

Review of Strateg.Ease Report to LGC

Reference	Statement	Fact
Exec Summary Page 6	"savings estimated to be in the order of \$4.7 million"	Yet page 7 and 69 maintain current numbers in "Main Activities" of same report assesses staff savings in the order of \$3.7 million. The report is silent on ongoing additional operating costs, for example, servicing the additional community boards.
Page 6	TDC Water supply and drinking water bullet points	First bullet point - TDC has a budget in its Ten Year Plan 2009-2019 to undertake Public Health Risk Management Plans and upgrades to water supplies by the required dates. The second bullet refers to Richmond East water supply being deferred for funding reasons, when in fact the project was deferred due to a potential subdivision occurring in the area and the developer needing to replace the water pipe as part of the subdivision, rather than the work being paid for by the ratepayers. The third bullet point - the Motueka water supply project was deferred following consultation with the community. Council has budgeted to do the reticulation project in its Ten Year Plan 2009 -2019, however, the community has requested that Council defer the project pending the opportunity to get a satisfactory Government subsidy to help reduce the cost of the project to the ratepayers.
Page 9 (5)	Analysis omits some minor services (less than \$1.5m)	Not clear whether these services omitted from consideration are each less than \$1.5m or together total \$1.5m. If former then omission of say 10 such services = \$15m!
Page 9(6)	"... estimates the additional borrowing capacity available to the councils and a combined council using the existing councils borrowing limits."	Adopts 25% debt/equity ratio for the combined council. TDC's policy is to use that ratio but at 20%, NCC does not use that ratio to limit its debt.

Page 10 (4.1)	Neighbouring councils are not compelled to undertake joint planning.	Provisions exist in LGA, RMA and in LTMA effectively requiring neighbouring councils to address cross boundary issues. Are the authors trying to rewrite the law? In any event, evidence was given of collaboration and joint planning.
Page 10 (4.1)	Draws attention to criticism of submitters as to the effectiveness of regional planning for transport, economic development and shared facilities.	These matters are stated as fact with no assessment by the authors. In fact 175 ha of extra land has been zoned in Richmond for business and a further 38 ha in Motueka is being provided by Tasman District. These matters have been further addressed in the two councils LTCCP's and annual plans as well as the Regional Land Transport Strategies.
Page 11 (4.1)	No specific proposals forthcoming for intensification outcomes in Richmond (the CBD and peri-CBD) forthcoming.	In fact opportunity for residential intensification does exist in Richmond east, south and west. Opportunities in the CBD are still under investigation as part of a much wider study. Despite recent economic pressures the market is slowly responding to these new opportunities.
Page 14 (4.3.2)	TDC is not a direct grant funder of the EDA.	TDC granted EDA \$186,246 in 2009/10 and \$192,038 in 2010/11.
Page 14 (4.3.2)	In the 2010 year \$123,600 was spent on economic development.	The funding was \$186,246, 55% more than shown.
Page 14 (4.3.2)	Since formation EDA has been governed by NCC.	When the EDA was set up NCC transferred existing budget and expected TDC to match this. TDC did not have a similar budget at that time and considered a governance role was not appropriate - it has since agreed to joint funding.
Page 14 (4.4)	Tiakina te Taiao represents four of the six iwi in the Whakatu ...	They do so but primarily on RMA matters in terms of their local government relationship.

Page 16	Table 5.1.1: "Several performance targets are under achieved in both Councils. This may be due to workload but indicates additional resources are required."	This contradicts the end view point that less staff are needed in a combined Council. This statement clearly shows that more staff are needed.
Page 20	Reference to TDC's advocacy and education activity with a description only of that activity. This is immediately followed by statement that NCC has "no significant issues". The implication with the juxtaposition is that TDC has issues.	TDC has no significant issues with its advocacy and education activity, and indeed was recently congratulated on its performance in this area by the Minister for the Environment.
Page 20 (Cross boundary issues)	Report notes that submitters had identified Champion Road as a boundary with different development standards each side of the road.	Development levies may be different across the boundary, as they are throughout New Zealand. Building and subdivisional standards are similar, the former determined by national standards. Also noted that particular standards for subdivision are often set in district plan rules and may be different in different zones. Relevant that individual developers may set standards to suit their development through imposition of building and other covenants.
Page 23 table	TDC comments relate to projects. NCC comments relate to levels of service.	The table is not comparing like matters. It compares projects that TDC has decided not to fund due to changing Government subsidies in the GPS, against NCC service levels and targets. This is not a fair or accurate assessment.
Page 25 (Cross boundary issues)	Input is needed on the draft Nelson Regional Transport Strategy from TDC, MDC and the Regional Transport Committee.	Input has been provided by both TDC and MDC on this matter. NCC has yet to make decisions on land transport issues within Nelson City.
Page 26	Parks and Reserves. "Nelmac... is also a parks contractor for Tasman."	Nelmac is <u>not</u> a parks contractor for Tasman
Page 26	"Nelmac undertakes parks planning for Nelson and Tasman"	Nelmac does <u>not</u> undertake parks planning for Tasman District Council.

Page 27 (Summary)	Open space planning and planning work completed by Nelmac for both councils..."	Nelmac does <u>no</u> open space planning, or planning work, for Tasman District Council.
Page 27 (Summary)	"Nelmac undertakes parks operations for both councils..."	Nelmac does <u>not</u> undertake parks operations for Tasman District Council.
<u>Water Supply</u>		
Page 27 (table 5.4.1)	"The (combined) councils and community may benefit from ... and having additional quality from more dedicated specialist management water for region."	There is no evidence that either TDC or NCC currently suffer from a lack of specialised management of water through the present judicious selection of a staff/consultants/contractors mix. Both councils received high praise from the Audit office on their water management arrangements.
Page 28 (5.4.1)	"A union means staff could work with Nelmac in embedding sustainable practices in the water supply activity"	Nelmac is a contractor (a LATE). TDC employs Downers as its contractor for water operations and MWH (an international consulting firm) as its professional engineering consultants for water supply. The inference is that TDC does not support sustainable practices - it can be noted that water metering has been a feature of Tasman for much longer than Nelson.
Page 34 (Summary)	"Councils and community could benefit from ... arising from having more dedicated specialist, technical and contract staff."	None of the alleged non-achievement of goals in water supply by TDC is attributable to lack of technical or contract staff.
Page 34 (Summary)	"Economies of scale and re-allocation of resources to meet sustainable, long-term water supply needs could be achieved."	None of the alleged non-achievement of water supply goals by TDC is a result of lack of resources or scale factors. Community reaction to affordability have been the drivers.
Page 33	"Takaka fire fighting water supply project is to proceed."	Takaka fire fighting water supply project has been completed.

Page 33	"The Tasman District Council piped supply takes water from the Waimea aquifer and serves some Nelson City properties, most of which are industrial, to the south and west of Saxton Field."	Tasman District Council supplies water to the ever-expanding urban subdivision areas generally north of Champion Road as well as the Wakatu industrial area, Alliance Group and ENZA.
Page 34 Summary	The summary is generally critical of TDC's performance and suggests that improvements would result from union.	The level of service as indicated in the Tasman's AMP in comparison to what is achieved is audited by Audit NZ. There are times when Tasman District Council's water supply testing may not meet the requirements. However testing is carried out in accordance with the New Zealand Drinking Water Standards and Ministry of Health requirements. Combining the councils will not change the testing requirements nor achieve better compliance results. TDC prepares its own Water Supply Activity Management Plan with assistance from both MWH and Downers. TDC has publicly tendered its operations and maintenance to obtain the best price for its contract works.
Page 33	"Tasman District Council is experiencing a number of compliance issues in meeting the DWSNZ (Drinking Water Standards of New Zealand): 2007."	There is no DWSNZ:2007. The standards are dated 2005 (revised 2008).TDC intends to comply with the DWSNZ:2008 rev by having Public Health Risk Management Plans (PHRMPs) and treating the water appropriately. It has planned and budgeted for this in the Ten Year Plan 2009-2019. It will have PHRMPs for all of its water supplies undertaken in the required time frames as set out by the Standards and legislation (Health Act). Grading of water is not a requirement of the DWSNZ.
<u>Wastewater</u>		
Page 35 (table 5.5.1)	"Potential exists for consolidation of contracts and additional economies of scale and returns to one owner if union occurs."	Does this imply Nelmac gets preferential treatment?

Page 38	TDC sets a targeted rate based on the number of WCs or urinals.	For residential households TDC sets a targeted rate based on one water closet, no matter how many toilets may exist in a dwelling.
Page 38	"there are no privately owned waste water systems ..."	There are privately owned schemes servicing multiple properties as well as single-property on-site wastewater systems - monitoring under TDC's RMA responsibilities has identified there are problems but how amalgamation will change this, is unstated.
Page 38	"The assessment of the Council systems..." These include: bullet 2, 3 & 4 - Insufficient capacity to convey future flows, Pumping system deficiencies in some systems and wastewater treatment and disposal performance at some treatment plants.	This statement implies that TDC has not budgeted to meet the growth requirements for future capacity. Council has provided funding in the Ten Year Plan 2009-2019 for capacity improvement, pumping system upgrades and wastewater treatment upgrades to meet the requirements of renewed resource consents.
Page 39 (Summary)	TDC wastewater operations are undertaken by Downer EDI Works and MWH administer the contracts.	TDC employ MWH to provide professional support for operations of its wastewater systems, the operation of which is contracted to Downer.
Page 39 (Summary)	"United Group subcontract Nelmac to operate the Bell Island WWTP"	Nelmac and United Group do not operate the Bell Island WWTP. Daily operations are provided by Environmental Solutions and Consultants CPG .
Page 39 (Summary)	"Nelmac undertakes the reticulation, operation and maintenance" (in a paragraph dealing with TDC wastewater).	Nelmac do <u>not</u> undertake reticulation, operation or maintenance for TDC.
Page 39 (Summary)	"Duplication of effort associated with contract administration with MWH could be minimised through a union."	Each contract covers different areas and is competitively price/quality tendered. There is no duplication of effort.
<u>Stormwater</u>		

Page 40 (table 5.6.1)	Developing cross-boundary AMP's and CMP's may enhance environmental quality outcomes faster.	There is only one catchment which crosses the boundaries between the current two authorities and both Councils have worked together to rezone the land affected by this catchment through Nelson South/Richmond East Development Plan. The implication is that environmental quality is not as good as it could be and yet no evidence given of any issue arising because of two councils.
Waste Management		
Page 44	"The Councils in the Nelson-Tasman region, whether or not a union proceeds, need to consider whether they have adequate ownership or control of all the waste streams in the region.."	Neither Council will be in a position to have ownership of the waste stream. There are too many other well established private and commercial waste collection/disposal providers in Tasman and Nelson for this to occur.
Libraries		
Page 45 (table 5.8.1)	IT/e-collections may require just one licence on union.	Licences are based on a population served basis. Union would move the new library into a new pricing bracket. There are no reductions in pricing options below 100,000 people, less than the combined population. The two libraries are already working together and with others as part of a consortium to achieve whatever economies there may be anyway.
Page 49 (under TDC)	"and Local museum funding included \$37,500 to Golden Bay".	The report needs to make it clear that TDC funding to local museums totals \$76,542.
Page 49 (under TDC)	"Tasman Bays Heritage Trust received \$748,700".	TDC funding to TBHT was \$827,875 (error of \$79,175).
Page 50	"Amalgamation of community groups ... could avoid duplication and add economies of scales".	Amalgamation of councils would not result in amalgamation of community groups. A lot of community groups are national bodies eg IHC, Foundation for the Blind etc, with regional offices, or they are groups looking after minority or target groups with different issues. This is not a council matter so shouldn't be listed.

Financial Management		
Page 53 (6.1)	"Both NCC and TDC debt and interest cost predictions to 2019 are within their stated borrowing limits."	This is correct for TDC. In NCC's case, the corrected table 6.1.3 (attached as Appendix A) indicates that it exceeds its policy of a maximum possible debt per capita of \$3,500 in the year 2012/13, and continues to do so until the year 2015/16.
Page 54 (6.1)	"For the combined council we have used conventional policy limits related to ability to repay (debt servicing costs to rates revenue ratios, and debt to equity asset ratios)"	Table 6.1.4 on page 60, which analyses the borrowing projection and capacity of combined councils uses "Debt to equity asset ratio", and "Net external debt, not to exceed to 250% of total operating revenue", the latter not being one of those quoted in the text of the report as set out in the adjacent column ? Why?
Page 54 (6.1)	"the councils are not limited by borrowing capacity to .. maintain and enhance levels of service ..."	The statement is also made that an amalgamated balance sheet of two councils provides greater funding capacity - why is this implied as a benefit?
Page 54	First bullet point, second set. "Tasman District Council has much more limited capacity than NCC to fund significant infrastructure projects ..."	Tasman District Council manages its borrowing having regard to the ability of its varying communities to pay.

Page 54 (6.1)	With reference to the Motueka water supply scheme: "The reason given was that the council decided to proceed with the project only if it received a satisfactory government subsidy"	A perfectly reasonable strategy for any potential grantee to adopt, as to do otherwise may give an indication that the subsidy is not required. The Motueka water supply project has been delayed, it has not been "shelved" (as suggested earlier in the preceding sentence). TDC has fully funded the Motueka water supply project in its Ten Year Plan 2009-2019, so the full cost of the project is accounted for even if a Government subsidy is not received. TDC undertook consultation with its community and at the community's request decided to seek a Government subsidy for the project to make it more affordable to the community. TDC has other funding available that would support borrowing (investment and other income) to proceed with its water supply projects, but this would increase rates. Increasing rates to pay for benefits is a very real affordability issue with ratepayers. It is quite wrong to suggest that funds which are already being fully committed in one direction should be diverted to pay for others, as if there were no cost involved. In the end rates would go up.
Page 55 (table 6.1.1)	TDC interest income \$489,000.	TDC interest was \$541,000 (error of \$52,000). This is the correct figure in the notes to the accounts. It appears they have used the cash flow statement figure in error.
Page 55 (table 6.1.1)	TDC dividend income shown as \$2,236,000.	TDC dividend income \$2,212,000 (an error of \$24,000). This is the correct figure in the notes to the accounts. It appears they have used the cash flow statement figure in error.
Page 55 (table 6.1.1)	TDC forestry income shown as \$1,755,000.	In context, the figure shown should have been the nett income, not the gross income. There are forestry expenses paid for from that revenue. The expenses are \$1,412,921. Nett Forestry income is therefore \$342,079.

Page 59 (table 6.1.3)	Row entitled "Overall maximum remaining borrowing capacity".	The correct figures are shown in Appendix B and they are the difference between the maximum possible debt for the ratio less the actual debt shown as "borrowings" on the previous page. This indicates that NCC has no actual borrowing capacity left if the lowest borrowing over all ratios is taken. Worst possible year is Year 5 or 2013/14 where they will have over borrowed on that criteria by \$6.2 m.
Page 60 (table 6.1.4)	Last row shows the maximum borrowing capacity for the least of all years at \$177.4 m for the combined council.	This is on the basis of a debt equity ratio of 25% which is not current council policy of either councils. If TDC's policy of 20% debt equity ratio is applied the max borrowing capacity for the combined council is \$119.3 m.
Page 62 (table 6.2.2b)	Column 2 - 10 year capex chart sums to \$401.1 m.	Actual capex chart should sum to \$409.6 m (an error of \$8.5 m or 1.7%).
<u>Implications of Union</u>		
Page 65 (7.1)	"It (Nelmac) also carries out some parks contract work in the TDC area."	Nelmac does not carry out parks contract work for TDC.
Page 65 (7.1)	Union could result in opportunity for Nelmac to work in TDC area, "providing a net gain to councils from the profit margin."	They are able to work in that area now if they choose to tender for contracts. These contracts are and should continue to be let on a quality/price contestability basis, regardless of any connection between a tenderer and the principal.
Page 65 (7.1)	Nelmac currently collects recyclable waste for NCC. They could do it for TDC as well.	The report fails to acknowledge that TDC has an existing contract with Smart Environmental for the kerbside collection and resale of recyclables from over 16,000 residential properties within Tasman District. It is also noted that Nelmac currently transports 10 tonnes of recyclable material annually to TDC's Richmond Resource Recovery Centre for Smart Environmental to process for export.

Page 65 (7.1)	Nelmac Contracts generally.	The report also fails to address the implications of other contracts which will be covered under any union - why single out Nelmac?
Page 66 (table 7.2.1)	Shown community board membership at 11 excluding the chair.	There are two community boards each with three members excluding the chair and Ward councillors.
Page 66 (table 7.2.1)	Board member salaries are \$57,334.	Actual board member salaries are \$32,304 (Crs on community board salaries were double counted).
Page 66 (7.2)	There is no statement on the extra administration costs of servicing Community Boards.	TDC estimates the cost of administering the proposed Community Board structure, based on current experience as \$490,000.
Page 68 (table 7.3.2)	The reduction in staff shown in the table assumes all supervisory staff are underutilised at present. The table also states that TDC has 208 FTE positions.	No real assessment has been done of this matter, neither has there been any consultation with the existing management. It is also noted that there are statements within the report to the effect that both councils are under resourced (refer page 16), this appears to have not been taken into account in the derivation of the table. TDC has 203.5 FTE positions and several of the positions are different to the ones shown in the table.
Page 69 (Bench mark comparisons.)	Compares proposed combined council to Palmerston North, Dunedin City and Tauranga City Councils.	None of these councils are unitary councils and therefore do not have regional functions, and neither Tauranga City or Palmerston North City have a significant rural hinterland. It is not accurate to compare staff numbers without adding in the regional council staffing levels on top of the city council staffing levels. The FTE comparisons therefore are questionable.
Page 70 (table 4.7.1)	This table contains statistics that are <i>wrong</i> , some of them significantly wrong.	See amended table attached (Appendix B).

Page 71	Comparisons with Tauranga City Council.	Tauranga is not a unitary council and therefore does not need staff to undertake any regional functions as these are carried out by Bay of Plenty Regional Council (which has about 270 FTE's). Neither does Tauranga, even as a territorial authority, have responsibility for a significant rural hinterland. Tauranga City Council does not have community boards to administer.
Page 72	"The Councils do not incorporate a contribution for Community Facilities..." (in their respective development levies).	Both Councils do however collect reserve contributions under the Resource Management Act. Changing the boundary does not lead to a reduction in costs. The only way development contributions will be reduced is by reducing the level of investment or the proportion of costs attributable to growth. The assertions made about development contributions indicate little understanding of trying to manage costs across a geographically large and diverse community compared to a reasonably compact urban area.
Page 74	"It is therefore misleading to include targeted rates and the UAGC in a calculation of average rates, based on the total rates revenue and total rateable value."	Average rates were calculated on the average total rate bill, including targeted rates and UAGCs for each and every ratepayer in Tasman District. This is not misleading and gives a good comparative figure.
Page 77 (8.0) "Summary and Conclusions."	Pages 77 & 78 contain a number of statements which have been brought through from the body of the report.	These are not all commented on here as they have generally been dealt with above.
Page 78 (8.0) "Summary and conclusions."	"It is estimated that TDC has additional borrowing capacity of at least \$16.3 million, and NCC has additional borrowing capacity of at least \$71.8 million, as assessed against individual current policy limits."	NCC has no additional borrowing capacity as assessed against the limits contained in table 7.4.1. See earlier comment.

<p>Page 78 (8.0) Summary and conclusions.</p>	<p>"A combined council would have sufficiently greater financial strength than the councils separately, with capacity to fund an extra \$177.4 million of expenditure."</p>	<p>Adopting the existing policy of 20% of equity as the maximum debt, the combined council would have a borrowing capacity of \$119.3 million, not \$177.4 million (see appendix C (modified table 6.1.4)).</p>
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