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**Wairoa District Council**

**Independent assessment report | October 2017\***

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\*Assessment February and review September 2017

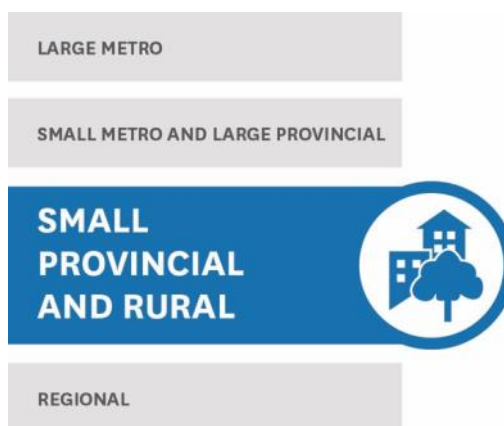


# Assessment Summary

## AT A GLANCE



Wairoa is a manufacturing and rural service town. Wairoa is Māori for long water portraying the length of the river that runs through the town.



## The current situation

Wairoa District is emerging from a period of economic decline into one of opportunity. BERL has projected both population and economic growth. There are signs of confidence in the district, such as Rocket Lab's decision to locate on the Mahia Peninsula, and there is potential for further tourism and land development. Local Māori, who represent approximately 60 per cent of the population, have settled their Treaty claims. The community is engaged; 68 per cent of registered voters participated in the most recent local body elections.

Wairoa District Council has undergone considerable change since the election of a new mayor in 2013 (re-elected in 2016). After the uncertainty from the proposed amalgamation of Hawke's Bay councils (rejected by a referendum in 2015), the Council is in catch-up mode. A new chief executive was appointed in March 2014 - the first new chief executive in 23 years.

The Wairoa District has one significantly large employer, the meat-processing company; AFFCO. There is a council-controlled trading organisation, Quality Roadng and Services (Wairoa) Ltd (QRS), who is a large employer.

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

### Period of assessment

The assessment took place on 7 and 8 February 2017. The findings were subsequently moderated in mid-September 2017. Since the initial assessment was completed, the Chief Executive has resigned and another is currently being appointed. References in this report to the Chief Executive are either generic or are specifically referenced to the previous Chief Executive.



**\$320m**  
GROSS DOMESTIC  
PRODUCT<sup>1</sup>

SERVES

**7,890**

PEOPLE<sup>2</sup>, A MIX OF  
63.0% MĀORI  
49.5% EUROPEAN/PAKEHA  
2.1% PASIFIKA  
1.7% ASIAN



POPULATION TREND  
DECLINE

MAKES UP

**1.50%**

OF NEW ZEALAND'S TOTAL LAND AREA<sup>A3</sup>  
REPRESENTING WAIROA DISTRICT,  
INCLUDING MAHIA PENINSULA TO LAKE  
WAIKAREMOANA, AND SOUTH TO THE  
MOUTH OF THE WAIKARE RIVER, AN  
AREA OF

**4,077 km<sup>2</sup>**

RESPONSIBLE FOR  
**898km**  
ROADS<sup>4</sup>



## Key learnings

Council is working under pressure to catch up after a long period of austerity and poor practices, a distracting amalgamation proposal and an internal functional review. This assessment found that, while councillors and staff are working to lift performance, further improvements are necessary if the Council is to consistently perform at a high level.

- > Council has initiated many reviews and changes to improve performance. Financial practices and reporting are improving. However, governance practice could benefit from further investment.
- > While its infrastructure meets demands, Council may need to make some tough decisions to ensure the adequacy of its assets and service match expected growth and changing land use demands.
- > Stakeholders (Māori, business, strategic partners, and media) are generally positive about improvements in the Council's performance and recognise its achievements. However, some stakeholders have concerns about how best to work with the Council to deliver core services and grow and develop the district.
- > Relationships with Māori have improved considerably in recent years; a genuine sense of engagement is apparent.
- > The Council has an opportunity to provide leadership through the new Long Term Plan, notably how it will enable district growth. However, that plan must be anchored to good practice.

# Assessment Summary

## continued...

### OVERVIEW

Wairoa District Council is working hard to improve its performance following a period of weak performance and the uncertainty of the proposal to amalgamate Hawke’s Bay councils. The Council pressed on with a series of changes, many of which were led by a new mayor (elected 2013) and a new chief executive (appointed March 2014). Improvements are now apparent, however, some important areas of concern remain.

### RATING



## Findings



The Council is making real progress within a challenging context. However, further improvements are necessary to assure the largely supportive Wairoa district that the Council is both acting and seen to be acting in the interests of the whole district.



Clear distinctions between strong governance oversight and openly accountable officials are a characteristic of effective councils. Wairoa District Council needs to be especially diligent to separate governance oversight from operational activity, and to ensure decision-making is fully transparent and delegated authorities are respected.



While councils can be innovative leaders of their communities, stakeholders and communities must be confident that core services including roading, water supply, waste management and flood management are prioritised by the Council over potential economic development projects. The tension of delivering core services well on one hand and promoting economic development projects on the other is recognised as a challenge for the Council and its small rating base.

### 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, drinking water, wastewater and stormwater assets, sports and recreation facilities (parks, sportsgrounds, green spaces etc), community and tourism facilities (playground public toilets, libraries, museums, galleries and public art etc), town centres, and other facilities.
Local Government Act 2002 (LGA 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 LGA 2002 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
Areas for improvement	Variable	Competent	Competent

### STRENGTHS

Council is actively working to improve performance. Following a functional review, management and staff changes have been made to provide a capable executive leadership team.

The Chief Executive has advanced bold proposals to promote economic growth with projects such as Rocket Lab seeking to operate within the district

Several reviews and strategic, policy, and procedural changes have been implemented to ensure Council “does the doing well.”

Stakeholders recognise the Council’s improvements.

The Mayor’s “open sessions” for public feedback have been well received.

There is widespread agreement within the Council that it is heading in the right direction.

There is high public satisfaction with the Council and high participation in local body elections.

### AREAS OF IMPROVEMENT

More effective oversight by elected members of major contracts and decisions is required.

The Council should improve all areas of risk management.

Lines of separation between Council governance and operational management are not sufficiently clear.

The Council, through its statutory documents should clearly demonstrate to its ratepayers how it will replace ageing infrastructure and fund core future needs and economic development projects.

Leadership and delivery of human resources services within Council is relatively weak.

# Leading locally

## Governance, leadership and strategy

Though Council has made improvements in recent years, several matters require attention to ensure both oversight is sound and enable to Council to publicly account for its performance. Further improvements in governance practice should result in more effective leadership and better transparency to stakeholders and the public.

### Priority grading

Areas for improvement

< The Council has made significant progress since 2014. However, further improvements are needed in several performance areas to reach good practice.>

### Setting the direction for the community

Councillors and staff seem to be travelling in the same general direction. The Chief Executive has advocated a strong economic development agenda. However, councillors are very aware of the delivery of core services and need for affordability because it is a prime concern for many stakeholders.

The strong economic development emphasis led by the Chief Executive has resulted in several new proposals, some of which have come to fruition. He wants to measure change in terms of “happiness of the community”, using variables such as economic activity, employment and real estate activity.

Stakeholders (including Māori and QRS) expressed a strong desire for the Council to “walk beside them” as it takes the district forward. This includes more active participation in the Council’s Annual Plan and Long Term Plan.

Councillors rely heavily on feedback from the local community through local body elections, a yearly community satisfaction survey, contact with members of the community and the Mayor’s weekly “open sessions”. The annual satisfaction survey could be improved by including questions about core services, including rubbish collection and flooding, because they are topical issues.

### Creating confident councillors

While councillors have made progress to improve their governance knowledge and practice in recent years, further investment is needed to reach and maintain good practice levels. Councillors agreed that governance training could improve their understanding of their roles and responsibilities, and that appraisals could help identify areas for improvement and, consequently, training needs.

A review of the code of conduct by councillors and the Mayor may assist in facilitating appropriate levels of focus and engagement on governance and operational matters.

### Effective working relationships

The Mayor and Chief Executive have a strong working relationship founded on trust; they talk daily. The Chief Executive has the support of both councillors and staff.

The Chief Executive’s monthly reports inform councillors about activities, contracts and other council business. However, not all major contracts are adequately reported.

The Council’s vision, strategies and policies are not adequately linked across all documentation.

## Focusing on health and safety

The Council would benefit from a more robust health and safety policy for contractors including the Council Controlled Organisation (QRS).

A residual benefit would be a more even playing field for Council tenders. The Council's procurement policy is understood to be being reviewed with urgency to address this.

## Managing the organisation

The Chief Executive provides strong leadership to the Council.

The Chief Executive's performance is reviewed by a committee of the elected Council, which also receives independent advice. The Chief Executive's performance is only loosely linked to the Council's Long Term Plan. The Chief Executive's performance should be explicitly linked to Council priority areas, and performance targets need to cascade down into the senior managers' performance agreements.

A series of improvements have been made to reports provided to councillors. These include a simplified financial report each month. Councillors have seen improvements in reporting.

The Council does not appear to have formal succession plans for the Chief Executive and executive leadership team members.

An independent staff survey or some other engagement tool may assist the Council to understand staff views on the Council direction, strategies, policies, and procedures.

The Council's outsourced human resource support contract does not appear to be delivering to expectations or needs.

## Strengthening risk management

The Finance, Audit and Risk Committee is chaired by a councillor, and has one independent member. A representative from a consultancy firm active in the Council's geographical area also attends the Committee meetings. The Committee meets regularly and provides recommendations to the full Council.

Good management practice suggests that an independent member chair the Audit Committee.

Currently, an extensive financial delegations' framework is in place, meaning many decisions including major decisions are made by operational staff. Some staff appear to consider all infrastructure projects within the approved Long Term Plan and annual plan as being 'approved for expenditure' (regardless of overall value), and contracts are signed by the Mayor and the Chief Executive on that basis. As a result, some major decisions are made without the knowledge of councillors. The Council should consider providing the Finance, Audit and Risk Committee with full oversight of the procurement policy and adding procurement contracts to the risk register, as a means of ensuring major decisions are subjected to appropriate scrutiny and decisions are transparent.

## Strengths

The Council has a clear vision for its district and executive staff provide strong leadership consistent with the vision. However, the vision is yet to be fully embedded amongst councillors.

The Chief Executive's active encouragement of economic development initiatives is an inspiration for many. However, some initiatives are perceived to be too ambitious by some stakeholders.

Council's performance has improved since 2014. A general willingness to further improve governance, strategy, service delivery and accountability is apparent.

## Areas for improvement

Council is at risk of 'over-reach'. More effective prioritisation of strategic projects should mitigate this risk.

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Council is at risk of implementing its vision without the strong support of all stakeholders.

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Though improvements have been achieved recently, further investment in stakeholder relationships (especially with Māori/hapū) should realise significant benefits for the district, especially if supported by effectiveness audits.

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Governance practice and oversight by councillors remain below the levels needed to consistently facilitate transparency and high-quality decisions.

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The Terms of Reference for the Finance, Audit and Risk Committee are insufficient to ensure all major decisions are adequately disclosed, reviewed and escalated to full Council. Good practice suggests an independent chair is appropriate.

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The Council's regulatory processes leave scope for interference by councillors. Modifications will remove the potential for perceptions of interference, and these modifications should be reflected in the Council's code of conduct.

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The use of robust self-assessment and evaluation tools should enable councillors to appraise their individual and collective performance and training needs.

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The Council's vision, strategies and policies are not adequately linked across all documentation.

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Outsourced human resource arrangements are not meeting the needs of the Council.

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# Investing money well

## Financial decision-making and transparency

The Council is fiscally prudent, having adopted a conservative balance and loan sheet. Financial decision making quality has improved in recent years. However, ageing infrastructure and a growth outlook will increase pressure on future Council budgets and decisions.

### Priority grading

Variable

< The challenge for this Council is to lift financial practices to good practice levels during a period of increased demand for funding.>

### Financial strategy

The Financial Policy, authored by an independent member of the Finance, Audit and Risk Committee, sets out the direction and the reasons for the strategic direction. These are consistent with the strategic priorities specified in the Long Term Plan.

### Financial data

Financial practices are inconsistent across the divisions of Council. Consistency would be beneficial, as would the use of a full business case and approval process for significant expenditure, notably major contracts. The Council's procurement strategy and delegations' manual is under review to improve process and monitoring of contracts. Financial policies could be separated from procedures to simplify reporting.

### Risk and control function

Current policies and practices create the possibility for perceptions of conflict and bias. A greater level of independence in the Council's oversight role would help reduce the potential for perceived conflicts of interest or bias in major decisions. For example, implementation of the Council's financial strategy should be overseen by an independent or impartial member of the Finance, Audit and Risk Committee—someone other than by the author of the strategy. While procurement strategy and delegations are being revised, specific procurement elements

within the formal risk register would also be beneficial for increased transparency.

### Budgeting

Though not explicitly required, transparency would be enhanced if a schedule of uncompleted projects and carry-overs were reported in the Annual Report. The Council acknowledges the benefits of separating financial policy from procedures, and of using "simplicity and clarity" as a touchstone when writing documents.

The Council's dividend policy and procurement and delegation policy arrangements with QRS should be clearly stated.

### Financial position of council and transparency

The Council's delegations are based on Council approval of the Annual Plan. A draft manual provides wide delegations to officers for tenders, contracts and capital expenditure. A procurement policy that includes full disclosure of all infrastructure projects would improve Council transparency.

### Strengths

Conservative budgets reflect the Council's relatively low income stream.

The Council has improved financial reporting and accountability in recent years.

## Areas for improvement

Major infrastructure contracts and their financial implications are not consistently considered by the Finance, Audit and Risk Committee, or the full Council.

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Uncompleted projects and carry-overs should be reported in the Annual Report, as a matter of financial transparency.

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Council's procurement strategy and delegation policy leave the potential for perceptions of interference to arise.

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Asset management decisions are only loosely linked to the Long Term Plan.

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Major project investment decisions are not always supported by appropriate business cases.

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The dividend strategy and policy for QRS is unclear.

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# Delivering what's important

## Service delivery and asset management

The engineering team operates competently to meet demands. However, major contracts and projects should be overseen by the full Council to ensure they are linked back to the Long Term Plan and transparent.

### Priority grading

Competent

< Engineering manages most (around 80 per cent) of the Council's budget.>

### Aligning services with strategy

Generally, services are aligned with agreed priorities and the priorities are referenced back to the relevant statutory documents. The engineering and finance team's relationship is improving and the Chief Financial Officer now attends monthly engineering meetings.

### Determining, monitoring and assessing service levels

The Council's annual survey is usefully aligned to a national benchmark. This indicates local views are comparable with other areas.

High levels of satisfaction are recorded in the survey. However, stakeholder reports indicate that engineering has inordinate influence within Council. Tensions are apparent between the Council and Hawke's Bay Regional Council over Wairoa River flooding and, that some immediate issues, such as wastewater, longer term needs require attention.

### Service delivery

Engineering projects are subject to s.17A reviews under the Local Government Act to increase efficiencies. Reviews of roading, three waters (drinking water, wastewater and stormwater) and waste management are planned, but no review is anticipated for property, parks and reserves, the Wairoa Airport, or cemeteries. Around three quarters of Council's infrastructure expenditure is

delivered via contracts with QRS, the second largest employer in the district after AFFCO.

The Council has a high proportion of unsealed roads. The Council undertakes roading maintenance for the State Highway to Waikaremoana for NZ Transport Agency (NZTA). The relationship with NZTA is constructive. However, some stakeholders indicated that pot holes are a problem.

Water assets are being reviewed on a 10 per cent sample basis. Council has offered to upgrade the water supply for Mahunga residents, as many use tank water from a non-potable supply. Stormwater management demonstrably matches environmental expectations (eg silt and toxins off roads are managed), and flood management plans are in place.

The Council's stormwater infrastructure is 65 per cent through its asset life. Stakeholders, including Māori/hapū, want improved services. This feedback is reflected in lower satisfaction levels for stormwater issues in the Council's annual survey. Maori report an issue of wastewater contaminating Deep Creek, close to a Marae.

### Policy planning

Several stakeholders, including Māori/hapū, indicated that Council needs to engage the community more strongly in economic development matters.

The Council's plans for growth in the district have not yet factored in recent treaty settlements and future land use potential.

### Compliance with regulatory requirements

The Council has an active regulatory enforcement strategy, and is working to ensure all dogs are on a lead. However, some infringement notices and approvals (or declines) of building consents have been overturned. Greater disclosure of the reasons for such occurrences would help maintain transparency.

### Reporting, capital investment decisions and delivery

Some major infrastructure and contract decisions are not overseen by councillors, and councillors were unaware of the level of compliance around health and safety provisions in major contracts. However, Council has plans to establish an

Infrastructure Committee to provide transparency and improve accountability for major engineering decisions.

Currently extensive delegations are provided to staff, although a new delegations manual is being prepared to tighten this.

The quality of service delivery is largely judged by public feedback, from surveys or public discussion. While Council has generally embraced a conservative investment approach, the Council's commitment to financial prudence suggests the preparation of full business cases for all major projects is appropriate.

Financial reserves are declared in annual reporting, but asset project carry-overs are not always clearly reported.

Population and growth projections are used to understand the rating base and future asset needs.

### Strengths

The Council has clear documentation related to Council strategy.

The Council is meeting its infrastructure needs.

Community amenities are sound.

The Council has a policy of using interns to extend the Council's knowledge and skill base.

### Areas for improvement

The affordability of future infrastructure replacement projects, core service needs and economic projects would benefit from additional analysis and oversight.

Accountability for major engineering decisions, including outlining procurement and delegations is relatively weak.

Some major projects are initiated without an appropriate business case.

There is insufficient separation between governance/oversight activity and operational activities.

The Council's Long Term Plan should align with present and future regional spatial plans.

There should be an annual and independent survey of staff.



# Listening and responding

Communicating and engaging with the public and businesses

The Council's approach to communications is undergoing change, with a strong emphasis on being more responsive to the district's residents.

## Priority grading

Competent

< Council has a solid platform to build strong partnerships with legitimate stakeholders, including Māori/hapū, as the district enters a growth phase. However, Council needs to take these stakeholders on the journey by outlining a clear and achievable vision for the district. The Council is aware of the challenge and associated issues.>

## Communications strategy

A new communications strategy is being finalised. The new strategy is more directly aligned with Council's vision and strategy than the previous strategy. Strategic priority areas are identified. However, more information to convey how audiences will be reached and results will be measured, in addition to satisfaction surveys, would be helpful.

Council reputation is not directly measured; but it probably should be. Factors such as trust and leadership are important considerations to be measured. A stakeholder survey and staff survey may also inform the communications strategy.

Progress is being made on a digital strategy, although most of the community reportedly prefers paper-based communications. The Council's website is user friendly. The adoption of a "simplicity and clarity" approach for digital and visual devices may be helpful.

## Media

The Council benefits from the Mayor's open public sessions on Wednesdays which generate public feedback. Media stakeholders report a constructive relationship with the Council.

## Engagement with Māori

Māori make up approximately 60 per cent of the district's population. Several Treaty settlements have been completed.

Council and Māori enjoy a strong and constructive relationship, and have moved on from a situation of mistrust and tokenism in the past. The Māori Standing Committee (MSC) in particular is noted as vital to this effective engagement. It is generally seen to be working well, and it has been used as a model for other councils.

Council and Maori report an ongoing commitment to further improve relations and engagement over-time. A proposal for Council to sit on a marae is one example of plans to foster a better relationship.

Terms of Reference and boundaries for electing representatives to the MSC have been modified recently, to ensure hapū have a voice.

Māori should to be included in economic development discussions (the Council's Annual Report does not mention Māori as an economic force in the district).

## Engagement by Council with the general public and business

Public involvement in local body elections is high (68 per cent) and opportunities are available for community input to Council decision-making and policies. Surveys indicate public and stakeholder approval of Council improvements and initiatives. However, some local business stakeholders have expressed some disagreement on Council vision and economic development priorities. Currently, no stakeholder survey mechanism is in place to quantify the scope or import of differences.

Generally, Council documents are clear and readable. Content is appropriate, although the inclusion of Māori as an economic partner as well as a Treaty partner is important. Greater use of te reo Māori text would be respectful of the large Māori population. Greater use of video is encouraged.

## Strengths

Council has recognised the need for and is developing a more audience-centric communications strategy.

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Council has a strong engagement platform to advance its vision and relationship with the community.

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The Council uses a range of methods of communication to reach various audiences.

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## Areas for improvement

Despite Māori comprising a majority of the district population, there is limited use of te reo Māori in public documents.

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There is no formal mechanism to recognise the potential for stronger economic development opportunities with Māori.

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Solicitation of stakeholder views is informal.

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The Council lacks formal performance measures to measure the effectiveness of Council communications, and stakeholder perceptions of trust and reputation.

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