urban centres that are facing high growth and high house prices;
- > definition of its non-core areas in expenditure and commitment;
- > assessment of its short and long-term performance across all operations and deliverables, with benchmarks against other councils;

- > the development of a coherent and single vision by councillors, who are a mix of new and experienced members; and
- > consultation with, and involvement from, all communities of interest across the district.

## Creating confident councillors

Following the 2016 local body elections there are five new councillors (out of a total of 12). The new councillors have had induction training (provided by the Council itself) and some have attended Local Government New Zealand induction courses. Despite encouragement from the Mayor, only four councillors have undertaken an advanced governance course.

The councillors' grasp of their responsibilities under the Local Government Act is mixed. Some appeared to rely heavily on the knowledge and experience of the Audit and Risk Committee's independent chair, the Chief Executive and the Mayor.

## Effective working relationships

Councillors agreed that the Chief Executive's "open door" approach and his "there are no dumb questions" policy is of considerable benefit to them in their development and role. There is a high level trust between the Mayor and the Chief Executive.

## Responding to change

The emphasis on a conservative balance sheet and small rate increases can be at odds with the need to increase the Council's risk profile. The Council encourages and assists business development, such as infrastructure for processing plants, the Hauraki Rail Trail cycleway and Hobbiton.

While the Council's strategic direction and work are acknowledged, some stakeholders want the Council to promote faster economic development. Local Māori/Iwi, some in the post-settlement phase, have changing aspirations and relationships. Council management acknowledges the need to keep in step with these developments.

## Upping risk management

The Audit and Risk Committee has an independent chair who brings considerable corporate experience to the Council. His emphasis on "simplicity and clarity" in all documentation, including procurement policy and the risk register, has enabled the Council to better understand and mitigate risk. However, some risks (eg low earthquake-ratings on community facilities) were not reported to the Audit and Risk Committee.

Succession planning is required to ensure continuity when the chair's term comes to an end this year. Consideration should also be given to having two independent members on the Audit and Risk Committee rather than just one. While it is important for councillors not to abdicate responsibility for audit and risk, the

committee's objectivity in decision-making will benefit from having additional independent perspectives.

## Managing the organisation

Only some of the Council's vision and goals are reflected in its measurements and reporting. For example, uncompleted projects and their financial carry-overs are not recorded in the Annual Report. The Council's performance assessment on long-run costs is not strong, and there is little benchmarking against other councils.

Full business cases are now being considered by the Council to improve management reporting on major projects. While asset management plans are externally reviewed, staff satisfaction surveys are undertaken internally and are not peer-reviewed.

## Strengths

The Council is willing to listen, continuously improve and innovate. It also promotes a general “open for business” approach.

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The Mayor and the Chief Executive are widely respected by internal and external stakeholders, which enables connections to diverse groups and interests across the district and from outside the district.

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The Mayor is able to turn consultation into action, instilling confidence in a well-led and united Council.

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The Audit and Risk Committee is active with a highly capable independent chair. This improves the quality and clarity of risk assessments, financial reports, strategies, policies and procedures.

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Councillors are encouraged to undertake training to improve their governance skills and knowledge.

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There is broad agreement by councillors and staff to work closely together to a common purpose for the wider district. This enhances operational efficiencies and cultural unity of purpose.

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Community consultation, even in areas where public engagement is not mandatory is good. The Council proactively involves the community on complex issues requiring buy-in.

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The Council is committed to improving workplace practices and efficiencies in health and safety.

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## Areas for improvement

There is a need for the Council to fully understand the growth outlook for its district, and to translate its aspiration into a simple and clear vision for the Long Term Plan.

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Not all councillors have undertaken governance training. More needs to be done on developing the knowledge and skills required for governance.

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The Annual Report would benefit from improved transparency, particularly for projects that were not completed.

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The Council should ensure that major project investment decisions are supported by appropriate business cases.

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The staff satisfaction survey needs to be conducted independently.

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The Council should progress implementation of its health and safety policies to embed a strong culture of health and safety throughout the Council.

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# Investing money well

## Financial decision-making and transparency

The Council meets prescribed financial benchmarks and is generally performing well. The Council's financial position benefits from a conservative balance sheet, low borrowing and the use of development contributions for new infrastructure, which is recouped over time. The Council has a strong risk management approach.

### Priority grading

Performing well

< The Council is both technically and strategically strong in its financial management and reporting. It is also well aware of areas for further improvement.>

A conservative balance sheet and low borrowing underpins the Council's financial strategy. The rationale for the strategy is to keep rates low (especially for an aging population on fixed incomes) and to provide greater resilience in the event of either new opportunities or economic downturns or crises.

The Council has a range of income streams including from rates and charges on some non-core businesses. The council would benefit from zero-based budgeting and its Annual Report should fully report the carrying over of uncompleted projects into the following financial year. However, the Council is prepared to consider both practices to improve financial planning and accountability. Procurement policy has been reviewed, and full business cases for major projects are being considered. Financial reporting is in everyday language and generally well presented, except for the level of detail provided on budget variances.

### Planning financial goals

The Council's financial strategy resembles a financial plan, largely concerned with "what" (ie a plan) rather than "why" (ie a strategy). The current strategy is driven by core Council needs of transport and infrastructure, with the remaining budget being allocated to community and other projects.

Community "well-being" assets are not assessed on the same basis as infrastructure assets.

The financial strategy needs to address the overall inter-generational equity issue of cautious current investment in infrastructure versus future infrastructure investments being funded by (future) ratepayers and residents through debt.

### Balancing the budget

Budgets are balanced and generally conservative, meeting the functional vision and operational goals outlined in the Long Term Plan. The Council holds assets of around \$5 million, largely a hedge against defaulting debtors. Budgets are not zero-based, and significant amounts of money that have been allocated, but not spent, on capital projects in a given year are being carried forward to future years without being fully disclosed in the Annual Report.

The Council sees the need to meet future infrastructure and community needs in a growth environment, which may require it to adopt a more expansive debt and risk profile.

### Managing financial risk

The Council has maintained ISO 9000 accreditation for 20 years from Audit NZ. Council has received a clear audit opinion from Audit NZ, which provides credibility to its financial reporting. It is generally conservative on financial risk, a result of its largely fixed-income rating base and the volatility of the district's dairy farming fortunes.

The Council is not averse to business risk, and it regards industry infrastructure as debt to be repaid, with interest. This practice exposes the Council to financial risk, although the Council retains reserves to mitigate default.

The Audit and Risk Committee has strong oversight of financial risk, and has led a process of simplifying risk reporting to 10 top issues.

## Strengths

There is strong capability within the finance team.

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The Council operates a conservative balance sheet, with available reserves and comparatively low debt.

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Industrial processing plant infrastructure, which encourages investment and employment in the district, is prudently funded on a debt recovery basis.

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Most ratepayers enjoy low rates, and the Council has some of the lowest rates in the Waikato region.

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The Council's simplified financial reports and statements provide accessible information, and its financial reporting has been endorsed by Audit NZ.

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## Areas for improvement

The Council should separate its financial strategy ("why") from its financial plans ("how" and "what").

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There is a need for greater clarity in evaluating investment activities undertaken by the Council.

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Budget variances and the carrying forward of uncompleted capital-expenditure projects should be more clearly reported.

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The Council would benefit from zero-based budgeting.

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# Delivering what's important

## Service delivery and asset management

Performance generally meets good practice standards. The Council manages its assets well but would benefit from better asset knowledge, subjecting its community assets to the same performance criteria as infrastructure assets, and making reviews of service delivery a priority. With growth and projected changes to land use and development, future infrastructure costs could be significant for the Council.

### Priority grading

Competent

< The Council's cautious approach to growth affects infrastructure investment in the Long Term Plan and the 30-year Infrastructure Strategy. The Council has made large investments in infrastructure, and is working to improve asset data provision and risk analysis for existing infrastructure assets. However, community and well-being assets are not subject to the same scrutiny or cost recovery approach.>

The Council has partnered with business (and will continue to do so) in order to invest in local industries' infrastructure needs, and it has done this on a debt-recovery basis. Longer-term decisions on stormwater and transport infrastructure are pending.

Future infrastructure investment could be a significant cost centre for the Council. The Matamata by-pass, for example, could mean expenditure of \$20 million in the near term. Drinking water availability will be the major issue in providing infrastructure to the district's processing plants. Procedurally, the Council realises the need for individual strategies for assets such as property, parks, stormwater, roading and wastewater.

The Council has adequate knowledge of its roading and underground infrastructure data. However, the infrastructure team acknowledged that it was working to improve data confidence levels, so that it could develop a better prioritised and more forward looking renewals programme. The lack of a well-balanced performance measurement framework means the Council prioritises infrastructure on perceived public satisfaction levels and issues. With an improved performance framework the Council can focus more on quality, efficiency and value for money.

While shared services (transport, wastewater, stormwater, property consents, etc) are growing, reviews under s.17A of the Local Government Act are not yet a priority and were described by staff as "for the most part ... a legislative compliance exercise".

Stakeholders generally believe the Council should adopt a bolder vision and should plan for future growth in the district, which is becoming the food bowl for large urban centres nearby as well as being increasingly attractive as a tourist destination and lifestyle option.

## Establishing a business case for investments

Infrastructure asset projects are driven by demand, improvements or renewal. Meaningful and full business cases are not developed. The Matamata-Piako Civic and Memorial Centre, for example, did not have a robust business case methodology developed for it, and the Council decided on its future largely on the basis of perceived community wishes. The Council is now considering the development of business cases for all major infrastructure projects.

## Assessing service quality

Service demand is based on identified needs (such as new processing plants), consultation on the Long Term Plan, and population-based growth.

Performance measurement is predominantly based on community satisfaction measures, which are attitudinal and not always meaningful. For example, they do not measure customer trust in Council infrastructure and services.

Council agreed with assessors on the need to develop asset strategies in nominated planning areas (community, parks, the three waters, roading, etc). There is no clear property procurement policy. Drinking water demand, based on population growth is not fully understood, although further processing plants (which also draw on potable water supply) may be set up in the district. Stormwater management requires a need for greater co-operation with the Waikato Regional Council in order to address environmental impacts and flooding concerns, which the Council has already identified.

## Evaluating asset effectiveness

The Council has developed systems to monitor the state of its infrastructure assets, with some more advanced (wastewater) than others (water loss). There has been recent investment in wastewater and stormwater, but questions remain over the extent of the future investment required for stormwater and transport and drinking water.

Without a clear future vision, the Council cannot develop a meaningful capital programme. The Council acknowledges the need to improve performance measures for infrastructure and non-infrastructure assets. The new Long Term Plan will need to deal with future stormwater, transport (such as the likely cost of a by-pass at Matamata) and drinking water.

### Strengths

Community services and assets are well provided. External satisfaction surveys indicate that these services and assets generally meet business and community needs.

Infrastructure is soundly managed, and there is growing awareness of the need to better use high quality data to drive capital investment decisions.

The Council has a diverse income stream and comparatively low debt. This opens the door to investment in future infrastructure.

### Areas for improvement

Asset renewal strategies should explain why each asset is important for the district, and what the options are for its future development.

Council should make the cost and benefits of large proposed infrastructure investment (transport, stormwater, drinking water) clear to the district's residents and businesses.

Project costs that are carried over to the following financial year should be clearly stated in the Annual Report.

The Council should make s.17A reviews under the Local Government Act a priority.

Investment in community assets should be subject to the same rigorous performance-measurement as infrastructure investments.

The Council should review its regulatory enforcement policies to ensure that they are incentivising the required behaviour.

# Listening and responding

## Communicating and engaging with the public and businesses

The Council is an active communicator and is continuing to develop its areas of engagement, benefiting from an overall approach of clarity and simplification in all Council expressions. Taking stakeholder relations to the next level, particularly with Māori/Iwi, will assist the Council and the community to work collaboratively to facilitate growth and manage change.

### Priority grading

Better than competent

< Generally, the Council is performing well on internal and external engagement and communications. Offline and online material is well presented, although this clarity and simplicity needs to be extended across all documentation.>

The Council lacks an overall communications strategy, and the new Long Term Plan will be an opportunity for it to adopt a more succinct vision that will drive all Council engagement and communications activities. However, while there is no overall strategy, internal and external communications appear to be performing well.

The Mayor's and the Chief Executive's personal relationships with business, Māori/Iwi and the community are strong. These relationships could be developed to include the whole Council. The Mayor is strong on translating consultation into action. Businesses agree with the Council's direction, but are frustrated with the lack of boldness in the Council's vision and the pace of development. There is also a need for the Council to step-up to a

more mature relationship with Māori/Iwi, some in the post-settlement phase of their Treaty claims.

Staff satisfaction ratings are reasonably high, and areas of concern are actively being dealt with.

### Planning effective engagement

The Council's engagement strategy relies heavily on the Mayor and the Chief Executive. There is a need for Council as a whole to increase its external engagement, particularly with Māori/Iwi and business. An independent stakeholder engagement audit would assist the engagement strategy.

The Council is aware of the need to improve its community engagement. The new Long Term Plan is seen as the best opportunity for closely aligning the Council's vision and goals with community aspirations. The Council also sees the need to increase community participation in Council consultation and decision-making, and in local body elections.

### Communicating through the media

The Council's work with media is sound for a smaller council. For example, a communication about works on the Council's water supply highlighted the benefits to the community's infrastructure from such activity. Local news stories are generally positive, or at least neutral, which indicates a constructive relationship with media.

## Building good relationships with Māori/Iwi and business

Both business and Māori/Iwi have a sense of frustration that the Council as a whole is not moving at a faster pace to develop the district. There is evidence from discussions with business groups that this frustration is not confined to developers or single interests.

Relations with Māori/Iwi rely heavily on the Mayor and the Chief Executive. Māori/Iwi made it clear that they seek a substantive relationship with councillors and staff at all levels. The relationship will need to mature so that the Council appreciates Māori/Iwi as an important younger (and growing) population segment and as an economic force in the future of the district.

## Building good relationships with key stakeholders

The Council's relationship with NZTA is constructive, and the Council is a member of the Road Asset Technical Account, a joint service across the Waikato region which manages roading assets. The Council also recognises the need to understand regional as well as local needs, particularly on significant issues such as prospect of a Matamata off-ramp from the Auckland-Cambridge expressway.

Relationships with neighbouring Councils appear constructive, with services shared across the region through a Local Authority Shared Services company. The relationship with the Waikato Regional Council is positive on most issues, although stormwater is one area of difference.

## Evaluating communications and engagement effectiveness

An overall communications strategy, with defined key performance indicators is absent although there are currently performance indicators for council communications and engagement activities.

The Council's statutory documents (eg annual reports and long-term plans) are visually engaging, but further work is needed on the written content to better summarise these detailed and lengthy documents.

The Council has tried alternative means of communication (Facebook, video, etc) but reports limited success to date.

### Strengths

The strong relationship platforms built by the Mayor and the Chief Executive offer a basis for future partnerships with the community, Māori/Iwi and key stakeholders.

There is a coherent internal culture based on broad understanding of Council vision and direction.

Written communications have visual clarity and simplicity.

### Areas for improvement

The Council as a whole needs to further develop its relationships with stakeholders, to increase the depth of understanding it has with strategic partners, Māori/Iwi and other parts of the community.

The Council would benefit from a simple and clear vision that drives all Council activities and relationships.

Council should consider carrying out an independent stakeholder survey, to signal issues for strategic and tactical consideration, and to serve as a monitor on stakeholder relationships and Council performance.

Relationships with Māori/Iwi could be further improved by extending the engagement on the significant issues affecting the district.

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