

Queenstown Lakes District Council

Organisational Review - Terms of Reference

1. Background

The Queenstown Lakes District continues to be one of the fastest growing districts in New Zealand. It has a relatively small number of resident ratepayers (approximately 22,000) and experiences high visitor numbers throughout the year (average daily population approximately 35,000; peak daily population approximately 77,000). It is estimated that by 2029 the population may grow to 68,000 (daily average) and 137,000 (daily peak).

The Queenstown Lakes District Council (QLDC) has a significant role to play in delivering a high quality experience to residents and visitors alike – ensuring the provision of good quality local infrastructure, public services and regulatory functions at the least possible cost to households and businesses.

There have been two important recent developments which will influence how QLDC delivers its outcomes in future:

- Adoption of QLDC's 10-year plan for the period 2012-2022 which sets out its goals and how it might achieve them in an affordable manner; and
- Proposed changes to the legislative framework guiding how local government operates and manages its business.

QLDC's 10-Year Plan

QLDC has recently adopted a new 10-year plan for the period through to 2022 which sets out its goals and how it might achieve them in an affordable manner. A number of community outcomes have been identified in conjunction with residents of the district, with the overarching outcome of sustainable growth management. QLDC's outcomes and goals as outlined in the 10-Year Plan are drawn from these community outcomes and include:

- An enabling forward-looking financial strategy that is sustainable in the long term;
- A balanced growth strategy that promotes employment and business opportunities and supports a strong and diverse community;
- A resilient and participating community that celebrates success, has pride in the district and its heritage and has thriving arts, cultural and sporting groups;
- Councillors and Council staff are respected for their approach, attitude, service delivery and governance; and
- A natural built environment that makes the Queenstown Lakes District a place of choice to live, work and visit.

These outcomes and goals in turn inform QLDC's activities and priorities and have been reflected in the new objectives set for the Chief Executive and organisation. In particular, these objectives include:

Actions:

- a) Complete a rationalisation and prioritisation of the organisational performance framework (ensuring the measures are compliant with the requirements of External Audit) and have this approved by the Council for implementation by 30 June 2013
- b) Complete a zero-based budget (exclusive of personnel costs) for the Infrastructure and Community Services teams for the 2013/14 Annual Plan
- c) Complete a first stage review of property by 31 March 2013 which enables the Council to make informed decisions on the future management of its property portfolio
- d) A comprehensive organisation-wide risk register, with mitigation and management strategies, will be documented by 31 March 2013 for on-going implementation and review
- e) Continue to support the Economic Futures forum and present recommendations developed to Council within the context of the 2013/14 Annual Plan;
- f) Progress the review of the District Plan (with particular regard to critical future issues for the District) to enable notification of the Plan for consultation in October 2013
- g) Support the continuing development of "Shaping Our Future";
- h) Complete a review of all Council camping grounds by 28 February 2013 that provides the Council with options for their future use and management.
- i) Complete a review of office accommodation and providing a report to Council no later than 28 February 2013 on future options for accommodating Council and Lakes Environmental staff.
- j) Improve the operational alignment of all CCOs, including regular Chief Executive level meeting and quarterly reporting to Council quarterly.
- k) Complete (by 30 June 2013, for ongoing implementation in 2013/14) a Communications Strategy that identifies all key stakeholders and key messages which ensures the people of the District are continuously well-informed.
- l) Implement by 30 June 2013 the agreed tasks in the Water Demand Strategy timeline that address options for tangible improvements in reduced public use (e.g. reduced pipe leakage; and a public education programme); and also provide a report to Council for additional future options for the Water Demand Strategy.

These actions span a wide range of QLDC activities, and to be delivered in the timeframe required and to the standard expected requires significant capability across the Council.

Local Government reforms and expectations on Local Authorities

On 19 March 2012 the Prime Minister announced the Government's intention to make significant changes to the legislative framework (the Local Government Act 2002) guiding how local government operates and manages its business. The proposed changes are set out in the document *Better Local Government* and include an eight point reform programme to make local government more efficient in its delivery of services to business and households.

The reforms are aimed at providing better clarity around the role of councils, stronger governance, improved efficiency and more responsible financial management. They are part of the Government's broader programme for building a more productive, competitive economy and better public services.

One of the eight point reforms, and now enacted, is an amendment to the purpose of local government. The "four well-beings" provided for in s.10 of the Local Government Act 2002 have now been replaced with:

(1)The purpose of local government is—

(a) to enable democratic local decision-making and action by, and on behalf of, communities; and

(b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

(2) In this Act, good-quality, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are—

(a) efficient; and

(b) effective; and

(c) appropriate to present and anticipated future circumstances.

The implications from this amendment are still a matter of legal conjecture. However it is clear that the new purpose will require local authorities to re-assess their current activities by reference to this provision.

Achieving the 10-Year Plan, and meeting Parliament's new expectation for local authorities, will require QLDC to have the right resources and capabilities focused on the right activities, and with a structure that can support delivery of those activities. The organizational review of QLDC's activities will be undertaken with a view to

identifying any gaps between current resources, capabilities, structure and focus and the best possible resources, capabilities etc for it to most successfully achieve its goals and drive the community outcomes sought.

2. Objectives of the Review

The objectives of the review are to ensure that QLDC has the right people, in the right places and right numbers, with the right skills and experiences, and supported by the right organizational structure, who are focused on the right activities. This will enable QLDC to:

- Increase Council and residents confidence in the quality of its operational performance;
- Improve its relationships with QLDC stakeholders;
- Improve the alignment of QLDC and its CCO's;
- Deliver greater cost-effectiveness;
- Remain focused on critical performance areas as identified in the 10-Year Plan; and
- Operate effectively and lawfully within the new paradigm created by Local Government Act reforms.

3. Scope

The Review will comprise three related components which will be carried out concurrently:

1. An organisational review of QLDC activities; and
2. An organisational review of the activities of Lakes Environmental Ltd (LE);
3. A review of Lakes Leisure Ltd (LL) insofar as it relates to corporate and support services (HR; ICT; Finance; Legal Services etc).

The operational services of Lakes Leisure Ltd and the Queenstown Airport Corporation (in its entirety) are excluded from the Review.

It is recognized that time will not permit an in-depth analysis of all activities. Accordingly, the primary and secondary areas of focus will be:

Primary:

- All of Infrastructure Services
- Corporate Services in all three entities:
 - HR;
 - Legal;
 - Finance;
 - Corporate Planning and Reporting
 - Administrative support
 - Communications
- Planning and related policy
- All regulatory services (consenting; parking; liquor licensing; noise control etc)

- Libraries
- Parks and recreation facilities

Secondary

- Community housing
- Forestry
- District promotion
- Public toilets; cemeteries etc
- Waterways
- Property management (a separate CE project)
- Camping grounds (a separate CE project)

a. Review of QLDC activities

An organisational review of QLDC activities will be undertaken with a view to identifying the best possible organisational structure and required resources and capabilities for the organisation. The areas of focus for the review will be the following:

1. Environmental analysis

- a. What are the implications of LGA reforms for the scope and manner of current QLDC functions and how can they be best managed?
- b. How can QLDC best “future-proof” the delivery of infrastructure or regulatory services in the context of possible changes to the manner in which roading, water, building consents etc is/are provided?
- c. Do any changes across central government agencies have material implications for QLDC activities?

2. Core purposes

- a. What activities is QLDC involved in; what does it need to be involved in; what does it not need to be involved in in order to meet the objectives outlined in its 10 Year Plan?
- b. What priorities attach to allocating resources for the core purposes?

3. Operational performance and processes

- a. How efficient and what is the quality of current (material) operational processes? What improvements can be made?
- b. Are the current models for delivering the core services the best in terms of cost; quality; sustainability?
- c. How effective are the performance measurements in each part of the organization, are they monitored and do they drive the right outcomes?
- d. To what extent are functions contracted out? Are strong processes in place to effectively manage the performance of contracted service providers?
- e. Do criteria exist for determining whether or not to contract services? Are they valid and, if not, how should they be changed?
- f. Should more or fewer functions be contracted out?

- g. Are there opportunities for increased efficiencies from inter-district shared services (particularly Central Otago District Council);

4. Relationship management

- a. What mechanisms exist to manage the range of external parties with whom QLDC interacts?
- b. How effective is the relationship management and does it occur at the appropriate levels?
- c. What processes exist to monitor issues or concerns?
- d. Is the effectiveness (or otherwise) of QLDC in managing external relationships impacting its ability to perform its core functions?

5. People

- a. Does QLDC have the necessary skills and experience (technical; managerial and leadership) to carry out its core functions?
- b. Are those skills located within or outside the organization?
- c. What risks, if any, exist in relation to the adequacy or location of key skills?
- d. Are staff allocated across the organization in proportional response to the Council's priorities as identified in the 10-Year and the resultant Annual Plans?
- e. Does the management structure support the delivery of core services in the best possible way?
- f. The adequacy of internal resources in terms of capacity, skills and experience.

6. Corporate and support services

- a. What is the quality of the strategic and annual planning processes, and are they well aligned to Council's goals?
- b. Does the financial planning and reporting ensure there is informed decision-making on strategic plans?
- c. Are there adequate management reporting processes to enable timely and thorough assessment of business performance relative to LTP and Annual Plans?
- d. Do HR processes ensure that individual staff focus is well-aligned to organizational goals and priorities?
- e. Do consultation processes provide effective and meaningful input into strategic plans?

b. Review of Lakes Environmental activities

Regulatory and resource management services for the district are provided by Lakes Environmental Limited, a Council Controlled Organisation (CCO). This CCO was established by the Council in 2007 following the acquisition of Civic Corporation Limited, a private company that had previously been contracted to provide regulatory and resource management services on behalf of the Council. QLDC is the sole shareholder of Lakes Environmental Limited (LE).

Given that LE has now been operational for five years, it is timely to review the current material operational processes of the organisation and the ongoing

suitability (in terms of cost, efficiency and effectiveness) of the CCO model and any alternative models for service delivery. As the sole shareholder of LE, QLDC have requested the directors of LE to undertake this review.

The areas of focus for this review will be substantially similar to the QLDC areas of focus. However, three particular areas to be analysed are:

- The ongoing suitability (in terms of cost, efficiency and effectiveness) of the CCO model for the activities of LE and any alternative models for service delivery;
- The opportunities to better integrate/align back-office activities (i.e. corporate services and non-technical customer services) to achieve more consistent and cost-efficient outcomes;
- The alignment of LE at both a strategic and operational level with the goals of the QLDC 10 Year Plan.

c. Review of Lakes Leisure "back office" functions

Lakes Leisure Limited, a Council Controlled Organisation (CCO), was established in 2008. LL manages QLDC's swimming pools, gymnasium and event venues. QLDC is the sole shareholder of LL.

As LL has been operating now for 5 years, it therefore is timely to review the processes and practices of LL corporate/support and the ongoing suitability (in terms of cost, efficiency and effectiveness) of the model and any alternative models for delivery of these services. As the sole shareholder of LL, QLDC have requested the directors of LL to undertake this review.

The areas of focus for this review will be substantially similar to the QLDC areas of focus. However, two particular areas to be analysed are:

- The opportunities to better integrate/align back-office activities (i.e. corporate services and non-technical customer services) to achieve more consistent and cost-efficient outcomes;
- The alignment of LL at both a strategic and operational level with the goals of the QLDC 10 Year Plan.

d. Other Considerations

In coming to its recommendations, the Review Team will need to be satisfied that its recommendations meet the different needs of QLDC's, LE's, and LL's communities, and will strengthen the ability of the organisation to support the Chief Executive's statutory responsibilities including:

- a. implementing the decisions of QLDC;

- b. providing advice to members of QLDC and to its community board;
- c. ensuring that all responsibilities, duties, and powers delegated to him are properly performed or exercised;
- d. ensuring the effective and efficient management of the activities of QLDC;
- e. maintaining systems to enable effective planning and accurate reporting of the financial and service performance of the local authority;
- f. providing leadership for the staff of the local authority; and
- g. ensuring, so far as is practicable, that the management structure of QLDC
 - i. reflects and reinforces the separation of regulatory responsibilities and decision-making processes from other responsibilities and decision-making processes; and
 - ii. is capable of delivering adequate advice to QLDC to facilitate the explicit resolution of conflicting objectives.

The review will therefore need to consider:

- Appropriate locations/levels for delivery of functions and ways of enhancing the effectiveness and efficiency of planning and regulatory processes across the district;
- Challenges facing QLDC in delivering its infrastructure;
- How best to achieve integrated planning, including for transport and land use, to deliver optimal economic and environmental outcomes;
- How the predicted changes in demographics as outlined in the 10-Year Plan may impact on the provision of services to the district;
- The role, if any, of QLDC in advancing the economic development of the district;
- Ways in which QLDC could better align with central government;
- Ways in which QLDC could better align delivery with the private sector and the community/NGO sector;
- The costs and benefits of the status quo and of any preferred option for change;
- Any other issues the Review Team consider relevant.

4. Approach

The Review will be undertaken using a phased approach. The following provides an overview of the review phases:

<i>Phase 1 – Information Gathering and Analysis</i>	<p>During Phase 1, the Review Team will:</p> <ul style="list-style-type: none"> • Conduct interviews with staff and key external stakeholders. It is anticipated that those interviewed may include: <ul style="list-style-type: none"> - QLDC, LL and LE Staff - Councillors - Community Boards - LE Board - LL Board - Ngai Tahu - Contractors
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	<ul style="list-style-type: none"> - Chambers of Commerce - Resident's Associations - CODC, ORC or other TLA's - Staff reference group <ul style="list-style-type: none"> • Gather other relevant information and documentation; • Analyse the information gathered and prepare draft reports outlining recommendations in relation to the areas of focus outlined above for consideration by QLDC, LE and LL. The draft reports will then be updated as required
<i>Phase 2 – Staff Consultation</i>	<p>Draft reports will then be released to staff of QLDC , LE and LL for their consideration and consultation.</p> <p>Following the release of the draft reports, staff will have the opportunity to make formal written submissions in relation to the reports.</p> <p>Staff formal written submissions will be considered by the Review Team- and the draft reports revised as considered appropriate.</p>
<i>Phase 3 - Decision Making</i>	<p>After having considered all staff feedback, decisions will be made as to which recommendations will be adopted. Some decisions may be required to be made by Council and others by the Board and/or Chief Executives of the relevant entity.</p> <p>Once final decisions have been made, a final review report will be issued to the staff outlining the recommendations to be adopted.</p>
<i>Phase 4 - Implementation</i>	<p>This phase will involve the implementation of the approved recommendations contained in the final review report.</p>

5. Deliverables

The Review Team will prepare draft and final reports as follows:

- Organisational Review report for QLDC;
- Organisational Review report for LE; and
- Organisational Review report for LL.

Each report will:

1. Assess optimal organisational design options for the relevant organisation which may include either structural and/or functional changes;
2. Contain a description of the preferred organisational model and how it would operate, including management and staff roles; decision-making levels; key functions; and management and operational structures;
3. If the preferred option includes any changes from the current organizational structure, outline transitional change arrangements, including the process; estimated costs; and timeframe for implementation;¹
4. Outline any other recommendations as appropriate.

6. Proposed Timelines

These timeframes are indicative only and may be subject to change.

Activity / Milestone	Timeframe
Announcement of organisational review to all QLDC, LL and LE staff	Wednesday 19 December 2012
Initial draft report provided to Council, Board, CE (as appropriate) for consideration. Draft report updated as required.	11 March 2013
Draft Reports then released for consultation with QLDC, LL and LE staff.	2 April 2013
Staff Consultation – opportunity for QLDC, LL and LE staff to provide written submissions on respective draft review recommendations.	2 - 16 April 2013 (10 days)
Staff Submissions reviewed by Review Team and Final Draft Report prepared for consideration by Council, Board and CE (as appropriate).	16 – 26 April 2013
Decisions on which recommendations have been adopted are announced to staff.	30 April 2013

7. Roles & Responsibilities

Role	Resource	Background
Review Team		
Review Team Chair	Peter Winder	Director, McGredy Winder & Co (fmr CEO, Auckland Regional Council)
Project Director Reviewer – <i>Finance, HR, Governance, Community Services; LL; LE</i>	Shirley Flaherty	Consultant, RBI Consulting Ltd
Reviewer – <i>LE regulatory and</i>	John Kyle	Partner, Mitchell Partnership

¹ Noting the scope limitation of the LL review

<i>resource management services and; Planning and Policy Unit</i>		
Reviewer – <i>Infrastructure Services</i>	Warren Warfield	Managing Director, RCP
Reviewer – <i>Comms, IT, Customer Services, Community Services</i>	Mike West	Consultant
Other Advisors:		
Employment Law Advisor	Michael Quigg	Quigg Partners
Legal Advisor to Council	Jonathan Salter	Simpson Grierson