



## Meeting of the Corporate and Strategic Committee

**Date:** Monday 11 December 2017  
**Time:** 9.00am  
**Venue:** Council Chamber  
Hawke's Bay Regional Council  
159 Dalton Street  
NAPIER

### Agenda

ITEM	SUBJECT	PAGE
1.	Welcome/Notices/Apologies	
2.	Conflict of Interest Declarations	
3.	Confirmation of Minutes of the Corporate and Strategic Committee held on 20 September 2017	
4.	Follow-ups from Previous Corporate and Strategic Committee meetings	3
5.	Call for Items of Business Not on the Agenda	7
<b>Decision Items</b>		
6.	Submission on Remuneration Authority Elected Representatives' Remuneration Review	9
7.	Recommendations from the Finance, Audit and Risk Sub-committee	21
<b>Information or Performance Monitoring</b>		
8.	Compliance and Land Management Departmental Review Findings	29
9.	Motor Vehicle Fleet Efficiency & Policy; Responses to Woodham Efficiency; Council S17A Activities and Information Technology Review Updates	31
10.	HBRC Procurement Policy Review and GoBus Contract	39
11.	HB Tourism Future Funding Scenarios <b>(11am)</b>	43
12.	Health and Safety Update Report for the Period 1 May through 30 November 2017	45
13.	Community Engagement and Communications Quarterly Update	51
14.	Discussion of Items Not on the Agenda	53
<b>Public Excluded Decision Items</b>		
15.	Capital Structure Stage 1 Review Report <b>(11.30am)</b>	53



**HAWKE'S BAY REGIONAL COUNCIL  
CORPORATE AND STRATEGIC COMMITTEE**

**Monday 11 December 2017**

**SUBJECT: FOLLOW-UPS FROM PREVIOUS CORPORATE AND STRATEGIC  
COMMITTEE MEETINGS**

**Item 4**

**Reason for Report**

1. In order to track items raised at previous meetings that require follow-up, a list of outstanding items is prepared for each meeting. All follow-up items indicate who is responsible for each, when it is expected to be completed and a brief status comment.
2. Once the items have been completed and reported to the Committee they will be removed from the list.

**Decision Making Process**

3. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

**Recommendation**

That the Corporate and Strategic Committee receives and notes the "*Follow-ups from Previous Corporate and Strategic Committee Meetings*" report.

**Authored by:**

**Leeanne Hooper  
GOVERNANCE MANAGER**

**Approved by:**

**Liz Lambert  
GROUP MANAGER  
EXTERNAL RELATIONS**

**Attachment/s**

- [!\[\]\(54a282d3ed55c9b1ac66d6fb81d5de2b\_img.jpg\) 1](#) Follow-ups from Previous Corporate & Strategic Committee Meetings



## Follow-ups from Corporate and Strategic Committee Meetings

20 September 2017

	Agenda Item	Follow-up / Request	Person Responsible	Status Comment
1	Remuneration Authority Consultation on Elected Representatives' Remuneration Policies	Working group to consider whether submission necessary	E Lambert	Item on 11 December C&S agenda
2	Notice of Motion from Councillor Paul Bailey	Report back to C&S December meeting on: Review of HBRC Procurement Policy GoBus contract renegotiation options	J Ellerm A Redgrave	Item on 11 December agenda as resolved by Council on 27 September 2017
3	2018-28 LTP Development Process	Proposed schedule of meetings to include monthly Council meetings	L Hooper	2018 Regional Council Meeting Schedule, including monthly Council meetings, was amended in line with feedback and adopted by Council resolution 25 October.
4	HBRC Representation Review	Schedule extra Regional Council meeting on 15 November for decision of Council on whether or not to establish Maori Constituencies	L Hooper/ J Palmer	Regional Council meeting held at 9am, with Environment & Services Committee following at 11am on Wednesday 15 November

Item 4

Attachment 1



**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Monday 11 December 2017**

**Subject: CALL FOR ITEMS OF BUSINESS NOT ON THE AGENDA**

**Item 5**

**Reason for Report**

1. Standing order 9.12 states:

*"A meeting may deal with an item of business that is not on the agenda where the meeting resolves to deal with that item and the Chairperson provides the following information during the public part of the meeting:*

*(a) the reason the item is not on the agenda; and*

*(b) the reason why the discussion of the item cannot be delayed until a subsequent meeting.*

*Items not on the agenda may be brought before the meeting through a report from either the Chief Executive or the Chairperson.*

*Please note that nothing in this standing order removes the requirement to meet the provisions of Part 6, LGA 2002 with regard to consultation and decision making."*

2. In addition, standing order 9.13 allows "A meeting may discuss an item that is not on the agenda only if it is a minor matter relating to the general business of the meeting and the Chairperson explains at the beginning of the public part of the meeting that the item will be discussed. However, the meeting may not make a resolution, decision or recommendation about the item, except to refer it to a subsequent meeting for further discussion."

**Recommendations**

1. That the Corporate and Strategic Committee accepts the following "Items of Business Not on the Agenda" for discussion as Item 14:

1.1. ***Urgent*** items of Business

	Item Name	Reason not on Agenda	Reason discussion cannot be delayed
1.			

1.2. ***Minor*** items for discussion

Item	Topic	Councillor / Staff
1.		
2.		
3.		

**Leeanne Hooper**  
**GOVERNANCE & CORPORATE**  
**ADMINISTRATION MANAGER**

**Liz Lambert**  
**GROUP MANAGER**  
**EXTERNAL RELATIONS**





**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Monday 11 December 2017**

**Subject: SUBMISSION ON REMUNERATION AUTHORITY ELECTED  
REPRESENTATIVES' REMUNERATION REVIEW**

**Item 6**

**Reason for Report**

1. To enable the Committee to consider lodging a Council submission on the Remuneration Authority Elected Representatives Remuneration review.

**Background**

2. Earlier in 2017 the Remuneration Authority made some changes to communications allowances, plan hearing payments and mileage for elected representatives. In their determinations for 2018 and 2019 the Remuneration Authority will be looking at the pay for elected representatives.
3. The three issues being considered currently by the Authority are:
  - 3.1. Council "sizing"
  - 3.2. Setting remuneration
  - 3.3. Benchmarking local government pay scale
4. Feedback is sought by the Authority on these three matters by 15 December 2017.
5. Local Government New Zealand has prepared a draft submission on behalf of its constituent councils. A copy of the draft submission is attached. It is proposed that the Hawke's Bay Regional Council considers endorsing the views expressed in the LGNZ submission, with the option of adding additional information if agreed, to the Authority.

**Discussion**

***Council sizing***

6. Currently the Remuneration Authority uses population and operational expenditure to differentiate the size of councils (and therefore the remuneration).
7. In addition to these factors the Authority is also considering the use of the following factors:
  - 7.1. Total asset value
  - 7.2. Land area
  - 7.3. Socioeconomic deprivation index
  - 7.4. Number of guest nights
8. The LGNZ draft submission supports these identified factors (which are in addition to population and operational expenditure) and proposes two additional factors:
  - 8.1. The degree of heterogeneity within a jurisdiction
  - 8.2. The rate of population changes, whether increasing or declining.
9. LGNZ has acknowledged that for regional councils the land area factors is likely to have greater weight than it would for territorial councils (with the possible exception of large, sparsely populated, rural territorial authorities). Regional Councils have major responsibilities for land and water regulation and land management. The complexities in decision making and governance on these matters are linked strongly to the extent of the land area.
10. It is recommended that HBRC endorses LGNZ's views on Council sizing and that it submits support for additional weighting to be given to land areas for regional councils.

### **Setting Remuneration**

11. Currently the Remuneration Authority sets the remuneration for mayors and chairs, the base remuneration for councillors, and the full remuneration for community board members. The extra pay given to councillors with additional positions of responsibility (e.g deputy chair of council or committee chair) is decided by the council from the pool allocated to them by the Authority. The council decisions are generally accepted by the Authority and included in the determination.
12. The Authority is proposing to change the method of remuneration as follows:
  - 12.1. It will continue to decide the pay for mayors and regional chairs. It will treat these all as full-time positions and will relate the remuneration to the size of the council.
  - 12.2. The Authority will then calculate a pool of money also related to the size of council, for councillor remuneration. Councillors will discuss and make recommendations to the Authority as to how this is allocated to the different positions on council, including community board members.
  - 12.3. Councils are then expected to debate this and come to a decision. The main proviso of the Authority is that Council needs to spend all the money in the pool.
  - 12.4. The Council advice would then be forwarded to the Authority (as currently occurs) for inclusion in the determination.
13. The Remuneration Authority would require a written description of all positions (including for a councillor without a position of responsibility). There would need to be majority agreement (the Authority thinks that 75% sounds fair) and the Authority would step in if agreement could not be reached.
14. One matter which this Council should be aware of ahead of the Representation Review is that under this proposed new approach any change in the number of councillors (either an increase or decrease) would not be reflected in the Authority determination of pool money (that would be based on Council "size"). So the remuneration pool would remain the same because it would not be related to the number of elected people.
15. The LGNZ draft submission expresses some concerns about the proposed 'pool approach' and identifies issues which the Authority would need to address as part of any new pool approach.
16. It is recommended that HBRC endorses LGNZ's views on setting remuneration while noting that HBRC does not have a collective view on the remuneration of community board members.

### **Benchmarking local government pay scale**

17. The focus of this review area is on what comparator sector the Authority should use to benchmark local government pay. The Authority considered a wide section of the labour market, including NGO Boards, commercial boards and local and central government officials. In the end they settled on members of Parliament.
18. While members of parliament are fulltime not all councillors are and the Authority is not presently convinced that all councillors should be paid as if they were doing a full time role. Conversely the Authority understands the need to have sufficient remuneration that allows a full range of people to seek a role in local government.
19. The Authority's proposal is that the largest role in local government – the mayor of Auckland – should be capped at the equivalent of a cabinet minister's remuneration, and that remuneration for all other roles would sit below that.
20. At the other end of the scale the Authority seeks feedback on whether or not there should be a "base" rate for mayors and chairs i.e. a minimum they all get regardless of the size of their council. The scaled amount would cut in on top of the base rate.
21. The LGNZ submission does not offer any advice on how a local government pay scale should be determined. If HBRC wishes to put forward any suggestions this could be included in a covering letter to the Authority.

## Considerations of Tangata Whenua

22. Remuneration of tangata whenua representatives on Council committees is not covered by the Remuneration Authority mandate and so does not affect their remuneration or have any consequence needing consideration.

## Decision Making Process

23. Council is required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
  - 23.1. The decision does not significantly alter the service provision or affect a strategic asset.
  - 23.2. The use of the special consultative procedure is not prescribed by legislation.
  - 23.3. The decision does not fall within the definition of Council's policy on significance.
  - 23.4. The persons affected by this decision are the elected representatives themselves.
  - 23.5. The decision is not inconsistent with an existing policy or plan.
  - 23.6. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

## Recommendations

1. That the Corporate and Strategic Committee receives and notes the "Submission on Remuneration Authority Elected Representatives' Remuneration Review" staff report.
2. The Corporate and Strategic Committee recommends that Council:
  - 2.1. Agrees to support the submission by Local Government New Zealand in respect of the Review of Elected Members' Remuneration.
  - 2.2. Agrees to advise the Remuneration Authority of its support for the LGNZ submission while also noting additional views on council sizing and setting remuneration.

## Authored and Approved by:

**Liz Lambert**  
**GROUP MANAGER**  
**EXTERNAL RELATIONS**

## Attachment/s

- [1](#) Draft LGNZ submission to Remuneration Authority



19 October 2019

## Review of elected members' remuneration

Who's  
putting local  
issues on  
the national  
agenda?  
**We are.  
LGNZ.**

Item 6

### Introduction

LGNZ thanks the Remuneration Authority for this opportunity to contribute to its review of how it approaches the remuneration of elected members. We are pleased that the Authority is committed to finding solutions to the ongoing problems that have beset the remuneration of elected members for many years.

As we note in the body of the submission, since the LGA 1974 Amendment Bill No. 3, which transferred responsibility for remuneration of elected members to the Minister of Local Government, the way in which remuneration has been set and the level of remuneration itself have been subject to constant change. It is a situation that elected members find both frustrating and stressful and which undermines their ability to plan for the future. It also inhibits efforts to interest citizens in standing for local office.

LGNZ is committed to working with the Remuneration Authority to put in place a remuneration approach that is fit for purpose, enables elected members to fulfil their statutory and community duties and is sustainable for the long term.

### Council sizing

***With regard to the proposed factors to be used for sizing councils are there significant influences on council size that are not recognised by the factors identified?***

Yes. In addition to the factors identified councillors' workload is also influenced by two additional factors;

- the degree of heterogeneity within a jurisdiction as in such communities citizens' preferences will be diverse, and
- the rate of population change, whether increasing or declining.

Both factors can be measured reasonably well through census data and Statistics NZ sub-national population projections

***Are there any factors that we have identified that you believe should not be used and why?***

No; we support the identified factors and have suggested some refinements (see above). We note that some commentators have suggested that "deprivation" is not a relevant factor on the basis that "redistribution" is generally regarded as the responsibility of central government. On the basis of LGNZ's experience, however, community deprivation does appear to have a material impact on the workload of councillors in districts where deprivation exists. This occurs as a result of factors such as:

Attachment 1

- demands made on elected members a result of citizens unable to meet the cost of providing and/or upgrading basic services;
- constraints on the level of rates that can be charged which limits the ability of a local authority to adequately meet government regulations and standards – effectively a form of austerity, and
- pressure on councils to advocate on their community's behalf for better public services, ranging from policing, mental health services to schools, is substantial. Low socio economic areas inevitably have poorer public services and councils often find themselves acting as a quasi government department and “topping up” failing public services.

It is important to note that NZ does not have any form of equalisation funding for councils representing low socio economic communities.

***When measuring council assets, do you support the inclusion of all council assets, including those commercial companies that are operated by boards?***

Yes, and to avoid any doubt inclusion should extend to assets held in CCOs.

***If not, how should the Authority distinguish between different classes of assets?***

N/A

## **Weighting**

***Are you aware of evidence that would support or challenge the relativity of the factors for each type of council?***

For territorial councils population and asset management are to major drivers of councillor time and complexity of decision-making. For regional councils area is more important than population.

***If you believe other factors should be taken into account, where would they sit relative to others?***

This depends upon the way in which the formula is intended to work, for example, the rate of population change and degree of population diversity could be designed to be a weighting added on population numbers

## **Mayor/chair remuneration**

***Should mayor/chair roles should be treated as full time?***

Yes. The unpredictability of the mayoral role means that part time employment or other forms of complementary income consistent with mayors' variable working hours are seldom available. Therefore the mayor's role should be remunerated as if full-time with variability determined by council size.

*If not, how should they be treated?*

N/A

*Should there be a “base” remuneration level for all mayors/chairs, with additional remuneration added according to the size of the council?*

Yes

*If so, what should determine this “base remuneration”?*

While historic practice has been to compare the role of a mayor to the role of a Cabinet Minister (since 1989 the Mayor of Auckland was seen to be equivalent to a Minister without portfolio) there are no equivalent private or public sector roles to that of a mayor.

Base remuneration needs to be at a level that will provide new mayors with an income sufficient to compensate them for the losses incurred as a result of giving up previous employment and the loss of taking time away from their particular profession.

If the Remuneration Authority wishes to pursue the analogy between local government and parliament by twinning the salary of the mayor of the largest city with the salary of the most senior Minister in Cabinet, then logically the lowest mayoral salary band should be the equivalent of the salary of an MP.

Please note that any reference to mayor remuneration also applies to the chairs of regional councils.

### **Councillor remuneration**

*Should councillor remuneration be decided by each council within the parameters of a governance/representation pool allocated to each council by the Remuneration Authority?*

Since 1989 when the Minister of Local Government was charged with responsibility to make determinations for the remuneration of elected members followed by the decision to transfer this responsibility to the Higher Salaries Commission in 2001, the remuneration of elected members has been problematic and lacked consistency. Consequently it is difficult for prospective elected members to plan for the future with certainty and councils to establish sustainable administrative approaches.

It is vital that this review settle on a sustainable remuneration approach that will support councils and elected members for the future. Key principles will need to be met:

**Simplicity and transparency** – elected members, staff and most of all citizens must be able to understand the way in which the remuneration approach works and how levels of



remuneration are determined. This is essential for community confidence in our democratic institutions.

**Certainty and simplicity** – process needs to be clear and precise so that councils are able to interpret them without ambiguity and thus avoid the need to frequently seek advice or guidance from the Remuneration Authority. Achieving this will result in low administration costs for both councils and the authority.

**Responsiveness** – local government exists to meet the different needs of our different communities. Uniqueness is reflected not only in the nature of local services but also in the manner in which communities seek to be governed. Consequently remuneration approaches must be flexible enough to address variations in governance models in an accountable way.

**Fairness** – the Authority is required to maintain fair relativity with levels of remuneration received elsewhere. This can be seen as relativity with other sectors, such as parliament, and relativity between councils of similar circumstances (horizontal equity). The current remuneration model, adopted in October 2010, lacks relativity between councils of similar circumstances as the cost of governance is determined by the number of councillors rather than the size and nature of the council.

**Adequacy** – as required by the LGA 2002 remuneration should be set at a level that “attracts and retains competent persons” (Sch. 7 cl. 1(d)). Anecdotal evidence tells us that this is not currently the case with many reports of elected members retiring early due to the demands of office outstripping the remuneration received. (LGNZ will be undertaking a survey of elected members and past elected members over the next year to investigate this issue.) Adequacy is the relationship between remuneration received and the time demands of the position. It can be addressed by either increasing remuneration or decreasing the time required of members. This is an unresolved issue with the pressure on elected members increasing.

**Neutrality** – the way in which remuneration is set should not incentivise councils to prefer one governance model over another. In particular it should not influence decisions about the size of the governing body of councils or the way in which governance is structured.

#### **Determining the right approach – salary or governance pool?**

In developing remuneration models the Authority is faced with the need to find a balance between achieving national consistency and allowing for local diversity and flexibility.

- National consistency or a “one size fits all approach” appears to be administratively straightforward but given the diversity of our communities and the different approaches councils take when determining governance arrangements the Remuneration Authority receives frequent requests to approve local variations.



- Enabling diversity, through pre-determined “governance pools” allows for differences in communities and governance arrangements, such as whether or not a council uses committees or portfolio holders, but can create challenges for governing bodies tasked with determining or recommending a remuneration approach.

The current model of elected member remuneration which sets councillor pay and provides a small top-up for additional responsibilities provides certainty of income, particularly for prospective elected members thinking about standing for office. However, over the last six years a number of problems have emerged such as:

1. the fact that the amount councils spend on governance varies according to the number of elected members they have (rather than the size of the governance task);
2. the difficulty of adjusting the models for bespoke governance approaches, and
3. the problem of adequately rewarding councillors who have been given significant additional responsibilities without adequate remuneration, such as councillors working on district plan reviews.

By itself a “pool” approach does not necessarily address these problems and can create other issues, such as those which occurred between 2004 and 2013 when the pool concept was previously used. For example:

**The interregnum:** The time taken between the swearing in of a new governing body its agreement to a remuneration model (the structure for the governing body and remuneration relativities) will generally take a number of months. That creates a dilemma for the Remuneration Authority as it is not clear how much each elected member should receive in remuneration for that period.

**Public perception:** many councillors and members of the public have concerns that the “pool” approach would appear as if elected members were determining their own remuneration. If this was the case it would be a worrying example of self interested behaviour and conflict with our norms of accountability and transparency.

**The single national pool:** a fatal flaw in the previous remuneration pool approach was the decision to have a single national pool consisting of each council’s pool. As a result where one council grew faster than others (especially if it was a large council) it consumed proportionally more of the national pool requiring a cut in the remuneration of the remainder. Managing this was extremely complex for the Authority leading to multiple temporary remuneration adjustments.

**Community boards:** the decision that 50% of community board remuneration would come from the governance pool was ultimately undermine relationships between boards and their governing bodies and incentivised councils to question whether

their district should have community boards. An approach in which community boards have their own pools is preferable.

Should the Remuneration Authority wish to re-introduce a pooled approach then these issues will need to be addressed.

The problem with the interregnum can be diminished if there is a 'default' governing template that could apply until new governing bodies meet and decide the option of their choice. A range of 'off the shelf' templates could speed up the process involved in selecting the appropriate governance model. It should also diminish the perception that elected members are deciding their own remuneration. It is important that their role is recommendatory only and that the Authority is the ultimate decision-making body.

The single national pool is not required. Each council pool should stand by itself and the size of that pool should only be governed by change in the 'sizing' formula and having separate pools for community boards removes the problems of governing bodies having a conflict of interest.

The other potential problem with the 'pool' approach is that it might incentivise councils to seek a reduction in councillor numbers as part of their representation review because a smaller governing body has the effect of increasing the remuneration of the members. We note that the size of governing bodies has fallen considerably since 1989 and now sits at approximately 11, leaving NZ with one of the highest representation ratios in the OECD. High ratios diminish the ability of citizens to engage with their representatives and reduce diversity.

The risk of the pool approach reducing the size of governing bodies and thus diminishing local representation (and democracy) is essentially controlled by the role of the Local Government Commission (LGC). As the court of last appeal it is the LGC that will ultimately decide the appropriate size of a governing body to ensure effective representation.

***If so, should each additional position of responsibility, above a base councillor role, require a formal role description?***

No. If a pool approach is selected there is no need for this level of prescription, as amongst other things, it would defeat the purpose of the pool approach. A better way of dealing with the matter would be to develop a range of remuneration templates and bespoke governance models. These could be approved by the Authority in advance and made available on its website for new governing bodies to choose from.

***Should each council be required to gain a 75% majority vote to determine the allocation of remuneration across all its positions?***

Yes

***Should external representation roles be able to be remunerated in a similar way to council positions of responsibility?***

This answer to this question depends on local circumstances, however it is not clear what situation is envisaged. In our view additional remuneration would be warranted in cases, for example, where an elected member is appointed to a regional grouping tasked with a regional planning or investigative role where a major time commitment is involved. This should be a matter for council discretion.

***Do the additional demands placed on CCO board members make it fair for elected members appointed to such boards to receive the same director fees as are paid to other CCO board members?***

*Elected members appointed to CCO boards should be remunerated on the same basis as other CCO board members, unless their position as an elected member is a full time position and is remunerated accordingly.*

**Community board remuneration**

***Should community board remuneration always come out of the council governance/representation pool?***

If the Remuneration Authority was of a mind to introduce a “pool” approach the remuneration of community boards should not come out of the governing body pool as it is impossible for councillors to make determinations without being seen to be self-interested.

Community boards must be seen as providing a level of community governance that is outside the role of governing bodies themselves and thus need their own remuneration approaches.

Community board remuneration is extremely complex given the myriad of roles boards play. This needs to be the subject of a stand alone consultation process with representatives of community boards themselves, including the Community Board Executive.

***If not, should it be funded by way of targeted rate on the community concerned?***

Whether community boards are paid out of a general rate or a targeted rate is a decision that is beyond the scope of the Remuneration Authority’s mandate (see Sch. 7cl.(39)) and best decoupled from the amount of remuneration boards should receive.

***If not, what other transparent and fair mechanisms are there for funding the remuneration of community board members?***

The LGA 2002 sets out clear and transparent processes, through their long term plans, for determining the degree to which the remuneration of community board members is met by a general or targeted rate. It is outside the scope of the Remuneration Authority's jurisdiction.

**Local government pay scale**

***Is it appropriate for local government remuneration to be related to parliamentary remuneration, but taking account of differences in job sizes?***

This question and the ones below are best considered in relation to the remuneration of mayors and regional council chairs rather than local government generally. The challenge when setting remuneration is to find an equivalent external benchmark and in the case of mayors there are limited choices. In 1989 the remuneration of the mayor of the largest city was pegged to the remuneration of a Minister without portfolio, however the relativity was quickly lost as mayoral remuneration, which was the responsibility of the Minister of Local Government and Cabinet, grew at a much lower rate than Ministerial remuneration, which was set by the Higher Salaries Commission.

In terms of the remuneration of mayors and regional council chairs there may be a rationale to relate the top level of Mayoral or chair remuneration to that of the most senior cabinet member, however the relationship is not so clear when determining the remuneration of a mayor of a small district unless the view is taken that lowest end of the scale is equivalent to the income of a member of parliament.

***If so, should that the relativity be capped so the incumbent in the biggest role in local government cannot receive more than a cabinet minister?***

There is no valid rationale for capping the remuneration of mayors or chairs to that of the highest paid Cabinet minister. It is simply a policy choice, although one that is not unreasonable. Alternatively the cap could be the salary of the Prime Minister.

***If not, how should a local government pay scale be determined?***

N/A



**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Monday 11 December 2017**

**Item 7**

**Subject: RECOMMENDATIONS FROM THE FINANCE, AUDIT AND RISK SUB-COMMITTEE**

**Reason for Report**

1. The following matters were considered by the Finance, Audit and Risk Sub-committee on 4 December 2017.

**Decision Making Process**

2. These items were specifically considered by the sub-committee.

**Recommendations**

The Finance, Audit and Risk Sub-committee recommends that the Corporate and Strategic Committee:

1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy and that Council can exercise its discretion and make decisions on these issues without conferring directly with the community.

**Audit NZ Management Report for HBRC Annual Report for Year Ending 30 June 2017**

2. Forwards a letter to the Port of Napier requesting that they change their annual reporting date to 30 June to align with the Group and Council financial year dates.

**December 2017 Update on the Sub-committee Work Programmes**

3. Agrees to the scope for the Water Management internal audit as attached.
4. Receives and notes the "Controller and Auditor General Water Management Work Programme" report.

**Reports Received**

5. Notes that the following reports were provided to the Finance, Audit and Risk Sub-committee meeting:
  - 5.1. Data Analytics Internal Audit Report
  - 5.2. ACC Lease Receivables Agreement Audit
  - 5.3. Risk Management Update
  - 5.4. December 2017 Update on the Sub-Committee Work Programmes



**Authored by:**

**Leeanne Hooper**  
**GOVERNANCE MANAGER**

**Approved by:**

**Jessica Ellerm**  
**GROUP MANAGER**  
**CORPORATE SERVICES**

**Attachment/s**

-  1 Water Management Internal Audit Scoping Document
-  2 Controller and Auditor General Water Management Work Programme

Under Separate  
Cover





Item 7

Attachment 1

## Hawke's Bay Regional Council Water Management Audit Planning Memorandum

15 November 2017

Commercial in Confidence

Audit | Tax | Advisory



Commercial in Confidence

## Contents

1	Objectives .....	3
2	Scope .....	3
3	Approach .....	4
4	Deliverable .....	4
5	Estimated hours .....	5
6	Acknowledgement and Acceptance .....	5

The relationship you can count on





Commercial in Confidence

Item 7

## 1 Objectives

The objective of this audit is to review and assess the policies, procedures and controls in place over key water management to meet the objectives of the Hawke's Bay Regional Resource Management Plan and the requirements of section 5(2) of the Resource Management Act. The audit will cover the following:

- The monitoring of local authority consents for water takes for public water supply.
- The monitoring of local authority consents for the discharge of storm water and waste water.
- Monitoring and enforcing compliance with the standards that organisations set and the consents that they grant.

## 2 Scope

The detailed steps to be taken under each of the three areas of review are provided below.

Monitoring of local authority water take, waste water and storm water consents (The three waters services delivered to communities as recognised in the OAG Water Management Work Programme dated October 2017).

- **Testing and Monitoring** – Assessing whether:
  - The testing regimes in place and volume and quality of information collected to determine whether the objectives of the Regional Resource Management Plan are being achieved.
  - The testing covers specific water bodies in the region that supply water to the public including high risk aquifers and bores.
  - The testing measures a comprehensive set of physical, chemical, bacterial and biological variables at a suitable frequency, and these variables have been appropriately defined.
  - Testing of compliance with discharge permits is undertaken to an appropriate level.
  - Testing of compliance with stormwater discharge consents is undertaken to an appropriate level.
  - Testing of compliance with water permits and allocation limits is undertaken to an appropriate level.
- **Testing Results** – Assessing whether
  - Quality monitoring results are available for analysis in a timely manner.
  - Significant changes in monitoring results or monitoring results outside set parameters are escalated to relevant staff members on a timely basis.
  - Responses to results are undertaken on a timely basis (cause of the problem identified, steps taken to prevent ongoing freshwater quality degradation etc.)

Attachment 1



Commercial in Confidence

- Appropriate quality control, quality assurance, and data storage procedures are in place for testing results.
- **Compliance and enforcement** – Assessing whether
  - The Council is able to monitor compliance with regional rules and resource consents effectively.
  - The Council is working effectively with specific industry and agricultural sectors to achieve greater levels of compliance.
  - The Council is working effectively with local authorities to resolve issues of non-compliance.
  - Complaints received and pollution incidents are responded to in a reasonable timeframe and repeat incidents are identified and monitored.
  - The Council is using enforcement tools strategically and consistently to bring about greater rates of non-compliance and to encourage better resource management practices.
  - The Council has appropriate reporting systems for identifying repeat non-compliance and tracking resolution of compliance issues.
- **Reporting** – Assessing whether
  - Testing, compliance and enforcement actions are reported accurately and on a timely basis.
  - Reporting provides information on the current state and trends in water quality in a manner that can be clearly understood.
  - Reports identify actions required to respond to issues identified and tracking of the completion of those actions.

### 3 Approach

We will perform the following for each of the control objectives listed above:

The review will be conducted primarily by applying discussion, observation and review techniques, with limited testing being undertaken, focusing on:

- Understanding through discussion and observation the management processes in place.
- Documenting and evaluating the methods associated with monitoring, control and management.
- Assessing areas of risk in Council's processes.

### 4 Deliverable

We will provide you with a detailed report of our findings and recommendations we consider appropriate to mitigate any further risks identified.



Commercial in Confidence

Item 7

## 5 Estimated hours

We estimate that 60 hours will be required to complete this audit.

## 6 Acknowledgement and Acceptance

The details of the above scoping document have been read and understood and I am authorised to accept them for and on behalf of the Hawke's Bay Regional Council.

Signed: \_\_\_\_\_

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Date: \_\_\_\_\_

PO No: \_\_\_\_\_

Attachment 1



## Contact Us

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**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Monday 11 December 2017**

**Subject: COMPLIANCE AND LAND MANAGEMENT DEPARTMENTAL REVIEW  
FINDINGS**

**Item 8**

**Reason for Report**

1. To provide the findings of the departmental reviews undertaken of the Compliance (Resource Use) and Land Management sections of Council.

**Compliance Departmental Review**

2. An increasing focus on compliance with Council's resource consent requirements, as well as on permitted activities, has led to a review of the focus and level of compliance monitoring being undertaken and the resourcing required to meet governance and community expectations.
3. The recommendations from the review include additional resourcing, which has been factored in to the Draft Long Term Plan, and the development of a Resource Use Strategy which will require input at a governance through the identification of Council's priorities.
4. The author of the report, Sue Powell of Tregaskis Brown, will be attending the meeting to present her findings. A copy of her report is attached.

**Land Management Departmental Review - Background**

5. Across New Zealand there are growing expectations for better freshwater outcomes such as improved water quality, healthier water ecosystems, recognition of Te Mana o Te Wai and reduced risks to human health. Under the National Policy Statement on Freshwater Management (NPS-FM) all regions are required to maintain or improve water quality and to address over-allocation.
6. Key features of the recommended approach out of the review are:
  - 6.1. Establish catchment managers to connect all freshwater-related actions and relationships
  - 6.2. Implement action plans at the scale of community, hapū, school areas
  - 6.3. Establish catchment advisory groups involving iwi, district/city councils, environmental, primary sector, and community leaders
  - 6.4. Provide ways to measure and report on progress including a Mauri monitoring tool and monitoring by communities
  - 6.5. Actively involve other agencies and supporting them in extension roles
  - 6.6. Set out how all teams within HBRC can support the catchment managers including establishment of a senior role to oversee regulatory implementation
  - 6.7. Communication to manage public expectations and shift the focus to reporting action.
7. The report highlights the potential to integrate other functions into the recommended approach such as biodiversity, urban water issues and climate change either now or in the future.
8. Across the country, regional councils are finding that the resourcing required to give effect to the NPS-FM is more substantial than anticipated. It creates high demand on science and policy teams, but there is also growing awareness that regulation on its own does not drive behaviour change, further increasing the demand on farm system, engagement and relationship skills.

9. Alignment of resources provides an opportunity to see greater efficiency and impact on freshwater outcomes. Given the current and upcoming resourcing challenges, there is a need to look at the capacity and capability within Council, to identify gaps and to see if different approaches either internally or with others could enhance delivery. Are there different ways to work that would get more quickly to practical actions that improve water quality and other freshwater outcomes?
10. While the current focus is on freshwater, there may be opportunities to address biodiversity and climate change outcomes as well either by deliberately choosing actions which have multiple benefits or simply by aligning effort in (say) land owner engagement.
11. Christina Robb was engaged to review Council's approach to this work with a specific focus on the Land Management team. Christina was chosen given her extensive experience in this work in Canterbury (she worked at Environment Canterbury 2008-2016) as the Programme Manager/Director – Land and Water, advising the Executive and Councillors/Commissioners on all aspects of land and water management.
12. Christina will be in attendance at the meeting to explain and expand on her recommendations and a copy of her report will be distributed 6 December, as a late attachment to the Agenda.

### **Decision Making Process**

13. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

### **Recommendations**

That the Corporate and Strategic Committee:

1. Receives and notes the "Compliance and Land Management Departmental Review Findings" staff report.
2. Notes that the Chief Executive will be taking the recommendations and advice of the reviews into account when considering the Council's structure and operating model going forward.
3. Notes that the additional resourcing requirements highlighted in the reports will be considered as part of the Long Term Plan development process.

### **Authored by:**

**Liz Lambert**  
**GROUP MANAGER**  
**EXTERNAL RELATIONS**

**Iain Maxwell**  
**GROUP MANAGER**  
**RESOURCE MANAGEMENT**

### **Approved by:**

**James Palmer**  
**CHIEF EXECUTIVE**

### **Attachment/s**

 1 Resource Use Capability Review Report      Under Separate Cover

**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Monday 11 December 2017**

**Item 9**

**Subject: MOTOR VEHICLE FLEET EFFICIENCY & POLICY; RESPONSES TO  
WOODHAM EFFICIENCY; COUNCIL S17A ACTIVITIES AND  
INFORMATION TECHNOLOGY REVIEW UPDATES**

**Reason for Report**

1. To provide an update and findings to date from the vehicle efficiency review, the Woodham Efficiency review, Information Technology and s17a Activities reviews.

**Motor Vehicle Fleet Efficiency & Policy Review**

2. This section provides an overview of Council's current Motor Vehicle practices and provide an update on possible purchasing and utilisation efficiencies.
3. HBRC currently has a vehicle fleet of 59 permanent vehicles, 6 additional vehicles will be retained past disposal date for the use of students over the summer months. The fleet has an estimated market value of near \$1,856,000. A breakdown of the Council vehicle fleet makeup is:

Vehicle type	Quantity
Utilities	41 x 4WD utes 1 x 2WD for Roadsafe HB
SUVs	9 x AWD SUV's 1 x AWD Plug in electric hybrid
Sedans/Station wagons	7 (two of which are petrol hybrids)

**Current Motor Vehicle Procurement Practices**

4. In 2014, Council joined an All of Government (AoG) vehicle procurement contract. The collective group purchasing power of government agencies sees on average, a 27% discount off recommended retail price, compared to the traditional method of approaching local vehicle dealers for a best price offer.
5. Through the AoG contract, Government agencies gain access to discounted vehicles from the following suppliers who are part of the collective agreement - Ford, Mazda, Holden, Hyundai, Mitsubishi, Suzuki, Toyota and Renault.
6. The AoG reduces overall administration time by avoiding duplication information collection across govt agencies. Vehicle specifications such as: safety rating, fuel efficiency, towing load, emissions etc. are collated to enable parties to easily select a vehicle that meets their requirements.
7. The contract specifies that vehicle prices must be kept confidential, so specific prices cannot be made public. However, compared to traditional tendering requests direct to local dealers, a discount of approximately \$4k per 4x4 utility is achieved through the AoG contract.
8. The vehicle purchasing policy was updated in August to reflect that HBRC recognises the importance of using natural resources responsibly and efficiently. Given the negative impact transport has on our emissions profile and our desire to reduce this, vehicle purchases will be electric by default where practical and as follows.



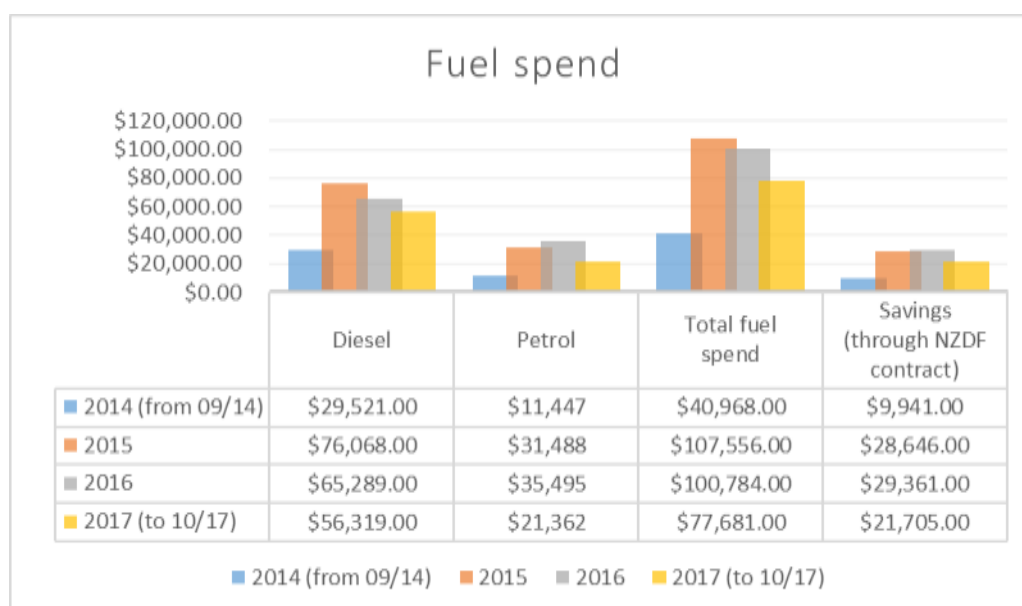
9. Council will purchase vehicles that:
- 9.1 Are supplied through the All of Government (AoG) vehicle procurement contract by approved suppliers, allowing an exception for a vehicle to be purchased used/and or off the AoG list if it is deemed better value for money (e.g. a low km second hand electric vehicle).
  - 9.2 Are appropriate for their intended use
  - 9.3 Have a high standard of safety
  - 9.4 Have a reasonable purchase and lifetime cost
  - 9.5 Where reasonable, electric or plug in hybrid vehicles will be purchased over fuel types. Where electric vehicles are not practical, vehicles with lower emissions will be given preference.
10. Given the nature of work Council undertakes and the lack of 4x4 utility options on the market there has been limited opportunity to introduce electric vehicles into the fleet so far, however Council currently has one plug in hybrid electric vehicle with an additional two on order.

### Vehicle Utilisation Approach

11. Generally, the average or benchmark for normal utilization in a commercially used vehicle is 20,000km per annum. The highest annual kms travelled by any vehicle in Council fleet is around 35,000km, with the lowest around 11,000km.
12. Due to increasing staff numbers, 15 vehicles identified as under-utilized (less than 20,000 km per annum) are now included in a fleet booking system to encourage departmental sharing of vehicles to better utilise the existing fleet before looking to purchase additional vehicles.
13. With anticipated growth of the organisation as indicated in the LTP, ongoing review for better utilisation continues, and any opportunity for interdepartmental sharing of vehicles will be explored in the first instance, before any vehicles are purchased for new hires.

### Fuel Efficiency and Emissions

14. In August 2014 Council signed an agreement to become part of the New Zealand Defence Force fuel procurement contract which allowed access to group buying discounts through BP. Compared to regular BP pump prices, Council has saved \$90,711 since signing the agreement. On average, Council achieves a saving of 25 – 30 cents per litre off petrol and 30 and 35 cents per litre off diesel. The following graph tracks Council spend.





15. This year, fuel consumption appears to be trending downwards despite staff and vehicle numbers increasing. This trend could be attributed a combination of; monitoring of driver behavior including speeding, newer more fuel efficient vehicles, and monthly tyre checks monitoring tread and pressure. Emissions for the same period year to date have decreased accordingly as evidenced below.

Fuel	Jan - Sept 16 emissions	Jan – Sept 17 emissions
Petrol	42	30
Diesel	182	179

16. As the opportunity arises for more electric vehicles to be incorporated into the fleet and as new more fuel efficient models are introduced, Council should be able to achieve further reductions to vehicle related emissions.

### Additional Vehicle Efficiency Procurement Options

17. Council has undertaken an exercise to assess any potential cost savings by selling its vehicles after three years as opposed to current practice of five years.
18. Initial modelling indicated in some instances Council could actually make a small profit through selling utilities at three yearly intervals instead of five. Due to the substantial discount Council obtains through the AOG contract, it would make a slight gain on utility vehicle resale after three years. Currently Council makes a loss after sale of these vehicles at five years.
19. Sedans have also been assessed however it was determined that there was no real benefit to selling at three years versus five years.
20. An example of resale price of a standard Council double cab ute at both 3 versus 5 year internals is provided below.

Example - Double Cab Ute	Per Vehicle		Per 15 x Vehicles	
	3 years	5 years	3 years	5 years
	60,000km	100,000km	60,000km	100,000km
Cost	\$30,000	\$30,000	\$450,000	\$450,000
Resale	\$30,500	\$23,500	\$457,500	\$352,500
Net Loss/(Gain) after 3 v 5 year period	(\$500)	\$6,500	(\$7,500)	\$97,500

21. This example highlights that Council would make a profit of \$500 if it sold the utility after a three years, compared to a loss of \$6,500 after a five years.
22. Vehicles do not tend to depreciate/devalue in a linear manner. After three years of ownership, the value of each vehicle diminishes at a more significant rate.
23. Market estimates from a reputable vehicle dealer have been used, however may fluctuate with trends in the market.
24. An added benefit of a three year replacement model would mean early access to the ever improving safety features and fuel efficiencies of newer vehicles.
25. Staff plan to investigate this further to confirm the 3 year replacement benefit outlined above out-weighs any additional administrative costs involved and will then reflect the relevant saving in the LTP.

## HBRC Responses to the Woodham Efficiency Review

26. The purpose of this section is to provide an update on the Woodham Efficiency Review, originally presented to the Corporate & Strategic Committee 24 May 2017.
27. Responses to each recommendation, with comments and relevant actions follows.

Woodham Report - Recommendations	Comments	Actions
<b>Capital Works</b>	All public/private charges have been reviewed as part of the LTP work programme. It has been identified that Council charges on the low side compared to other Council's in relation to it's stopbanks, drainage schemes etc.	Councillors have expressed an interest to look at the public/private use percentages for it's flood and drainage schemes, such as the Heretaunga Plains Flood Control Scheme (HPFCS), which benefits the majority of our region.
<b>Compliance / Consents</b>	All cost recovered areas of the organisation have been reviewed within the LTP work programme; presentation made to council workshop identified that compared to other regional councils our private user recovery was lower than average and there is potential to increase the private benefit %	Councillors have expressed an interest to look at increasing the private usage charge for consents and compliance to 80% in the draft LTP budget to be presented in December.
<b>S36 Regional Resources/Science</b>	A paper on the current S36 calculations and recommendations for improvements was on the agenda for the Nov 29 workshop	Councillors discussed on 29 Nov, various recommendations were agreed upon for consultation in the LTP
<b>Heatsmart</b>	All aspects of the Heatsmart project were analysed and presented at the 11 Oct LTP workshop, including the cost of subsidising interest expense and grant payments.	Councillors believe the scheme has been successful in its current format and have no desire to reduce or cease grant payments, there is some interest to look at passing on a greater % of the interest which is currently 50% subsidised by HBRC.
<b>Timing and recovery of Rates Invoices</b>	Discussed at 11 Oct LTP workshop. Propose date change to 1 <sup>st</sup> Sept and collection date of 30 Nov (penalty applies from 1 Dec). Possibility to enforce a 2nd penalty on arrears to encourage prompt payment and generate approx. \$100k of income.	Due date for any rate payment is set by Council resolution and formal rate setting procedure following the adoption of the annual plan. No need to formally consult on a change of the due date and/or penalty date however best practice would be to provide ratepayers with adequate notice. Earliest change would be 18-19 year, and recommend progressive change finalised in 19-20 to avoid unnecessary pressure on ratepayers.
<b>Shared Financial Services</b>	Finance services will be reviewed in Jan/Feb in conjunction with a restructure of the finance team. Group Manager for Corporate Services role has been retained within HBRC. Shared service initiatives continue to be explored, progress has been made within the IT space.	Retain HBRC finance functionality, but review and restructure to take place early 2018. IT strategy and roadmap to be presented in the new calendar year following external review completed in Dec.
<b>Daisy and Data Transformation</b>	IRIS project is currently approved and in Phase 1, the project is well managed and intends to replace up to 15 separate pieces of software by the end of phase 2.	IRIS project in progress.
<b>Financial &amp; Management Reporting</b>	Review of the finance function including software management and system controls will be part of the finance function review.	Review yet to take place.

Woodham Report - Recommendations	Comments	Actions
Strategy Setting	HBRC's Strategic Plan has been refreshed for 2017-2021. This was a staff, Exec and Councillor strategy setting activity which included links from all levels and was widely communicated to staff.	LTP project performance measures are being closely linked to the strategic plan and involve collaboration across the organisation.
Human Resources	Currently recruiting for an HR Advisor to support to the HR Manager. Taking specific ownership of Health and Safety and a leading role supporting recruitment as well as training and development across the organisation. An HR performance management system is a project planned for the GM Corp Services to take ownership of in early 2018. It is a key focus for senior management to lift the engagement level of staff and drive a high performance culture as we move through a change process.	Recruitment underway for a new HR Advisor role. Culture and performance high priority items for exec to drive in 2018.
Training	A key responsibility of the new HR hire, will be to develop an organisational training plan to ensure a more considered approach is adopted.	A key objective for the new HR hire to work on in early 2018.
Travel and Accommodation	Review of travel expenditure was presented to councillors at the 11 Oct workshop, highlighting air travel as the main driver for increased expenditure in this area. A review of the travel policy is in progress to implement initiatives designed to reduce spend in this area.	Cost savings of 15% driven through policy and behavioural changes included in the LTP.
Vehicles	The matter of duplication in visits to sites from various departments across the organisation is being addressed through the structural review of HBRC in its entirety, and the vision of exec to drive more efficient ways of working.	Vehicle utilisation report is regularly reviewed with a focus of converting under-utilised vehicles to shared / pooled vehicles vs purchasing for new hires.
Complaints and Prosecutions	Greater collaboration with other local authorities must continue to be pursued to reduce intra-council litigation and be a preferred method of working. Duplication of administration support across consents and compliance will be addressed in the external review currently taking place which will independently make recommendations for efficiencies throughout these departments in their entirety.	Review of consents and compliance has been undertaken and recommendations will be made.
Clerical Support Compliance and Consents	Clerical support is provided separately to both compliance and consents teams due to the varying scope and level of work involved.	Consideration of combining compliance and consents administrative support forms part of the LTP and compliance team review.

## Council s17A Activities Reviews

28. This section provides an update on the status of Council's section 17a review and compliance with this legislation.
29. This issue arises from the requirement under Section 17a of the Local Government Act (2002) for Council to review "the cost effectiveness of current arrangements for meeting the needs of communities within its district or region for good quality local infrastructure, local public services, and the performance of regulatory functions".
30. These reviews were introduced as part of the Government's 2012 Better Local Government reform programme, designed to encourage and enable local authorities to improve the efficiency and effectiveness of their operations and processes.
31. Council is required to give effect to the purpose of local government as prescribed by Section 10 of the LGA. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance

of regulatory functions in a way that is most cost effective for households and businesses. Good quality means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future circumstances.

### **Proposed Approach to s17A Review Activities**

32. The first formal review was due for completion by August 2017. Council has been actively reviewing various aspects of the organization's efficiency through the various functional reviews that have taken place over the last 6 months, and staff expect to have a formal proposal which complies with legislation available for discussion at the March 2018 Corporate & Strategic Committee meeting.
33. Initial steps include proposing a materiality threshold value for the reviews to the committee meeting, as determined through Executive team discussions.
34. The proposal will also recommend a programme of work for Council to adopt at the same meeting, which will include the priorities and objectives for each review.
35. Council's proposed approach in determining a review programme is to seek out opportunities to add practical value to the services and activities that the Council provides or undertakes for and on behalf of its community. This will include:
  - 35.1 Understanding the nature of and rationale for services or activities currently provided or undertaken
  - 35.2 Looking at the context (including service demand) in which these services are and will be delivered now and into the future
  - 35.3 Identifying opportunities that might arise for improving the efficiency or effectiveness of the services or activities, including opportunities that might arise from a collaborative approach with other parties
  - 35.4 Assessing those opportunities to see if they might add value for the Hawke's Bay community
36. This work will also involve collaboration with local TAs, as well as other regional Councils and will be discussed at the LGNZ Finance and Corporate Services Special Interest Group meeting on 8 December 2017.
37. SOLGM guidance will also be applied where appropriate, including using activities (not groups) disclosed for reporting in LTP as a starting point for 'services' to be reviewed along with consideration of bundling like services together based on the interconnection between services, common rationale for service delivery, and patterns of benefit.
38. Once a programme has been agreed it is anticipated that this review will be conducted during the second half of 2018. It is intended that most reviews will be conducted internally however external consultants will be engaged where appropriate and within budgets.

### **Information Technology Review**

39. This section provides an update on the status of the external review recently completed by Effectus of Councils ICT services.
40. Information-gathering exercises conducted with Council included an IT management and governance assessment, internal staff survey, GIS benchmarking survey, management interviews and an executive workshop, in addition to Effectus market and sector knowledge.
41. A full report of the review including proposed IT strategy roadmap and forecast capital expenditure and other recommendations will be circulated to Councillors in due course for discussion. Unfortunately timing did not permit the inclusion of a final report for this meeting

### Decision Making Process

42. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

### Recommendation

That the Corporate and Strategic Committee receives and notes the “Motor Vehicle Fleet Efficiency & Policy; Responses to Woodham Efficiency; and Council S17A Activities Reviews” staff report.

### Authored by:


**Stacey Rakiraki**  
**FACILITIES AND FLEET MANAGER**

**Melissa des Landes**  
**MANAGEMENT ACCOUNTANT**

### Approved by:

**Jessica Ellerm**  
**GROUP MANAGER**  
**CORPORATE SERVICES**

### Attachment/s

-  1 Staff Policy 021 Motor Vehicle Use and Safe Driving Under Separate Cover



**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Monday 11 December 2017**

**Subject: HBRC PROCUREMENT POLICY REVIEW AND GOBUS CONTRACT**

**Item 10**

**Reason for Report**

1. To provide an update on the review of Council's Procurement Policy and the bus service contract, specifically:
  - 1.1. on progress of Council's tendering policy review
  - 1.2. when the Go Bus tender is due for renewal
  - 1.3. if it is possible to renegotiate the Go Bus tender to reflect any pertinent changes to Council's tendering policy.

**Background**

2. In response to a petition in relation to GoBus bus drivers submitted by Cr Bailey at the 20 September 2017 Corporate & Strategic meeting, staff were asked to report on the review of the council's procurement policy and the implications of that policy on the wage rates paid by GoBus to its drivers. The petition presented to Cr Bailey sought payment of the "living wage" to all bus drivers, currently \$20.20 an hour (updated annually) based on an analysis of movements in expenditure items, wages and inflation.
3. Council's current Procurement Policy states that "HBRC will act within the law, and meet its legal obligations, when procuring assets, goods, works and services" – meaning minimum wage must be met under all contracts taken out by HBRC. The policy does not currently state that all contractors pay their staff the "living wage".
4. The current Procurement Policy also states that for NZTA contracts specifically, "HBRC will comply with all NZTA requirements for the purpose of gaining NZTA approval for HBRC's transport related procurement". The GoBus contract falls under this requirement.

**Review of the HBRC Tendering Policy**

5. An internal audit on procurement is scheduled for early-mid 2018, to review Council's current procurement policies, procedures and strategies (attached). It is intended for the scope to be extended to include a review of implications surrounding a requirement for Council to pay contractors the living wage.
6. Findings from the review will be reported to the 6 June 2018 Finance, Audit and Risk Sub-committee meeting, for recommendation to the 13 June Corporate and Strategic Committee meeting. The policy will then be updated in line with the review findings and Committee recommendations.

**The Public Transport Operation Model (PTOM)**

7. The Land Transport Management Amendment Act 2013 established the Public Transport Operating Model (PTOM) in legislation, and specifies that all public transport services must be contracted by regional councils, even if commercially viable i.e. no subsidy is required. Among a range of other requirements, it specifies that contracts for larger services must be nine years (although with a price reset after six years) in order to provide tenderers with the security of a long tenure, which should result in lower annual costs.
8. PTOM has two objectives (*Ministry of Transport website*)
  - 8.1. To grow the commerciality of public transport services and create incentives for services to become fully commercial

- 8.2. To grow confidence that services are priced efficiently and there is access to public transport markets for competitors.
6. This emphasis on competition and the division of public transport services into units has resulted in some quite significant changes in public transport operators around the country, with large Auckland and Wellington contracts no longer held by the previously incumbent operators.
7. Radio New Zealand reported on 2 November that the Minister of Transport has ordered a review of PTOM and that he has asked for advice from officials on options for reform of the contracting model. However, we have not received official confirmation of a review.

### **The GoBus Contract**

9. Tenders were called for the provision of the Napier-Hastings bus service in July 2015 and seven tenders received from five different companies. All tendering procedures were carried out in accordance with the requirements of PTOM and the NZ Transport Agency's Procurement Manual, with the tender documents approved by the Agency prior to their release. The contract was awarded to GoBus Ltd in September 2015 and, as required by PTOM, is for a nine-year period. The contract commenced on 1 August 2016 and will end on 31 July 2025.
10. GoBus Ltd also has significant bus contracts in Bay of Plenty, Waikato, Auckland, Christchurch, Otago and Invercargill. The company is aware of the petition presented to HBRC, as similar petitions have been presented in other areas. GoBus states that all its drivers are paid above minimum wage and receive regular cost of living adjustments.
11. As HBRC already has a contract in place with GoBus for a further 8 years, higher wage rates could only be required through a variation to the contract. Contract variations are usually in relation to levels of service and are negotiated according to rates already specified and evaluated in the tender. The legal implications of this 'other' type of variation would need to be examined carefully, both in relation to PTOM and because of possible legal challenge from unsuccessful tender applicants.
12. There would also be financial implications from such a variation, both for the NZ Transport Agency (which provides 51% of the funding for the bus service) and HBRC.
13. These legal and financial implications would need to be extensively investigated if pertinent changes were made to HBRC's procurement policy.

### **Other Regions**

14. Bay of Plenty and Waikato Regional Councils have received similar petitions from First Union seeking to ensure that all bus drivers are paid the living wage.
15. Waikato Regional Council's response was that this is a national and multi-agency issue and the petition should be forwarded to central government for consideration as joint funders of public transport in Waikato.
16. The Bay of Plenty Regional Council is about to re-tender its services and has not included a requirement for the living wage in its tender documents. However, drivers' wages will have a 4% weighting in the evaluation of tenders.
17. The GoBus North Island Manager has offered to speak to the council to answer questions about staff payment and welfare.

### **Summary**

18. A review of HBRC's procurement policy will consider the implications of requiring the living wage for all HBRC contractors.
19. HBRC's contract with GoBus Ltd ends on 31 July 2025. The HBRC procurement review would need to take the legal and financial implications of a variation to HBRC's contract with GoBus Ltd into consideration.



20. The Minister of Transport has signaled a possible review of PTOM, the tendering and contracting model that regional councils are currently required to use when contracting for public transport services. Staff are in regular contact monitoring this issue locally and nationally with the GoBus National Manager.

### **Decision Making Process**

21. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

### **Recommendation**

That the Corporate and Strategic Committee receives and notes the “HBRC Procurement Policy Review and GoBus Contract” staff report.

### **Authored by:**

**Melissa des Landes**  
**MANAGEMENT ACCOUNTANT**

**Anne Redgrave**  
**TRANSPORT MANAGER**

### **Approved by:**

**Jessica Ellerm**  
**GROUP MANAGER CORPORATE**  
**SERVICES**

**Liz Lambert**  
**GROUP MANAGER EXTERNAL**  
**RELATIONS**

### **Attachment/s**

 **1** HBRC Procurement Policy Under Separate Cover



**HAWKE'S BAY REGIONAL COUNCIL  
CORPORATE AND STRATEGIC COMMITTEE**

**Monday 11 December 2017**

**Subject: HB TOURISM FUTURE FUNDING SCENARIOS**

**Item 11**

**Reason for Report**

1. HB Tourism will present a "Future Funding Scenarios" report (attached) for Council's consideration through the upcoming Long Term Plan development process.

**Decision Making Process**

2. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

**Recommendation**

That the Corporate and Strategic Committee receives and notes the "***HB Tourism Future Funding Scenarios***" report.

**Authored by:**

**Tom Skerman  
GROUP MANAGER  
STRATEGIC DEVELOPMENT**

**Approved by:**

**James Palmer  
CHIEF EXECUTIVE**

**Attachment/s**

 **1** HB Tourism Funding Scenarios Under Separate Cover



**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Monday 11 December 2017**

**Item 12**

**Subject: HEALTH AND SAFETY UPDATE REPORT FOR THE PERIOD 1 MAY THROUGH 30 NOVEMBER 2017**

**Reason for Report**

1. This report provides the Committee with an update of key health and safety information for the period 1 May through 30 November 2017.

**Background**

2. An updated copy of the Health and Safety Reporting Dashboard is attached for the Committee's information.
3. There are no trends of concern resulting from the information provided for this period.
4. Council has yet to hear the outcome of Worksafe's investigation into Michael Taylor's fatal accident. The latest correspondence indicated they hoped to get it to us by Christmas.
5. The influx of students for vacation work increases the need for health and safety vigilance. A number of measures have been improved to provide a more proactive approach including health and safety briefings, requirements to read relevant codes of practices for work they may undertake and driving assessments to determine a satisfactory level of competence driving in the vehicles council provides for their work. Vehicle use is one of the highest health and safety risks faced by Council staff.
6. Compliance with Sitewise pre-qualification for contract work with Council is at a satisfactory level with 75% being the average score achieved. This is still a work in progress to get all relevant contractors pre-qualified through Sitewise to the required level.
7. In early December the majority of field staff were provided training in the new lone worker devices Council has moved to which provide satellite coverage when cellular coverage is not available. These devices will be externally monitored to provide an assurance of an immediate response should the device be triggered.

**Decision Making Process**

8. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision-making provisions do not apply.

**Recommendation**

That the Corporate and Strategic Committee receives and notes the "***Health and Safety Update Report for the Period 1 May through 30 November 2017***".

**Authored by:**

**Viv Moule**  
**HUMAN RESOURCES MANAGER**

**Approved by:**

**James Palmer**  
**CHIEF EXECUTIVE**

**Attachment/s**

- [!\[\]\(ebd6bb7e63799a540c476e56de06a0ed\_img.jpg\) 1](#) Health and Safety Reporting Dashboard





## Health and Safety Reporting Dashboard

**Reporting Period: 1 May 2017 to 30 November 2017**

### Accidents/Incidents - (Works Group in brackets)

Total  
**10 (12)**

Months since last  
serious harm injury  
**7**

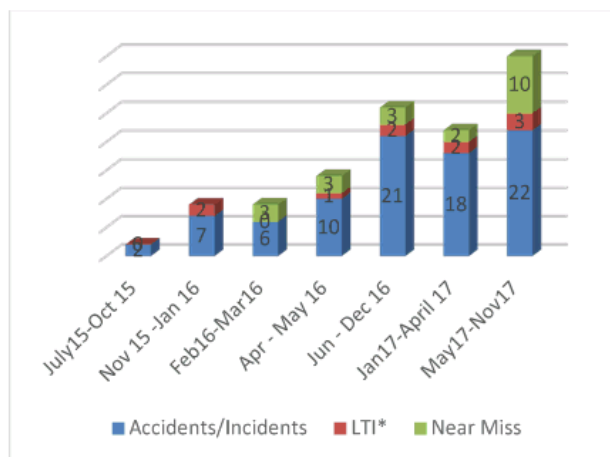
Days since last LTI \*  
**41 (13)**

ACC Claims Lodged  
**3**

Near Miss Incidents  
**10**

\* Lost Time Injury

### Accumulative: Accidents/Incidents



### Types of Accidents/Incidents

Sprains/strains	5
Cuts/abrasions	3
Trips/falls	
Bruising	
Near miss	10
Bite/Adverse reaction	2
Property damage	2

No treatment	12
First Aid	7
Medical centre	
Hospital	
Lost Time Injury (LTI)	3

Item 12

Attachment 1



## Health and Safety Reporting Dashboard

### General

Workstation  
assessments  
**9**

Medical check ups  
**5**

Referrals for  
counselling  
**3**

H&S safety training  
**12** Workplace Risk  
Assessments

Driver training  
**9** student assessments  
18 4x4 training  
6 ATV training  
5 LUV training

Public complaints  
**-**

### Hazard Management

Codes of Practice  
reviewed  
**3**

Codes of Practice  
review overdue  
**3**

Contractors engaged  
**Approx 390**

Contractors Sitewise  
Registration  
**76%**

### 2017-18 Health and Safety Committee Objectives

Objective	Review/ Due Date	Achieved/Not Achieved (Comment)
To ensure all sections of Council are aware of the need for appropriate health and safety training across the activities they are required to undertake.	On going Section meetings	
Monitoring of all sections' "field activities" and contractors in medium to high risk Council activities is scheduled and achieved for 85% compliance (monitoring visits) and for H&S compliance.	March 2018	
Improve section H&S reporting to achieve 80% overall compliance.	March 2018	
Participate in National programmes that are relevant e.g. Safety Week and initiate relevant initiatives for council staff.	As appropriate	
Review how health and safety support is provided across council	December 2017	Underway with proposed appointment of new HR Advisor



Health and Safety Reporting Dashboard *Contd ...*

Reporting Period: 1 May 2017 to 30 November 2017

Objective	Review/ Due Date	Achieved/Not Achieved (Comment)
Provide Executive and leadership team with appropriate information and awareness of responsibilities under new legislation.	<b>Executive minimum monthly.</b> Ldr Team as required.	Weekly updates at Executive meetings
Provide update reports on H&S issues to every Corporate and Strategic committee meetings.	<b>As required</b>	
Actively encourage staff involvement in raising health and safety issues both in and outside staff meeting so as to increase overall awareness of health and safety in the workplace.	<b>Ongoing - review in March 2018</b>	
Ensure correct contractor processes are undertaken, particularly in regard to Sitewise registration.	<b>Ongoing via section meetings</b>	Good Sitewise uptake and improved awareness when retaining contractors
Research availability of appropriate you tube clips for relevant health and safety education.	<b>By December 2017.</b>	Partially completed.
Reinforce the importance of health and safety discussions at section meetings and accurate completion of HS1 forms	<b>Regular section meetings</b>	

## Health and Safety Procedures

% of HS1 section H&S reports completed \*

**70%**

H&S Committee meetings

**4 (2 WG)**

New staff H&S induction completed

**20**

WSMP status

**Tertiary**

Evacuation practice due/done

**1 (Nov)**

Building safety audit undertaken

**October '17**

\* Minimum of three per year

## Other Issues

- We have yet to hear from Worksafe whether or not they will be taking further action as a result of Michael Taylor's fatal accident. The investigator's report was finalised some months back but is awaiting a review by his superiors. We did receive notification that it was "the next to be reviewed" with a final decision before Christmas likely.
- Students, employed for summer work undertake a driving assessment with a qualified instructor prior to driving council vehicles to ensure they have good driving habits and an ability to drive the vehicle provided, which can be something quite different to what they are used to.
- Council has done an extensive review of lone worker devices for use when staff work outside of cellular coverage. Subsequently, we are moving to a new device that will be externally monitored. This will provide a higher level of protection and communication for staff working alone in isolated parts of the region.



# HAWKE'S BAY REGIONAL COUNCIL

## CORPORATE AND STRATEGIC COMMITTEE

Monday 11 December 2017

### Subject: COMMUNITY ENGAGEMENT AND COMMUNICATIONS QUARTERLY UPDATE

Item 13

#### Reason for Report

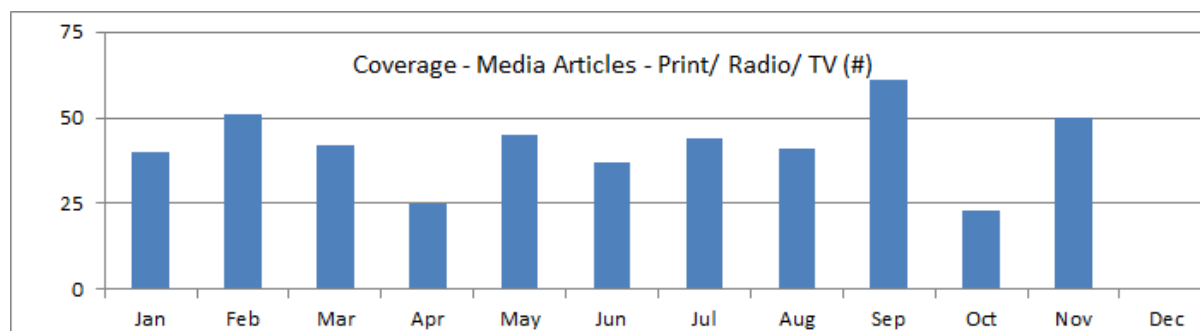
1. This report gives an update on Council's communications activities focused on the first quarter (Q1) of 2017-18, including October-November due to the timing of this item.

#### Background

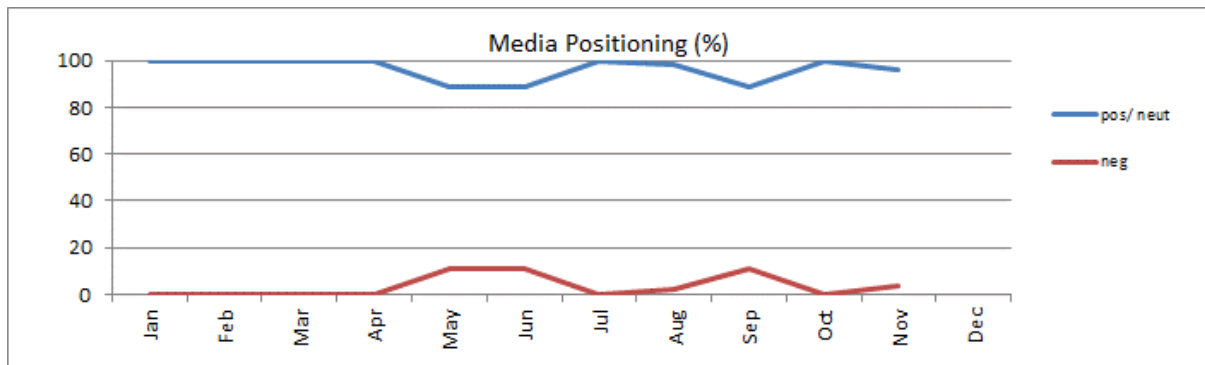
2. Communications during Q1 gave attention to the TANK Plan for Heretaunga water, Pest Management and HotSpot projects – notably Lake Tūtira and Ahuriri Estuary. Media issues were given priority.
3. Continuing support was provided to the Strategic Plan, Tukituki Plan, Biodiversity, Coastal Hazards and Civil Defence projects – in particular EastCoast LAB, liquefaction risk and Emergency Mobile Alerts.
4. Issues in the public spotlight during Q1 were the Water Conservation Order (32 articles in print/ online), water quality (26 – such as shellfish, drinking water and aquifers), the Ruataniwha scheme (25 - noting no RWS reporting in October/ November); to a lesser degree water quantity and hotspot projects (10 each), compliance (9), biosecurity (8) and transport (7).

#### Summary: July - November 2017

5. Media ran 219 articles on HBRC activities (July to November, compared to 192 in the preceding quarterly report). The increase in media reports during September was linked to the Water Conservation Order (17).
6. The main media outlets were Hawke's Bay Today (135), Wairoa Star (31), DomPost- Stuff (11), Napier-Hastings Mails (10), BayBuzz (10), CHB Mail (6), TVNZ (3), Radio NZ (3), National Business Review (3), Newstalk ZB (3) and miscellaneous (4).
7. The majority of media reporting is typically neutral. However, a burst of negative items during September (7) and November (2) related to CHB water (4), the ex-CEO's remuneration, Havelock North water compensation, river raking and the living wage.
8. Coverage



## 9. Media Positioning



## 10. Communications Overview

July	August	September	October	November
10 releases	8 releases	10 releases	10 releases	4 releases
44 media articles	41 articles	61 articles	23 articles	50 articles
1 video		1 video	6 videos	3 videos
5 e-newsletters	6 e-news	6 e-news	8 e-news	5 e-news
66 social posts	85 social posts	52 social posts	63 social posts	50 social posts
61,459 impressions	151,382 impressions	113,454 impressions	149,157 impressions	112,720 impressions

**Looking Ahead – the next three months**

11. The Communications team is developing video production expertise, noting the recent increase in video delivery.
12. The focus for the coming months is Council's inaugural '[Swim thru Summer](#)' campaign using social media and radio, alongside [www.LAWA.org.nz](http://www.LAWA.org.nz) and the pending 'Can I swim here?' application.
13. Staff will continue to grow public awareness of the collaborative Heretaunga Water (TANK) Plan. Early 2018 will include a focus on building momentum to the mid-March release of Long Term Plan 2018-28 consultation materials and events.
14. Staff will further promote community engagement for the Coastal Hazards project and uptake for farm environment management plans in the Tukituki catchment.
15. Communications staff continuously review emerging issues with the Executive and councillors.

**Decision Making Process**

16. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

**Recommendation**

That the Corporate and Strategic Committee receives the "Community Engagement & Communications Quarterly Update" staff report.

**Authored by:**

**Drew Broadley**  
**COMMUNITY ENGAGEMENT AND**  
**COMMUNICATIONS MANAGER**

**Approved by:**

**Liz Lambert**  
**GROUP MANAGER**  
**EXTERNAL RELATIONS**

**Attachment/s** There are no attachments for this report.

**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Monday 11 December 2017**

**Subject: DISCUSSION OF ITEMS NOT ON THE AGENDA**

**Item 14**

**Reason for Report**

1. This document has been prepared to assist Committee Members to note the Items of Business Not on the Agenda to be discussed as determined earlier in Agenda Item 5.

1.1. ***Urgent*** items of Business (*supported by tabled CE or Chairman's report*)

	Item Name	Reason not on Agenda	Reason discussion cannot be delayed
1.			
2.			

1.2. ***Minor*** items (*for discussion only*)

Item	Topic	Councillor / Staff
1.		
2.		
3.		

**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Monday 11 December 2017**

**Subject: CAPITAL STRUCTURE STAGE 1 REVIEW FINDINGS**

That the Committee excludes the public from this section of the meeting, being Agenda Item 15 Capital Structure Stage 1 Review Report with the general subject of the item to be considered while the public is excluded; the reasons for passing the resolution and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution being:

GENERAL SUBJECT OF THE ITEM TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION	GROUNDS UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION
Capital Structure Stage 1 Review Report	<p>7(2)(b)(ii) That the public conduct of this agenda item would be likely to result in the disclosure of information where the withholding of that information is necessary to protect information which otherwise would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p> <p>7(2)(i) That the public conduct of this agenda item would be likely to result in the disclosure of information where the withholding of the information is necessary to enable the local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p> <p>7(2)(j) That the public conduct of this agenda item would be likely to result in the disclosure of information where the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.</p>	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.