

# WE ARE.



Making our

**communities better**

**Central Hawke's Bay District**

**Independent assessment report | October 2018\***

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



A measure  
for better  
community value.

\*Assessment August 2018

# Assessment Summary

AT A GLANCE



**CENTRAL  
HAWKE'S BAY**  
DISTRICT COUNCIL

Central Hawke's Bay is a largely rural region in which conservative values, strong ties to the land and an increasing commitment to sustainable development are prevalent.



LARGE METRO

SMALL METRO AND LARGE PROVINCIAL

**SMALL  
PROVINCIAL  
AND RURAL**



REGIONAL

## The current situation

Central Hawke's Bay District Council serves the residents of Waipukurau and Waipawa, numerous smaller settlements, and a large rural community. Relationships with residents, ratepayers, business, Māori and other stakeholders are strong. Council is now highly responsive to community needs and expectations are high. Balancing of priorities and courageous decisions will be required if expectations are to be met and goodwill maintained.

The Council is emerging from a period of poor performance and underinvestment in infrastructure. A new mayor and six new councillors were elected in 2016. A new chief executive was then appointed, and a new executive leadership team followed. After considerable consultation, Council embarked on a major transformation. A clear sense of vision is apparent and priorities have been identified.

Some 22 per cent of the district's population identify as Māori, with Ngāti Kahungunu the dominant iwi. Council and Māori display a genuine intent to engage for the betterment of all.

### Period of assessment

The assessment took place on 30 and 31 August 2018.



**\$472m**  
GROSS DOMESTIC  
PRODUCT

SERVES

**12,717**

PEOPLE, A MIX OF  
84.1% EUROPEAN/PĀKEHĀ  
22.2% MĀORI  
2.3% PASIFIKA  
1.4% ASIAN



POPULATION TREND

DECLINE/STABLE

MAKES UP

**1.2%**

OF NEW ZEALAND'S TOTAL LAND AREA REPRESENTING CENTRAL HAWKE'S BAY DISTRICT, THE AREA FROM PUKEHOU IN THE NORTH TO TAKAPAU IN THE SOUTH, AND FROM THE WESTERN RUAHINE RANGE TO THE PACIFIC COAST IN THE EAST. AN AREA OF:

**3,332 km<sup>2</sup>**

RESPONSIBLE FOR

**1,264km**

ROADS



## Key learnings

The council is working hard to provide effective leadership after a long period of underinvestment and poor practices and behaviours. The new Mayor and Chief Executive enjoy high levels of support. A remedial work programme is in place, alongside an increasingly comprehensive strategy to deliver a well-articulated district vision. However, expectations are now very high, and will need to be actively managed. Council, both elected members and senior employees are likely to be open to criticism should delivery fall short:

- The recently-appointed Chief Executive has assembled a capable Executive Leadership Team to deliver core and community services, and necessary infrastructure projects.
- The Mayor, elected members and staff are working well as a team, and are highly committed to delivering on what is demonstrably an ambitious transformation programme.
- Community engagement and support for the Council and the new vision, is exemplary.
- Relationships with Maori are good. The Council and Maori are committed to working together to achieve mutually-beneficial outcomes.

# Assessment Summary

## continued...

### OVERVIEW

Central Hawke’s Bay District Council is emerging from a period of under investment and low levels of trust both within Council and with the community. However, the new leadership in place (the Mayor was elected in 2016, and the Chief Executive appointed in 2017) has seen the Council become highly responsive to current and emerging community needs. Community expectations are now very high, and early improvements are becoming apparent.

### RATING



## Findings



#### CENTRAL HAWKE’S BAY DISTRICT COUNCIL HAS TURNED A CORNER.

The new Mayor and Councillors are working well together, and with the Chief Executive and Council staff. A strong understanding of community needs is apparent, and a remedial work programme has been initiated.



#### STRONG EMPHASIS ON INFRASTRUCTURE INVESTMENT.

However, projections are ambitious and are likely to place a strain on rates and affordability. Careful financial management is crucial if desired outcomes are to be achieved.



#### EXEMPLARY COMMUNITY ENGAGEMENT

The enthusiasm and humility through which the Mayor and Chief Executive have engaged with the broader community is praiseworthy.

## Commonly used terms

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



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

#### STRENGTHS

The Council’s reputation has been reinvigorated under the leadership of the Mayor and a supportive Council and Chief Executive.

Council has a very clear sense of purpose and direction, and now enjoys strong community support as a result of a ‘best in class’ engagement process.

The Mayor and Chief Executive are providing strong, inclusive leadership and know that their respective roles are different.

Widespread agreement is apparent within the community at large that the Council is heading in a direction agreed to by all.

#### AREAS OF IMPROVEMENT

Key infrastructure is not performing to community expectations, notably the two urban waste water treatment plants.

Courageous leadership will be required to secure funding and to maintain community support for necessary infrastructure upgrades.

Further development of the Council’s relationship with Māori is encouraged, in pursuit of mutually beneficial outcomes in relation to both natural resources and the community.

# Leading locally

## Governance, leadership and strategy

Council has embarked on a transformational programme since the last local body election. Strong, inclusive leadership is in place. Relationships with the community and other stakeholders are largely positive.

### Priority grading

Better than competent

< The Council has established a strong vision for the district, and a high level of commitment to serve the community and its interests is apparent. >

### Setting the direction for the community

Following a period of underinvestment and low trust, Central Hawke's Bay District Council has embarked on a major transformation. Wholesale change at the last local body election has resulted in a strong focus on transparency, organisational culture, communication and leadership.

A new vision, THRIVE, was established in 2017 following intensive community consultation. The consultation revealed seven themes sought after to make Central Hawke's Bay a thriving district, namely: a proud district; a prosperous district; strong communities; connected citizens; smart growth; environmental responsibility; and durable infrastructure. These have been incorporated within a framework now used to assess and prioritise initiatives and ideas. The first full use of the framework was during the Long Term Plan 2018–2028 development, the result of which was a coherent set of projects and priorities.

### Fresh leadership

A new Chief Executive was appointed in 2017 following the retirement of the incumbent. Stated objectives of the incoming appointee included providing strong and effective leadership;

leading the implementation of a new culture; and making progress on the priorities that emerged during the intensive community consultation.

An early priority for the new Chief Executive was to assess the capability of the Executive Leadership Team (ELT). Several changes were deemed necessary to deliver on what is demonstrably an ambitious work programme required to meet community expectations. The result is a strong, confident and united ELT, which is also acutely aware of its comparative inexperience.

The elected members and ELT display high levels of confidence in each other, and the Mayor commands high respect. A broad mix of experience and complementary competencies is apparent amongst elected members - from real wisdom on one hand to well-intentioned inexperience on the other. Several elected members have taken up professional development opportunities. Further governance training, for the elected members as a group, is likely to be beneficial to group effectiveness and decision-making quality.

### Balancing ambition and effectiveness

Considerable ambition is apparent amongst elected members and Council staff as they respond to the mandate for change provided through the electoral process. That leaders have responded—boldly—has raised expectations within the Council and in the community, to very high levels. Consequently, careful management will be required, including wisdom amongst the elected members to ensure ambition is tempered with reality and so commitments are fulfilled both cost-effectively and in a timely manner.

### Effective working relationships

Working relationships between the new Mayor and elected members, and between the Mayor and Chief Executive are demonstrably strong. The Mayor and Chief Executive are clearly visible in the community and they regularly attend events together.

The Mayor and Chief Executive meet formally and informally, in private and in public. Together, they provide a united and

compelling face of an organisation committed to serving the local community and beyond. They also meet on a weekly basis, to review progress, discuss priorities for the week ahead and explore strategic matters. A well-defined performance management agreement is in place, with clear goals and accountability measures.

## Health and safety

The Council displays a solid commitment to the safety and well-being of staff, contractors, stakeholders and visitors. A comprehensive health and safety policy is in place, with formal quarterly reporting. However, no external audit or review has been completed, and detailed documentation is relatively weak.

Discussions with third-tier managers revealed some sensitivity to the rate at which change is occurring within the organisation, as the transformational change programme is pursued. However, this did not extend to criticism of the need for change. Mid-level managers are very supportive of the new Chief Executive and ELT. Further clarity around expectations and delegations would be useful to ensure third-tier managers are appropriately empowered and equipped for success.

## Managing the organisation

The new Chief Executive is providing strong leadership. A major organisational restructure is being finalised to align capability with both THRIVE and Long-Term Plan priorities. The Council reports little, if any, problem attracting suitable staff, most probably because the Chief Executive assigns responsibility and resources with transparent expectations.

The Chief Executive creates agendas based on clear committee work programmes in consultation with the Mayor and Chairs. Requests for reports and workshops are inserted into the agenda programme in a timely and transparent way.

## Strengthening risk management

The Council's Audit and Risk Committee (ARC), a subset of the full Council, meets every six weeks. While no external member sits on the ARC, the stated intention is to consider an independent member once a more comprehensive skills assessment of the members is completed.

The ELT is improving the quality of reporting to the ARC, so that they have a more strategic view of risk rather than just an operational view.

## Information flows

Councillors meet regularly in accordance with a published schedule. A risk-based approach to reporting is used, and

disclosures by officers is remarkably transparent. Problems are declared without fear or apprehension.

Council has recently embraced a new reporting template, as a result of learning from a visit with another Council. The workshop mechanism is used judiciously, to ensure elected members are appropriately informed ahead of chamber debates and decision-making processes that follow.

### Strengths

Central Hawke's Bay has a very clear sense of direction and purpose.

Strong community support (of the Council and for the change programme) is apparent, as a result of exemplary engagement processes.

Projects and initiatives are explicitly assessed against a framework to test alignment with the agreed vision

Both elected members and the ELT display high levels of awareness that community expectations are high, and that sustaining the pace of change will require careful management of resources and the continued support of staff.

### Areas for improvement

Further professional development of the elected members as a group, especially in accepting collective responsibility for decisions.

Reporting improvements to provide a more comprehensive view of what is being achieved and what needs to happen.

Further development of risk reporting, to provide a more strategic view of risk.

Currently, no assessment or evaluation system is in place to evaluate the capability and effectiveness of elected members.

# Investing money well

## Financial decision-making and transparency

The Council has had a long history of austerity and careful financial management. However, this has resulted in underinvestment in some core service areas. Also, some important decisions were not supported by robust financial analysis and justification.

### Priority grading

Variable

< The Council is managing its finances reasonably well, with low levels of debt. However, the community has expressed a willingness to pay for higher service levels. >

### Financial strategy

The Council's financial strategy is well articulated, and its priorities are now clearly documented.

Currently, the Council has relatively low levels of debt. However, this situation will come under pressure in conjunction with the #bigwaterstory and various investments in infrastructure, such as new wastewater treatment plants.

Further, population growth and affordability assumptions may not be robust and may not be relevant at a local level. A more robust testing of key assumptions would be helpful, to ensure the foundation upon which the financial strategy is formed is sound.

### Financial data

Considerable improvements in financial reporting have been implemented over the past 12 to 18 months. Reporting is now observed to be sound.

Management reporting to the ELT is provided monthly. Reporting to the Council's financial and planning committee occurs quarterly. The extent of change amongst both elected members and ELT means institutional knowledge is relatively light. This observation is tempered by high competencies amongst the ELT.

Reporting to residents is a little obtuse at present. For example, actual performance against budget is somewhat difficult to assess. This has been identified as a work-on that needs to be remedied with some urgency, producing a dilemma of where to direct limited resource.

### Risk and control function

Historically, contracting and procurement decisions have been made with little evidence-based justification. This is now being remedied, and with considerable urgency. A Procurement and Contract Management Framework is being developed, using 'best practice' guidance, such as that published by the OAG and MBIE. Implementation of what promises to be an innovative contracting and procurement policy is expected to deliver considerable operational and strategic benefits.

The risk and control functions are being reviewed and refined, as current documentation is either out of date or incomplete. As the reviews proceed, the level of understanding of both operational processes and of the state of assets is expected to continue to grow. Further improvements are expected once a more comprehensive review of strategic risks is complete.

Council is under no illusions that considerable work is needed to deliver the quality of reporting and operational documentation that is required. Once in place, this documentation should enable more informed decision-making and provide reliable assessments of actual performance.

Council's commitment to engagement and the tenet of collective responsibility, in relation to risk and control in particular, is laudable.

### Financial position of council and transparency

Heightened expectations have emerged over the last 12 months, fuelled by several key initiatives, perhaps most notably the #bigwaterstory. The community has accepted the need for investment in infrastructure and has given a mandate to council to deliver. Priorities are documented in the Long-Term Plan. However, careful management will be required because the scheduled investment in infrastructure over the next ten years will place considerable financial demands on ratepayers.

Financial and management accounting practices seem to be sound, with adequate staffing in place. This is a somewhat surprising finding given the reported concern that prevailed in the past. It suggests considerable effort has been expended to address immediate gaps in knowledge and reporting.

The elected members are capable of making sensible and rational decisions in the best interests of, the community.

Awareness of the need to communicate effectively with the community is high. The Council's response, especially in terms of transparency, has been continues to be exemplary.

Depreciation of assets has not been appropriately accounted for in the past, creating an additional challenge to be managed. Considerable effort has been applied to update the asset register and asset use and deterioration are now beginning to be accounted for correctly. However, the gap between assumed asset productivity and actual performance continues to be a problem.

Council needs to reach a shared understanding with the community of what 'value for money' actually means.

## Strengths

Council's commitment to improving the quality of financial reporting, both to elected members and the wider community is very high.

The Procurement and Contract Management Framework (under development) should result in higher quality investment decisions, and expedite reliable verification of project and services outcomes.

Council (both ELT and elected members) display a strong commitment to courageous decision-making, without fear or favour, especially in relation to asset renewals and replacement of core infrastructure.

## Areas for improvement

Gaps are apparent between the assumed productivity of assets and the actual asset performance achieved.

A more rigorous treatment of depreciation is required, to ensure adequate provisions for renewals in the future.

The Council should develop a finance strategy specifically for major infrastructure spend.

Council should consider appointing an external member to the Audit and Risk Committee.

# Delivering what's important

## Service delivery and asset management

The Council's delivery of core infrastructure services to meet community expectations of performance has been compromised by inadequate investment in the past. Considerable remedial activity is now underway, and a prioritised action plan is being developed.

### Priority grading

Areas for Improvement

< Central Hawke's Bay District Council is facing several immediate infrastructure challenges, which are being addressed proactively. >

### Aligning services with strategy

The Council is recovering from a period of significant underinvestment in infrastructure management and maintenance, weak processes and inadequate documentation.

The Council's infrastructure strategy is weak, and some asset classes are not supported by appropriate asset management plans. However, Council's awareness of this gap, its willingness to share, explain and discuss the gap, and its commitment to address it, is remarkably high and transparent.

While big challenges lie ahead, especially to prioritise and fund maintenance and renewals, a sound plan of action to redress the documentation and process gaps by 2020 is in place. Early indications suggest that the Council's commitment to explicitly link work programmes and asset management plans with overall vision and strategic priorities is sound. However, the fully prioritised programme of work is yet to be fully established.

### Monitoring and assessing service levels

Service levels are set in conjunction with the community via an exemplary resident's survey (run for the first time in 2018) and an intensive consultation process. The results provide a comprehensive representation of community desires and

preferences. These have been analysed, prioritised and incorporated in the Long-Term Plan.

Community stakeholders have expressed strong support for the Council's commitment to change and deliver on considerably improved service levels. But such support is not blind; stakeholders are very aware that change of the scale faced by Central Hawke's Bay District Council is not without risk.

Elected members are similarly cognisant of the risks and challenges that lie ahead. A series of decisive actions have been taken already. Council will need to be vigilant to ensure expected benefits are actually delivered.

An extensive communications programme will be required to maintain community support, because it will simply not be possible to do everything without vastly increasing the financial demands on the rating base.

### Service delivery

One Section 17a review has been completed in the current triennium. More are scheduled, to a managed timetable and as funding allows. Findings are being assessed and implemented as reviews are completed.

Drinking water quality is assured through the use of multiple barriers. High levels of awareness are apparent following the system failure in Havelock North, and the Council is well informed directly, and from the Hastings District Council and Hawke's Bay Regional Council.

Careful management of the local water resource is a notable concern, more so since the Ruataniwha Dam decision (the Supreme Court decision to disallow a dam for water storage purposes) and the flow-on economic and social impacts such as the prospect of declining GDP per capita (in relative terms) have been recognised.

Council has experienced major failures in its urban wastewater treatment plants, in Waipukurau and Waipawa. A complete review of both plants has been commissioned, and it is likely that a significant investment will be required for urgently required remediation. Considerable consultation will be required, to secure

support for what is expected to be a \$34M investment. It is noted that earlier efforts at remediation achieved

The single largest problem facing the region's roads for which the Council is responsible, is heavy vehicle usage, specifically logging on gravel roads and overbridges not rated for maximum loadings. The possibility of developing an inland railhead at Dannevirke may provide a mitigation. However, if the cost of the rail option proves to be prohibitive, then district roads will need to bear the burden of the already mounting 'wall of wood'. The decommissioning of SH52 provides a tacit understanding of the implications of failure; unsurmountable costs that are unlikely to ever be addressed.

## Capability and capacity

Council reports little, if any, difficulty recruiting staff to fill vacancies, including those in specialist roles. That several recent appointees are returning to the district since the last local body election is indicative of increased confidence in the Council as a great place to work, and the vision and leadership of the Chief Executive and ELT.

Considerable effort has been expended by the Chief Executive and ELT to inculcate the vision, and help staff embrace the new THRIVE culture. But while staff morale is reported to be lifting, some mid-tier staff appear to be disenfranchised by the rate of change and the implicit expectation to accept greater responsibility and the need for initiative. The rapid change to a performance driven culture could also challenge others.

Council appears to have suffered from weak systems in recent years, notably in IT and information management. These systems are now being addressed in a structured and orderly manner.

While Council is not burdened with significant community services, those it does provide, notably the library and urban recreational areas are well frequented. The interface between the library and local community groups was observed to be both well managed and a source of civic pride.

## Compliance with regulatory requirements

Council's regulatory practices are dependent on the good will and institutional knowledge of long-standing staff. There has been a considerable enhancement of compliance performance and service delivery over the last 18 months that has attracted praise from a wide range of stakeholders.

## Community services

Core community services are delivered within the context of Section 11a of the Local Government Act. Community needs have been elicited through a comprehensive consultation process. Consequently, Council's decisions in relation to the delivery of community services are well informed.

Several innovative projects have been initiated, including taking services to residents (usage of iPad technology within eldercare facilities, for example). Stakeholders report high levels of

satisfaction with service delivery, both in terms of core community services and more innovative ones.

## Spatial planning

Council is currently undertaking a generational review of its District Plan. Funding has been appropriated and the community seems to be engaged in the process.

The emergence of both Waipawa and Waipukurau as satellite towns of Napier and Hastings (they are within commuting range and offer lifestyle options) is increasingly apparent. Careful longer-term planning will be required to meet community expectations and developer interests. Close collaboration with the Hastings District Council and Hawke's Bay Regional Council was observed.

### Strengths

Council displays remarkable levels of transparency in relation to both asset performance and remedial action plans.

Community engagement in future planning is exemplary.

Delivery of regulatory services is winning plaudits across a broad constituency.

Council is formulating a structured and prioritised asset renewal programme.

### Areas for improvement

Careful management will be required to ensure delivery of projects and quality of services provided meet the very high expectations.

Much of Council's infrastructure strategies and associated asset documentation is either out of date or weak.

Information technology and management systems are inadequate for the increasing needs.

Council would benefit from further analysis of emerging roading needs, especially in relation to demands from heavy vehicle use, and the development of suitable maintenance plans to ensure service level expectations are met.

# Listening and responding

Communicating and engaging with the public and businesses

The Mayor's and Chief Executive's commitment to effective communications, within Council and with the community, is exemplary. There is evidence of meaningful engagement with Māori.

## Priority grading

Performing well

< The Central Hawke's Bay District Council has become highly proactive in terms of engagement with the community, stakeholder groups and the general public. >

## Communications strategy

Central Hawke's Bay District Council displays high levels of consultation and communication with its community. In the last twelve months alone, over 60 media releases have been distributed, the purpose of which has been to keep the community informed of various developments.

The quality and completeness of communications documentation and systems is improving. The recent residents' survey provided considerable insight into the expectations of the community. The insights from the residents' survey have informed the development of a new Community Communications and Engagement Strategy which was being finalised at the time of the assessment.

## Media and digital engagement

Council officers maintain regular contact with local media to respond to enquiries and share information about Council activity. A Group Manager, Customer and Community Partnerships role has been created to provide much-needed focus and ensure the relevance and timeliness of Council communications. Council news is published in a weekly column in the local newspaper and on the website, to keep relevant issues in front of the community.

A digital enablement strategy is being prepared with the intention of moving many traditional paper-based services into an on-line environment. The temptation to 'digitise everything' is great, however, Central Hawke's Bay District appears to be striking a fair and reasonable balance with 'what works best for the community'.

Council has recognised that the on-line channels such as social media and the website provide a valuable means of communicating with residents, especially for people in remote settlements and on farms. However, the difficulty of establishing reliable internet connectivity, especially in remote areas imposes limits on what can be achieved.

## Engagement with Māori

The Council is developing a robust relationship with local Māori and has identified the need to engage across the nine marae in the district, of which eight have whakapapa. Marae-level engagement is expected to lead to more effective outcomes than the more conventional model of iwi-level engagement because the aspirations and interests at marae-level are somewhat different. Both the Council and Maori are aware such engagement adds complexity and agree that priorities may take longer to emerge.

Engagement is authentic. High levels of intention are apparent, and trust is building. A Maori Consultative Representative attends all Council meetings, with appropriate speaking rights, providing a valuable conduit for information and views. A partnership document is being developed to undergird the relationship. However, matters relating to what this means in real terms and how it will be implemented across the district (given variations between marae) are still being worked through.

## Engagement by Council with the general public and business

The process of re-engagement with ratepayers and the broader community began immediately after the last local body election. Attuned to the urgent need to re-establish constructive dialogue between Council (at all levels) and the broader community, a comprehensive 'listening tour' of the district was undertaken, resulting in more than 70 A1 pages of output.

An Economic Development Strategy is being developed, to provide clarity to the community about the role Council will play in relation to economic development. Proactive and coordinated engagement, including tapping into resources outside the district such as the Provincial Growth Fund exemplify the Council's strong commitment to secure additional support to fund various development initiatives. Notwithstanding this, Council is realistic about what is possible in a small community with a relatively stable population.

### Strengths

Council displays a remarkable level of honesty and humility in its communications with the community it serves.

Council is actively upholding transparency with and between stakeholders and has displayed much courage to address past and current issues.

The Mayor, elected members, Chief Executive and ELT are all accessible to ratepayers and the broader constituency.

### Areas for improvement

Council would benefit from an accessible and well-informed online platform through which to engage informally with stakeholders.

Council needs to recognise that its exemplary engagement process has created heightened expectations and that these now need to be managed.

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