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Bay of Plenty Regional Council

Independent assessment report | December 2020*

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A measure
for better
community value.

* Assessment period: June 2019, moderated August 2020

Assessment Summary

AT A GLANCE



The Bay of Plenty region occupies a large portion of the east coast of the North Island of New Zealand, stretching from the Coromandel Peninsula in the west, to Cape Runaway in the east.



LARGE METRO

SMALL METRO AND LARGE PROVINCIAL

SMALL PROVINCIAL AND RURAL

REGIONAL



The current situation

The Bay of Plenty Regional Council covers New Zealand's fourth largest region (by population) encompassing seven territorial local authorities. It is a region of significant diversity – both geographically and economically. Its large coastal marine area contrasts with the volcanic mountains, lakes and geothermal areas of the Taupō Volcanic Plateau. While it is one of New Zealand's fastest-growing regions underpinned by large tourism, forestry and agriculture industries, it is also the third most economically deprived region, with particular economic challenges in the eastern districts.

With a coastal marine area of almost 10,000km², eight major rivers, five large estuaries, two harbours and the Rotorua lakes, the Council faces some of New Zealand's most significant water management challenges including water quality, flooding control, and coastal erosion.

The presence of 37 iwi, 260 hapū, and 29 per cent of the population identifying as Māori means that Council/iwi relationships are a critical component to the success of the Council's work.

Declining populations and higher-than-average unemployment in the smaller towns and rural areas, especially in the east, not only places expectations on the Council to develop an effective regional economic development strategy, but also to improve transport linkages, especially public transport, to those areas.

Period of assessment

The initial assessment was conducted on 17 and 18 June 2019, with a follow up moderation completed in August 2020.



\$15.8b

GROSS DOMESTIC
PRODUCT¹

SERVES

308,499

PEOPLE², A MIX OF³
73.6% EUROPEAN/PAKEHA
29.1% MĀORI
7.2% ASIAN
3.5% PASIFIKA



POPULATION TREND
GROWTH

MAKES UP

4.5%

OF NEW ZEALAND'S TOTAL LAND AREA⁴
REPRESENTING THE BAY OF PLENTY
REGION ON THE EAST COAST OF THE
NORTH ISLAND OF NEW ZEALAND:

12,071 km²

RESPONSIBLE FOR

352 km

STOP BANKS⁵



Key learnings

“Thriving Together – for the environment, for the people,” is the catchphrase of the Bay of Plenty Regional Council. The Council wishes to see sustainable growth in the region, but in a way that maintains a safe environment for future generations and provides value for money to today’s community. In seeking to achieve this, Council will need to consider:

- > A strong spirit of service and commitment to protecting the regional environment does not in itself translate into high performance and value for money.
- > The financial benefits from well-performing investment assets do not remove the need for a high level of fiscal prudence and accountability for expenditure, particularly in areas that may not be “core” to Council activities.
- > The scale of environmental issues to manage across the region underlines the need for careful prioritisation to ensure that key projects are effectively and successfully completed.
- > Overall, the likely future scale of environmental issues and the need for adaptation is a story not yet told well in New Zealand and the Council will need to find its own way of telling the region’s story more clearly.

1. [Stats NZ Regional GDP data Year End Mar 2018](#)
 2. [Bay of Plenty Region Census 2018 Usually Resident Population Count, Stats NZ](#)
 3. [Census respondents can select more than one ethnicity, resulting in higher than 100% calculation on ethnicity](#)
 4. [DIA – Local Councils, Bay of Plenty Region Land Area](#)
 5. [Rivers and Drainage Asset Management Plan 2018-2068, p.152](#)

Assessment Summary

continued...

OVERVIEW

Bay of Plenty Regional Council is in a transformative stage under a relatively new Chair and Chief Executive. It is committed to becoming a council that successfully delivers key environmental and economic outcomes for the benefit of the region, and, at the same time, demonstrates a high level of value for money in doing so.

RATING



Findings



THE COUNCIL IS A COHESIVE ORGANISATION WITH A DEGREE OF COMMON PURPOSE, ALIGNMENT AND SPIRIT OF PUBLIC SERVICE ACROSS ELECTED MEMBERS AND STAFF THAT IS THE EXCEPTION RATHER THAN THE RULE IN LOCAL GOVERNMENT.

A more specific and enduring performance measurement framework will help transform that organisational strength into more tangible results and a clearer demonstration of value for money.



THE COUNCIL IS WELL ENDOWED WITH ASSETS, AND INCOME FROM THOSE ASSETS SUBSIDISES RATEPAYERS AND ALLOWS MORE FLEXIBILITY IN COUNCIL DECISION-MAKING.

The Council established Quayside as an investment company, diversifying the Council's investment assets. That was a sensible move and Council is encouraged to continue to push forward in the same direction, reasserting the long-term thinking.



THE COUNCIL IS PURSUING AN AMBITIOUS AND COMMENDABLE PROGRAMME OF ENVIRONMENTAL IMPROVEMENTS TO THE REGION IN ORDER TO ESTABLISH AN ENDURING LEGACY FOR FUTURE GENERATIONS.

However, the sheer scale of the programme of work, and a lack of effective measurements of success, is inhibiting progress for Council.

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.
Local Government Act 2002	The legislation 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
Better than competent	Competent	Competent	Better than competent

STRENGTHS

The Council has a well-aligned Chair and Chief Executive, which is reflected in the consistency of messages from elected members and staff.

Elected members in general are well attuned to the financial issues across the Council.

The Council has competent staff who are highly motivated by a sense of public service.

The Council is highly committed to embracing a true partnership with iwi, and iwi co-governance arrangements address complex issues.

The Council has retained three Māori seats on the Council, and its rural distribution of councillors, to better reflect where services are delivered.

AREAS OF IMPROVEMENT

The community and the Council would benefit from greater transparency of, and accountability for, the manner and extent to which the Quayside revenue funds Council activities.

The Council has yet to provide strong evidence of value for money spent. It needs to put in place and maintain an effective performance measurement framework.

Pump stations are important protection for the low-lying plains of Eastern Bay of Plenty, and Council should ensure the ownership, responsibility and level of service is sufficiently formalised and transparent.

The Council could improve its community accountability by effectively engaging with its many communities through digital media, both through transactional online services and two-way communication.

The scale of likely change required in some farming catchments to address water quality issues may not be fully apparent to industry participants or to the community.

Leading locally

Governance, leadership and strategy

Council has a very able Chair who brings a wealth of governance experience. Elected members seek to ensure that all projects are delivered on budget, on time, and to full potential. Providing value for money and consistent project management discipline are significant motivations for many of the current elected members.

Priority grading

Better than competent

< Having created an effective decision-making body, the Chair has set out to ensure councillors deliberately engage outside their own wards and across committee functions.>

Setting the direction

There is a strong understanding between elected members, the Leadership Team and the rest of Council staff as to the broad strategic framework which is clearly set out in the Council's Long Term Plan (LTP), website and in other Council documents – including *Arotake*, the Council's newly published quarterly performance monitoring reports.

The Council's Strategic Framework is displayed throughout the organisation (both in internal documents and those directed at external stakeholders) as four pillars. Pillar Four: "A Vibrant Region" is one where the Council may be seen to have considerable involvement with but little accountability for. It is referenced as a basis for a wide range of activities which need to be more tightly linked back to the Council's core role.

A series of Council workshops were held across the region in 2017, from which a draft LTP was developed. These workshops included

reviewing and updating the strategic framework of the LTP 2015-2025. The new Strategic Framework was adopted by Council in December 2017.

The Council now holds 'Strategic Councillor Workshops' at least twice a year and 'Informal Councillor Strategic Sessions' every six weeks. The topics, agenda and content of these sessions are largely determined by the Leadership Team, but they do provide an opportunity for elected members and Council staff to explore issues beyond the committee structure, within Council's current operating environment.

In summary, there is alignment between what the Council does and what it says it does, between elected members and staff, and between the LTP and the Annual Plan.

The Council argued successfully for retention of two Eastern Bay councillors to ensure there is representation where services are delivered rather than just representation by size of population.

Creating confident councillors

Information on elections is made readily available on the Council's website with specific information for all candidates available from July onwards in an election year.

Once elected, councillors have access to the Governance Manager for further questions on the roles, responsibilities and expectations of elected members. The Governance Manager, in conjunction with the Leadership Team, the Chair and the Deputy Chair, set the agenda for meetings and take responsibility for the comprehensive induction programme early in the triennium.

Each elected member belongs to the Institute of Directors and is allocated an annual professional development budget of \$3,500. Applications to attend professional development opportunities are approved by the Chair and Chief Executive.

In addition to the professional development fund, councillors can attend a conference or event on behalf of the Council, or can be required to attend specialised training. Ten of 13 elected

members (excluding the Chair) undertook professional development in 2017/18.

There will be a number of councillors retiring from the Council at the next election. In light of this, and the importance of the investment company's contribution to operating costs, Council should consider current and future councillors undertaking training in governance of investment companies.

Effective working relationships

The Chair undertakes an annual governance assessment, and reviews decision-making with councillors. The councillors and Chair complete a confidential questionnaire and rating system, which is collated and recommendations are brought back to the Council to consider. Intended changes to the existing process include refinement to councillors' professional development, the introduction of regular informal strategic sessions, and changes to the agenda management process. Elected members strongly support the review of collective performance rather than individual performance. Feedback, including 360-degree feedback, is part of that process, although some have chosen not to be part of this which is of some concern.

The Chair is well rated and respected, and the role of the Chair is clearly understood by elected members. Councillors believe the Chair communicates well, and frequent one-on-one meetings with them are of value, where a better understanding and recognition of individual councillors' strengths are discussed. Elected members and the Leadership Team appear to enjoy an open and engaging relationship. The Chair and councillors are well experienced in governance, and bring with them a breadth of backgrounds, competencies and commitment to the task.

The Executive Remuneration and Employment Subcommittee (EREC) has been delegated to undertake the Chief Executive's performance review. The EREC contracts an external executive consultant to guide and manage the process. The annual formal performance review process includes 360-degree feedback from internal and external parties, including peers in the local government sector, relevant ministry executives, iwi leaders, councillors, committee chairs, the Leadership Team and some third-tier managers.

Upping risk management

While the Council appears to meet most of its compliance requirements, KPMG was not satisfied from an external review with the Council's health and safety compliance. Significant gains have been made over the last two years in risk management, but there is still room for improvement. Some of that is attributed to different approaches to risk management. However, KPMG had an issue with the auditor's report which was not effectively reconciled by the Council.

There is a good understanding of audit and risk among the elected members. Many of the current elected members are financially

literate, and have imposed some very well considered policies on the organisation and its management of various sources of revenue. The Management Report for the 2018 financial year included five necessary recommendations for improvement. This included park asset valuations which had not been revalued at the required frequency, and park buildings being valued at replacement rather than fair value, as required.

Managing the organisation

The new Chief Executive has an engagement and management style which has been developed and influenced heavily from her background in the health sector. She has a strong belief in workplace capability building. Over the last five years staff numbers have grown significantly, from 324 to approximately 400.

Strengths

The absence of a finance committee places a well-founded expectation on all elected members to be financially literate, which is reinforced through the Chair.

Most decisions are achieved by way of consensus and the Chair strives to achieve that outcome.

There is considerable governance experience across councillors and the need for ongoing professional development by elected members is well-understood.

Considerable delegation is pushed down to committee chairs, who are selected and appointed on the basis of their capability.

There is a very transparent approach by the Leadership Team to keep councillors informed.

Areas for improvement

The Council needs to fully consider health and safety and risk reporting at Council meetings.

Investment company governance training, for current and future elected members, would be advisable.

Investing money well

Financial decision-making and transparency

The Council's financial policy and finances are conservatively managed by the elected members through their ability to exercise investment and consumption decisions at their investment arm, Quayside Ltd.

Priority grading

Competent

< The Council is generally managing its finances well, but this is due to, in no small part, the substantial income it receives as a dividend from its arms-length investment company.>

Planning and evaluating financial goals

The Council's current levels of expenditure are sustained by millions of dollars of revenue from Quayside Holding dividends. These dividend returns reduce and offset the take from general rates.

Quayside Holdings is an arm's-length holding company for the Port of Tauranga, an arrangement lauded by the Productivity Commission in its 2012 International Freight Transport Services inquiry.

In addition to the port asset, the Council is building up an endowment fund through Quayside Holdings. This endowment fund invests in a range of assets to reduce risk and help ensure ongoing, sustainable distributions. The Council has employed this strategy over a number of years, reducing the ratio of spending to reinvestment from 90:10 to 80:20. Council could model other scenarios and the implications of making a shift to those. Quayside Holdings exceeded its expected rate of return of 7.5 per cent, and that additional return was reinvested.

The Council financial arrangements for the fund appear appropriate for the last few years but it is suggested that Council consider alternate arrangements which might strengthen the

approach. For example, the Statement of Investment Performance and Objectives (SIPO) could be refreshed to include a more formal fund monitoring function (eg the reference portfolio or portfolios are not clear and there does not appear to be a fund monitor), regional risk could be considered more transparently (ie approximately 30 per cent of the assets in Quayside Holdings are held in the Bay of Plenty region in addition to the Port of Tauranga) and Council could clarify the philosophy around liquidity levels and test whether a smoothed distribution rule could be as effective as having quarantined funds for short-term fluctuations (eg an impact fund). The Council may also consider certifying the fund under an accredited standard. Asset classes are given wide limits, and Council may consider commissioning some modelling of the possible outcomes as the fund stretches to these limits. It seems likely the Council will retain 51 per cent of the Port of Tauranga as a strategic asset, and that could and should influence other investment activity.

Two councillors and the Chief Executive sit on the board of Quayside, and it could be useful to retest this arrangement and possibly establish a fully independent investment board. At the same time, the institutional arrangements needed to secure the long-term, intergenerational benefit of the fund should be reviewed.

The treasury function in the Council further complicates the picture of investment opportunity and risk by borrowing forward against likely capital spend and then re-lending the funds, which has resulted in an arbitrage gain being locked in through fixed rate borrowing and investing. This investing activity is not through Quayside Holdings. Council should consider borrowing only when funds are needed.

The Council finances substantial regional infrastructure investments (eg \$200 million was raised by preference shares in Quayside Holdings through an infrastructure fund). The fund invested regionally in Ōpōtiki Wharf, Scion, a tertiary education campus, and a marine precinct in Tauranga. Some of these funds have been drawn down and some have not, and at some point the money will need to be repaid. This future repayment needs to be clearer to ratepayers.

A conventional approach is taken to budgeting via the LTP and subsequent Annual Plans.

Financial and investment strategy

The current LTP states the Infrastructure Strategy and the Financial Strategy are closely related. However, the Financial Strategy is also closely linked to the Investment Strategy, and that relationship could be made clearer.

Assessing financial data

The Council is meeting its obligations under the Local Government Act. Its financial performance is reviewed and monitored at different levels within the organisation to assist with monitoring progress against the Annual Plans and in turn the LTP to identify areas of challenge or opportunity and to assist decision-making by the elected members. There is a conventional reporting process from budget managers to the Leadership Team and to elected members. This reporting activity includes financial Key Performance Indicators (KPIs) for each of Council's nine groups of activity, as well as treasury and key project tracking.

A number of initiatives are in place to further enhance the current financial and non-financial performance of Council. The relationship between the elected members via their committees and the Leadership Team is particularly strong, given the asymmetry of experience in the elected members' favour, and the knowledge of activities in the Leadership Team's favour.

Meeting financial targets

There are very high carry-forwards on capital projects.

Being clear and transparent

The Council plans to operate an unbalanced budget for the first two years of the LTP 2018-2028, meaning that its financial policy should be modified to reflect its current appetite for spending. Primary reasons for the unbalanced budget are due to funding contributions to third party infrastructure projects through the Regional Fund, Infrastructure Fund, Rotorua Lakes Deed Funding reserve and Environmental Enhancement Fund reserve. The disclosure of these provisions could be made more explicit.

Risk management is incorporated within a conventional Key Risk Register, articulated through the Council's risk policy framework. Of interest are the risks themselves and the effective integration of risk management into other Council policies. Included within the risk register is the Council's conventional risk appetite that determines whether risk levels are appropriate or need to be reduced, or in some circumstances, increased. The elected members' willingness to actively manage the organisation's financial risk environment is commendable.

The risk register also provides a description of current and future mitigations that are available to reduce a specific risk. A Community Impact Assessment is provided for each key risk, yet the ultimate responsibility of risk sits with the elected members. The mechanism does not stop failures from occurring, such as

what happened with NZ Bus service delivery problems in February 2019. In that case the Chair and elected members stood up and presided effectively over the failure. The Risk Management Framework is externally audited on a regular basis, and ongoing reviews are included in the Internal Audit Plan.

The Council's transparency is notable, including provision of sophisticated quarterly reports. The Council's honesty is also notable, although the cost is not being recognised within Council. Whether or not there is sufficient value in providing such regular and frequent reporting has not yet been determined.

Strengths

The Council manages multiple income streams, with complementary risk management, across a broad portfolio.

The elected members' understanding of the broader economic and financial environment is generally well-developed.

Transparency of performance is provided on a quarterly basis.

The Council maintains a large and increasingly diversified asset base.

There is clear separation of operation of the Port and other investment assets from Council operations.

Areas for improvement

The overall investment risk of the Council as a whole should be assessed and reconsidered in view of the current level of regional investment exposure.

The Council could consider strengthening the endowment fund approach by increasing payments into it, refreshing the SIPO and possibly looking at stronger fund protection.

The Council could better account for likely capital spend, and should borrow funds when needed and not ahead of time.

Credentialing institutional arrangements for the endowment fund may be advisable.

Delivering what's important

Service delivery and asset management

The Council's greatest operational strength is its people; they are highly engaged, technically proficient, and instilled with a strong public service ethic. Their capability, however, needs to be better harnessed through more demanding and relevant performance measures, improved business cases and project planning, and more coherent strategies and goals for key activity areas.

Priority grading

Competent

< The Council is transitioning its regulatory approach from incentivisation and persuasion to enforcement.>

Monitoring and assessing service levels

Given that the Council has expressed a strong commitment to providing its ratepayers with value for money, it has a significant opportunity to demonstrate this through improved performance reporting in its Annual Plan and Annual Report. There are improvements in the current LTP which substantially change the past KPI's and establish a greater number of "SMART" standards, (eg the new freshwater standards set targets for "swimmable" rivers and Trophic Level Index (pollution levels) for the Rotorua Lakes), and the Council provides fee discounts for less than 5 per cent of consents applications due to slow processing. However, many KPI's still amount to setting business-as-usual activity as a performance target (ie "actively managing" areas), or are meaningless to the casual reader as to their purposes. For example, one KPI is stated as, "Percentage of maintenance, repairs and renewals completed in accordance with the Rivers and Drainage Asset Management Plan (Note: or based on approved changes to the work programme)".

If the Council wishes to achieve its value for money goal, a good beginning would be improving credibility with its ratepayers by doing things such as:

- Maintaining KPI's for a minimum period of time (eg five years);
- Including "stretch" targets which have some tangible efficiency or numerical value (eg cost or time reductions, increases in outputs); and
- Progressively mapping the progress in successive years against the targets set.

More generally, the overall quality and readability of the statutory reports and plans could be significantly improved through actions such as:

- Providing a succinct summary of performance which identifies real highlights and acknowledges and explains failures or lack of progress;
- Explaining more fully significant financial variances;
- Making greater use of charts with achievements plotted against performance over a period of years rather than the one-off snapshot;
- Providing more visible links between the high-level community outcomes and the annual outputs (KPI's and achievements for the year), demonstrating how the latter are contributing to the former; and
- Using more plain English in its reports.

Assessing capability and capacity

The Council appears to be very well-resourced with 400 staff. While the staffing increase of the past several years may be well-justified, if the Council is committed to value for money, then there should be evidence within the Annual Plan and Annual Report linking the number of staff to increased productivity and

additional projects being completed, or to changes in Levels of Service (such as staff increases in emergency management).

It is clear that the Council staff are highly engaged and committed to their work. With an engagement index of 76 out of 100, their results are among the highest in New Zealand amongst local government and other sectors. The Leadership Team's commitment to creating a positive working environment is demonstrated by the fact that all questions which were identified as key drivers of change have improved between the 2016 and 2018 surveys. Some of the biggest improvements include confidence in the leadership of the organisation, honest and open communication, and care for the well-being of staff. The results from these surveys are comprehensively communicated back to staff, and a plan of action around key issues is developed in response. One of the important actions from the last survey was to bring the "Manager, People and Capability" into the Leadership Team to help drive more effective changes to the culture of the organisation. The elected members have supported the importance of this work by making it a KPI for the Chief Executive to survey staff twice a year, which has been adopted through use of the AskYourTeam survey tool.

While Council has focused strongly and effectively on culture, Council also recognises that more work is needed in developing an effective "People Plan". Council staff acknowledged that there is a need to better understand the skills needed by the Council rather than to simply recruit "smart" people. Developing an organisational skills matrix would help ensure better alignment of staff skills with the needs of the Council. It was noted in discussions with external stakeholders that, as a whole, the Council does not have the depth of commercial, economic or financial skills needed to complement its well-regarded technical and scientific expertise.

Service delivery quality

Asset management

As a regional council, the Council has relatively few significant assets, with the majority relating to drainage and flood control. The Asset Management Plan (AMP) is a comprehensive (260-plus pages) document, and extensively maps catchments and outlines the issues within each. Given its length, the AMP would benefit from an Executive Summary outlining the key issues (eg more frequent and larger floods are limiting the effectiveness of current stop banks) and the proposed action for addressing these challenges. Consistent with the issues raised regarding performance reporting, the KPI's set within the AMP are poor, with multiple references to target standards "to be determined" or to be "maintained at an appropriate standard".

In discussions with staff it is clear that the current assets (stop banks) are not expected to meet current service levels without significant investment to make them higher – with the alternative outcome being more frequent flooding. This is not obvious from reading the AMP, which states: "Council is in the process of

developing a region wide flood management strategy that can be used to define future levels of service and catchment wide sustainable flood management practices. This will allow any agreed change to current levels of service to be reflected in the next review of this AMP (June 2021)". The LTP is also silent on this issue.

Catchment management

Arguably the most sensitive and important catchment activity undertaken by the Council is the work to reduce pollution, primarily nitrogen levels, in the Rotorua lakes. Council's partnership with iwi, local territorial authorities and farmers appears to be working well, with goodwill and commitment to solving the problem from all parties. Nonetheless, the fact remains that the overarching goal (of reaching community aspirations for water quality in four deed-funded lakes: Rotorua, Rotoiti, Ōkareka and Rotoehu) is struggling to achieve targeted progress. In the last reported year 2017/18, Council spent less than half of the \$15.5 million budget and none of the 12 lakes met the Trophic Level Index objectives. Most levels increased (worse performance) compared to the previous year due in part to rainfall events.

The understanding of progress on the lakes is that the target for reduction in pollutants is clear and the science backing the target has been well argued. However, the current suite of tools, including nitrate buy-out, can only partially meet the intended reduction. The Council needs further regulations (ie resolution of "Plan Change 10") to progress enforcement. At that point, the Council will have both the carrot and stick to achieve its regulatory objectives.

Other coastal catchments may be as difficult to address as the lakes, with dairy farming possibly facing considerable change. The extent of reduction in pollutants is more significant than may be understood by stakeholders with 35 to 65 per cent reductions in nutrients being required.

This activity will continue to be contentious with science still catching up on measures (eg turbidity is affected more in the short-term by rainfall) and the inability to model changes at root level with changes in the catchment, given a 20-year groundwater life.

With the region having lost over 90 per cent of its wetlands over the past 150 years, the Council is doing good work to recreate these wetlands with some successful local projects, such as those being implemented in an effective partnership with DOC, local communities and iwi in the Kaituna River catchment. The Council would benefit from highlighting the achievements of these local projects in greater detail in its Annual Report.

Flood protection

Flood protection is front of mind for the Council and unusually, it has bought out and extinguished property rights where flooding is inevitable. A substantial fraction of the fertile plain in the Eastern

Bay is below sea level, and both Council and landowners invest and operate pump stations. The arrangements for these pump stations need to be much clearer, as some sit on the Council's balance sheet and others do not. However, the Council has responsibility for operating the network of pumps. Council should consider a deep dive on the Council's risk around flood protection and pump stations to clarify ownership, management and operation of the assets, to a given level of service.

A disconnect emerged between discussions with staff during the assessment and the contents of the Annual Report. The former highlighted some difficult decisions that lie ahead with their communities regarding the long-term viability of current service levels, but little mention is made of that in the Annual Plan and Annual Report.

Further, stakeholders comment that the level of service that may be expected of them by the Council's regulatory function could differ from that which the Council provides in its operations.

The regional consenting process considers risk going forward, however the Council may need to consider retrospective risk notifications where information has changed. For instance, houses in Papamoa have been built one metre off the ground to reduce damage from flooding, but it is not clear that one metre will be sufficient in future.

Economic Development

Economic development has been a significant issue for public consultation in the region. The Council contributes \$500,000 per annum to the *"Bay of Connections"*; the Economic Development Strategy for the region. It has a vision of a *"prosperous region supported by sustainable sectors"*. The mission is to *"deliver sector-based strategies that generate and encourage sustainable employment in the Bay of Plenty"*, and it works across nine sectors including agriculture, horticulture, education and tourism. There has been a considerable refresh and reset of the activity, but it appears not to have worked.

Borrowing for a regional infrastructure fund has also confused the Council's role, with stakeholders now expecting the Council can be approached for further infrastructure funding. Interestingly, Quayside has a secondary investment objective which is to invest in the region. However, such investments still have to meet investment criteria and rate of return. The Council will need to make it very clear whether it is in, or out, and whether these regional investment activities are part of core business.

Economic development is another activity where the link between good intentions and evidence-based value for money is not obvious. The 2017 Annual Report does not specifically identify any employment numbers (growth or otherwise) to reference economic growth, nor does it set out the money spent, funding received or economic impact of the activities undertaken. "Highlights" for the year include presentations, forums, meetings and development of strategies but, with one exception, no specific

tangible achievements contributing to economic growth are identified.

A similar lack of accountability can be found in some of the sector strategies. For example, the 2018 Aquaculture Strategy has a goal of \$250 million in export sales from the Bay of Plenty Region by 2025. It has 25 sets of actions with no specific delivery dates (all are "ongoing" or "2018 plus") and with no indication as to how any success will be measured.

The Annual Report provides little evidence to support the investments or staff time allocated to this activity. The only KPI is that 100 per cent of the disbursed funds meet the funding conditions, but there is nothing longer-term about measuring the effectiveness or outcomes of those investments. With almost \$13 million invested in a single year, this is of concern.

Public transport

Public transport is proving a challenge for the region. In the last Annual Report, the Council missed both its operational KPI's – farebox recovery was only 28 per cent (target 36 per cent) and public satisfaction was 56 per cent (target 77 per cent). Surprisingly, there are no measures for common goals of public transport such as on-time services or increases in patronage. Relevant public transport performance standards, which are reported elsewhere, should also be referenced in the Annual Report.

The Council recognises the link between good public transport and economic development, with the former enabling people from smaller, often economically-deprived areas to access jobs and education in the main centres. Consequently, there is a drive to increase coverage in these areas. However, achieving these objectives faces several challenges including managing multiple service providers, low farebox recovery due to large numbers of gold card and student users, cheap city car parking and insufficient bus lanes.

A public transport blueprint prepared by consultants sets some sound, hard targets for increased investment in public transport such as 45 per cent farebox recovery, bus trips amounting to 10 per cent of mode share, a 20 per cent reduction in bus journey times and 95 per cent of bus journeys operating to schedule. These are goals which the Council could aspire to, but as yet there is no incorporation of these targets into the current Annual Plan, which simply targets a modest 2.75 per cent increase in patronage in addition to previous KPI's.

There are obvious opportunities for the Council to work with the Rotorua Lakes Council and Tauranga City Council to develop a more cohesive strategy for improving public transport and changing urban form. The Council will also need to think more fully about decarbonisation and its transport implications.

Addressing regulation

The Council has had some regulatory successes, such as improvements to the air quality in Rotorua. For example, the annual exceedances of national standards have been reduced by removing non-compliant log burners through a mixture of regulation, incentives (loans and subsidies) or reducing emissions through education (eg using dry firewood). It is an area of particularly good quality communications to the public.

In the last financial year (2017/2018), the Regulatory Compliance Team completed 2,634 compliance inspections on 1,514 individual resource consents. This is 41 per cent more than the number of inspections recorded in the previous year, due in part to additional staff. Of those inspections:

- 75 per cent of all inspections were assessed as compliant;
- 15 per cent were considered to be low risk;
- 8 per cent were assessed as moderate risk; and
- 2 per cent were found to be significantly non-compliant.

With the 2017/18 results being almost identical to the 2016/2017 results, the increase in resourcing from one year to the next begs the question of whether the resourcing was needed.

Improved analysis of annual results could enable the Council to better undertake risk-based analysis targeting the types of non-compliance that will arise and where it will occur. Currently, 90 to 98 per cent of investigations are not raising material concerns.

Currently Council does not increase compliance efforts during times when there are likely to be more breaches, such as during periods of high rainfall. Council is encouraged to utilise risk-based assessments which are more targeted than those that the current timetable is based on. Compliance activity could use more leading indicators of breaches (as per earthworks) and may be able to use root cause analysis to assist with prediction.

The Council receives a high number of service requests (complaints) – 2,834 in 2017/2018. In response to the complaints, 90 abatement notices were issued, 27 infringement notices issued, there were 20 formal cases of enforcement action rather than prosecution, and nine prosecutions were ultimately brought before the courts. Ten prosecution matters were sentenced during the year which resulted in fines totalling \$414,976. While all of this indicates high levels of enforcement activity, the purpose and outcomes from these activities are not apparent. With over 30 staff associated with enforcement activities, this is another area of opportunity for the Council to show value for money.

Capital investment decisions and delivery

The Council has delivered some major capital projects in the environmental space with good results, such as the restoration of the Kaituna wetlands. However, the internal capability for project planning and business case development appears to be limited. Planning for major projects appears to be provided externally, with the Kaituna project having clearly stated project goals and principles, excellent quality of documentation (with charts, photography etc), strong linkages back to local iwi values, and identification of flora and fauna to be restored into the habitat. However, the project planning lacks hard numbers such as a full summary of capital costs, ongoing operational costs, opportunity costs and SMART measurements for project success.

More generally, while the Council's Project Management User Guide specifies business cases for all projects over \$50,000, none were identified during the assessment, and the current template provided in the Guide lacks the rigour of analysis expected for large capital investments. Business cases like project management could be improved.

Strengths

Council staff collectively have excellent technical expertise and a broad and in-depth understanding of the environmental challenges facing their region.

Council has a highly engaged organisational culture, complemented by a strong sense of public service.

Areas for improvement

The Council could better demonstrate that current resource levels are proportionate and good value for money relative to demands and outcomes, and also provide better accountability.

Pump stations are important protection for the low-lying plains of Eastern Bay of Plenty and Council should ensure the risk, ownership, responsibility and level of service is sufficiently formalised and transparent.

A Public Transport Strategy and measures should be prioritised.

The goals and priorities for enforcement could be better quantified through risk based planning.

Listening and responding

Communicating and engaging with the public and businesses

Extensive energy and commitment to communication and engagement has delivered many positive relationships with specific stakeholder groups. However, the goals of high levels of community engagement (as distinct from passive receivers of council information) and strong understanding of the Council's role and goals remain largely unfulfilled.

Priority grading

Better than competent

< Good communication and engagement are highly important to the Council and receive significant resourcing. Engagement is very high on local initiatives, and stakeholder relationships are generally strong and improving. The Council expends particular effort in its relationships with iwi.>

Planning effective engagement

The Council has a comprehensive Communication and Engagement Strategy which establishes communication and stakeholder management principles, identifies key stakeholders and contains sound media protocols. As with a number of external documents, this strategy would be improved by being more succinct and by providing greater detail as to the key messages. The strategy clearly identifies some of the Council's key communication challenges (eg disengaged youth, urban/rural divide), but lacks specificity as to what messages may help address these problems, and the communication channels and tools that could be used.

It was evident from discussions with elected members and staff that they are all aligned about what their purpose is and how they wish to serve and communicate with their community. The Council makes significant efforts to engage with its community and has made substantial investment in communication documents. However, while pockets of the community appear to value this effort, the effort does not appear to have translated into high levels of engagement and interest in what Council does. Only 200 to 300 submissions have been received in relation to recent Annual Plans (ie approximately 0.1 per cent of population) and 64 per cent of residents rated them between 0 to 6 out of ten for community involvement in decision-making, with the main reason for dissatisfaction being *"There is no communication/none readily provided/not told what they're doing"*. There is an obvious disconnection between the efforts being made and the success being achieved, and more specific performance measures and goals would better justify the resources (people, time and money) being allocated relative to the outcomes achieved.

Communicating through the media

The Council's media protocol is succinct, well-presented and works well as a "what to do" document for elected members and staff alike. It is, however, lacking a strategic dimension in terms of the messages the Council is trying to deliver to the community and the reasons why it wants to deliver these messages.

Nonetheless, recent media stories relating to the Council do not indicate any negative bias. While as a regulator there are several stories relating to infringements or regulatory breaches, they are generally presented in the media in a constructive and balanced manner.

Engaging digitally

The Council website is easy to navigate, free of unnecessary clutter, and won the ALGIM Award for best council website in 2019. The basic services are online, and most things can be paid online. A number of services can be completed online, but some

significant council services, such as applying for a consent, only provide downloadable forms. The Council has an opportunity to meet the public expectation that all services should be online.

The Council has the usual social media channels (eg Facebook, Twitter), and is diligent in posting information. Their success as an effective tool for engagement is relatively modest. For example, while its Facebook page has approximately 19,000 followers (about 6 per cent of the population)¹, the actual engagement from the community is generally limited to a small handful of likes and comments for most posts. The efforts going towards posting information through a variety of channels have yet to fully translate into meaningful community engagement.

Reputation

The Council conducts an annual reputation survey, but no other ongoing form of reputational analysis. The survey undertaken is robust in terms of its methodology, and 1,322 interviews were conducted by different methods, with a margin of error of ± 2.5 per cent. The results from the survey are mixed. Services that were rated as “good” (ie rated 7 to 10) include:

- Communication;
- Financial decisions;
- Quality of services; and
- Overall value for money.

The most positive results in the survey are:

- Two in three residents indicate that staff are quick to respond and took the time to understand their needs.
- A similar proportion indicate that staff did what they said they would do and that they were treated fairly in their recent experience with Council.

Areas of concern highlighted in the survey include:

- Residents struggle to differentiate between the regional council services and those offered by local territorial authorities.
- Ratepayers struggle to perceive value in the services provided by the Council, which has the greatest impact on overall performance.
- While its overall reputation is within the “acceptable” range, there is some polarisation of views between its “champions” and “sceptics” who do not value or recognise Council performance and have doubts and mistrust.
- Overall communication is highlighted as an area for improvement, with those who are dissatisfied with Council communication indicating that information or communication is not readily available.

Neither the current nor previous survey results are accessible online. If the Council wishes to signal a strong commitment to listening and responding to its community, it should consider giving prominence to the current and past results and demonstrating the areas in which it is improving and the priority items for action.

Engagement with iwi

The Council is rightly proud of the degree of commitment it gives to Māori engagement – in the words of the Chair, “we’re an exemplar for Māori engagement, and we can’t thrive without good relationships with Māori”. The range of internal documents in this area is significant, including a Treaty of Waitangi toolkit, a specific Māori engagement strategy and “*He Korowai Mātauranga*” – the Mātauranga Māori Framework, an internal document for staff as a framework to support the implementation of Mātauranga Māori into Council business and the development of staff capacity. These documents have been given significant thought and are true exemplars for other regional and territorial authorities to follow.

With 37 iwi in the region, it is impossible for this assessment to form a true perspective on the quality of engagement with local iwi. However, the discussions which were held suggest that the Council’s efforts in this area are acknowledged and respected. It was considered that the Council has done much to improve relationships with ready access to staff, constructive work on funding key projects and a respect and understanding of local iwi issues. A desire from iwi to engage more commercially with Council was a distinct opportunity for the Council to broaden its iwi relationships, and provide a procurement opportunity for local iwi.

There are many areas and activities in the Council which interface with Māori, including some specialist positions, such as in the spatial planning area.

Despite this, consenting was one area where there was still room for improvement, with a perception by iwi spoken to that the farming community had better access to information and that Council monitoring of territorial authorities was less than rigorous. The Council, however, considers it works hard to dispel these perceptions and provides relevant data on its website.

The co-governance over Rotorua’s lakes with iwi is a good example of activating iwi environmental interest and guardianship with the Council’s role in regulation. This co-governance and the Council’s management of it is well regarded.

The Council has actively supported having iwi at the top table and retains three Council elected positions, elected off the Māori roll. Thus the Council deals with iwi at an elected member level, at a local governance level and also within the organisation.

¹ A figure which has since increased to 27,800.

Building relationships with business

Overall, the Council's relationships with external stakeholders seem good and on an upward trajectory. The Chair and Chief Executive are seen as positive role models for the Council in terms of constructive engagement. The overriding message regarding their relationships with others was that managers were leading from the front and that anyone could pick up a phone and get hold of them to discuss issues. They were seen as a less regulatory-minded organisation, and as one which worked hard to find solutions to problems. A minority view was expressed that parts of the Council remained too cautious and rule-bound in the area of economic development.

While generally positive, a cautionary note was struck about the tendency for the Council to have a "big brother" approach to dealing with local issues within the region. It was noted that while regional councils operated on a catchment basis, people within the region have a local community-minded focus. The Council would do well to remember that its regional perspective is sometimes at odds with local views, and sensitivity to this is needed.

Strengths

The Council has generally high-quality communication documents, particularly those related to local projects.

A great deal of effort has been placed on communication and engagement with iwi, and its co-governance arrangements are mature and well regarded.

The Council has positive relationships with most external stakeholder groups, with acknowledged efforts in recent times to be more accessible and constructive.

Implementation and active management of iwi co-governance over Rotorua's lakes is a good example of activating iwi environmental interest and guardianship.

Areas for improvement

More frequent and effective engagement through social media to key stakeholder groups would be beneficial.

There is no action plan to effectively respond to resident's survey issues and monitor progress.

Development of KPI's for measuring success with implementing the Communication Engagement Strategy should be considered.

A more effective Media Strategy would positively promote the role and relevance of the Council.

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