

Environment Bay of Plenty

Rivers and Drainage Scheme Review
2009

Summary Report

This report has been prepared on the basis of limitation set out on page 2

Scope

The Terms of Reference for this Project provided by Ken Tarboton on 17 February 2009 is as follows:

“A review of indirect charges to the Rivers and Drainage Schemes, scheme business management practices, and scheme representation is proposed. The review will provide information that can be used to justify the fairness of the indirect charges and cost allocations, or provide alternative suggestions that can be used during consultation on the Draft Ten Year Plan.

1. *Deloitte: Review internal charges that are proposed to be allocated to targeted Rivers and Drainage scheme ratepayers in the 2009-2019 Ten Year plan including:
 - a. All overhead charges,
 - b. All engineering charges (e.g. projects and investigations that are charged to schemes).*
2. *OPUS: Review the management of the rivers and drainage schemes specifically:
 - a. Appropriateness of scheme related investigations in terms of best river and drainage management practices (e.g. flood modelling and floodplain management strategies, capacity reviews, asset management planning, etc.)*
3. *OPUS: Provide high level comments on:
 - a. Operational management processes, their efficiency and steps to improve effectiveness.
 - b. The current system for obtaining input to river and drainage scheme management through liaison groups. Suggest alternative models for better representation that can be investigated in future with input from scheme liaison groups and ratepayers.”¹*

The following are outside of scope:

- Environment Bay of Plenty has a statutory authority to retain and manage the schemes and their assets and has made policy decisions regarding the scheme rating and funding, specifically the differential rating system and the ratio of general to targeted rates. These aspects are not part of this requested review.
- The report will not be reviewing the quantum of Council overhead costs themselves as this review is being done by another party.

¹ Ken Tarboton, Group Manager Rivers & Drainage, Environment Bay of Plenty, Terms of Reference & Request for Quote Rivers and Drainage Scheme Review, 17 February 2009

Limitations and Disclaimer

This Summary Report has been prepared solely for Environment Bay of Plenty (EBOP) for the purposes of providing a review of the Rivers and Drainage Schemes.

It may be relied on solely by Environment Bay of Plenty for that purpose only. We do not accept or assume any responsibility to any person other than Environment Bay of Plenty in relation to the statements, opinions or views expressed or implied in this Summary Report.

At the request of EBOP we have provided a Summary Report which covers our report and the Opus International Consultants report as per the scope above. We have not been involved in the Opus review and can not express a view on their work. In compiling this Summary Report we have relied upon the information received from Opus in their report dated 1 April 2009.

This Summary Report may not, in whole or in part, be disclosed to any other person without the prior written consent of Deloitte.

Summary Report

Environment Bay of Plenty (EBOP) is responsible for the management of six river and drainage schemes across the region.

The new Ten Year Plan (TYP) covering the period 2009 – 2019 shows increases to river scheme targeted rates over the next ten years relative to 2008 / 2009 levels.

While overall the annual movement in targeted rates from 2009 to 2010 is minimal (2% or \$81k), the wider variations in the categories of costs and the movements in individual schemes have prompted EBOP to investigate why these have occurred. For instance Rangitaki-Tarawera's targeted rates decreased by \$314k (21%), Kaituna's targeted rates increased \$270k (31%), Rangitaiiki Drainage targeted rates increased \$174k (27%). At the total Rivers and Drainage level, OPEX costs have increased significantly from 2009 to 2010 (24%) and all schemes OPEX costs have increased between 2009 and 2010. Scheme costs are funded 80% by targeted rates, and 20% by general rates. Therefore the correlation between targeted rates and OPEX costs movements.

The Deloitte review was to specifically focus on the increase in cost between 2009 and 2010 caused primarily by increases in Corporate Support Charges and Engineering Charges allocated to the schemes.

In addition to the Deloitte review, EBOP commissioned Opus to review aspects of the management of the Rivers and Drainage Schemes specifically. This summary report will encompass the conclusions and recommendations of both the Deloitte and Opus reviews.

Review of Corporate Charges and Engineering Charges

Recent Changes to EBOP Systems

EBOP has implemented recent changes to both the budgeting model used to develop the TYP and also the overhead allocation model used to allocate corporate costs to each EBOP Operational Group and individual river schemes within the Rivers and Drainage Group. Previously corporate costs were recovered by a mixture of specifically allocating some costs directly to a Group (and scheme within the Rivers and Drainage Group), with the remainder of costs being allocated using an “on-cost” formula based on the quantum of salaries and wages incurred. Under the new TYP Corporate overhead cost is now allocated based on drivers that have been determined by new Service Level Agreements (SLA's) and based on fully absorbed cost.

In our experience many local authorities experience difficulties in implementing cost allocation systems. The move by Council to introduce service level agreements as the basis for making fully absorbed overhead cost allocations is a step in the right direction and in accordance with recommended practice and should, if implemented appropriately, result in a more accurate allocation of overhead costs than occurred under the previous “on cost” regime that Council used.

The changes to the allocation bases that Council have implemented have had a significant impact on the quantum of both corporate support costs and engineering costs charged to the schemes. The changes that we disagree with are listed below.

- Each staff member attracts the same proportion of overhead cost irrespective of whether they are a salary or wage earner. Previously the salary staff were allocated a larger proportion of overhead cost than wage staff in recognition that generally the wage staff placed less of a demand on a number of corporate support services as they tended to be more field based and this was appropriate for Rivers and Drainage staff.
- The new allocation methodology applies different drivers to different costs and in many instances the new driver is staff numbers which has meant a significant increase in cost to the Rivers and Drainage Group. This is because Rivers and Drainage has a high headcount but lower than average salary level than other activity areas within Council. The average salary across Council, excluding Rivers and Drainage is \$65k, yet the average Rivers and Drainage salary is \$53k (18.4% less). Previously, corporate overheads were allocated based on the quantum of salary and wage dollars which meant that due to Rivers and Drainage staff having lower than average salaries, they attracted a smaller proportion of cost.
- The change in the allocation approach has resulted in some IS cost being recovered by way of special charge which is directly recoverable from users (eg. based on which groups have software licences) and the remainder of IS costs are being recovered based on a mixture of headcount and usage which has led to a higher cost being allocated to Rivers and Drainage whereas previously Information Services costs were predominately specifically allocated to the Group or Groups that used the service and as a result there was not much cost left to recover through the use of the “on-cost” recovery.
- In the new TYP it is proposed that more engineering cost be recovered from the individual schemes for the engineering related activities such as Floodplain Management and Asset Management Plans. These costs were previously predominantly funded through general rates.

In order to understand the changes to targeted rates it is appropriate to look at the table below which shows the annual movements between the various cost and income lines.

	ANNUAL PLAN 2009	2010
TOTAL RIVERS AND DRAINAGE GROUP		
Investment Income	1,679,158	1,489,846
Fees and Charges	88,900	301,540
Other Public Funding and interest on reserves	19,572	2,827,813
General Rates	913,680	760,181 -17%
Targeted Rates	5,085,300	5,167,162 2%
TOTAL INCOME	7,786,610	10,546,542
OPERATING EXPENDITURE		
Depreciation	728,814	773,558 6%
Interest on Internal Loans	1,271,654	692,836 -46%
OPEX	4,879,374	6,028,468 24%
TOTAL OPEX	6,879,842	7,494,861 9%

The above high level analysis shows the annual increase in OPEX (excluding depreciation and interest) of 24% in 2010. The objective of the review is to explain this increase and how it impacts targeted ratepayers.

The below table shows the detail of what cost categories make up the OPEX line which has increased by 24% in 2010.

<u>TOTAL of all SCHEMES OPEX (Excluding General Funded Engineering)</u>	TOTAL		
	2009	2010	Increase / (Decrease) %
Direct Opex	1,732,000	1,693,592	(38,408) -2%
DIRECT INTERNAL CHARGES			
Staff costs	765,229	860,117	94,888 12%
General Engineering Charges	60,000	39,434	(20,566) -34%
Special Engineering Project Charges	139,300	456,722	317,422 228%
Total Direct Internal Charges	964,529	1,356,273	391,744 41%
CORPORATE SUPPORT CHARGES			
Plant and Vehicles	312,331	447,675	135,344 43%
Property	100,073	38,412	(61,661) -62%
EDS Charges	27,700	111,685	83,985 303%
Finance and Reporting Costs	57,761	109,921	52,161 90%
Office Services	103,401	112,617	9,216 9%
Information Services	23,100	195,154	172,054 745%
Information Technology	56,200	83,325	27,125 48%
Human Resources	49,965	68,495	18,530 37%
Corporate Overhead	34,162	13,065	(21,097) -62%
Cost of Rating	202,900	220,703	17,803 9%
TFR of corporate support to depn and interest *	(232,771)	0	232,771 -100%
Adjustment GL ledger to LT ledger - general funding	3,547	0	(3,547) -100%
Total Corporate Support Charges	738,368	1,401,052	662,685 90%
TOTAL SCHEME OPEX	3,434,897	4,450,918	1,016,021 30%
NET Engineering OPEX (after Scheme Recoveries) **	1,444,476	1,577,550	133,074 9%
	4,879,373	6,028,467	1,149,095 24%

* As advised by Finance – “The 2009 transfer of corporate support cost to depreciation and interest is where overhead has been allocated into operating cost class i.e. Operating costs, interest, depreciation. To compare the 2009 analysis to the 2010 we do not put the corporate overhead to a class of costs, they just remain as allocated overhead. To compare like with like it is better to compare costs above this line, but the credit provides the necessary reconciliation”

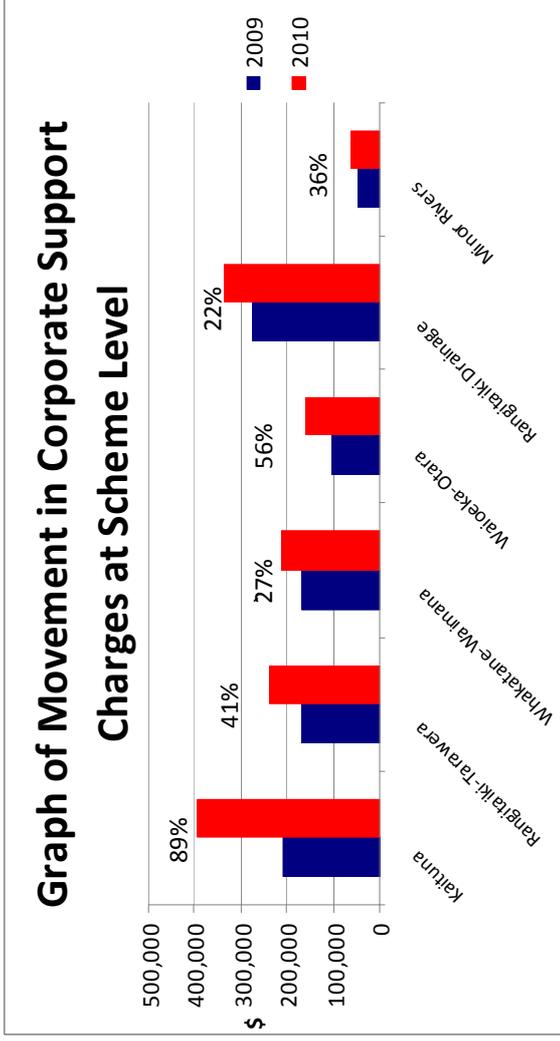
** This portion of engineering cost is funded from general rates

Explanation of Movements

The analysis shows that the categories of OPEX cost that have had the largest increases causing the 24% increase in OPEX between 2009 and 2010 are Corporate Support Charges \$663k (90%) and Engineering Charges \$317k (228%) An explanation of these follows:

Corporate Support Charges

The below graph shows how the Corporate Support Charges have changed between 2009 and 2010 at an individual scheme level:



The analysis of and potential explanation of the increase in Corporate Support Charges and movements between schemes are as follows:

1. Information Services

Information Services – The main area where corporate support cost has significantly increased is Information Services (IS). At a total Group level the increase is \$172k (745%) and is because IS cost is now allocated based on head count in the first instance and then adjusted to take account of usage. Previously IS cost was only allocated to the schemes if it could be directly related to the Rivers and Drainage Group.

The new allocation methods that have been applied to information services costs are as follows:

- Business Solutions Costs – these are allocated based on head count only.

- Application Development Costs – these are allocated based on head count which is then adjusted to take into account if the users are a HIGH user (allocated 50% of cost) / MEDIUM user (allocated 35% of cost) / LOW user (allocated 15% of cost).
- Geospatial Costs – these are allocated based on head count which is then adjusted to take into account if the users are a HIGH user (allocated 50% of cost) / MEDIUM user (allocated 35% of cost) / LOW user (allocated 15% of cost).

At an individual scheme level the increase in the above IS cost of \$172k has contributed to a significant increase in cost to the Kaituna scheme of \$46k (1536%) because cost is allocated from Rivers and Drainage to the schemes according to the percentage of overall time spent by Rivers and Drainage Staff on each scheme. As Kaituna is the second largest user of Rivers and Drainage staff time it is allocated a larger portion of the IS cost.

Whilst the above methods of allocating IS cost based on head count in the first instance then usage may sound reasonable at a Council level, it does not take account of the fact that the Rivers and Drainage Group have a higher proportion of their staff that either do not place a demand on these services or if they do, it is minimal. It is unreasonable to charge all 33 staff of the Rivers and Drainage Team cost for all IS services. We acknowledge that for some of these cost areas, adjustments have been made to take account of their usage levels; however, we recommend that field staff have no allocation of IS cost at all and the allocation approach only be applied to staff that make some use of those services.

2. Finance and Reporting Costs

These costs have increased at a total Group level by \$52k (90%) as now these costs are recovered from the Rivers and Drainage Group based on transaction volumes whereas previously they were recovered based on the “on-cost” methodology. Transaction volumes appear to be a fair allocation basis so this increase appears justifiable.

The cost that is allocated within Rivers and Drainage Group to the scheme is then based on percentage time spent by Rivers and Drainage Staff on each scheme. Hence why Kaituna and Rangitaiki Drainage now have the largest portion of Finance and Reporting cost.

Changing the driver between the two allocations does not appear justifiable and we would suggest transaction volumes or some approximation of this would be used for the allocation from Rivers and Drainage Group to the schemes than allocating this cost based on staff time spent on each Scheme.

3. Plant and Vehicle Costs

Plant and Vehicle costs have increased at a total scheme level by \$135k (43%) and Kaituna Scheme has seen the largest portion of this increase of \$86k (151%).

The allocation of plant and equipment cost has changed from 2009, and under the new TYP, all pieces of plant and equipment (including vehicles) are costed and then the cost is allocated to each Scheme based on the proposed usage split. We believe this is reasonable, particularly as most pieces of plant and equipment within Rivers and Drainage Group are used solely by the Group and not by other Groups within Council. For example the Hyundai Digger

and Weed Cutter Boat are now allocated 50% to Kaituna and 50% to Rangitaiki Drainage. We have not compared the allocation splits for each piece of plant between 2009 and 2010 (and have been told this would be difficult to do) but we would suggest that if the 2010 usage splits are correct then the direct Plant and Equipment cost allocated to each Scheme is reasonable.

Additional to the direct plant and equipment and vehicle cost being allocated to the schemes as above, there is a portion of indirect cost which is also allocated to the schemes. In 2010 indirect plant and equipment cost of \$97k and indirect vehicle cost of \$13k has been allocated to the schemes. We have been advised that this cost has been allocated to Rivers and Drainage based on the same proportions as direct plant and equipment and vehicle cost (i.e. expected usage).

We question whether it is reasonable to allocate Rivers and Drainage indirect plant and equipment cost of \$97k to the schemes when their direct plant and equipment cost is \$163k. The indirect cost allocated to Rivers and Drainage appears to be large in comparison to how much direct cost they have.

Based on our analysis it appears that the split of cost between indirect and direct is as follows:

- Plant and Equipment – Total plant and equipment cost allocated to schemes = \$260k (Direct = \$163k (63%) / Indirect = \$97k (37%))
- Vehicles – Total Vehicle Cost allocated to Rivers and Drainage Operations Management = \$249k (Direct = \$235k (95%) / Indirect = \$13k (5%)). Please note that not all of this vehicle cost is allocated to the schemes, some is allocated to the Engineering Department and covered by general rates.

We have been unable to get a satisfactory explanation as to why the indirect portion is so large (37%) in comparison to the direct portion for Plant and Equipment.

4. Other Corporate Support Charges

Office Services, Human Resources and Information Technology charges to the schemes have all increased in 2010 as a result of the change in allocation methodology used in the new TYP. Whilst we think that the allocation drivers used for Human Resources and Information Technology are fair we question the driver used for Office Services Charges. Based on the SLA's Office Services Charges are being allocated to each employee equally across the board. As a result the Rivers and Drainage Group is being allocated cost for these services for each of their staff regardless of whether they are office based or field based and whether or not they would place a demand on these services. 10 of the 32 Rivers and Drainage Team are waged staff, primarily field based and do not place demand on these services. A further 8 staff spend 80% of their time out in the field and place a minimal demand on these services, yet are charged at a similar rate to those office based staff. We recommend an adjustment is made to recognise the reduced usage staff who are predominantly working in the field make on such services.

Engineering Charges

Engineering charges that have been recovered from the schemes has increased by \$297k (149%) and the movements to each of the schemes can be seen below:

	TOTAL		Kaituna		Rangitaiki-Tarawera		Whakatane-Waimana		Wairoa-Otara		Rangitaiki Drainage	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
3726 - Engineering Charges General Support	60,000	39,434	16,600	24,008	12,800	5,142	13,300	5,142	13,300	5,142	4,000	-
3918 - 782 Engineering Flood Warning	-	69,464	-	17,366	-	17,366	-	17,366	-	17,366	-	-
3919 - 783 Engineering Survey Programmes	-	63,600	-	15,900	-	15,900	-	15,900	-	15,900	-	-
3920 - 784 Asset Management Plans	-	229,819	-	76,300	-	39,069	-	38,150	-	38,150	-	38,150
3921 - 785 Flood Plain Management Strategies	-	93,840	-	18,768	-	75,072	-	-	-	-	-	-
Special Projects Engineering Charges	139,300	-	68,500	-	18,600	-	8,000	-	44,200	-	-	-
	199,300	496,157	85,100	152,342	31,400	152,549	21,300	76,558	57,500	76,558	4,000	38,150
\$\$ Increase		296,857		67,242		121,149		55,258		19,058		34,150
% Increase		149%		79%		386%		259%		33%		854%

These cost increases can be explained by the changes in allocation methods used to allocate the project related costs to the schemes.

The following allocation changes have been made in the new TYP:

- Asset Management Plan (AMP) costs were not previously 100% allocated to the schemes whereas now it is proposed that they are. The Opus review concluded that “The Rivers and Drainage AMP is essential for the effective operation of the rivers and drainage schemes. The primary beneficiary is the scheme ratepayer and the proposed ongoing 100% charge to the schemes for AMP development and updating is considered fair and reasonable. Scheme related investigations associated with the AMP include surveys, lakes level monitoring, condition assessments, stability and seepage assessments and capacity reviews. These have each been reviewed in terms of their appropriateness and are all deemed to be necessary activities. The methodology currently employed by EBOP in undertaking each of these investigations is considered appropriate rivers and drainage best practice. The proposed 100% charge to the schemes for these scheme related investigations is also considered fair and reasonable”²
- Floodplain Management Strategies (FMS) costs were not previously allocated to the schemes at all and now it is proposed they be 50% allocated. The Opus review concluded that “FMS have been a feature of the EBOP flood risk management tool kit for several years. Their aim is to reduce the susceptibility and exposure of people and property to flooding using both non structural (for example setting of minimum floor levels) and structural (physical works such as stopbanking) options. FMS have been developed for two of the five major schemes. FMS are not statutory documents and strictly speaking are not a ‘necessary activity’ from a scheme/scheme ratepayer perspective. However they can provide a more integrated and effective approach to managing flood risk. The primary beneficiaries are judged to be EBOP itself and the District Councils (for

² Opus, Environment Bay of Plenty Rivers & Drainage Scheme Review (Draft), 17 April 2009, pg iii

example FMS Flood Maps are of particular importance to District Councils and emergency managers). There are also a wide range of other beneficiaries. It is noted that:

- EBOP has chosen to initiate and drive FMS development.
- The methodology used is considered appropriate hazard management best practice
- Until now Council has not charged the schemes directly for this investigation activity. However a 50% charge to relevant schemes is now proposed. No formal process was used by EBOP for deciding this proposed charge. However it is readily acknowledged that there is a significant degree of subjectivity about cost apportionment.
- A rigorous and detailed analysis, beyond the scope of this report would be needed to provide a more objective breakdown of who benefits from an FMS and to be able to justify the selected apportionment.
- The proposed charge raises issues of equity and fairness. Some schemes now have FMS in place while others for various reasons do not.
- Based on professional opinion, knowledge of the river schemes and discussions with other regional councils, it is considered that the rationale for the proposed 50% charge is not proven. Opus recommends that until significant analysis is done to derive a more transparent cost apportionment, then the status quo (FMS fully funded from general funds as per the 2006-2016 Ten Year Plan) should remain.³
- Also, previously the costs associated with providing Flood Warnings were mostly general funded (only the flood forecast modelling was 50% allocated to the schemes), yet in the new TYP it is proposed that all these costs are funded 50% by the schemes.

Each scheme has seen a different increase in engineering charges due to the way the project costs have been allocated to the schemes in 2010. The table below shows how these project costs have been allocated to the schemes in the draft Ten Year Plan (2010 year):

% of Cost charged to Scheme	Kaituna	Rangitaiki-Tarawera	Whakatane-Waimana	Waioeka-Otara	Rangitaiki Drainage	TOTAL
3918 - 782 Engineering Flood Warning Mgmt	12.5%	12.5%	12.5%	12.5%	17%	50%
3919 - 783 Engineering Survey Programmes	25%	25%	25%	25%	17%	100%
3920 - 784 Asset Management Plans	33%	17%	17%	17%	17%	100%
3921 - 785 Flood Plain Management Strategies	10%	40%				50%

For Flood Warning Management, EBOP has proposed in the draft TYP that 50% of the costs are charged to the river schemes and 50% be met by regional general funds.

³ Opus, Environment Bay of Plenty Rivers & Drainage Scheme Review (Draft), 17 April 2009, pg iii

For the FMS, EBOP has proposed in the draft TYP that 50% of the costs be charged to the relevant schemes and 50% be met by regional general funds. (Note EBOP currently funds 20% of the scheme costs (except drainage schemes where EBOP does not contribute), through regional general funds with the remaining 80% of the scheme costs paid by scheme ratepayers via the targeted rate.)

Based on conversations held with Opus and Bruce Crabbe and with reference to the table above the following comments have been made regarding the allocation of these costs to the schemes:

- 782 Engineering Flood Warning – Reasonable that each of the 4 schemes are allocated 12.5% each
- 783 Engineering Survey Programmes – Equal allocation is not reasonable given that each scheme will have a different requirement for survey programmes i.e. the larger schemes will have a higher need than smaller schemes. It is recommended that for budgeting purposes, each scheme be allocated their expected percentage of the total costs based on the number and magnitude of cross sections and long sections. Ultimately, the actual cost for each scheme should be charged to each scheme.
- 784 Asset Management Plans – The allocation is not reasonable based on the following reasons:
 - Rangitaiki Drainage should not be charged, as we understand that the same ratepayers within Rangitaiki-Tarawera and Whakatane-Waimana are already paying for a share of this cost and
 - Kaituna should not be allocated a disproportionately larger share than the others. This may have been due to Kaituna picking up two shares of the cost – one for Kaituna Upper and one for Kaituna Lower, whereas it should only receive one share. It is recommended that an apportionment of these costs be based on each river scheme's asset value to ensure greater equity.
- 785 Flood Plain Management Strategies – Until a more transparent cost apportionment is derived, it is not reasonable that the schemes are allocated any of these costs (Based on the Opus review as mentioned above).

Review of Operational Management of the Schemes

“Opus has worked with the Rivers & Drainage Group management team to understand what they do. The focus was to prompt and encourage the management team to ask themselves whether they were doing the right things (effectiveness) to achieve the Ten Year Plan levels of service and Council’s contribution towards the Community Outcomes. With the aid of process maps it was possible to gain an understanding at a high level of what the Rivers & Drainage Group do and how well it is being done (efficiency).”⁴

⁴ Opus, Environment Bay of Plenty Rivers & Drainage Scheme Review (Draft), 17 April 2009, pg iv

Review of Ratepayer Representation Model Used

“The existing Scheme Liaison Group model of ratepayer representation has been assessed and their purpose and role considered. Seven other regional and unitary councils were interviewed about their current approaches to ratepayer representation. Most Councils surveyed had a similar liaison group model to EBOP and there were few examples of alternative approaches or models to river and drainage scheme ratepayer engagement within the Councils talked to. However several local government ratepayer engagement models have been evaluated including Community Boards, River Scheme Committees, Advisory Boards and Ratepayer Interest Groups.”⁵

Recommendations

Based on the above review and analysis Opus and Deloitte make the following recommendations:

- Corporate overheads allocation:
 - Where head count is the primary allocation driver, the overhead allocation methodology should look at the different types of staff within each group first to recognise and exclude those staff that place minimal demand on services.
 - A usage rating (high/med/low) then needs to be applied to those staff that do make some use of the service.
 - The same driver that is used to allocate costs to operational groups should also be used to allocate costs at the scheme level.
- Engineering costs allocation:
 - We do not believe the charging of 50% of FMS cost to individual schemes has been justified. We recommend that until a robust and transparent analysis to define the appropriate cost apportionment is undertaken, the FMS continue to be fully funded from general funds
 - We do not believe allocation to each of the Schemes of both the AMP cost and Engineering Survey Programmes has been justified. For AMPs, Rangitaiki Drainage should not be charged, as we understand that the same ratepayers within Rangitaiki-Tarawera and Whakatane-Waimana are already paying for a share of this cost and Kaituna should not be allocated a disproportionately larger share than the others. Rather an apportionment of these costs should be based on each river scheme’s asset value to ensure greater equity. For Engineering Survey Programmes, each scheme should be allocated their expected percentage of the total costs based on the number and magnitude of cross sections and long sections. Ultimately, the actual survey cost for each scheme should be charged to each scheme.
- Plant and Vehicle costs allocation:

⁵ Opus, Environment Bay of Plenty Rivers & Drainage Scheme Review (Draft), 17 April 2009, pg iv

- We believe the decision to own specialised items of plant and equipment is cost effective and justified at a direct cost level. We have been unable to get a satisfactory explanation of what is included in indirect costs, however, in our professional opinion, we believe the amount of interest cost is high.
- SLA concept underpinning cost allocation methodology:
 - We concur with the concept of cost allocation based on SLA's but there are still some areas of concern. With regard to the SLA's that have been drafted but not signed off, we recommend that there is more detail provided either within the SLA document or as a supplementary workpaper that shows the reconciliation between the SLA and the cost allocation table. For example, the SLA Office Services – Records Management and Library Services notes that the allocation driver is staff numbers, however the allocation table itself allocates different proportions of these costs to Rivers and Drainage. If the allocation driver was the same across both we would expect the same proportion to be allocated.
- Operational management of schemes
 - The Rivers and Drainage Group develop additional process maps of their remaining key activities to drive improvements in operational efficiency and ensure effectiveness in achieving levels of service
 - The Rivers and Drainage Group develop a matrix to assess what level (or degree) of checking is required following a capacity review
 - The Rivers and Drainage Group implement a prioritisation process and tools across all the Rivers and Drainage schemes to ensure an effective maintenance and capital works programme is created to support efficient delivery.
 - The Rivers and Drainage Group review how they procure services from contractors
- Ratepayer Representation Model:
 - The existing Liaison Group model be substantially re configured and improved to form a framework for 'River and Drainage Scheme Advisory Groups'
 - A range of improvements be implemented that have the capacity to substantially lift the effectiveness of these groups and to improve the level of engagement with scheme ratepayers. These recommended improvements are as follows:
 - A written terms of reference should be developed and agreed to improve the Liaison Group's role and membership/representation
 - ensure a triennial public meeting to ratify membership is held
 - include volunteer technical appointees and
 - improve the systems of reporting back to the wider ratepayer base based upon web and email

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