

Submission on the Annual Plan 2022/23

Marlborough District Council

Submitted by: Peter CHAPMAN – Ratepayer

Address: 26 Brooklyn Drive
Redwoodtown 7201
Blenheim

Phone: 0275 434 184

Email: peterc334@hotmail.com

Address for service: As above

I wish to speak to this submission and will provide a PowerPoint presentation prior to the allocated date and time.

Submission Title:

“The Mystery of the Missing Millions”

1.0 Introduction:

For some 5-7 years I have endeavoured, without success, to determine the link between the Annual Plan submitted to Council by Destination Marlborough (DM) and the funding provided that has NEVER been requested to implement that plan.

Numerous requests have been made of both DM and Council Executive seeking clarity on this obvious but missing information to no avail.

The simple reality is that DM present an Annual Plan to Council as its principle funder documenting actions and activities planned for the 12 months ahead but on NO occasion has this plan included a request for a specific amount of money to fund and implement the plan.

On more than one occasion DM furnished its Annual Plan 6 months into the year to which it applied but were funded anyway.

I find this a most curious process at best and bordering on commercially and financially inept at worst.

We are talking a sum (2021/22) of close to \$1.00 mill year on year.

2.0 Findings:

Numerous email exchanges with the Council District Secretary, Tony Quirk, over recent months reveals the following.

These notes are verbatim exchanges so that Councillors may be as confused as I am over exactly what the process is stated as being, what is auditable and what terminology relates to the missing calculations.

Minutes of a full Council Meeting dated 9th June 2014:

**Minutes of a Meeting of the
Marlborough District Council
held in the Council Chambers, 15 Seymour Street, Blenheim
on MONDAY 9 JUNE 2014 commencing at 9.00 am**

Present

The Mayor A T Sowman, Cllrs J L Andrews, J A Arbuckle, J P Bagge, G S Barsanti, C Brooks, B Dawson,

G I T Evans, T E Hook, P J S Jerram, J C Leggett, D D Oddie, L Shenfield and T M Sloan.

In Attendance

Messrs A R Besley (Chief Executive), M F Fletcher (Manager Corporate Finance), M J South (Financial Services Manager) and M J Porter (Democratic Support Manager), and Ms J R North (Support Services Administrator).

C.13/14.417 Deliberation on Submissions to the *Draft 2014-15 Annual Plan S300-A00-14*

8 - Destination Marlborough

Destination Marlborough requested Council retain the Australia JV grant and CPI adjusted Tourism Targeted Rate funding for destination marketing; raise the core grant allocation of funds toward destination marketing per annum from 2014/15 from \$306,000 to \$506,000; and agree that this grant is CPI adjusted in future years.

A supplementary submission was also received at the Hearing of Submissions which proposed the formation of a new entity (called Smart and Connected Marlborough through the investigation stage) to provide a single focus for destination marketing, conference and event co-ordination and implementing the Smart and Connected Vision and related economic development work in Marlborough.

Following discussion on both the original and supplementary submissions a substantive motion was proposed.

This provided for an increase in funding from General Works and Services Rates and Charges of an additional \$200,000 for the core grant allocation, plus some tagging and removal of a tag.

Further discussion preceded an amended motion being put to the meeting. This sought to increase the core grant allocation from General Works and Services Rates and Charges by \$100,000; with a deferral of the rest of the request (\$100,000) until Council had debated the issue further. A number of issues were raised including performance issues, the production of KPIs, how the targeted rate is split between Commercial/Industrial and Residential Ratepayers, portrayed public dissatisfaction in Destination Marlborough, the production of the Marlborough Story, and the Marlborough Convention Bureau.

The amended motion was voted on first.

Cllrs Jerram/Sloan:

1. That the funding request from Destination Marlborough to raise the core grant allocation of funds toward destination marketing be included in the 2014-15 Annual Plan at the amount of \$100,000 per annum from General Works and Services Rates and Charges; and
2. That an additional \$100,000 per annum from General Works and Services Rates and Charges be deferred until such time as Council has had robust discussion on this request.

Lost on a show of hands 4 to 10

Following the loss of that amended motion, the substantive motion was then put to the vote:

Cllrs Arbuckle/Andrews:

That the funding request from Destination Marlborough to raise the core grant allocation of funds toward destination marketing by an additional \$200,000 per annum (bringing their core grant to a total of \$506,000) from General Works and Services Rates and Charges and to be CPI adjusted be included in the 2014-15 Annual Plan, with \$50,000 tagged for the implementation and delivery of the Marlborough Story and with \$50,000 tagged for the operation of the Marlborough Convention Bureau, and that the currently tagged funding for the Australia JV grant be removed.

Lost on a show of hands 7 to 7 (The Mayor declined to use his casting vote and declared the motion lost)

NB: Cllrs Bagge, Brooks, Dawson, Evans, Jerram, Shenfield and Sloan requested that their vote against the above motion be recorded.

Council – 9 June 2014 - Page 2

Following the loss of that substantive motion and further discussion, another motion was then put to the vote:

Cllrs Hook/Barsanti:

1. That the funding request from Destination Marlborough to raise the core grant allocation of funds toward destination marketing be included in the 2014-15 Annual Plan at the amount of \$100,000 per annum from General Works and Services Rates and Charges ; and
2. That an additional one-off \$100,000 be included in the 2014-15 Annual Plan from the Forestry and Asset Sales Reserve with funding to be tagged for the implementation and delivery of the Marlborough Story, the operation of the Marlborough Convention Bureau and to participate in investigating and developing the concept of an overarching organisation to provide a single focus for destination marketing, conference and event co-ordination and implementing the Smart and Connected Vision and related economic development work in Marlborough.
3. That the \$120,000 tagged for the Australian Joint Marketing Campaign be incorporated into Destination Marlborough's core grant allocation.

4. **That Destination Marlborough's core grant allocation be CPI adjusted in future years.**
Carried on a show of hands 9 to 5

NB: Cllrs Bagge, Dawson, Evans, and Shenfield requested that their vote against the above motion be recorded.

Confirmed this 26th day of June 2014

A T SOWMAN

MAYOR

Record No. 14140223

27th January 2022

You then raised a further query about other organisations. I am advised there are other organisations whose funding is adjusted by CPI ranging from the **Linkwater Hall Committee to the Marlborough Research Centre**. We do not have the resource to move through all the different organisations to identify them all. If you want us to do that then we require you to pay costs for such work based on Council's Information Cost Policy which sets a charge of \$100 per hour.

a) **Tuesday 4th April 2022**

Mr Chapman

I refer to your follow up query and indicate I have now received information from our Treasury section.

Over the period since 1 July 2014 until now, CPI has moved 15.1%.

Attached is a calculation completed by our Treasury Officer. **He was unable to identify each individual inflation adjustment since he was unable to access the workings by a former staff member who has now retired.** The calculations are simply to assist given that under LGOIMA there is no obligation on us to create information not held by us.

CPI adjustments relate to the core base grant and do not allow for additional grants authorised over and above the 2014 decision.

	Base Grant	Additions	New Base Grant	Inflation Adj	Budget
2014-15	306,000	220,000	526,000		526,000
2015-16	526,000		526,000	10,520	536,520
2016-17	536,520	20,000	556,520	10,455	566,975
2017-18	566,975		566,975	7,938	574,913
2018-19	574,913		574,913	10,923	585,836
2019-20	585,836		585,836	10,545	596,381
2020-21	596,381		596,381	11,331	607,712
2021-22	607,712		607,712	5,470	613,182

This completes the request.

Tony Quirk

District Secretary

b) Thursday 3rd February 2022

Mr Chapman

Since you are unable to access a search of the minutes from our website, I attach copy of the decision from that meeting.

Items 2, 3, 4 and 5 seek commentary and not information held. No response is intended.

I note item 6 – your call about referral of the matter to OAG. We confirm we are happy to deal with that agency.

Tony Quirk

District Secretary

c) Wed 2nd February 2022

Mr Chapman

I refer to your follow up email of 27 January.

If you went to the Council decision of 9 June 2014 you would see it includes a resolution “That Destination Marlborough’s core grant allocation be CPI adjusted in future years”.

That decision provides authority for such adjustments to occur unless and until it is revoked by Council.

If you are unable to grasp that then we suggest you should refer it, as you have threatened, to OAG and we would be happy to deal with that agency.

I propose no further action on your request. We have provided you with the reference to the decision you are seeking.

Tony Quirk

District Secretary

d) Tuesday 12 April 2022

Good morning Tony,

1. Thank you for your response together with a copy of the meeting minutes from the 9th June 2014.
2. As far as I am able to determine from these minutes the baseline grant to DM was \$506,000.00 at that time. (June 2014)
3. You confirmed on 18th January that the funding allocated to DM in the 2021/22 year was \$987,237.00
4. You further confirmed by way of the meeting minutes dated June 9th 2014 that the annual increases were tied to the CPI.

5. Can you provide the full and detailed workings to show how the baseline of \$506,000.00 agreed to in 2014 x the annual CPI takes us to \$987,237.00 granted for the 2021/22 period?
6. Further, can you send documentation that provides evidence elected members are and were made fully aware of their financial responsibilities over the period 2014 – 2021 given they are accountable and responsible individually and collectively for approving expenditure in setting an annual rate percentage.
7. I seem to recall an elected member telling me every \$1.00mill = approx. 1% rate increase.
8. Can you also advise how it is current sitting members of council can be expected to be knowledgeable about decisions taken some 8 years ago which materially impact annual rate increases?

1. **The worksheet (attached) you have recently provided starts at a base grant of \$526,000.00 not the amount of \$506,000.00 as previously advised?
Please clarify.**
2. **The end figure of \$613,182.00 falls well short of the allocation you advised earlier of \$987,237.00 for the 2021/22 year. The difference is NOT insignificant at 374,055.00 or 61.0%**
3. **You further state the CPI has moved 15.1% since 1 July 2014 until now. If the base grant was \$526,000.00 (the higher of the two figures) in July 2014 x 15.1% = \$605,426.00. Again, well short of the base grant you advised for the 2021/22 year of \$987,237.00**

Can you please advise which figures are actually correct as I need these figures for my AP submission and thus far nothing seems to correlate.

e) Wednesday 13th April 2022

Mr Chapman

I refer to your follow up email on 12 April.

In dealing only with those items it could be said seek an answer in your email of 12 April I confirm as follows:

6. No such information is held. **Councillors, by their presence at any meeting have information and can check and raise any queries.**
8. There is no such information. **You are seeking an opinion of a mindset. Obviously, it is open to any Councillor to question figures presented on any budget item.**

The clarification about the base CPI adjusted grant and the budget figures – refer to the 2021/31 Long Term Plan which identified Destination Marlborough funding as follows:

Levy payment from the Targeted Tourism Rate	\$187,000
Grant includes an annual CPI adjustment	\$613,182
Grant – DM Conventions	\$113,061
Provision deleted – not part of DM funding	
Grant – Havelock i-Site and additional support and resource	\$ 73,994
TOTAL	\$987,237

This completes the request.

Tony Quirk

District Secretary

e) Sunday 17th April 2022

Good morning Tony,

1. Thank you for your table below. It helps insofar as understanding the funding made available to DM for the 2021/22 period.
2. **The data tables you sent earlier do not help me understand how the base line amount of \$506,000.00 is now \$987,237.00 based on any percentage increases you have been able to clearly demonstrate.**
3. The table you provided (attached) indicates the annual increase as “inflation”
4. The Council minute from 9th June 2014 shows Councils agreement was to index increases to the CPI.
5. **The CPI and Inflation rate are not one and the same. Please advise which it is?**
6. The Council minutes from June 2014 do not have an end date mentioned with respect to this annual increase and adjustment methodology.
7. Am I correct to assume there was not end date agreed to and that annual increases will continue ad infinitum hereafter?
8. At an annual CPI of inflation rate adjustment compounded year on year the amount granted (of public money) will, in 10 years’ time, be considerably out of kilter with DM’s annual plan. By my calculations \$987,237.00 at an annual CPI of 2.5% = **\$1,263,746.83 irrespective of market conditions or any relationship to the plan presented by DM.**

9. Please confirm the above assumption based on the evidence you have provided to date is correct.
10. On receipt of your reply I will refrain (I hope) from having to ask for additional information. It is abundantly clear there is no demonstrable calculation showing how the base-line figure in 2014 is now that granted in 2021/22 despite your assurances such a measure is in place.

I will take the information as provided by you to the AP process and let Councillors decide if the audit trail is as it should be and the agreed process adopted in 2014 relevant in 2022.

Many thanks,

Peter

Response Wednesday 27th April 2022:

Mr Chapman

The timeline under LGOIMA ends on 16th May. It is unlikely to be actioned before then since I need to get any response from an officer who has been away. He has just returned to the office but has other priorities to deal with.

Tony Quirk

Regrettably, I am unable to present answers in time for this submission to be presented by May 10th 2022 as required.

I will leave it to Councillors to investigate and satisfy themselves of the answers.

3.0 Key Issues:

- a. The decision made on June 9th 2014 still stands irrespective of significantly changed market circumstances and conditions.
- b. The indexing methodology is confused. The Council minutes state an adjustment linked to the CPI. The table provided shows the figures (whatever they are) linked to the rate of inflation.

They are not the same thing.

4.0 Destination Marlborough's Core Function:

"Destination Marlborough is a not-for-profit Trust responsible for marketing Marlborough as a visitor destination"

Marlborough District Council is the Trust Settlor and appoints two (@) Trustees to the Trust Board of DM.

Currently those 2 Trustees are:

- Lesley Udy

- Scott McKenzie

As a “marketing” organisation one would normally expect the organisation to base its annual plans around the following:

- Achieving key objectives e.g.
 - Total visitor spend
 - Domestic (60%)
 - International (40%)
 - Convention activities bid for and won
 - Media personnel hosted
 - Attendance at key national visitor functions

It is also normal practice for any “marketing” organisation to plan its activities with a knowledge of some or all of the following:

- The state of the economy in general and the visitor market in particular
- Competitor activity (i.e., neighbouring RTO activity)
- Products on offer (new, old and emerging)
- Trends in visitor expectations (what are they looking for)
- Travel and transportation links into and out of the region (road, air, sea, rail etc)
- Pricing and target markets
- Types of visitors (free independent travellers, campers, motor caravan users (NZMCA), high-end international, low value back-packers etc)

And perhaps most importantly but overlooked in Marlborough in its entirety, the brand for Marlborough and a clear, unique and credible positioning statement.

I will leave it to Councillors to determine and satisfy themselves some or all of the above comprise DM’s annual plan.

5.0 The link between the Plan and Funding:

In simple terms, THERE IS NONE!

DM’s annual plan is generally submitted during the MDC AP process. I have NEVER seen it conclude with a request such as:

“The Board of Trustees of Destination Marlborough and Management request funding to the value of %XYZ to implement the above plan”

It is now clear to me that after 5-7 years of asking there is NO link between what is put forward in DM’s annual plan and the amount of ratepayer’s funds allocated to pay for it.

Worse still is the fact that the link to the CPI has NO end date.

On this basis the annual funding granted to DM based on that provided of \$987,237.00 (2021/22) at an average CPI of, say, 2.3% p.a. will mean in 10 years’ time DM will receive an annual funding allocation of ratepayer’s funds of **\$1,239,303.74.**

- Uncontested
- Not based on and generally recognised market analysis

- No allowance for changed and changing market conditions

6.0 The impact of Covid 19:

Since March 2020 there have been all but zero international visitors to the region and no cruise ships.

International visitors make up approx. 40% of Marlborough's visitor market.

Many RTO's throughout NZ reduced full and part-time employees to reflect the diminished size of the market and the significantly diminished demand on their booking and visitor enquiry services.

Not so DM.

In the DMail dated 22nd December 2021 DM listed the names of 20 employees!

Quote:

A Big Merry Christmas and Happy New Year to you and your loved ones from all of us here at DM. Be safe, kind, keep being Brilliant and see you in 2022!

Ngā mihi,

Jacqui and Alice, Amy, Annette, Anton, Bri, Courtney, Dan, Emily, Gemma, Gucci, Kelly, Kerry, Maree, Olivia, Silke, Tracey (x2), Tracy and Wendy

Unquote:

On top of this the annual audited accounts for DM for the past several years show "employee benefits expense" comprise approx. 50% of total expenditure but that this expense item is not shown as in the list of expense items!

2018 Employee Benefits Expenses	\$852,117.00
---------------------------------	--------------

Almost the same as the annual funding in 2021/22 of	\$987,237.00
---	--------------

Ratepayers only just cover DM's salaries & wages!!!!

7.0 Who was there?

In 2014 when the above motion of funding was passed the following Councillors were present:

The Mayor A T Sowman
 J L Andrews
 J A Arbuckle
 J P Bagge
 G S Barsanti
 C Brooks
 B Dawson
 G I T Evans

T E Hook
P J S Jerram
J C Leggett
D D Oddie
L Shenfield
T M Sloan

Those present today comprise:

The Mayor J C Leggett
J L Andrews
J A Arbuckle
C J Brooks
B G Dawson
D D Oddie.

J D N Croad
B A Faulls
M J Fitzpatrick
G A Hope
F D Maher
M A Peters
T P Sowman
N P Taylor

It is conceivable those new to Council since 2014 (highlighted in red) may be unaware of the decision passed in 2014.

However, they too vote for the acceptance of the Annual Plan each year and its impact on rates so have a duty of “care and financial responsibility” to ensure they are aware of, understand and agree with, the allocation of public money funded by the ratepayers whom they represent.

I understand each \$1.00mill of expenditure = a 1% movement in rates (+/_)

It is conceivable, therefore, that the funding for DM on the above basis represents an impact on rates of +/-1%.

- Uncontested
- Unsupported
- Unknown by those voting for it
- Unnecessary under current market conditions, and
- Un auditable

8.0 Recommendations:

As a result of the above findings I put to Council the following recommendations: -

8.1 The rationale and formula proposed and adopted in June 2014 be revoked immediately on the basis it has no relevance to current market conditions, is open-ended and an irrelevant measure of any kind with respect to the setting of a budget for a “marketing” organisation.

8.2 Immediately undertake a full and complete audit of MDC's accounts to determine precisely what increases in funding (year-on-year) have been made to DM as the figures provided thus far do not equate.

8.3 Immediately exercise your authority as Trust Settlor of the DM Charitable Trust to request a full and complete independent (OaG) audit of the accounts to determine the precise source and disposal of funds provided to DM by MDC since 2014.

8.2 Immediately, and with effect for the 2022/23 annual funding determinations and rate setting process, DM present a full and complete Annual Plan incorporating a comprehensive "market analysis" (see point 4.0 above)

8.3 Examine the staffing numbers required to operate an RTO under emerging Covid status.

8.4 Examine the audited accounts when presented as DM ought rightly to declare a sizeable profit on the basis approx. 40% of its market was non-existent since early 2020. My estimate is a profit of between \$500,000.00-\$750,000.00.

8.5 Agree that from now on funding of DM will be on the basis of a comprehensive annual plan with measurable targets and quarterly reporting against those targets with a budget set for each specific action proposed, the result derived from that action and an explanation.

9.0 MDC Response:

As is normally the case a letter is received some weeks after Councils deliberations on the AP advising the outcome or decision reached on submissions.

I remain hopeful Councillors will agree the current process for DM funding is fundamentally wrong in all respects and will implement the recommendations proposed.

Thank you for the opportunity to make this presentation and the time taken to read and consider it.

Peter K. Chapman

Ratepayer

26 Brooklyn Drive

Redwoodtown 7201

Blenheim