



Kaipara District Council Assignment
Kaipara District's performance ... 2011
February 2011

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18 February 2011

Jack McKerchar
Chief Executive Officer
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Dear Jack

Here is my partially (though substantially) completed report for the Kaipara District Council based on your recent instructions and following on from an earlier version of a similar report completed in May 2009.

I enclose also my invoice which brings this assignment to its initial conclusion.

The time required has not been sufficient to complete all necessary steps but the essential graphs and tables taken from the 2011 '**Base Stats with Trendz**' reports have been included, accompanied by their detailed analysis and interpretation.

I have added a brief chapter relating to the '*EcoCare*' project as well as including projections that have been developed showing the effect of debt excluding '*EcoCare*' content. There is also a brief section-assessment of the challenges facing Kaipara DC that accompanies the introduction.

The current report covers the important structural financial circumstances of the Council (the graphs) as they stand at June 2010 through to the present day with commentary. The report indicates the nature and possible approach to the challenges being currently faced. There are parts to the report that await additional information, for example the same as those completed and reported earlier in 2009 relating to '**Affordability**' dated 2011 not yet available.

For a comprehensive current analysis of the KDC's financial and other circumstances these missing steps require completion.

I look forward to discussing these matters further.

Best wishes

Larry Mitchell



Introduction

This report has been commissioned by the Kaipara District Council (KDC) to re examine the report produced in May 2009 based on a proposition ... as detailed fully in the 2009 proposal document at *Appendix 4*.

The 2009 Proposition and Report

The 2009 report was commissioned on the following basis:

“The Kaipara District Council is a local community-based District Council that is currently operating efficiently in a cost-effective manner under difficult economic circumstances delivering good local government”.

The earlier report was focussed upon Northland and compared the KDC and the other three Northern units including the Rodney District.

The 2010 - 2011 Proposition and Report

Instructions

This report dated in early 2011, used the first available audited June 2010 financial, economic and other **‘Base Stats with Trendz’** information. My instructions included a need for haste in completing this project ... as well as a requirement for detailed information supporting the proposition ... in a format that would suit any subsequent use of this data by the Council ... and which could be utilised in a more digestible format for public information purposes and/or as a basis for more detailed investigations of the Kaipara District in its present form. Note that the previous report covered the possibilities that the KDC could be merged, reorganised or expanded as a unitary organisation.

*In the outcome this initial 2011 report remains incomplete largely due to complete information including the present unavailability of the proprietary **‘Base Stats’** datasets relating to **‘Affordability & Remuneration’**, **‘Assets & Depreciation’** and other related NZ TLA performance information. This information will if required not come to hand for approximately another month (April 1, 2011 estimated). The 2011 NZ TLA financial benchmark leagues tables are at present in the course of preparation.*

Information

The information provided and used in the preparation of this report has been drawn from the Kaipara District Council’s customised group, (of 10), Councils of similar scale and character as Kaipara and the standard group, (of 36) Provincial/Rural TLA’s. The report draws upon the **‘Base Stats with Trendz’** 2010 annual performance reports plus use of the proprietary **‘DataMining’** and **‘NZLG Database’** reporting tools.

The full specifications of these reports (and their comparative grouping conventions) are found at www.kauriglen.co.nz/larry . The graphs and tables of this report include reportage of the two groups of data although the **‘KaipGp’** group of 10 including the KDC predominates.

Groups

The ‘customised’ comparative Council peer group (**shown on the graphs as ‘KaipGp’** – is user specified and titled as such) comprises ten TLA units of local government; all are smaller NZ District Councils. The **‘KaipGp’** (shown on the graphs) contains data for the following units; all apart from Hauraki District belong to the Provincial/Rural standard **‘Base Stats’** classification:



Kaipara District Council
Central Hawkes Bay District Council
Central Otago District Council
Clutha District Council
Hauraki District Council

Matamata-Piako District Council
South Taranaki District Council
South Waikato District Council
Taranua District Council
Thames Coromandel District Council

Note: The populations, types of group Councils and some brief commentary on each are contained in the detailed *Appendix 1a* relating to this **'KaipGp'**.

For the reason that other comparable results may be of value also, an additional reporting group (the standard **'Base Stats with Trendz'** Provincial/Rural group) of 36 New Zealand councils is, in places reported. The composition of this larger group is shown at *Appendix 1*.

Use in fully interpreting this 2011 report will (when they are available) be made of the 2010 **'Affordability and Remuneration'** reports-datasets. This publication contains valuable datasets, information concerning - as the title suggests – cost-effectiveness performance indicators relating to issues of affordability, affordable rates ... household incomes etc for instance and Council's employment-related, remuneration expenditures.

Report organisation

To directly address the report's objectives (and to revisit the specified proposition of 2009) the evidence as detailed above has been ordered within four categories. The intention-purpose of these sections of data is covered in the table that follows.

Category	Purpose
Good Local Government	A collection of relevant comparative - 'KaipGp' information that suggests that the Kaipara District is currently operating effectively as a good unit of local government ... and is delivering core services at reasonable (affordable) costs to a generally satisfied community of local residents and ratepayers.
Difficulty factors	A collection of relevant comparative and 'KaipGp' information that indicates that the Kaipara District, while currently operating well as a good unit of local government (above) ... is currently operating in the face of considerable difficulties all of which affect the cost, quantity and quality of delivery of its (largely core) services.
Cost-Effectiveness	A collection of relevant comparative and 'KaipGp' information that indicates that the Kaipara District is currently operating as and is achieving good cost-effective performance in the delivery of its services.
Financial factors	A collection of benchmarked and relevant comparative 'KaipGp' information that records financial data concerning the operations of the Kaipara District Council which influence the cost, quantity and quality of the delivery of its services
Other evidence	<i>Due to the time constraints of this reporting, no additional information in support of the 2009 proposition and the 2011 report has been added. In addition to the missing performance reports referred to above this includes comparative satisfaction survey data (see Appendix 2), reports of Council advisers (audit management letters), unqualified audit report history, media and ratepayer support etc. If available, the Kaipara DC could itself supply this information to reinforce report findings made to this point.</i>



Caveats

Best endeavours have been exercised in the preparation of this report. Areas mentioned where other content has not been included leaves gaps in the analysis and require completion as soon as possible (when current performance data becomes available).

The commentary of this report on the 'EcoCare' project is totally reliant for its completeness and accuracy upon representations of others.

The effective mandated segmentation of 'EcoCare' debt as detailed in the KDC borrowing management policies is absolutely crucial to the KDC's financial position and to any assurances provided within this report. The same is true of 'EcoCare' financial viability, including adequate provisioning of bad and doubtful debts.

Conclusions

The evidence of this report suggests and represents **greater challenges (higher debt and debt servicing costs in the main)**, a much more challenging situation now than was reported in 2009 ... as evidenced within the various 2010 graphs and tables that follow. The text of the added 2010 commentary to these current graphs and tables within the report documentation refer.

In 2009 it was reported that ... ***"Kaipara District Council is currently operating efficiently in a cost-effective manner under difficult economic circumstances delivering good local government"***. By and large this statement remains true currently for core KDC activities subject to the careful management and the sustainability of KDC finances. When compared with its peers and neighbouring councils the KDC is still achieving commendable and largely cost-effective results perhaps best demonstrated by its lower levels of both staff numbers/costs and of KDC average residential rates.

On the other hand **this report raises some serious questions** that deserve comprehensive independent consideration including that of elected members. All will be faced with the many challenges referred to in some detail within the report.

As pointed out, there is still considerable additional cost-benefit and performance analysis that will be required to fully link this body of information to the completed 2011 report. In due course it is hoped that even stronger protection can be given to the quarantine of the 'EcoCare' debt and that KDC borrowing polices will reflect this.

Larry. N. Mitchell B Com, MPP.

Finance & Policy Analyst (local government) 18th February 2011



Profile Analysis Reports Contents

Report name and financial performance measure	Customised Group of 10 Standard Group of 36
<u>Difficulty ... of service delivery ... performance measures</u>	
Outcomes-Results Economic Factors	Customised
Regional Economic Growth	Standard & Customised
Household Income	Customised
Variance in Household Income	Customised
Population Density	Customised
Dwelling Density	Customised
Local Road Density	Customised
Cohort Size Rankings	Customised
<u>Good Local Government</u>	
Niceties to Amenities	Customised
Combined Composite Indices	Customised
Building Consents Current Change	Customised
Fixed Income Earners/Ratepayers	Customised
<u>Cost- Effectiveness</u>	
Retained Earnings per Full Time Employee	Customised
Roads Sealed (Kms) per 10,000 Residents per Year	Customised
<u>Financial</u>	
Council Revenue per Ratepayer	Customised
Ratepayers Equity per Ratepayer	Customised
Reported Surplus (deficit)	Customised
Debt per Ratepayer	Customised
Capital Creation	Customised
Debt - Wealth	Customised
Debt Asset Test	Customised
Council Expenditure per Ratepayer	Customised
Roads	Customised
Land Transport Funding	Customised



Statistics and Information Guidance

Use of comparative data

Important Note: First time readers of this report should be aware that the statistics, (principally the '**Base Stats with Trendz**' datasets) used for analysis to reach the findings of this report are comparative in nature. Comparative that is, with other similar NZ TLA councils, in this case a customised KDC group (KaipGp) consisting of the KDC plus 9 other ... so termed 'peer' Councils. Absolute (nominal) data is reported, for example the number of building consents issued in a period but of most importance to the analysis are the relative (comparative) measurements, for example the ranking of KDC at (say) 3rd out of 10 ... that is the group ranking for consent numbers. It is of only passing 'interest' here to know that consent numbers went down from 138 in 2009 to 134 in the December year end 2010.

An example

As one example of the use of data, building consent's activity is used, within the context of '**Base Stats**' (KDC) performance reporting as a measure of local economic activity. Its absolute figure of itself tells very little about KDC's performance. The data is only of use in measuring Council performance when it is compared, contrasted and analysed against other peer Council results.

In this example the finding can be reported akin to all others in the following terms: Building consent numbers are used as (an excellent) surrogate ... a marker for short term levels of local economic activity. The actual findings are that the results, as shown later in this report indicate *that the KDC for this measure of local economic activity held its own compared to others in spite of the slight decline in the absolute/actual KDC numbers.*

Having in 2008 been scored as 6th of 10 in building consent numbers KDC now for the last two years (2009 and 2010) has scored a significantly higher 3rd of 10 ranking. This measure, along with 29 others feeds into the overall-composite KDC economic performance ('**Outcomes-Results**') module-index, itself just one of the many modules of information such as, roading, rates, financials etc

Peer Council comparisons and assessments

The notion of peer comparisons as described herein is preserved throughout all other analysis for other performance measures. Results showing higher rankings (1st is "highest", 10th "lowest" ... as well as "Extremely High" to "Extremely Low" on any septile 7 step scale), when compared to the group of 9 other peer Councils denotes better (KDC centred) relative-comparative performance.

Note also that the graphs and tables that follow, commence with a group of so termed "Difficulty Factors", that is, measures within a group of data that address structural factors such as regional economic growth which impact upon KDC performance. Many, (though not all) measures of this topic grouping tend to reflect more on the economic conditions of the Regional and NZ Inc macro environment rather than upon actual KDC (unit level) performance. The other report groupings, Good Local Government, Cost Effectiveness and the others are much more KDC-unit performance specific.



Difficulty Factors

A grouping of selected ‘Base Stats’ graphs and analysis which indicate the relative complexity and effort required within the operational and geographical context for the KDC to deliver its Council services.



Difficulty Factors

Measure: 'Outcomes-Results' Economic Factors for the KaipGp

'Outcomes-Results' is a purpose built series of thirty measures sorted and reported as three sub-indices (namely **Income, Economic and Wealth** 'Outcome' statistics) and one composite overall index. These measures indicate the position of the Council, its resident's and local economy's relative economic status. These measures more than any others of the 'Base Stats with Trendz' dataset show the full extent of the Kaipara DC's economic circumstances.

Current: Contrasted with earlier 2008 analysis, KDC over the last two years has performed (or fared) extremely well compared with its peers in economic terms. This is starkly (and somewhat surprisingly?) shown by the steep improvement of the 2009-2010 scores; see the Composite Index (the bottom panel) which has jumped from Very Low to Extremely High! ... a six point improvement on a seven point scale. **Others clearly have fared much worse.** This economic 'Outcomes -Results' dataset is just one of the three sub-indices ... Income, Economic and Wealth. **Reality Check:** The two others, Income and Wealth are set at low to neutral settings on the septile (seven point) scale ... for most KDC measures of this nature.

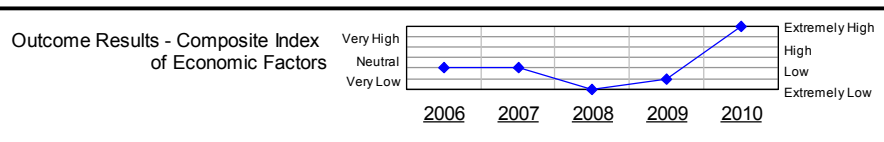
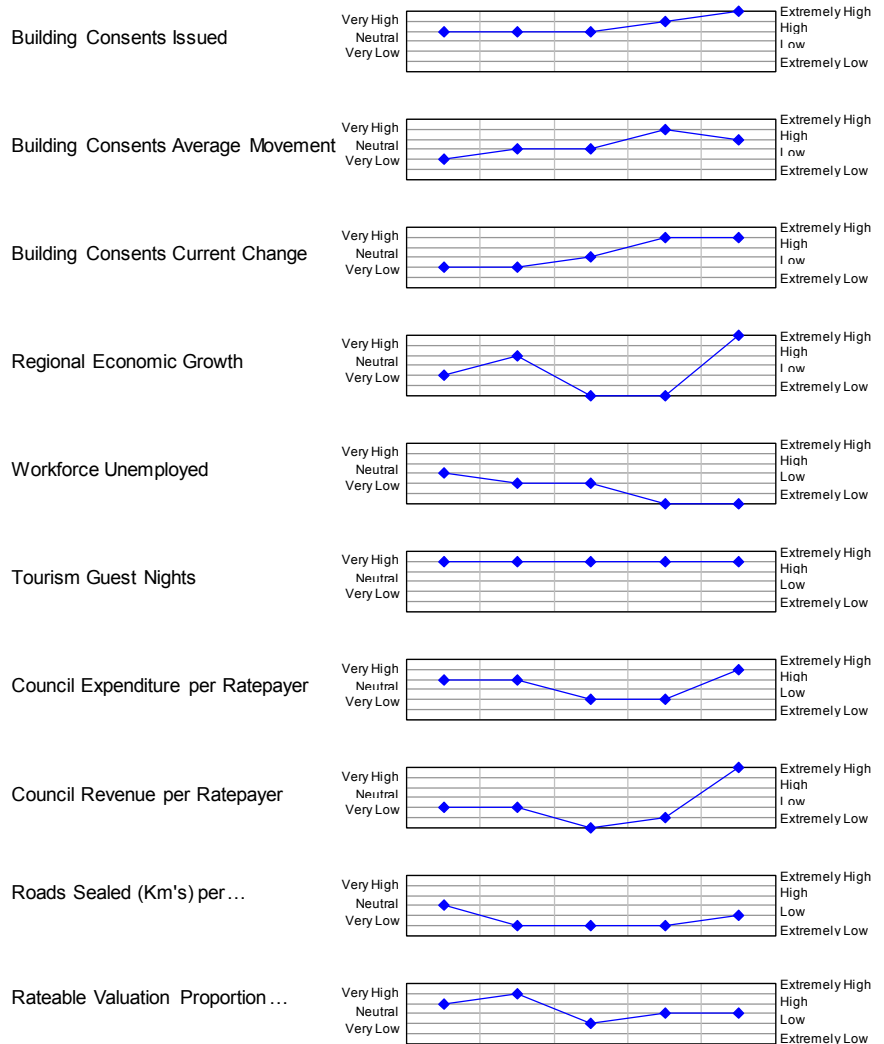
Trend: See above comments.

Finding: Kaipara, compared to its neighbouring peer councils has recently moved from being 'middle of the pack' for its local economic indicators to a much more regional-local economic 'favoured' position.

Implication: This result ... of the economic 'Outcomes-Results' index indicates excellent relative-comparative local economic performance/status. Note, more sobering is that the score is very different for the bigger (36) group ... four septile steps lower at 'Low'.

'Outcomes-Results' Economic Factors

Outcomes-Results Economic Factors





Difficulty Factors

Measure: Regional Economic Growth

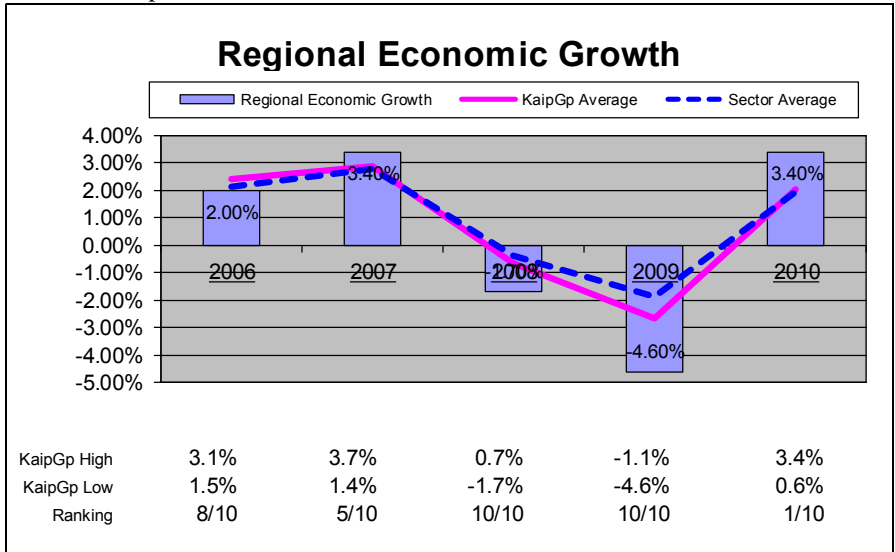
Current: The Kaipara District, based on this official National Bank data (double checked at September 2010 by their economist) has fared very well (**1st of 10**) in relative local regional economic growth terms. This recent dramatic improvement and current very high ranking is also confirmed when compared to its national peers, (**a ranking of 3rd of 36!**). Compared to the contrasting overall indicators of the previous measures this one result could be an aberrant outlier, the next few quarters will tell a fuller story. They need to be closely observed.

Trend: The Northland region, after a dip in 2009 and 2009 has in this 2010 period **regained its earlier levels** of positive regional economic growth of over 3% pa.

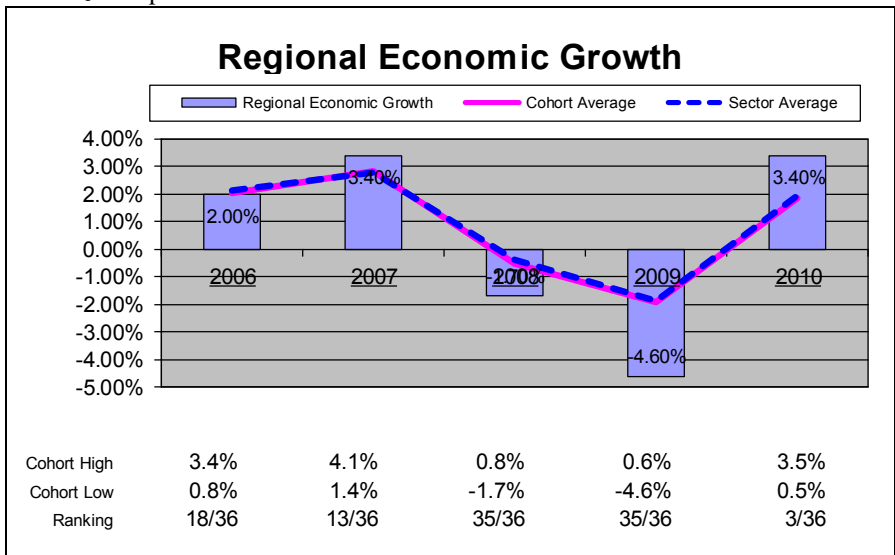
Finding: See comments above.

Implication: Any mooted reorganisations of Northland local government units must ideally have positive economic outcomes-growth as their principal objective. On present indications when rated against a difficulty scale such a move could currently be considered a being based upon current buoyant (relative) economic conditions ... albeit with Northland regional economic activity subject to significant and rapid reversals from time to time.

'Trendz' Graph



'Trendz' Graph





Difficulty Factors

Measure: Household Income

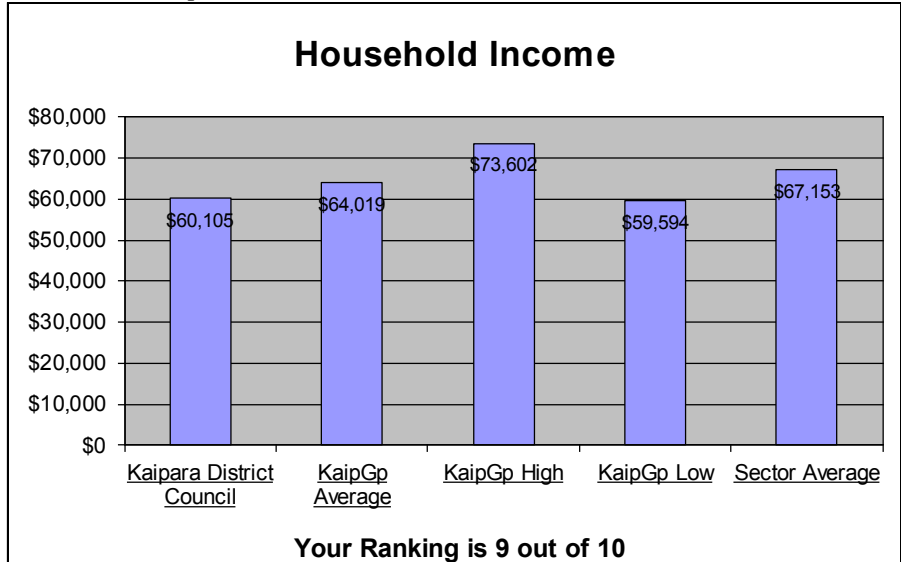
Current: These remain sobering 'stats'. Perhaps nowhere else in this information is this particular stat (Household Incomes) more influential in terms of the difficulty of delivering KDC's local government services. Kaipara ranks 9th of 10 in this dataset and when compared to the national HH Income average (of \$67,153) Kaipara's average household incomes at \$60,105 are 10.5% below this.

Trend: A steady, probably intractable (9th of 10) position and continuing well below national average Household Income results as indicated.

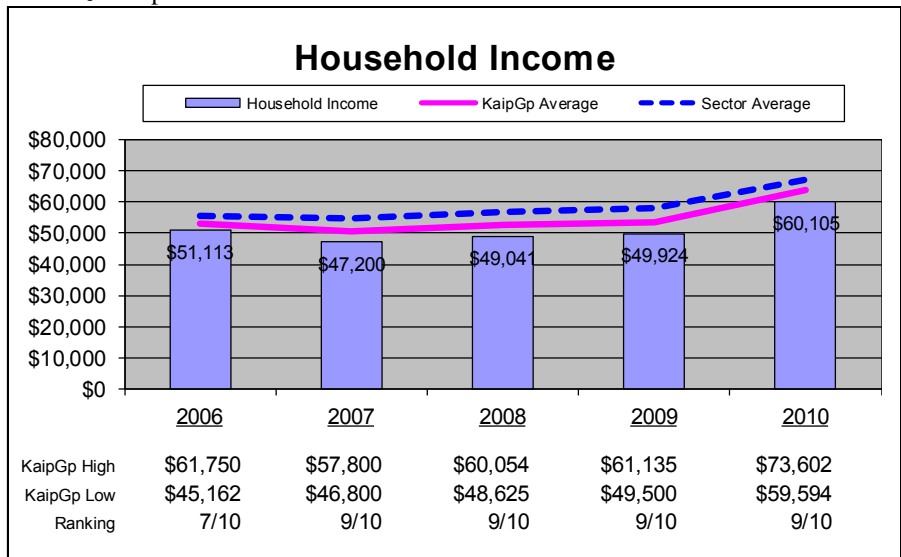
Finding: Difficulty of service delivery by Kaipara will be significant in light of this result ... perhaps the most influential of all factors (see above).

Implication: When compared to its peers (both nationally and locally) Kaipara struggles, under the weight of adverse (difficult) income circumstances to deliver it's (largely) core services. **The 'frills' of non-core service provision are generally not an option for Kaipara due principally to these income constraints.**

'Base Stats' Graph



'Trendz' Graph





Difficulty Factors

Measure: Variance in Household Income

Current: See previous (HH Income) graphs

Trend: See previous graphs

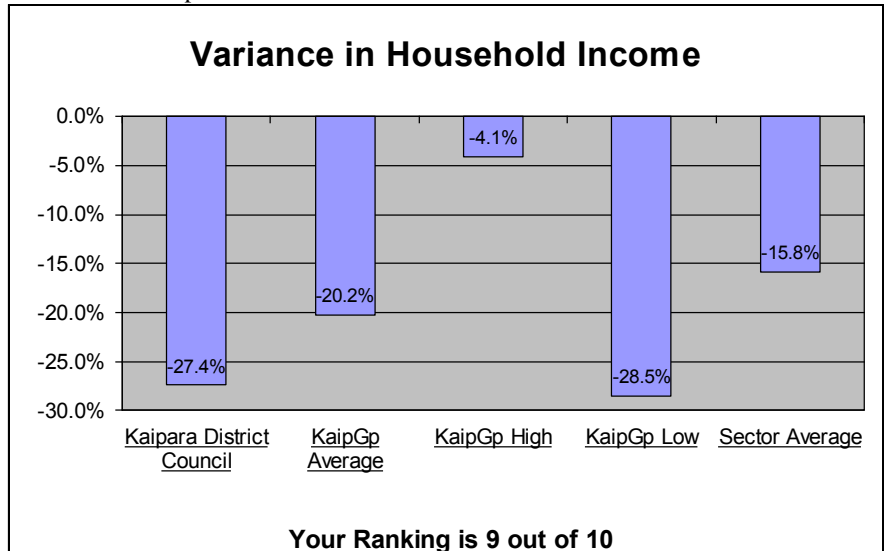
Finding: See previous graphs ... also at a 9th of 10 ranking

Implication: See also previous graph

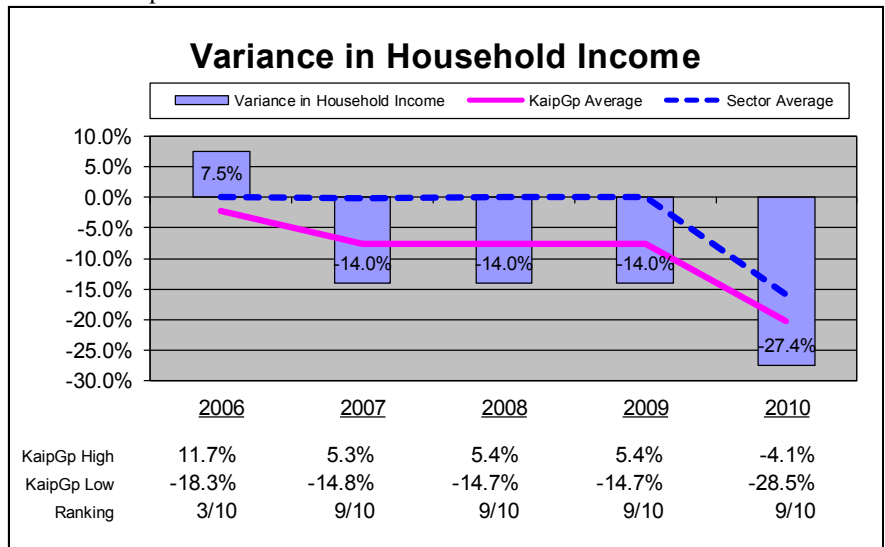
The implication of these two 'Household' graphs is to reinforce the difficulty of the Household Income factor. Note: the 'Variance' of this graph is measured in relation to the **national average**. On this basis, in four of the last five years Kaipara has been **14% points or more below the national figure ... this year much more adverse at 27.4%! below**. Again ... this will continue to make KDC life 'very-extremely difficult'.

An apparent poor relative performance such as this and affecting KDC performance adversely, for **KDC could fairly in performance assessment terms be adjusted upward** in light of this particularly significant limitation that is put on good performance ... the so termed **context adjustment** factor. Note the recently announced '**Base Stats**' 2011 TLA Leagues Table applies such context adjustments to many of its assessments.

'Base Stats' Graph



'Trendz' Graph





Difficulty Factors

Measure: Population Density

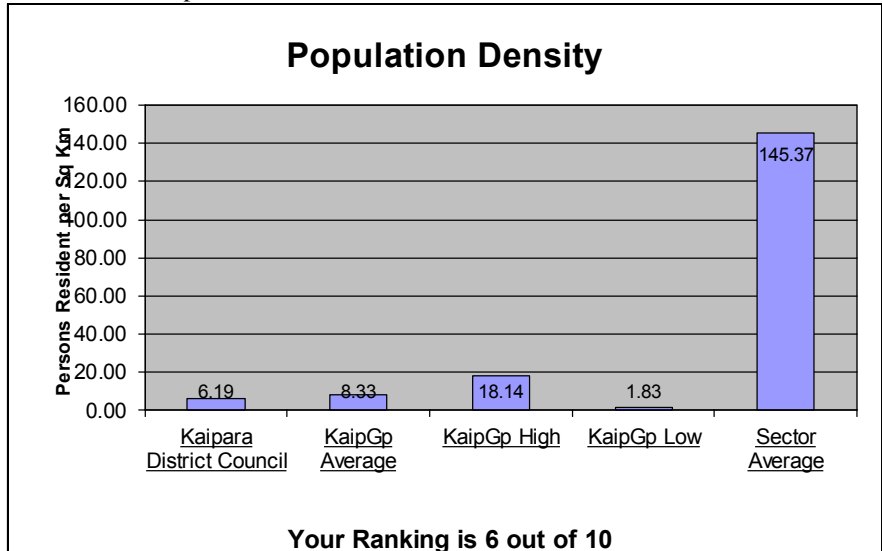
Current: Mid range, (6th of 10) ...and a very influential **structural** measure in difficulty terms. Note, when compared in 2008 with Northland population densities, the result (4 of 4) was far less cheering

Trend: Steady at mid range (6 of 10) for relative population densities ... and unlikely to vary significantly in the short to medium term.

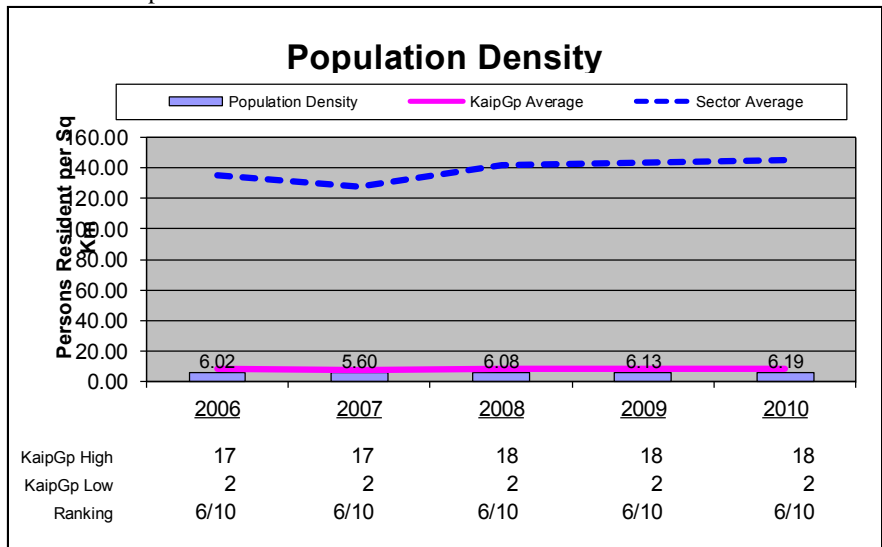
Finding: Delivery of services to scattered communities over a large area impose a high difficulty component. Note that others in the NZLG sector benefit from much higher densities (an average 94% higher densities, that is ... 8.33 for persons resident per square km is the 'KaipGp' average verses 145.37 sector average ... for persons resident per square km)

Implication: Even the achievement of 'good' local government service delivery results (see this report section) within this context become 'heroic' given the huge impact that;
- high distance/low population numbers
- added to such things as difficult household income data bring to the KDC's difficulty issues.

'Base Stats' Graph



'Trendz' Graph





Difficulty Factors

Measure: Dwelling Density

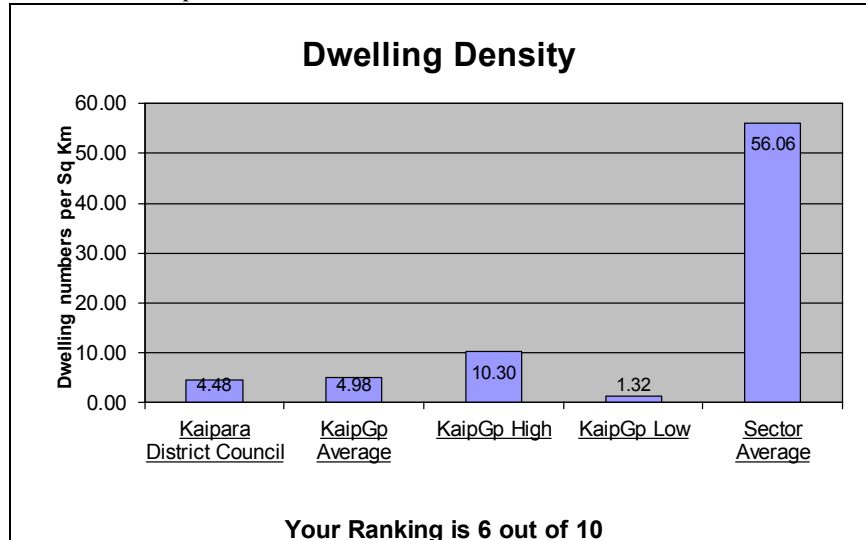
Current: See previous population and other density factor graphs... this dwelling density factor (6 of 10) mirrors the (sparse/scattered) population distribution.

Trend: See previous graph

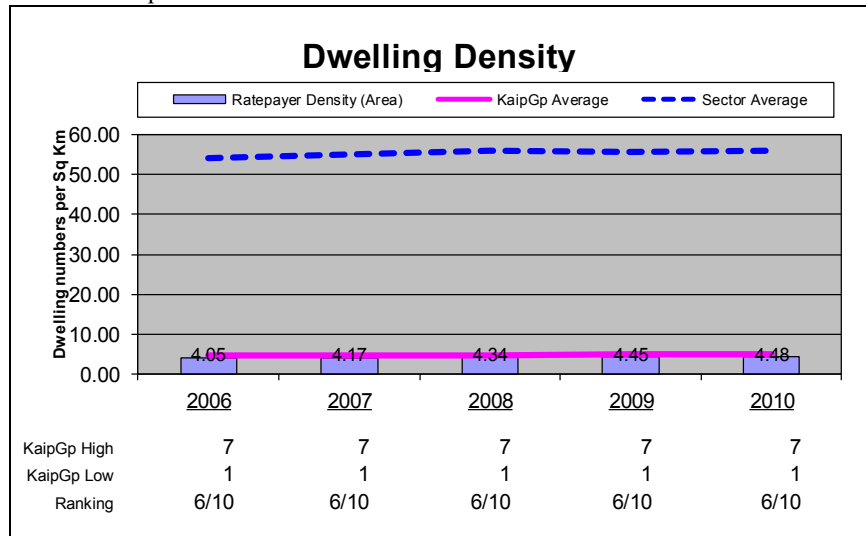
Finding: See previous graph

Implication: See previous graph

'Base Stats' Graph



'Trendz' Graph





Difficulty Factors

Measure: Local Road Density (roading kms per ratepayer). This is a **particularly significant measure for the KDC**. For not only are we dealing here with a sparse Kaipara population and their low incomes, now ... a **relatively high density** (and a high cost per density factor that is) of roads. Coupled to these influences, KDC roading expenditure (see later data of this report) is by far and away the single largest Council expense. The combined effect of these factors **makes life very difficult for the KDC** (note too this is in measures unadjusted for context) ... performance terms. **45% of total KDC operational expenditures that is ... 11.9% above the KDC group of 10 average is spent by the KDC on roads.** The relatively high road density of this measure has played its major part in making KDC life difficult.

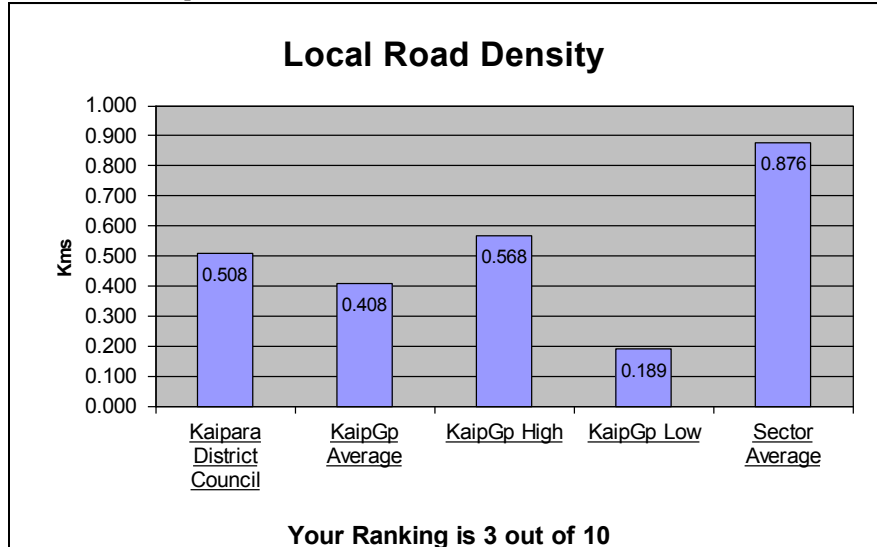
Current: See previous population and dwelling density graphs

Trend: See previous graphs

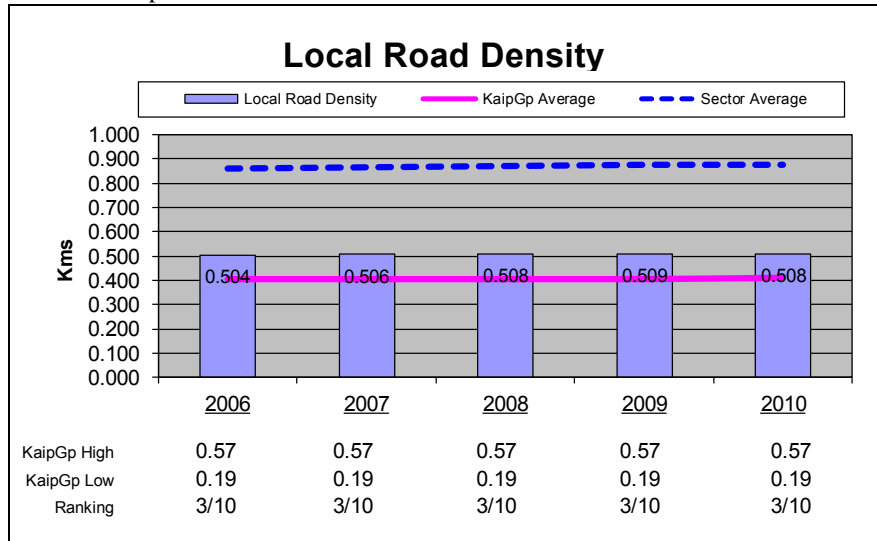
Finding: See previous graphs

Implication: See also previous graphs. The local Kaipara District road network closely aligns in density terms with other low KDC density-related stats. As is shown elsewhere in other data, roading activity in terms of cost and quantity is **the largest activity of the Kaipara District. In relative terms (3rd of 10) this (road density factor) is also a major influence on the difficulty of Council operations overall ... roading in particular.** A less distributed (lower density) of roading service delivery would make life easier ... not the case here though.

'Base Stats' Graph



'Trendz' Graph





Difficulty Factors

Measure: Cohort size rankings ... this table at a glance shows in absolute number terms the relative scale (1 to 10 rankings of the group) or size of the council's key financial and economic data.

Current: The consistent centre of gravity (histogram heights indicate this 'centre') is an average score of '4.65 out of 10'* in these absolute rankings they confirm **Kaipara's average size** compared to true peer Council size. *Note; 9 of the 17 histogram stacks of the table are 4th or below in size terms.

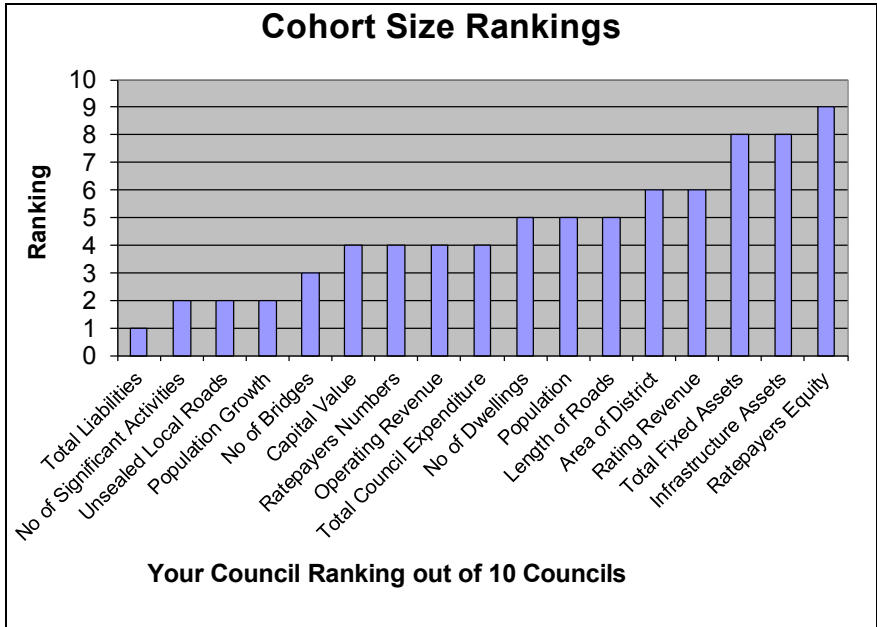
Trend: N/A

Finding: This result displays in a visual scale - size terms, the average relative (amongst the group of 10) financial, income and economic substance of the council and of its residents. Note the 2008 reportage of the Northland group put KDC as 4 of 4 in the terms of this measure a score aligned closely to this analysis.

Implication: Due to these low size factors (coupled with the low densities-large distances thinly populated etc) the Kaipara District Council **will struggle**, along with its peers with the structural, financial and other dynamics of these statistics ... These, as discussed above include **the factors of most influence ... they are the realities of the KDC's provision of public facilities and services**. This finding will, (to repeat again) make relatively more meritorious, KDC performance assessments based on any evidence of for example Good Local Government (see the next parts of this section of this report) ... when faced with these conditions - realities.

Cohort Size Rankings (Graphical)

A series of council within KaipGp rankings using absolute data (not averaged), to give impressions of size. Low in a group ranking equates with a high relative and absolute measure.





Good Local Government

“Good Local Government” is a defined term in LGA 02 and refers to Council behaviour, more particularly its performance in satisfactorily meeting the social, cultural, environmental and economic needs of its citizens.



Good Local Government

Measure: The Financial Niceties to Amenities ratio ... measures the proportion of total council expenditures spent on a group of non-core expenses (frills) compared to the remainder, a group of other expenses titled amenities (or utilities ... self explanatory).

Current: This 48.3% (2008 39.3%) score indicates that Kaipara is currently spending less (less is 48.3% niceties to 51.7% amenities) than its peers on its 'niceties' ... a grouping of expenditures that excludes all infrastructural and network utility expenditures. The KDC ranking amongst its peer groups of councils are a very low relative proportion, **8th of 10 and 33rd of 36!** for the two KDC groups.

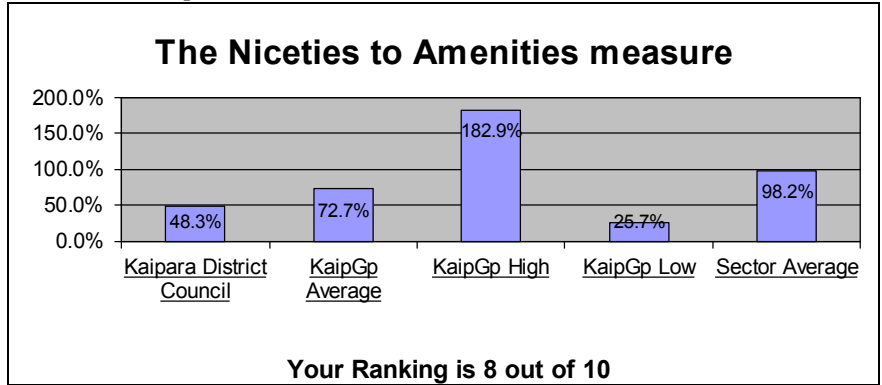
Trend: The five-year sector-wide trend of this measure has, along with all Councils shown increasing levels and proportions of non-core niceties expenditures. In this, (unseemly-profligate?) race, KDC is NOT, relative to others leading the race, far from it. KDC retains its no frills stance by spending much less relative to its peers on niceties ... as its 8th of 10 ranking continues to show.

Finding: Kaipara, along with most of its smaller peer group, 'stick to their knitting' for core local government services-spending, that is for expenditures with **less** spent upon (niceties) rather than proportionately upon necessities (the utilities-amenities).

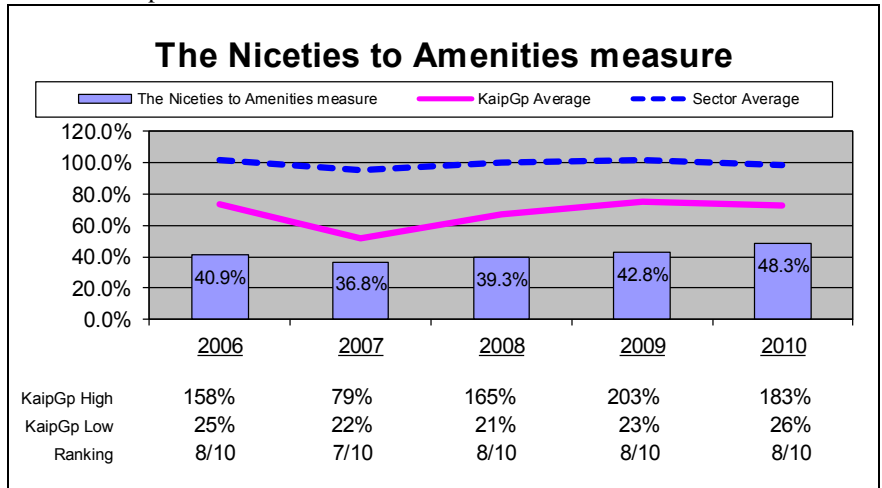
The KDC's focus on core expenditures, is a reflection of both its priorities and of the reality of having little discretion in the matter ... largely due to its very high core roading and other similar needs ... see comments above.

Implication: Kaipara struggles to provide basic services to ratepayers let alone spend more in the discretionary ('nice to have') niceties categories ... for example 'flash' facilities such as Council-funded swimming pools (plural), parks and reserves, libraries and so on. Note: This KDC niceties-amenities pattern of expenditure that excludes the fully comprehensive provision of Council service delivery may be useful evidence in support of the external third party (community central government subsidised) funding of public benefit facilities or exceptional asset creation ... that are generally not capable of being totally funded from KDC sources.

'Base Stats' Graph



'Trendz' Graph





Good Local Government

Measure: - Combined Composite Economic Indices ... for the group of 10

'Outcomes-Results' of the KDC group of ten Councils is a purpose-built series of thirty measures sorted and reported as three sub - indices (namely Income, Economic and Wealth 'Outcome' statistics) plus one composite overall index. These measures indicate the economic (some social too) position of the KDC, its residents and its local economy's relative well being-economic status. **These measures, more than any others** of the 'Base Stats with Trendz' datasets show the relationship of the Kaipara district's economic circumstances ... compared to others of the KDC group of ten.

Current: The good '2008' news of Northland Councils (plus Rodney) was reported as follows ... "the Kaipara District for all of the three sub- indices (Income, Economic and Wealth) are set at positive-neutral-to lower end settings on the septile (seven point) scale. Note now though, the very sobering stat for these measures for the larger standard provincial/rural group is in 2010 down from a 'Very Low' to an 'Extremely Low' ranking.

The current 2010-2011 position, apart from the (somewhat curious?) Northland regional 2010 upturn in economic conditions (see above), **these earlier year findings still hold true ... only worse.** As referred to and worth repeating ... **the larger standard provincial/rural KDC group is now at the lowest level, a step lower than earlier at and is recorded now at 'Extremely Low!'**

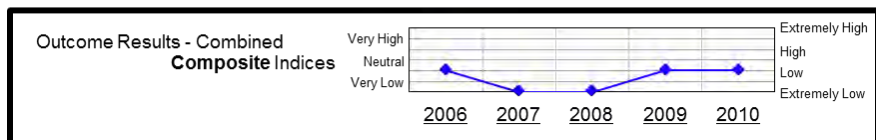
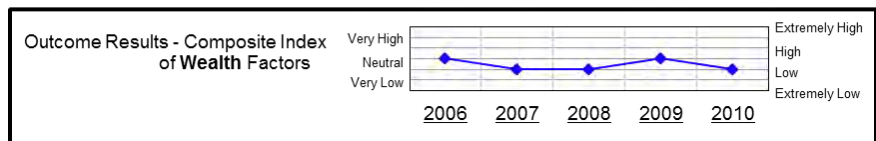
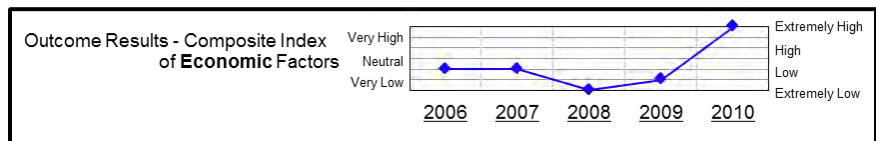
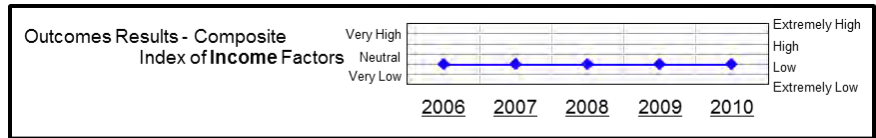
Trend: The 2007-2008 reported 'modest improvement of the combined indicators was some evidence of improved ('good' – better and improving) local government as delivered by Kaipara' ... certainly this is still true of Kaipara's performance compared to the peer group of ten ... less of a lift for the standard larger group however which is still languishing at the lowest level scores along note ... with the KDC's other 9 true peer Councils.

Finding: Kaipara, as measured by these stats is at best holding its own when it was previously (in 2008) reported as ... 'doing well and is improving in smaller group comparative local economic terms'.

Implication: Tough times more meritorious for KDC performance when and if good performance is discovered as a consequence within this challenging context.

'Outcomes-Results' (KaipGp)

Combined Composite Indices





Good Local Government

Measure: Building Consents Current Change

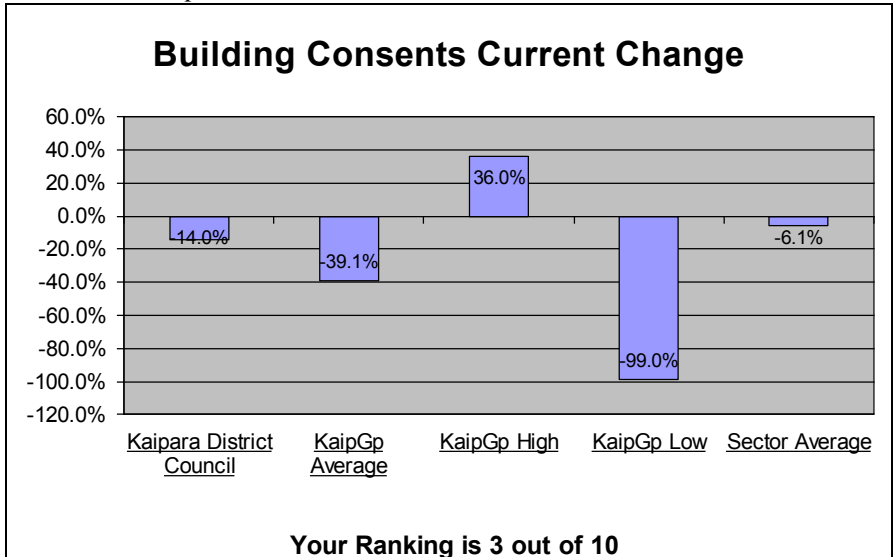
Current: This measure, (of short term local building-construction activity) is a powerful and reliable indication that **Kaipara is doing better (best) of the group of ten.** The measure may be taken as a surrogate of local economic activity-health and may be supplemented by other similar data ... if available. The best evidence of good KDC performance here is the purple line of the second graph (the 'KaipGp' average) ... observe how far below the Group average it is below (worse than) the KDC's result.

Trend: In common with other councils, recent worsening economic conditions show a decline in the level of construction activity. The key data here, relating to the good local government proposition is that **Kaipara has improved since 2006 (7th of 10) to 2010 to 3 of 10.** The relative rankings however indicate that while along with others **the KDC's level of decline in building consents is lower, it is least negative of all for all but 3 of the group of 10 ... with a gain of three places from 6th to 3rd.**

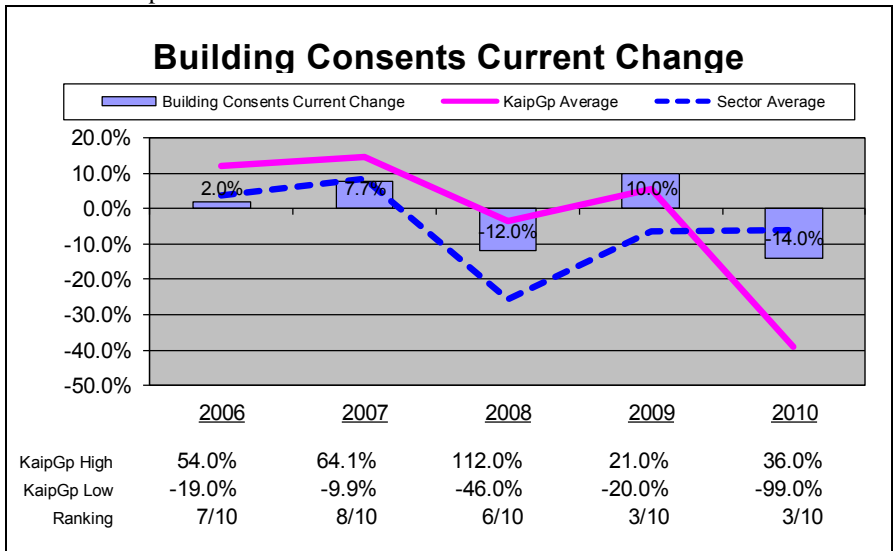
Finding: Kaipara continues to **perform very well** compared with the others based on the evidence of higher relative levels of current local building activity.

Implication: The notion of good local government delivered by Kaipara might be supported on the basis of this evidence. In 2008 it was reported that ... *'The speculative activities of developers of the other councils, many now in receivership or worse has not (been permitted? to) occurred within Kaipara.'* Assuming that this statement is still true, the **current evidence tends to support the proposition of good local government within the Kaipara District when compared to 'the others' who have chased development that appears to have been unsustainable.** As an aside, the KDC will also not have the huge burden to be imposed on many other Councils of the leaky buildings fiasco.

'Base Stats' Graph



'Trendz' Graph





Good Local Government

Measure: Fixed income earners to ratepayer's ratio ... is a measure (largely self explanatory) which includes a 'wide' definition of such persons within the theoretical 'work force' who receive only 'fixed' incomes and who thereby directly affect (and limit) the Council's ability to charge for its services and to set its rates. This measure incorporates a category of income earner who is largely dependent on the state for subsistence support and thus, as a consequence receives a low income ... and has low economic and income status.

Note: this measure's ranking is an (a rare) example of an inverted 'Base Stats' score where a low 'Base Stats' measure (10 of 10) result has a favourable income and economic impact.

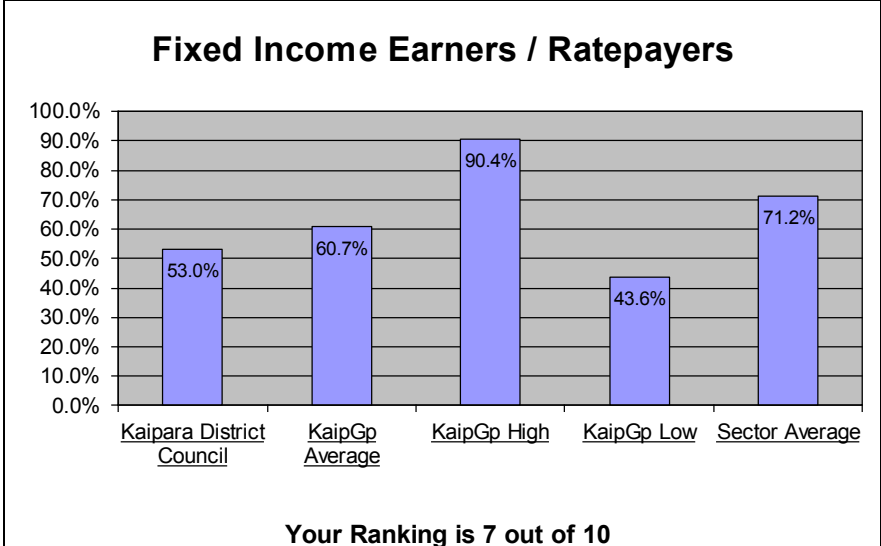
Current: A helpful-favourable stat for KDC here at 7 of 10, a measure in percentage terms where 10 of 10 is ranked best and highest! KDC, for the smaller group ... although scored as 7 of 10, this result, (perhaps a little surprisingly) is mirrored at 30 of 36 for the standard larger group too. More data (adjusted by census 2011) in this area may paint a different picture?

Trend: A consistent result, a statistic reflecting the continuing, prevailing and relatively better income dynamics of a large section of the Kaipara work force – its community.

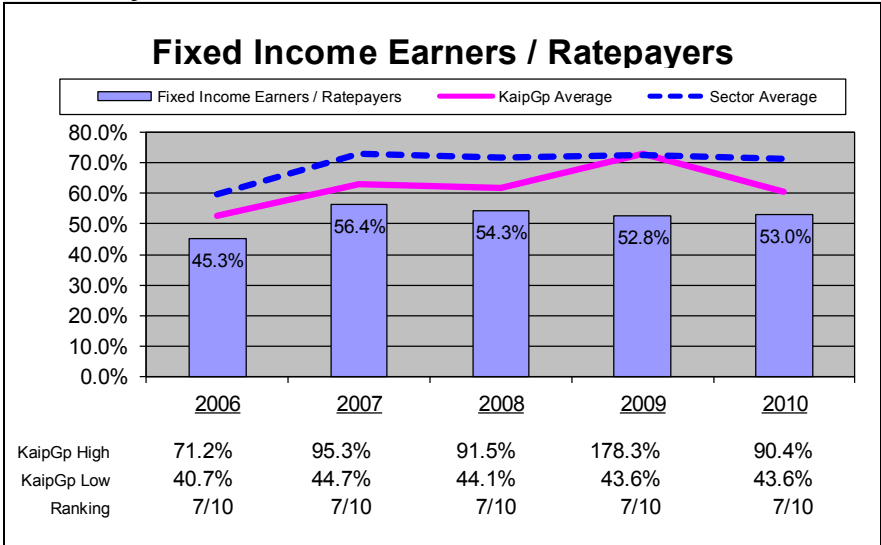
Finding: A further positive statistic reflecting the higher relative income dynamics of a large section of the Kaipara work force.

Implication: Taken together with other indications (see for example the comprehensive evidence of 'Outcomes-Results' above) this statistic demonstrates the favourable nature in Income related economic terms that the district enjoys. The stat will support the conduct of good local government within the Kaipara District.

'Base Stats' Graph



'Trendz' Graph





Cost – Effectiveness

“Cost-effectiveness” ... simply put ... value for money.



Cost - Effectiveness

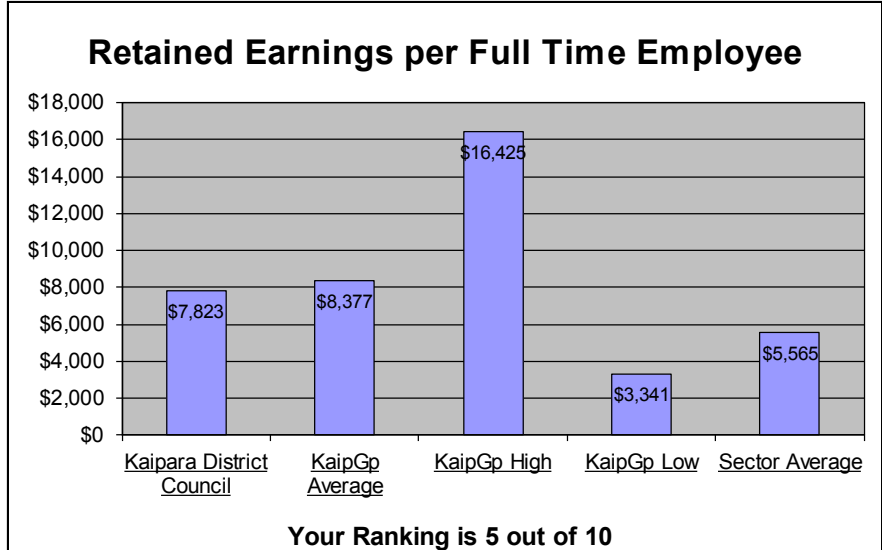
Measure: Retained Earnings per Full Time Employee

Current: This measure, amongst other remuneration data indicates the efficiency of the use of staff resources (relative to the other peer groups). By rating staff numbers against the financial size of the council as measured by its net worth (ratepayer's equity) a relationship can be established indicating an efficient (or not) use of staff numbers to manage and operate a unit of local government of this (financial) size ... relative to the others. With a ranking of 5 of 10 (and 7 of 36 for the larger Provincial/Rural group) the KDC might fairly claim, due to its relatively low staff numbers (note; certainly NOT as a result of a relatively high total of retained earnings) that the council is efficient (cost – effective) in these terms.

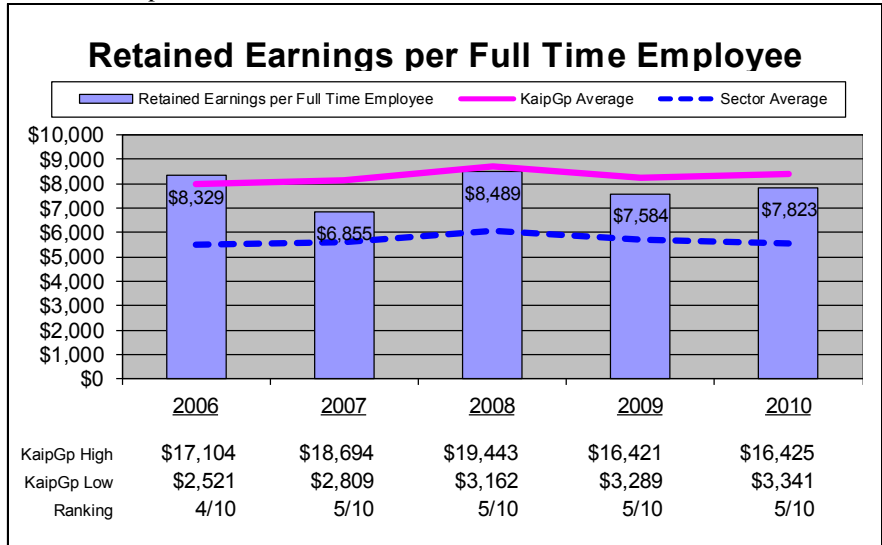
Trend: Steady and consistent rankings, (5 of 10) over the last five years due to KDC's strict control of staff numbers (unlike many of the others).

Finding: A good result. Other staff level measures from the **'Base Stats'** Remuneration datasets should/could confirm this finding

Implication: As evidence of cost-effective management of the KDC **this is a continuing strong indicator, a high performing cost-effective (and creditable) result** in these terms compared to the others. It probably also has a correlation to the KDC's 'no frills' operations with its concentration upon low overheads-core services delivery.



'Trendz' Graph





Cost - Effectiveness

Measure: Roads Sealed (Kms) per 10,000 Residents per Year

Current: The steady longer term (2004 to 2008) result was reported for Northland Councils as 1st of 4 as **best in class** in these (Northland) terms. The current 2010 results paint a different though still not adverse picture at .7 of 10 and 15 of 36 for the current two sized groups respectively. This puts KDC lower in performance terms than the earlier result for Northland. Note the recent improvement compared with KDC's true peers, is a result up this year from 9 of 10 to 7 of 10. The current 2010 larger group score of 15 of 36 is also an improvement from last year, up from 21 of 36.

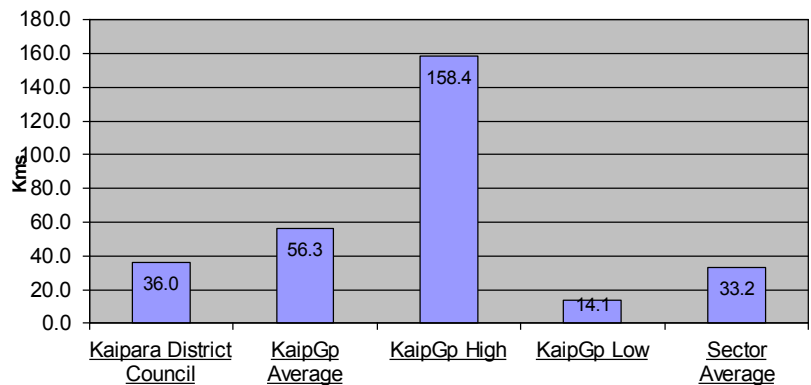
Trend: Improving.

Finding: An improving favourable cost-effectiveness indicator. Most rural ratepayers (and cities too?) rate the performance of their council in terms of the extent of road sealing performance. In these terms, Kaipara in Northland terms is still amongst the best and is more than holding its own for both the larger and KDC peer group compared to the others.

Implication: A modestly positive and responsive indicator of cost-effectiveness (and good local government too). A result of this kind that is better particularly when compared to the provincial/rural national average! ... **is a good stat in support of Kaipara's cost-effectiveness proposition** ... in spite of, as noted earlier the local service delivery difficulties too! Note context adjusted this result would likely be rated ... favourable to very favourable.

'Base Stats' Graph

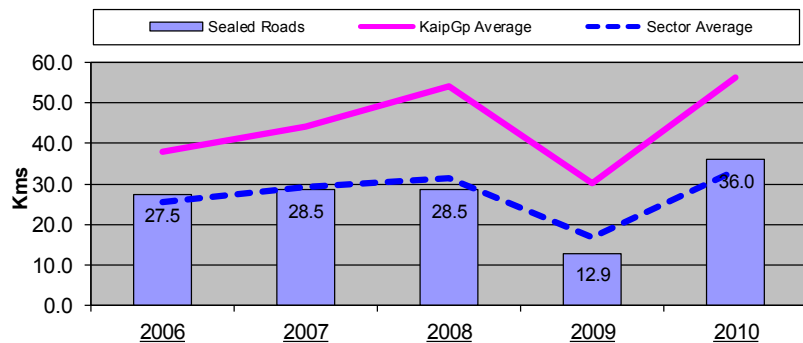
Roads Sealed (Km's) per 10,000 Residents per Year



Your Ranking is 7 out of 10

'Trendz' Graph

Roads Sealed (Km's) per 10,000 Residents per Year



KaipGp High	63.5	88.3	172.0	85.8	158.4
KaipGp Low	13.0	15.0	28.4	2.6	14.1
Ranking	6/10	9/10	9/10	9/10	7/10



Financial

The benchmarks utilising financial data used to control and improve Council financial management and performance.



Financial

Measure: Council Revenue per Ratepayer

... measures total council expenditures on a per ratepayer basis.

Current: At \$3,764 (from a relatively low \$2,538 per ratepayer in 2008) this now higher relative level of revenue/expenditure reflects more the blip* in 2010 income arising from higher than prior year actual and budgeted roading subsidies, rather than any like-with-like real improvements in the district's modest income and economic circumstances compared to the others.*

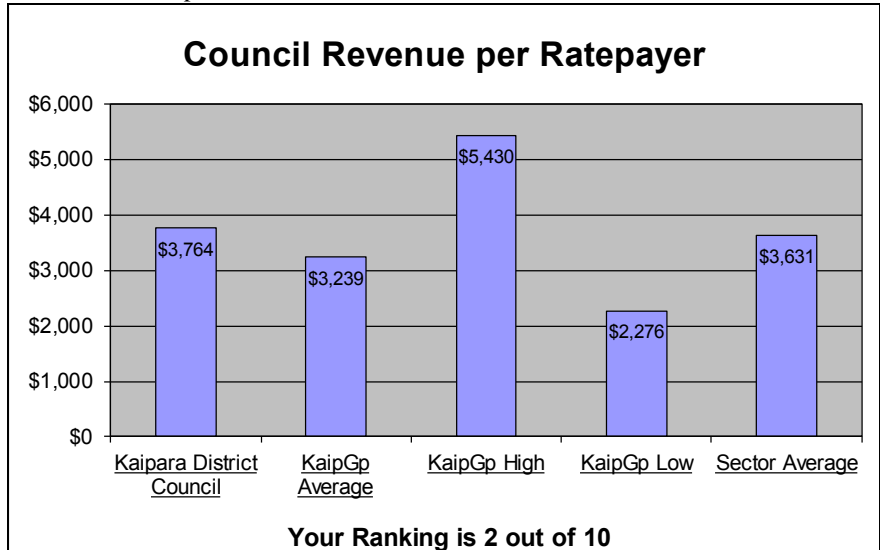
Note: The rates revenue line is static but other revenue includes \$3.076M more roading subsidy than last year. Different income stats still disclose the low absolute dollar's per ratepayer figure for council revenues from all sources for KDC and the smaller group of nine other peer councils. While this indicator is classified as 'financial' it also informs issues of cost-effectiveness and good local government showing as it does the exercise of a prudence requirement given use of limited rating and other funding.

Trend: The council has appeared to (not measured under this heading) remain at the low-to-mid point ranking for its revenues per ratepayer, excluding the road subsidy 'blip' ... over the last five years.

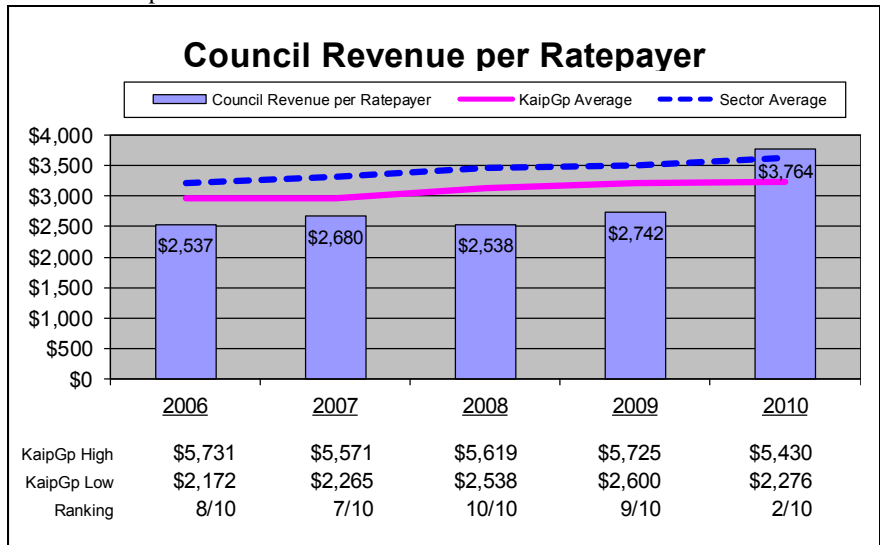
Finding: As an indicator of good KDC financial stewardship and not being blessed with (negligible) added investment income from Council's income earning assets or investments, this level of Council revenue is a reflection of good (financial) local government and a reflection too no doubt of KDC revenue limitations relating to local residents and ratepayer's lower levels of income ... their low ability to pay

Implication: At the reported low- to- mid point ranking for its revenues per ratepayer, the data confirms KDC's prudence but also probably reflects an inability to raise funding locally as constrained by the district's low eco-socio status ... demonstrating to some degree Kaipara's effective financial management of the limits to funding.

'Base Stats' Graph



'Trendz' Graph





Financial

Measure: Ratepayer's Equity per Ratepayer ... measures in financial terms the net worth -'wealth' (per ratepayer) of the Kaipara DC 'council organisation - entity'.

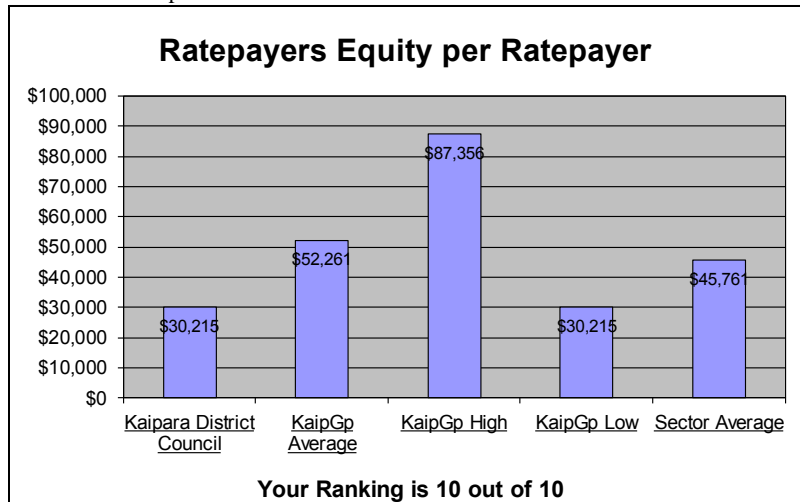
Current: The figure of \$30,215, more particularly the very low ranking of 10 of 10 (32nd out of 36 for the larger group) confirms **the very low relative value of ownership - investment of local ratepayers in their council.**

Trend: The consistently low ranking, averaging recently 10th of 10 confirms the weak structural long term nature of this **relatively lowest level of wealth of the KDC.**

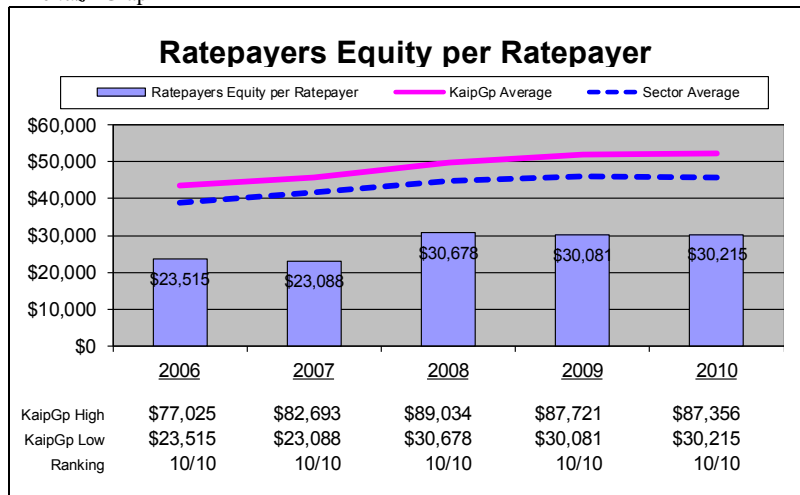
Finding: A long term low level of ratepayer ownership - investment in their council represents a structural and intractable constant with which KDC has to work. This is consistent with the need to *stick to the knitting* and to operate in such a manner (low overheads including staff costs) ... to suit.

Implication: This very low and enduring ratepayer equity level (compared to the national average too) confirms **the KDC's inability to establish a sounder financial position locally**, principally being constrained by the district's lower eco-socio status. Movement to a larger local government administrative structure would have the effect of improving the lot of Kaipara ratepayers and residents due to the accessing of a bigger, better funded pooling of financial resources. Any (called 'heroic') efforts to succeed and to thereby improve KDC performance are all the more praiseworthy as in light of this significant financial constraint.

'Base Stats' Graph



'Trendz' Graph





Financial

Measure: Reported Surplus (deficit)

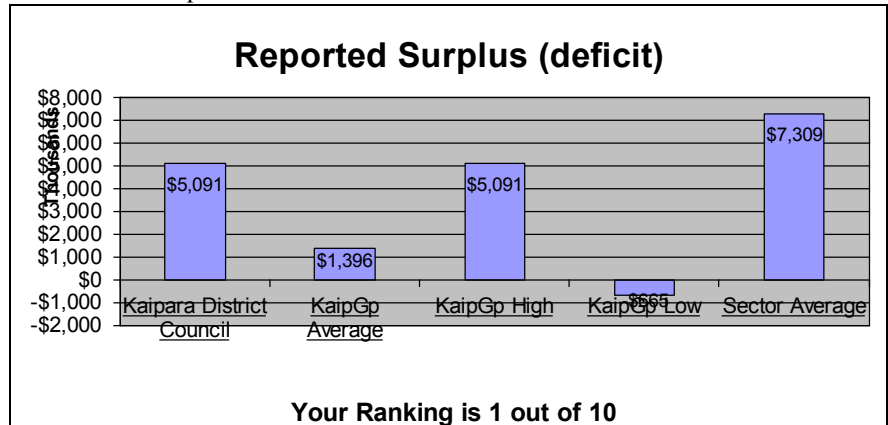
Current: Breakeven KDC financial management (a modest surplus-balanced budget at currently 1 of 10 and 8th of 36) has been consistently achieved over the last five years with the current year reporting a significant surplus, though due more to the one off? roading subsidy receipt rather than to KDC trading or other surpluses. Previous year's surpluses have generally been below the 2010 results. Note: this measure bears a special caveat/warning due to the influence of accounting measurement and reporting issues. These problems however, whilst corrupting the data from time to time, over (say) a five year period pan out ... and in the comparative terms used, at least are *'the same for everyone'*.

Trend: KDC financial management, in terms of this measure have demonstrated steady, prudent, reasonable and favourable results. Note: there are some (possibly by number up to 15% of NZ TLA's facing financial difficulties) ... who would 'die' for these numbers.

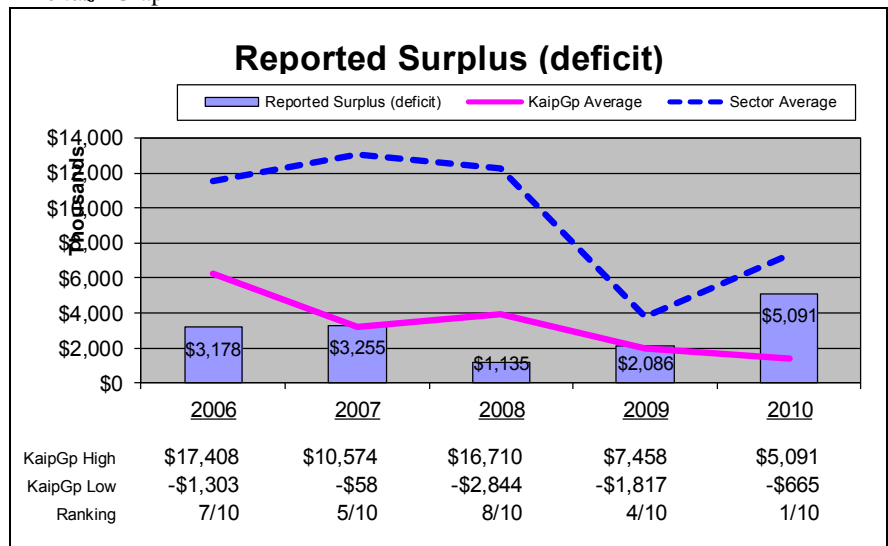
Finding: The full picture, if drawn from a more detailed analysis of these figures may throw up other reasons (not all necessarily favourable) for this position. There may be a need to accumulate greater surpluses if (say) infrastructure requirements demand it. However, in the strict terms of good local government-financial stewardship this is a credit to the people involved as it is a result exhibiting a prudent husbandry of scarce local resources under the difficult Kaipara operational conditions.

Implication: Long term planning is required to match local needs with local ability to pay. At present, the modest Kaipara surpluses demonstrate good, prudent financial management albeit meeting modest needs ... the 'core only' low levels of expenditure refer see other – above - commentary.

'Base Stats' Graph



'Trendz' Graph





Financial

Measure: Debt per Ratepayer ... self-explanatory ... Note; 'Debt' is defined as all council liabilities-debt measured as total current plus term liabilities (external debt obligations to all third parties).

Current: A score of \$ 6,667, (2008 totalled a mere \$2,652 debt per ratepayer) and rankings of 1st of 10 and 4th of 36. **This is a very high relative debt level reflecting the bringing to account on the KDC balance sheet of the Mangawhai (EcoCare) debt.**

This debt totalled an additional \$56 M in the year to June 2010. A separate section of this report covers the implications of this situation. In brief, **the added debt is to be treated in all respects as belonging to the Mangawhai-EcoCare zone with no prospect that it will spread district wide.**

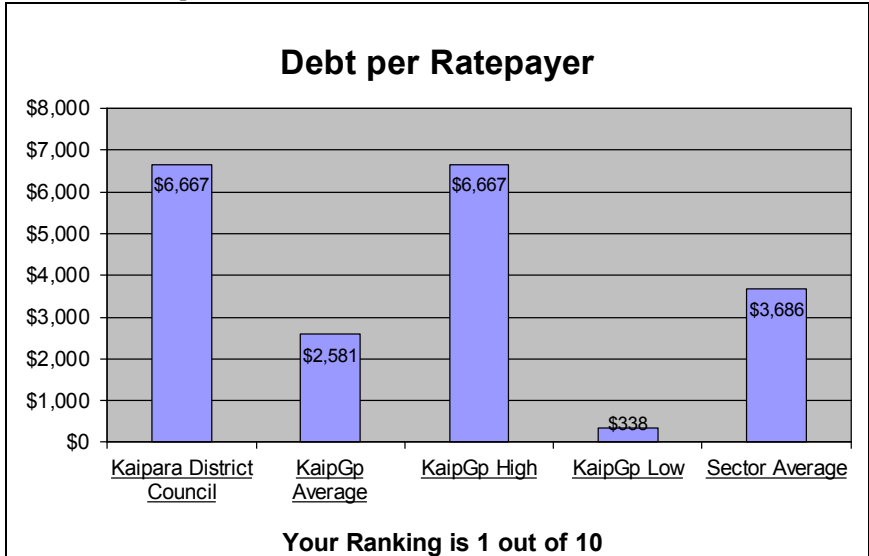
The separate reportage of this study distinguishes Mangawhai's (quarantined) debt as do the borrowing management policies. These policies reinforce this position (of segmented-performing debt) and data is provided (next graph) of **KDC core debt excluding Mangawhai to give the clear factual debt picture** with and without the influence of each debt component.

Trend: Separate section refers

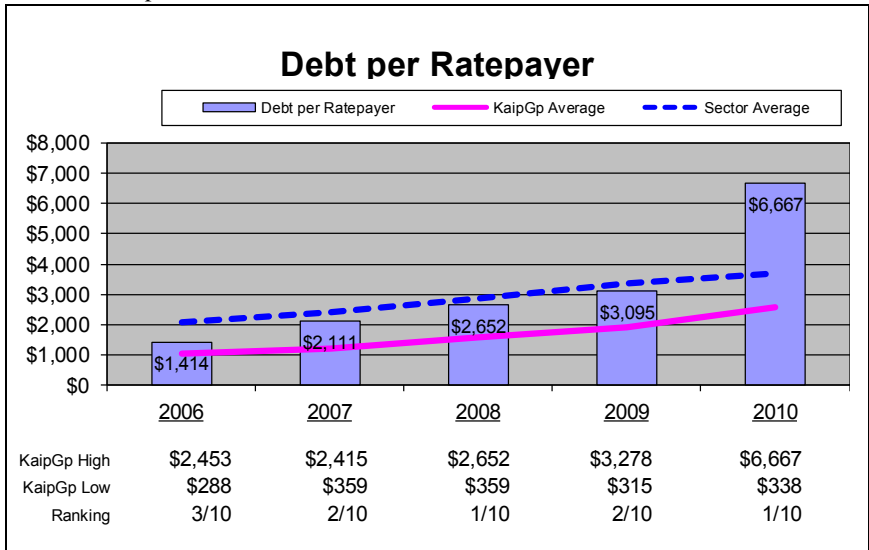
Finding: Separate section refers

Implication: The increase in total KDC debt is very important to explain in understandable terms. There is a danger of treating all KDC debt as comparable, a misinterpretation of this situation as well as increasing the dangerous possibility that the KDC debt policy settings may not provide the necessary safeguards. The separate 'EcoCare' section of this report refers to the protection-separation of Mangawhai debt that is essential to ensure KDC treats the recently added debt (and debt repayments) correctly in policy terms.

'Base Stats' Graph



'Trendz' Graph



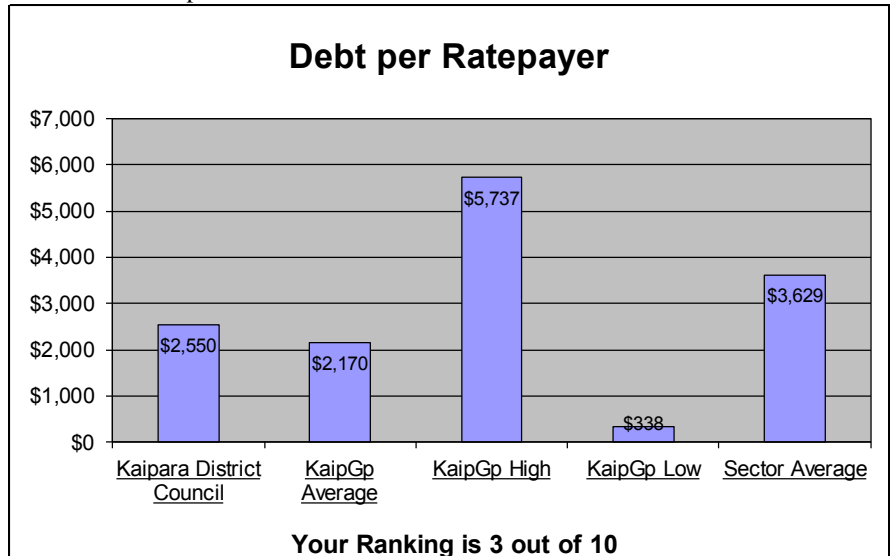


Financial

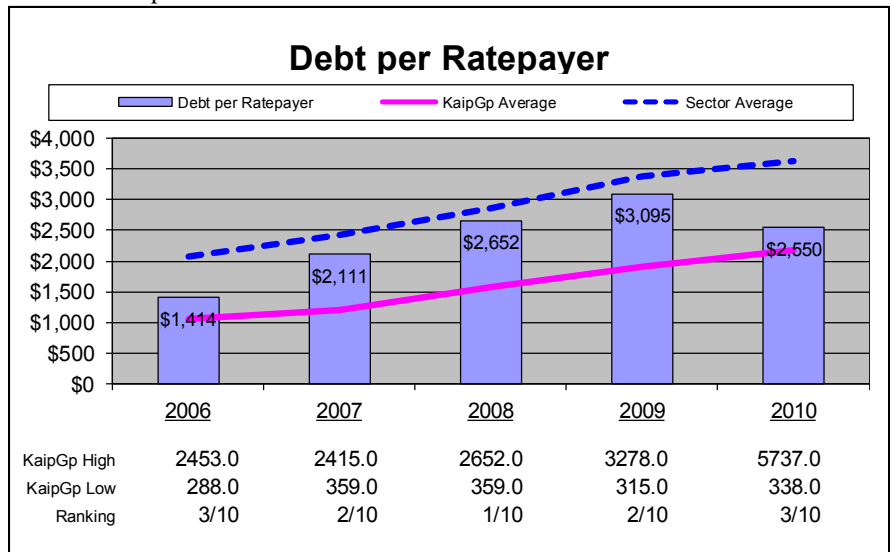
Note: Notional Core KDC debt ... KDC finances without EcoCare.

This notional extra debt graph shows the effect of **core** KDC debt **without inclusion** of the added EcoCare (\$56 M) debt total. The reason for inclusion of this information is to show core debt only levels, compared to the group of ten **KaipGp** peer Councils. **The rankings of this data/graphs are 3 of 10 for the smaller group and 13 of 35 for the larger provincial/rural group.** Somewhat surprisingly these scores, **even without inclusion of the EcoCare debt are quite high** (within the highest third) for both of these two groups. KDC core debt, to be borne by the District ... even without Mangawhai debt will still present its own challenges.

'Base Stats' Graph



'Trendz' Graph





Financial

Measure: Capital Creation

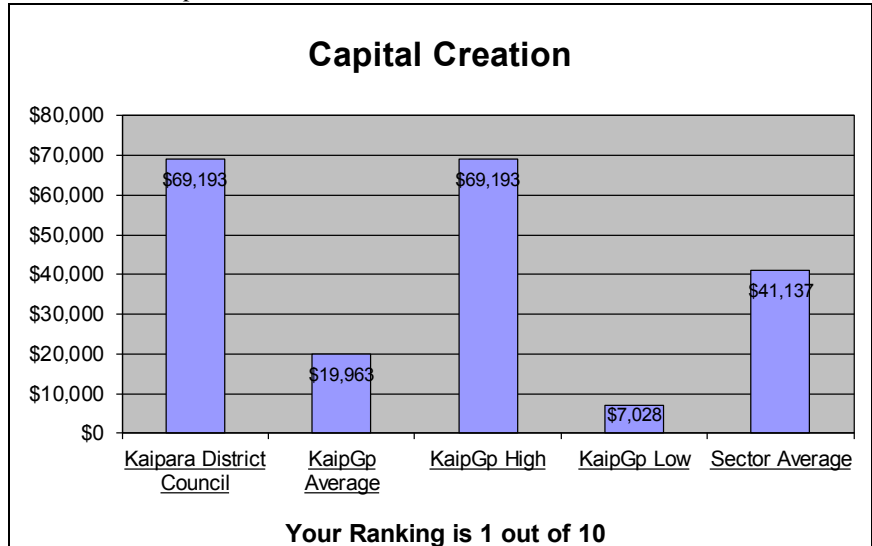
Current: This measure, graphically demonstrates the significant impact of bringing to account the Mangawhai-EcoCare assets. **This capital introduction is the 'other side of the debt story'**. That is, the increased KDC debt is offset by matching (Mangawhai) assets. Note also in terms of KDC's ratepayers equity, (the net worth of the KDC) this total, in spite of the added debt in the 2010 year actually shows an increase from \$410M to \$415M (though still and as explained above this is a low relative ranking at 32 of 36). One additional point. Added assets, for which the KDC becomes responsible, can be a burden even though KDC's net worth is improved. This is due to the extra asset maintenance commitments and no doubt substantial added administrative overheads associated with this complex EcoCare project.

Trend: A major change of KDC circumstances

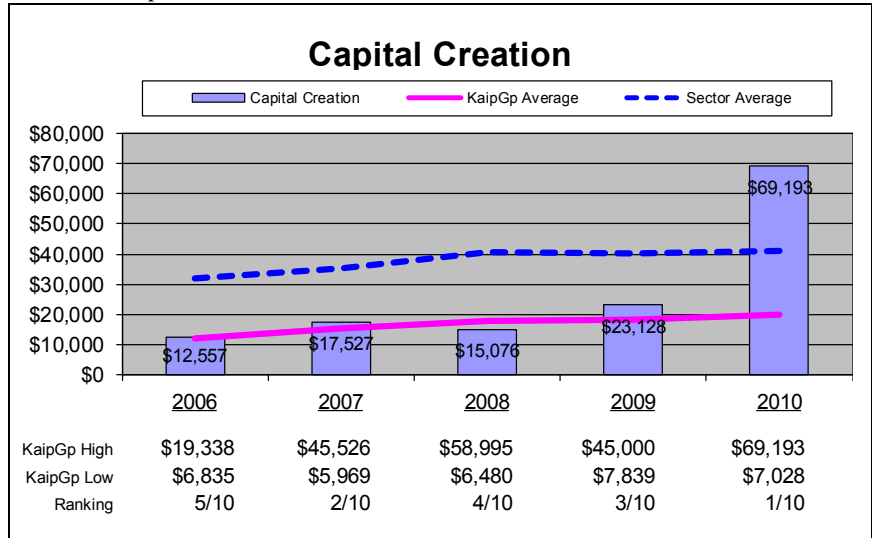
Finding: See above comments and separate analysis section

Implication: Very! Important: The significance of these developments must be fully understood and treated carefully. Future KDC wide projections, together with Mangawhai asset management-depreciation-debt-borrowing polices all must be properly coordinated based on prudent and sustainable financial management practice.

'Base Stats' Graph



'Trendz' Graph





Financial

Measure: Debt – Wealth ... this measure relates debt levels to the value of the property base (combined land and capital values). The Mangawhai debt situation (below) refers.

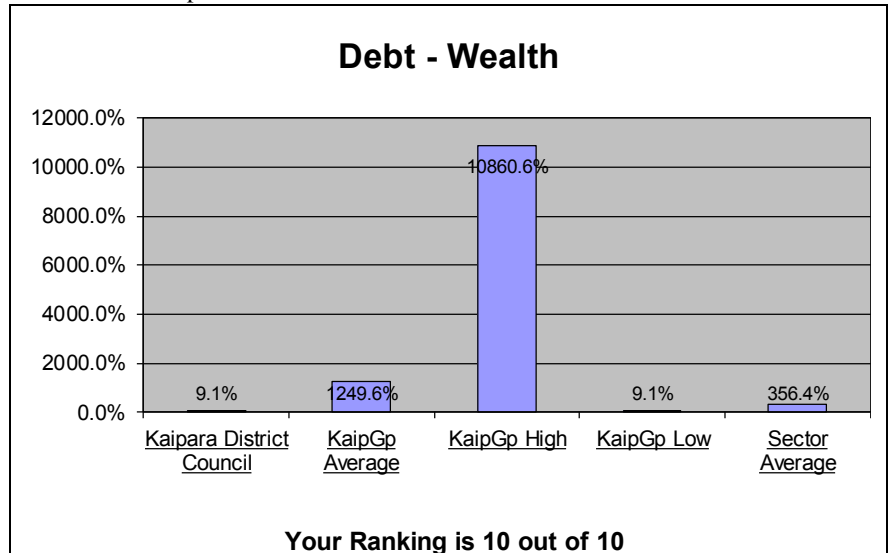
Current: See previous measure commentary

Trend: The direction that this measure is heading is of concern and will take careful handling for all who are faced with financing of the EcoCare scheme. Mangawhai residents and only them! are now faced with an adverse debt-wealth statistic as they are required to meet debt repayment and higher service charges from their lower property values rated against their high level of Mangawhai-EcoCare related debt. They face heavy long term contractual commitments along with their local, current targeted rates payments. **The blowout of Sundry Debtors from \$1.4m in the last year to \$5.0M raises the issue of the sustainability of Mangawhai debt repayments**

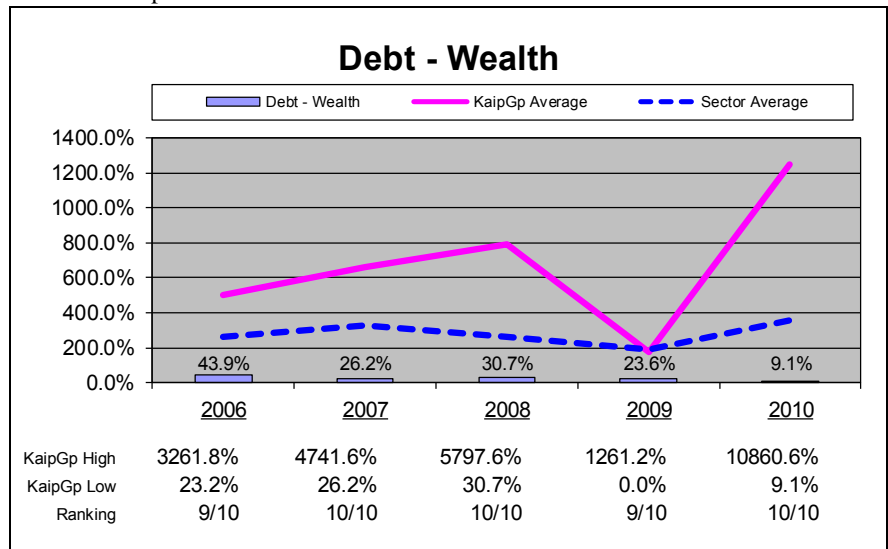
Finding: See previous measure commentary

Implication: See previous measure commentary re debt levels. The now very high level of total KDC debt in this relative measurement context of property values places Kaipara in a less favoured position relative to the others. Its ranking now of 10th of 10 in the KaipGp indicates that KDC borrowings are not well supported by its property rating base, particularly in “accepted” Council debt sustainability terms. Once again, these facts emphasize the importance of segregating from other KDC ratepayers the Mangawhai debt as well as a need to develop future KDC debt projections in a long term **sustainable** fashion. Legal disputes can add to these complexities. **Detailed ongoing and independent analysis of this state of affairs will be essential** to gain a fully rounded picture prior to taking any further actions. This report refrains from further comment at this stage.

'Base Stats' Graph



'Trendz' Graph





Financial

Measure: Council Expenditure per Ratepayer (self-explanatory).

Current: The previous commentary on Council revenues refers. The 2010 commentary on Council revenues states as follows. 'At \$3,764 (from a relatively low \$2,538 per ratepayer in 2008) this now higher relative level of revenue/expenditure reflects more the blip* in 2010 income ... rather than any real improvements in the district's modest income and economic circumstances compared to the others'

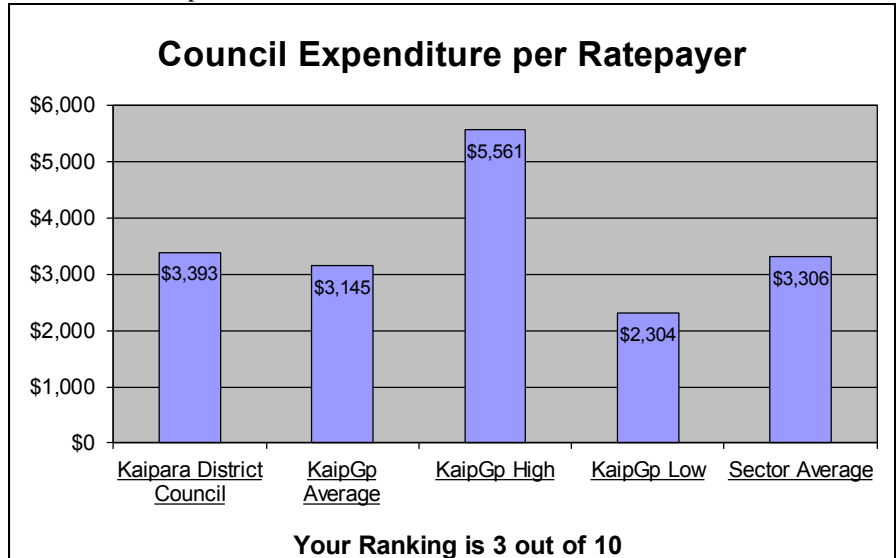
Trend: See also previous commentary on Council revenues.

Finding: See previous commentary on Council revenues.

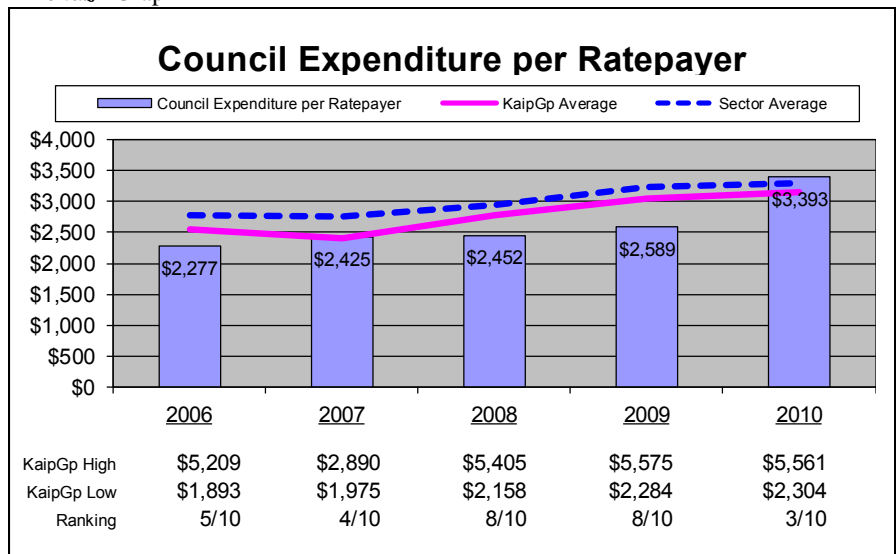
Implication: At first sight the increase or at least a large (\$3.7M increase) part of it relating to Community Spaces ... the Kauri Coast Community Pool Trust capital grant seems a worry ... but it is NOT a major concern. Accounting-Audit 'inspired' treatment of the pool grant has, in 2010 been treated as a current expense and this will be reversed to KDC revenue (it is understood) in 2011.

The previous commentary on Council revenues states the flip side of Council expenditures ... Revenue up! inevitably leads to increases in expenditures. Current KDC expenditures have a close relationship to KDC revenue. To the extent that revenues and expenditures must, on a balanced budget basis roughly match, (current surpluses aside), this stat in 2010 shows some overruns of infrastructural asset maintenance expenditures ... actual total expenditures 2010 \$46.6M up 32% from \$35.3M in 2009. Roading expenditure increases account for an added \$3M (subsidised and on budget) spending in 2010. Over budget spending occurred in 2010 with increases that include wastewater (+\$900K) and water supply (+\$500M).

'Base Stats' Graph



'Trendz' Graph





Financial

Measure: Roading expenditures

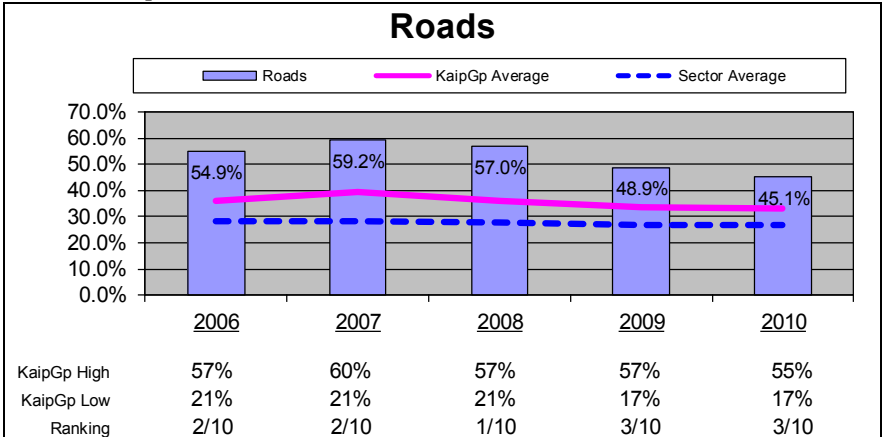
Current: This stat reports the bulk of the core nature of KDC spending, the Kaipara roading expenditures. As a proportion of its total expenditures, **Kaipara spends relatively more than do the others purely on roads** (3rd of 10), a 45% of total KDC expenditures and this is above the **KaipGp** group average (33%) ... an 11.9% above average variation.

Trend: Steady and consistently the highest KDC proportion spent and 3rd highest by the group ... on roads.

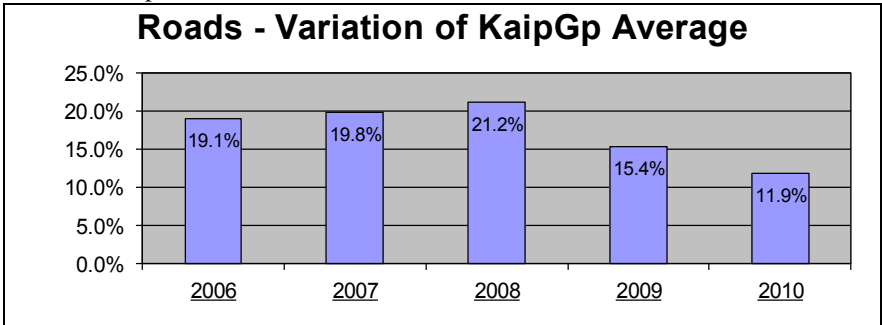
Finding: Kaipara *sticks to its (roading) knitting ...* but has little flexibility (wriggle room) in the matter, due to its limited ... and carefully husbanded ... financial resources. The Mangawhai situation as explained (by the way) has little impact on the high level of KDC roading expenditures as its (EcoCare's) major debt-expenditures relate to non-roading wastewater infrastructure.

Implication: Support is shown here for the Kaipara proposition that it sticks to its core business and achieves good local government in these financial terms.

'Trendz' Graph



'Trendz' Graph





Financial

Measure: Land Transport (NZTA/LTNZ/ NZGuv 'whatever') Funding ... records the local roads (subsidy) funding received annually from Land Transport NZ.

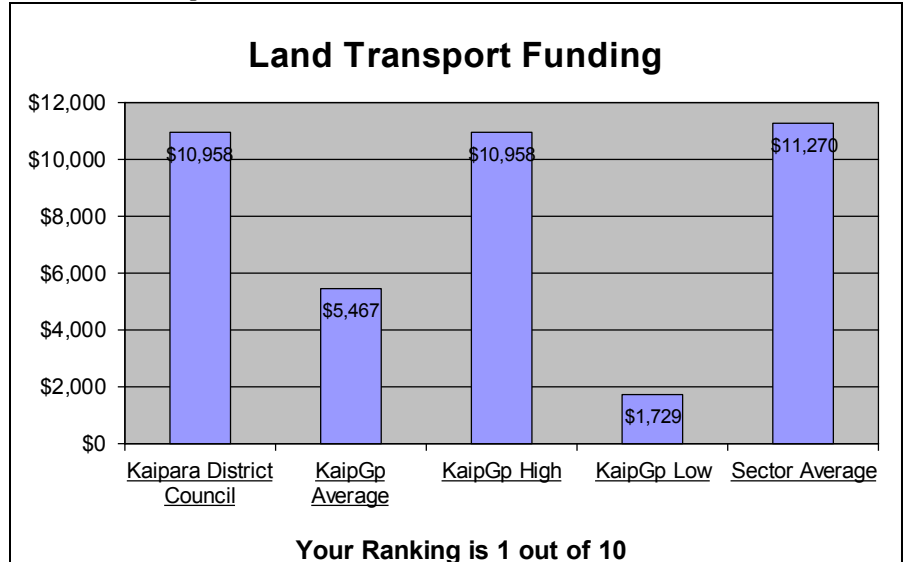
Current: At \$8,214 for 2008 (and 4th of 4 for the Northland group) in the rankings, the Kaipara District now, at \$10,958 receives in 2010 a much higher (and a very high) level of roading subsidy support ... a higher absolute dollar amount from this source. Note however that the KDC receives about double the **KaipGp** group average of \$5,457 but still slightly less than the national average of \$11,270 up from \$8,037 in 2008. Fuller analysis of this data may deliver contra indications than those reported ... due to the use here of **absolute \$\$\$'s**, not per ratepayer numbers.

Trend: A new KDC high ranking of 1 of 10 now ranks highest in roading funding-subsidies ... a very satisfactory result after 2008 when it was stated that the Northland region result then 'confirmed the relatively low level of roads funding received for the KDC district! **Quite a turn around.**

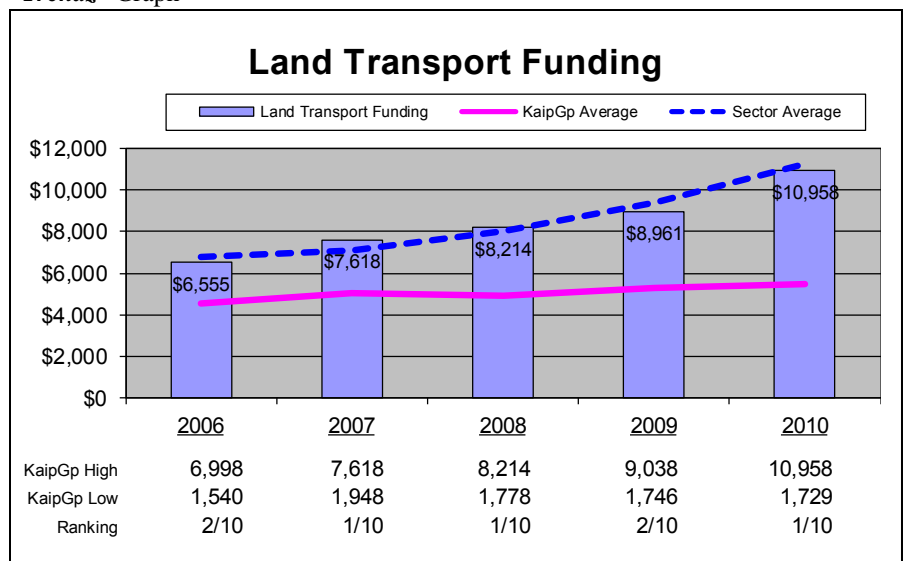
Finding: This remains a very significant measure in the context of this study. The high current level of road subsidy funding speaks volumes on two matters (at least). The subsidy relationship involving as it does a need to match third party sourced (LTNZ) subsidy monies with local Kaipara's limited roads funding means that Kaipara may still struggle to match their **local funding** of subsidies (of all hues! including central government subsidy type funding.) Also though the KDC could? be on the wrong end of these formula-driven sources of funding due to their (the KDC's) lower economic status. Further, this result directly demonstrates the necessary third party 'funding' of the KDC required because of the very low income and economic status of the council and of its residents.

Implication: Subsidies (of all hues) currently appear to serve the Kaipara District well as explained above. **Only continued direct district third party financial support can play well to this subsidy situation ... because of the low relative economic status of KDC council finances and its resident's incomes.**

'Base Stats' Graph



'Trendz' Graph





EcoCare ... and other Pressing Financial matters

The significance of EcoCare and the February 2011 Report Limitations

This brief '*points*' outline, records certain concerns relating to the **EcoCare** project and adds commentary of a number of other related financial management matters. As mentioned in the introduction to this report, the **EcoCare** project raises important implications for the financial sustainability of the KDC. This is principally due to the addition, in 2010 of approximately \$56 M - \$58 M of Council debt, albeit offset and accompanied by about the same value of (now) KDC booked/owned assets

No representations as to the completeness and detailed accuracy of the following observations are given. For adequate assurance on these matters, full and complete representations would be required from the other professionals involved.

In discussing and evaluating this project, its important aspects, particularly from a newly elected official's standpoint relate to its financial sustainability. The project is 'a fact' now, it is largely completed, at least for its wastewater component and as designed it is intended to stand on its own feet supported by the Mangawhai zone-area ratepayers. It is they whom alone are benefiting and will continue to benefit from the **EcoCare** infrastructure. The following brief paragraphs under separate headings refer.

Segmentation of EcoCare debt

So termed policies of "***Segmentation of KDC's Debt***" ... contained in the Council's LGA 2002 S.104 (e) mandated Liability Management Policies, (*Borrowing and Management policies*) were developed (circa) in 2009. These policies were a response to the danger of Mangawhai debt flowing over into KDC district-wide debt funding and or repayments. It was believed by the then Council that it was vital to confine the debt to the level of the specific area of benefit that is the burden of the Mangawhai debt ... to Mangawhai alone.

All elected members should be familiar with the provisions of these policies. **No changes should be made to these policies** that would have the effect of letting Mangawhai 'off the hook' as they have committed (in a fully enforceable legal sense as well, it is believed) to meeting their financial obligations as they fall due. Greater protection than currently exists for this situation is warranted (if it is possible) and is now discussed further.

Doubly enshrined (constitutional) safeguards for EcoCare debt repayment

'Nice idea' but in cold hard legal terms *double enshrinement* (the protected say 66% majority constitutional) safeguards for the **EcoCare** debt repayment terms do not exist and cannot be assured or assumed. The Local Government Act does not make provisions for safeguards of this kind that involve greater future certainty for resolutions passed by Councils. **A simple majority** decision of any (new) Council can have the effect of overturning existing provisions such as the **EcoCare** borrowing policies. The effects of such a decision would be very harmful to ordinary, at large people and communities of the Kaipara District. It may just have to be sufficient to ensure that any mooted such policy changes are fully understood and debated prior to any changes being decided. Hopefully this report achieves this objective meanwhile.



Exposures

In spite of all safeguards and in addition to the dangers of policy amendments (above), the reality is that financial failure of Mangawhai's ratepayers, the personal residents, developers and commercial property owner's may emerge, (have started), legal actions could bring challenges, (they have already appeared) and bad debts may continue to increase, (as pointed out elsewhere they have, to June 2010 increased in one year by \$3.6 M to \$5.0 M).

In addition, debt servicing (interest and some principal) costs are rising steeply, up \$1 M to \$3.8 M in June 2010 and are reportedly increasing in the current year, largely as a result of **EcoCare** debt. Note also amongst this report's debt graphs the **core** KDC debt, (excluding **EcoCare**) is itself 'amongst the third highest' debt level of the KDC peer group of 10 similar Councils. All in all ... *'hang onto your hats'*.

Realities

KDC, as already pointed out faces these funding-financing and other future challenges. KDC is not alone in these matters. Many NZ Council's are facing recessionary times and the enclosed February 2011 Local Government Magazine article at Appendix 5 titled *'Local authorities balance sheets warn of financial troubles'* identifies over 15% of NZ TLA's who 'will struggle'. Faced with these realities, for all of these cases, to manage through the next few years will take excellent governance and management skills. Here are some immediate actions-suggestions to assist.

- Conduct the forensic and recovery processes as detailed in the Appendix 5;
- Ascertain the sensitivities of differing debt and bad debt scenarios and take appropriate actions that will address any difficulties;
- Set in train medium to long term financial sustainability benchmark performance measures and closely monitor these;
- Continue to assess the prospects and implications of local government reorganisations;
- Continue to do what KDC continues to do best ... that is, to gain existing or better levels of subsidy based on reliable focussed local affordability information ... and continue with a no frills, low overheads, low staff levels 'affordable' local level of service;
- Consider an improved accounting public disclosure, one that separates the effect of **EcoCare** from the core KDC finances. This would improve the under-standability of financial statements as well as reinforcing the significance of the policy and other issues affecting **EcoCare**-KDC financial positions;
- Final note: See below the comparative 2010 'Napier City' average comparative residential rates survey data in the next section ... this shows, at June 2010, NZ TLA wide average rates of \$1,638 pa, a 22.7% increase since 2006. Anecdotal evidence suggests that the KDC 'may' be at least as good as this average figure, (Rodney's 2010 rates were over \$2,200 pa before it went broke). Further work is necessary to accurately determine this ... and could be used to influence some 'hearts and minds' in the District.

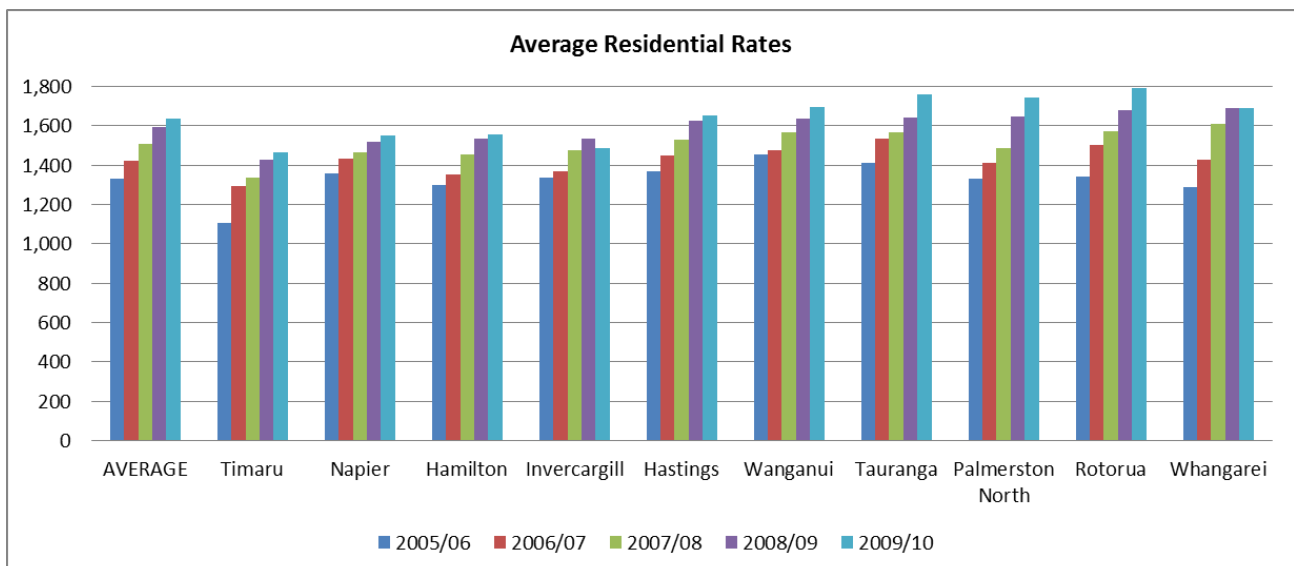


Average Residential Rates

The data available on rates comparisons is contained in the next report. This information consists of a survey run annually by the Napier city Council ... its latest 2010 version is reproduced. Average residential rates are calculated on a uniform basic agreed to by the nine subscriber Councils of which Whangarei from the Northland group is one.

Even allowing for variability of this data the conclusion that may be drawn from this information is persuasive. The Kaipara District Council can probably still claim lower to mid-levels of rates. Accurate assessment of such a claim would require much more careful analysis.

	2005/06	% Increase 2006-2007	2006/07	% Increase 2007-2008	2007/08	% Increase 2008-2009	2008/09	% Increase 2009-2010	2009/10	5 yr % Increase 2006-2010
AVERAGE	1,335	6.7%	1,424	5.0%	1,495	5.8%	1,582	3.5%	1,638	22.7%
Timaru	1,106	16.8%	1,292	3.5%	1,337	6.8%	1,428	2.5%	1,463	32.3%
Napier	1,358	5.4%	1,432	2.4%	1,467	3.6%	1,520	2.0%	1,550	14.1%
Hamilton	1,300	3.8%	1,350	7.8%	1,455	5.4%	1,533	1.4%	1,554	19.5%
Invercargill	1,338	2.3%	1,369	7.8%	1,476	4.1%	1,536	-3.2%	1,487	11.1%
Hastings	1,366	6.1%	1,449	5.5%	1,529	6.1%	1,623	1.8%	1,652	20.9%
Wanganui	1,454	1.4%	1,475	6.2%	1566	4.5%	1,636	3.5%	1,694	16.5%
Tauranga	1,413	8.5%	1,533	2.3%	1,569	4.5%	1,640	7.1%	1,757	24.3%
Palmerston North	1,332	6.0%	1,412	5.1%	1,484	10.8%	1,645	5.9%	1,742	30.8%
Rotorua	1,344	11.8%	1,502	4.5%	1570	6.9%	1,679	6.6%	1,789	33.1%
Whangarei	1,291	10.8%	1,430	12.7%	1,612	4.8%	1,689	0.1%	1,691	31.0%





Other (info only 2009 report) Graph Contents

All of the data from this section is additional to the graphs of the previous section. Overall conclusions relating to the four elements of the Kaipara Proposition, that is, the service delivery difficulties, good local government, cost-effectiveness and financial factors appear here and (in summary) in the overall conclusions section of the main report.

Difficulty Factors	
Rateable Valuation Proportion - \$ Value of Properties	Customised
Ratepayer Land Investment	Customised and Standard
Ratepayer Capital Investment	Customised and Standard
Unsealed Local Roads	Customised and Standard
Kms of Local Road per Bridge	Customised
No of Bridges	Customised
<p>Difficulty Factors Scoring – The scoring of the difficulty factors falls into two distinct groups, the more difficult factors relate to population, density and service delivery factors. The easier factors include the financial and economic outcomes-results measures. The delivery of good local government in a cost-effective manner for Kaipara is confronted by a considerable array of significant ‘difficulties’. The good news though is that these are balanced by the so-termed easier (more favourable) financial and economic factors, most of which themselves have been achieved at least in part by good local government and cost-effective management of the Kaipara District Council.</p>	
<p>Conclusion: Kaipara District Council, when compared to other councils, both for their customised and standard comparable groups (numbering 4 and 36 respectively) faces considerably greater difficulties in the delivery of public services than for their peers as evidenced by the graphs of this section.</p>	
Good Local Government	
Workforce Unemployed	Customised and Standard
Outcomes-Results Income Factors	Customised and Standard
Outcomes-Results Wealth Factors	Customised
Ratepayers for each Council Member	Customised
<p>Conclusion: Kaipara District Council, when compared to other councils, both of their customised and standard comparable groups (numbering 4 and 36 respectively) conducts its affairs relative to the others considerably better and delivers public services better than their peers as evidenced is by the graphs of this section.</p>	



Other Graph Contents Continued (info only 2009 report)

Cost Effectiveness

Number of Full Time Employees per Member Ratio	Customised
CEO Package to Total Revenue Ratio	Customised
Councillors Fees to Retained Earnings Ratio	Customised

Conclusion: Kaipara District Council, when compared to other councils, both of their customised and standard comparable groups (numbering 4 and 36 respectively) achieves **better cost-effectiveness for the delivery of public services than for its peers** as evidenced by the graphs of this section.

Financial

Projected Revenues to 2013	Customised
Ratepayer Density within the District Population	Customised
Significant Activity Expenditure Proportions	Customised

Conclusion: Kaipara District Council, when compared to other councils, both of their customised and standard comparable groups (numbering 4 and 36 respectively) **faces considerably greater difficulties from its financial circumstances in the delivery of public services than for their peers** as evidenced by the graphs of this section.



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(2011 reports unavailable not included in this report)**



Affordability Contents (info only 2009 report)

The reports of this section support the proposition(s) as detailed here.

Good Local Government
Rates Per Ratepayer
Rates Per Ratepayer to Household Income
Total Rates Schedule
Conclusion: Kaipara District Council, when compared to other councils, both of their standard and customised comparable groups (numbering 36 and 4 respectively) imposes rates and charges at substantially lesser amounts for delivery of public services than for do their peers as is evidenced by the graphs of this section.
Cost Effectiveness
Growth of Employee Numbers
Average Wage Per Employee
Proportion of Wages to Council Operating Expenditure
Proportion of Wages to Council Operating Revenue
Conclusion: Kaipara District Council, when compared to other councils, both of their standard and customised comparable groups (numbering 36 and 4 respectively) for remuneration costs of employees required to deliver its public services more cost-effectively than do their peers as is evidenced by the graphs of this section.
Financial
Debt Per Ratepayer
Debt to Total Operating Expenditure
Conclusion: Kaipara District Council, when compared to other councils, both of their standard and customised comparable groups (numbering 36 and 4 respectively) has demonstrated better more prudential financial management than have their peers as is evidenced by the graphs of this section.



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(2011 data unavailable and not included in this report)**



Appendices Contents

Appendix 1a Your Council's Customised Group

Appendix 1 Your Council's Standard Group

Appendix 2 Satisfaction Survey Information
(Not yet included, see 2009 Report)

Appendix 3 Press Release – Kaipara District looks to the Kaipara Harbour
(Not included, see 2009 Report)

Appendix 4 Draft proposal – The Kaipara District Council Proposition
(Not included, see 2009 Report)

Appendix 5 Local Government Magazine article February 2011 titled
'Local authorities balance sheets warn of financial troubles'



Your Council's Customised Group

Name of TLA Council * = existing 2009 'Base Stats' subscriber	Population 2009	Commentary on selection criteria
Kaipara*	18,750	Benchmarked custom unit included
Central Hawkes Bay*	13,350	Low end population/size outlier
Central Otago	17,950	Population close fit
Clutha	17,400	Population close fit
Hauraki*	17,800	A very close fit
Matamata Piako*	31,600	Higher socio economic marker
South Taranaki*	26,800	A reasonable fit
South Waikato*	22,800	A reasonable fit and low socio economic data outlier
Tararua*	17,700	A very close fit
Thames-Coromandel	26,800	High end population/size outlier
Total: 10		



Your Council's Standard Group

Your Council belongs to the 'Provincial/Rural' Group of 36 NZ TLA Councils of between 20 to 50,000 residents approximately

Provincial/Rural Group/Cohort

Ashburton District Council
Central Hawkes Bay District Council
Central Otago District Council
Clutha District Council
Far North District Council
Franklin District Council
Gisborne District Council
Hastings District Council
Horowhenua District Council
Kaipara District Council
Kapiti Coast District Council
Manawatu District Council
Marlborough District Council
Masterton District Council
Matamata-Piako District Council
Nelson City Council
Papakura District Council
Queenstown Lakes District Council
Rodney District Council
Ruapehu District Council
Selwyn District Council
South Taranaki District Council
South Waikato District Council
Southland District Council
Tararua District Council
Tasman District Council
Taupo District Council
Thames-Coromandel District Council
Timaru District Council
Waikato District Council
Waimakariri District Council
Waipa District Council
Waitaki District Council
Wanganui District Council
Western Bay of Plenty District Council
Whakatane District Council
Total in group: 36

Local authorities' balance sheets warn of financial troubles

Published in the NZ Local Government Magazine Feb 2011

By **GRAHAM HAWKES**

Local government finance and policy analyst Larry Mitchell is waving a red flag over the state of some of our councils' finances.

The man who has spent over fifteen years analysing the books of our territorial local authorities says compared to 10 years ago, some councils are now in a parlous financial state – perhaps as many as 15 to 20 per cent of them – have just hit the wall.

“My reasons for going public on these matters, is that I am very concerned at the developing deteriorating situation. I am especially worried, based on the moribund and apathetic reactions to recent entreaties that elected councillors are, to put it as kindly as possible ... not paying attention.

“I should apologise to councils many of whom are valued clients – that are getting their financial planning right. There are some who clearly are not.

“The financial tsunami currently hitting the beach of some New Zealand territorial local authorities is unprecedented. You don't have to be a rocket scientist to go through the figures and see that it has come time to activate the warning systems.”

Mr Mitchell says some of the symptoms of looming financial trouble include council debt limits at or near their sustainable maximums, with rates and charges that are increasingly becoming unaffordable for both ratepayers and businesses.

“On the whole, councils were much sounder financially 10 years ago. By most measures, many are now unsustainable financially, unless of course rates and charges are increased to totally unacceptable and unaffordable levels,” he says.

Asked about the significant factors over this period that have led to the financial deterioration, he says “profligacy and with little emphasis upon improved performance. There's also been a lack of auditor, ratepayer and elected member supervision of management with little emphasis and insistence from all three groups on financial prudence and the affordability of financial policies.

“There's been a failure to husband funds for example, doing away with sinking funds and then just borrowing more for asset replacements.

“The analysis we have seen that has led me to these statements about the financial viability of some of our councils, stems from the fact that 10 years ago – even longer than that – councils were assiduously putting money aside to fund their future asset replacements in real money terms.

“They had sinking funds – that is, external investment funds that could by law only be used for the purpose the fund was raised for, which was asset replacement.

Financial imbalance

“There is now a double whammy effect in play here. Having done away with mandated funds management, few councils are fully protecting and investing these reserved funds...so that now not only do they not have the funds when the time comes to replace the asset, they have also missed out on the interest or dividend returns; actual investment cash flows over the period, say 15 years.

“And in some cases they have further complicated the situation by not only forgoing the investment income stream, they have also spent the money that was supposed to be set aside to replace the asset ... so they borrow again. Maybe we should make that a triple whammy.

“As an inevitable result you have a compounding and very adverse financial imbalance and this is starkly obvious in the 2010 and recent years' audited financial statements.”

How can these complexities be addressed? “It is not all that hard” says Mr Mitchell. Using his experience including involvement in recent local government financial sustainability developments in Australia and North America as his guide, Mr Mitchell says that the four main financial and economic metrics-benchmarks which directly and quickly indicate the serious nature of the problems are:

- high debt per ratepayer
- high debt-servicing costs per ratepayer

- low value of protected liquid financial reserves backed by external realisable financial assets and investments
- low Council (and measured) financial performance accompanied by low relative local gdp/economic outcomes compared to other TLAs.

He believes the current situation is not sustainable and he has a principled process in place to help to fix the problems.

“First of all, let’s get good information (that’s good not perfect) with which to assess the situation, (the diagnostic phase). As an aside, there is only very slowly developing a council culture to obtain and use the correct financial performance measures that are vital for the management and control of these circumstances.

Recovery phase

“Next step, and it is a vital one, is to then act on this information, to analyse and interpret the results (the forensic phase) of the financial and economic data, as well as its reporting using useful commentary and in plain English.

“Then comes the recovery phase of the process; the revised affordable-sustainable plans (the financial policy setting and strategy stage) that are so urgently needed.

Mr Mitchell says longer term recovery strategies will be needed by 2012 or earlier. Financial plans must now confront the budget realities of affordability and ‘cut the cloth’.

“These steps should be followed by meaningful and ongoing audit and performance assurance, coupled with independent advice on the matters. Elected members must avoid ‘staff capture’ by insisting upon provision of independent advice covering a range of well understood and fully cost/benefited options.”

Mr Mitchell says he doesn’t accept that councils’ financial problems are principally due to the recession which has gripped New Zealand since the international banking crisis hit.

“No, I don’t think so. This situation, let’s call it a crisis, for that it may well be, has been a long time in the making.

“A major reason that springs immediately to mind is a perverse and unforeseen consequence of the 2002 Act. This legislation that promised so much has put councils into something of an inflexible and unresponsive medium term (three to ten-year) straitjacket. It is called the Long Term Council Community Plan. While this plan is regularly reviewed, it tends to build a model that has in its effect constrained councils’ ability to readily react to the external financial-economic environment. And this is particularly so of course, when a recession hits as quickly as this one has.

“If you go back to the 2006 and earlier plans, all of their projections were for steady increases, as if there was no tomorrow, including – and this is the killer – the failure to control maximum prudent-affordable-sustainable debt levels. The interest only content of an average residential rates bill for highly indebted councils is already over 25 per cent of its total; a bit like some heavily mortgaged homeowners really to put this into some context.”

Limitations

He believes that current financial difficulties have been exacerbated by the effects of the short term changes brought about by a three-year election cycle, coupled with the hands-off compliance and procedural nature of audits of the LTCCPs.

The LTCCP unfortunately has become a more prescriptive document than is desirable, he says.

“It tends not to stress the importance of affordability and sustainability issues; it pays only passing regard for the need to adopt accountable economic and financial performance measurement and to cap that lot off its legislative structure limits the flexibility of councils to make changes even when they see the tsunami coming.

“I believe councils tend to get locked into their plans. If it was a private-sector company, it could react within a month or at most within a quarter. Given council inertia linked to their legislative and operational environment it’s like turning around the Titanic.

“Councils are going to have to get pretty active in the next 12 to 24 months because they won’t have many easy options left. And now they just have! to take the correct actions.”