

Council MARK CCC

Making our

communities better



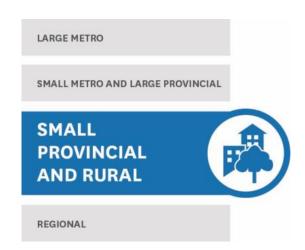
Assessment Summary





Ōtorohanga is a small district with a strong local economy founded on agricultural production and associated support services.





The current situation

Ōtorohanga District Council serves the residents of Ōtorohanga, Kāwhia, several villages and large rural and Māori communities. For some time, Council has prioritised core utilities and austerity over innovation. However, there is an increasing awareness of the need to innovate and to plan for several major infrastructure projects.

Council is led by a Mayor who was elected in 2013. Operational leadership is provided by the Chief Executive, who commenced the role in early 2019. An austere internal culture founded on prudence is noticeable, but both the Mayor and Chief Executive would like to embrace a more ambitious and innovative culture.

Water infrastructure has been identified as a key risk. Significant investment will be required over the next ten to fifteen years to meet regulatory thresholds and service level expectations of the community.

Council has an adequate understanding of its community and its needs, but a coherent vision for the district is yet to emerge.

Council and Māori in the district display a genuine desire to engage, and are committed to creating a process for effective engagement and decision-making.

Period of assessment

The assessment took place on 19 and 20 August 2020.









SERVES

10,104

PEOPLE², A MIX OF 77.5% EUROPEAN/PĀKEHĀ 30.0% MĀORI 2.2% PASIFIKA 4.0% ASIAN³



MAKES U

0.75%

OF NEW ZEALAND'S TOTAL LAND AREA⁴
REPRESENTING **ŌTOROHANGA**DISTRICT, FROM THE COAST AT
KĀWHIA TO THE PUREORA FOREST
PARK

1,999 km²

806km
ROADS⁵
29.34km
FOOTPATHS⁶



Key learnings

The Council's main focus has been on the delivery of core utilities (water and roading). Council leaders are respected, and a genuine intent to embrace innovation, well-being and improve service delivery is apparent, however, community confidence in the Council is relatively low. Council's challenge, therefore, is to move from intention to action, and to communicate more effectively to secure higher levels of community engagement.

- > The Council is largely meeting the core infrastructure needs of the district, albeit with aged infrastructure that lacks resilience. Initial planning is underway to improve infrastructure resilience.
- The reward of prudent management is low levels of debt. Good planning is now needed to ensure desired service levels are achieved.
- > A mix of experienced and first-term elected members and an experienced leadership team are beginning to understand that more agility and higher levels of responsiveness are needed, if community expectations are to be met.

¹ Modelled Territorial Authority GDP 2020 Release, MBIE

² Ōtorohanga District Council Census 2018 Usually Resident Population Count, Stats NZ

³ Census respondents can select multiple ethnicities, so total % can add up to more than 100%

⁴ DIA – Ōtorohanga District Land Area (2014)

⁵ Ōtorohanga District Council Land Transport Activity Management Plan 2018-28, p.6

⁶ Ōtorohanga District Council Land Transport Activity Management Plan 2018-28, p.58

Assessment Summary

continued...

OVERVIEW

Ōtorohanga District Council is largely meeting the core service delivery expectations of its community. However, water infrastructure is old and significant investment is required if Council is to meet regulatory thresholds and service delivery expectations in the future. Further investment in communications and community engagement, including with Māori, would be beneficial.

RATING



Findings



COUNCIL DOES NOT CURRENTLY HAVE A STRONG AND COHERENT VISION TO PROVIDE A FOUNDATION FOR DECISION-MAKING AND RESOURCE ALLOCATION.

Further development in the areas of vision, strategy and governance is needed, to provide a solid foundation for the Council to lead well in the district.



A CULTURE OF CONSERVATISM AND PRUDENT FINANCIAL MANAGEMENT HAS ENABLED ŌTOROHANGA DISTRICT COUNCIL TO ACHIEVE A STRONG BALANCE SHEET AND LOW LEVELS OF DEBT.

Council needs to engage more effectively with the community to understand emerging needs. Resources may need to be reallocated, and staff added, to meet the community's service expectations.



COUNCIL IS INCREASINGLY AWARE OF THE AGE AND CONDITION OF ITS WATER INFRASTRUCTURE.

A significant investment in replacement and new infrastructure is likely to be required in the next 10–15 years, to satisfy regulatory requirements and meet service quality expectations.

Commonly used terms

Term	Definition		
Asset Management Plan	A tactical plan for managing a council's infrastructure and other assets to deliver an agreed standard of service.		
Infrastructure	Local and regional roads, pathways and cycleways, drinking water, wastewater and stormwater assets, sports and recreation facilities (parks, sportsgrounds, green spaces etc), community and tourism facilities (playgrounds, public toilets, libraries, museums, galleries and public art etc), town centres, and other facilities.		
Local Government Act 2002 (LGA 2002)	The legislative Act that provides a framework and powers for councils to decide which activities they undertake and the manner in which they will undertake them.		
Long Term Plan	The document required under the LGA 2002 that sets out a council's priorities in the medium to long-term.		









Governance, leadership and strategy	Financial decision- making and transparency	Service delivery and asset management	Communicating and engaging with the public and business
Areas for improvement	Variable	Variable	Areas for improvement

STRENGTHS

Elected members and the Chief Executive have an open, inclusive and trusting relationship.

A strong commitment to serve the community, and to work with Māori, is apparent.

Council has a good understanding of its infrastructure assets.

AREAS OF IMPROVEMENT

A broader understanding of risk and more complete reporting is needed to inform strategic decision-making.

Council appears to be under resourced to meet the service delivery challenges that lie ahead.

Council's water infrastructure lacks resilience.

A higher level of communications and engagement is suggested, to meet community expectations.

Leading locally

Governance, leadership and strategy

The Council is committed to building a coherent vision for the district, to provide a foundation for decision-making and engender a stronger sense of community across the district.

Priority grading

Areas for improvement

< Council has maintained a focus on core utilities and austerity for some years. A strong and coherent vision is now needed, to respond to emerging community needs. >

Council is led by an open and inclusive Mayor and Chief Executive. They work well together and are committed to ensuring the Council serves the core services needs of the community. Both are respected by staff and stakeholders, but more drive is needed to ensure the Council provides leadership and is responsive to emerging priorities and community expectations.

Setting the direction for the community

Council's current vision is encompassed within a broad statement (Where Kiwis Can Fly) and five objectives which are repeated throughout Council accountability documents. These objectives, which were initially formulated in 2014 and reviewed in 2018, are not embedded in the organisation. They are not explicitly used to shape or influence decision-making at the executive or elected member level.

Staff express a strong desire for a new unifying vision, to provide an up-to-date foundation for decision-making and for staff to rally around. External stakeholders noted the Council's vision lacks clarity, and they encouraged Council to be bold as it sets a new direction for the community.

The Chief Executive and Mayor both acknowledge the need for a clear vision for the district. With that in mind, a series of 17 community meetings were recently held across the district to inform the 2021/31 Long Term Plan (LTP). Candid feedback was provided which enhanced the Council's understanding of community interests, needs and preferences. The findings will be used to inform the development of a new vision.

Creating confident councillors

Ōtorohanga District Council has a strong commitment to collective decision-making. All important decisions are made at full council meetings. These meetings have been streamed live since the coronavirus outbreak, and media generally attend and report on meetings.

The Mayor invests considerable time in talking with elected members and staff between Council meetings, to understand issues and answer questions. Two community boards, covering Ōtorohanga town and Kāwhia, provide further insight.

Elected members recognise the importance of appropriate training and demonstrate a readiness to learn. An in-depth induction programme has been developed for elected members. Unfortunately, delivery was cancelled after just one session as a consequence of the coronavirus outbreak, and the remainder of the programme has not been rescheduled yet. Elected members were also invited to attend LGNZ induction sessions, and most new and some returning elected members took this up. Currently, there is no formal review of development needs. That could be a useful addition to assess capability and gaps, to ensure training is targeted and, therefore, more likely to be effective.

Conflicts of interest are registered and managed appropriately.

There have been relatively few difficult decisions for the Council to consider in recent years. However, a \$2 million loan to a local tourism attraction, the Ōtorohanga Kiwi House, required careful consideration. The executive prepared a briefing report outlining the key elements of the proposal including scope, risks as well as advantages and disadvantages of approving the loan.

The final report, upon which the decision was made, was relatively brief and it did not explicitly include a financial impact statement (expressed in terms of ratepayers' costs).

Currently, the Chief Executive is the keeper of knowledge of Council standing orders. A more comprehensive understanding of standing orders amongst elected members would be beneficial, before potentially controversial issues are considered as part of the development of a renewed vision, strategy and longer-term planning.

Effective working relationships

Elected members generally work well together and with the Chief Executive. Although some tensions between elected members are apparent on occasions.

As is common in smaller Councils, elected members engage directly with staff from time to time. While most enquiries are reasonable, and staff are happy to respond to requests, sometimes elected members can intervene inappropriately in operational matters. Elected members need to strive to find a balance between active interest and micro-management.

The Chief Executive has a performance agreement and the Performance Review Committee meets to discuss performance twice a year or as required. The current Key Performance Indicators (KPIs) are quite general, relating primarily to current capability and capacity matters. Once the Long-Term Plan (LTP) is developed, the Performance Review Committee may wish to consider adjustments to ensure KPIs are aligned with agreed longer-term priorities.

Risk management and reporting

Health and safety and wellness have not been a focus of the Council until very recently. An external consultant has been recruited to help establish a health and safety framework and associated culture. Health and safety reports are tabled at full Council meetings every six months. The Leadership Team understands its health and safety responsibilities, however such awareness is less apparent amongst elected members.

The Audit and Risk Committee has been reconfigured and renamed (now the Risk and Assurance Committee). An independent chair has been appointed. The new committee met once before the coronavirus outbreak.

Reporting of financial or risk performance occurs every three months; Council may wish to review this frequency. When combined with a quarterly deep dive on areas of interest or concern, monthly reporting should improve oversight and monitoring of management.

Strengths

Elected members, the Chief Executive and Council staff enjoy an open and inclusive relationship.

Decision papers are succinct with advantages and disadvantages clearly stated.

The Chair of the Risk and Assurance Committee is an independent member.

Areas for improvement

Council lacks a coherent vision that is both understood by the community, and that guides decision-making and resource allocation.

Elected member involvement in day-to-day operations is more frequent than what would normally be expected.

Financial reporting and risk reporting need to be provided to the Council on a monthly basis.

The Chief Executive's KPIs are too general and not explicitly aligned with longer-term priorities.

Risk reporting as well as health, safety and wellness reporting are both immature.

Investing money well

Financial decision-making and transparency

The Council has a strong balance sheet with low levels of debt. However, a major asset renewal programme is looming. Careful planning and a new financial strategy will be required to fund likely investments.

Priority grading

Variable

< Financial reporting is relatively immature, and stronger leadership is required for more effective long-term planning and oversight. >

Ōtorohanga District Council has prioritised financial prudence in recent years, to the point of austerity. However, with investments in water infrastructure on the horizon, a different approach will be required to ensure investments are adequately funded and service quality and delivery are not compromised.

Planning and evaluating financial goals

The Council's Financial Strategy is largely based on guidance provided by the Office of the Auditor-General. Prudent financial management over the past decade has enabled Council to reduce debt. While the Council is now in a comfortable position, with debt of about \$3 million, it has not been without consequence. Underinvestment in core infrastructure over the past decade is starting to show, and some assets will likely require significant investment in the next decade, to ensure desired service quality levels are not compromised.

Elected members and staff understand that planning for an asset renewal and replacement programme needs to be advanced, and that significant expenditure is likely to be required towards the end of the 2021/31 LTP. The extent of investment, timing and likely burden on ratepayers is yet to be calculated.

The Finance Team offers a good level of service for its size. Financial reports provided to the Leadership Team have, in the past, been lengthy and highly detailed. Recent changes have resulted in a much more manageable report. Group managers indicated reporting is adequate for their needs.

Financial reports provided to the Leadership Team summarise operational expenditure but not capital expenditure. That has not been a problem of late, as capital expenditure has been very low (with the exception of a water plant upgrade last year). A capital expenditure report is being developed.

Information about Council assets is recorded on a spreadsheet. Not integrating such important information with the asset management and/or financial management system is a source of concern; it creates an exposure for the Council.

Assessing the financial data

Budgeting and cost control functions are managed well, more so because the general rate income is only \$5 million. The addition of even one new staff member has a noticeable impact on the budget.

Approximately 40 per cent of Council's operating budget is spent on the maintenance of the roading network. This expenditure is documented and well managed. The operating costs of the water networks are adequately managed and reported.

Accountability reporting is sound, and the Council's accounts have been given a clean bill of health by the auditors. Notwithstanding this, long-term financial planning (beyond ten years) needs more attention. In particular, investments in new water plant and network infrastructure will probably be required in the next decade and need to be modelled as a matter of urgency — especially the effects of these projects on Council debt, operating costs and rates—to ensure the impact and longer-term effects of various options are clearly understood.

While aged debtor levels are not high, most appears to be associated with under-developed Māori land. Stronger leadership is required in this area, to either collect the debt or negotiate different arrangements with the landowners.

Being clear and transparent

The Council provides high levels of rates transparency. Rates are acknowledged to be low when compared with other similar councils and districts. Targeted rates and water charges are levied by local area.

Procurement and financial procedures

Procurement procedures seem unnecessarily restrictive, with very low levels of delegation in place. A business case is required for even small deviations from standard operating procedures.

Current procedural settings should be reviewed as a matter of urgency, to foster a greater sense of ownership and agility across the Council. Council's intention to embrace a procurement policy and framework developed by the Waikato Local Authority Shared Services agency is noted.

Addressing financial risk

In 2019, the Council renamed the Risk and Assurance Committee, and appointed an independent chair to emphasise the importance of risk management. The reformulated committee met once before the coronavirus outbreak.

A workshop was recently held with elected members to identify the top ten risks. Output from the workshop was a very general list, which suggests risk management understanding is inadequate, and that risk management is not embedded in the culture of the Council. Rapid progress is expected once the newly appointed independent chair of the Risk and Assurance Committee has an opportunity to provide stronger leadership than has been apparent in the past.

Meeting financial targets

Council has a history of tight budget control and austerity and, as a consequence, achieving its financial targets.

Forecast changes in the population (from depopulation over the last few decades to stability and the prospect of slight growth) and the likely large-scale investment in infrastructure over the next decade presents some challenges.

If service levels are to be maintained, Council may need to consider taking on more debt to support capital projects. Careful planning will be required, to ensure the rating capacity across the district can support the required levels of investment.

Strengths

Council has a low-level of debt, and general rates are low.

Council maintains a tight control of operating costs.

Council's use of targeted rates and water meters provide transparency for ratepayers in relation to the cost of service provision and usage."

Areas for improvement

Current procurement policy settings seem to be restrictive, which impairs Council's ability to be responsive and agile as needs change.

Extended financial forecasting is needed, to better anticipate the longer-term impact on ratepayers of increased levels of service and capital renewal.

The standalone financial asset management register presents an unnecessary risk.

Risk management reporting is inadequate for informed decision-making.

Delivering what's important

Service delivery and asset management

Council has managed its infrastructure cautiously for many years. Aging infrastructure, more stringent regulations and expected population growth suggest an infrastructure renewal programme needs to be developed, funded and delivered.

Priority grading

Variable

< A level of boldness is required, to shift the Council from a somewhat conservative culture to one embracing more innovative practices to ensure service level commitments are achieved. >

Aligning services with strategy

Council's core service delivery strategies have, until recently, had a strong compliance and business-as-usual orientation. Linkages to desired community outcomes are not explicitly stated.

There also appears to be a gap between community expectations and service delivery. That has been acknowledged and work is underway within the LTP 2021/31 planning process to resolve this. Council expects the findings from recent community forums will provide useful insights, to more closely align services and delivery with desired community outcomes in the future.

Monitoring and assessing service levels

To date, Council's assessment of service quality has been largely anecdotal. Informal feedback received via the Mayor, elected members and the Chief Executive, and through the service request system, is collated.

The last formal "level of service" survey was completed in 2014, with the next scheduled for late 2020.

If Council is to maintain an up-to-date understanding of expected and actual service quality, and detect changes in community interests, perceptions and priorities early, surveys need to be conducted more frequently.

Elected members and the Leadership Team both acknowledge that higher quality, evidence-based analysis and reporting is needed to confirm actual service performance and verify whether desired service levels are being achieved or not.

Asset management

Council has a good understanding of its infrastructure assets. Relatively detailed Asset Management Plans are in place for roading and three waters infrastructure, and linkages with the Infrastructure Strategy are apparent. Relationships with contracted service providers are good.

Much of the Council's infrastructure was built in the 1950's and 1960's. The infrastructure has served its purpose well, but it is now aged and increasingly prone to service failure. Consequently, a renewal and replacement programme needs to be developed, funded and delivered, to ensure service quality is not compromised into the future.

Council has experienced quality problems with the drinking water network and supply in Ōtorohanga. Remedial work has been completed and the problems have been resolved.

Preliminary discussions are underway to determine the district's long-term infrastructure needs. At the time of the assessment, provisions for investments in replacement infrastructure are yet to appear in the LTP and financial projections. This indicates investments could be more than a decade away, or that planning is not yet sufficiently advanced. Regardless, provisions will need to be made soon to signal to both staff and the community the likely levels of investment that will be required to maintain service levels and the timing of renewal and replacement projects.

Council's roads and bridges are generally in good condition and well maintained. The Roading Manager has a good understanding of the network, and relationships with NZTA and roading maintenance providers are sound.

Council staff

Council's Leadership Team, with the exception of the Chief Executive, is comprised of long-term employees. While this provides a good foundation for continuity, mid-tier staff and external stakeholders say fresh thinking is needed if the Council is to lift its performance in the future.

Mid-tier staff say they are motivated and well-engaged; staff survey results tend to back this up. Staff are demonstrably loyal, but some are quite busy and many field staff work long hours when needed (to resolve roading problems or water supply faults, for example). Though admirable, it may have the unintended consequence of introducing health and safety exposures.

Some teams appear to be under resourced. The organisational structure and current allocation of responsibilities is somewhat fragmented, and there are no succession plans for key leadership and other roles. A review of responsibilities, and possible divestment of non-critical functions, may enable better utilisation of limited staff and financial resources.

Community facilities and services

Council provides a range of community services and facilities. Some are run by Council staff, and others are outsourced to external providers. Operationally, facilities management and service operation are managed by different groups within Council, which leads to inefficiencies.

One specific area of concern is that Council staff do not seem to be aware of their health and safety responsibilities, especially as a PCBU (Person Conducting a Business or Undertaking).

Compliance with regulatory requirements

The Council has a relatively light regulatory workload, and is fulfilling its regulatory role satisfactorily including reviewing bylaws when required and meeting various operational obligations. Specialists are engaged to process complex applications.

Compliance and enforcement actions are dealt with on a reactive basis in response to complaints. The emphasis is on education and encouragement.

Accountability reporting

The primary means of reporting service level and service delivery performance to the community is through the Council's Annual Report. Reporting is reasonably complete, but the Leadership Team and elected members acknowledge that reporting quality needs to be improved. For example, the inclusion of trend reports to show performance over time would be a useful addition.

Council uses its Annual Report to report performance against goals and measures. Variances from targets are explained, but these sections of the Annual Report require careful reading.

There is no multi-year analysis, to show trends or improvements over time. Stakeholders have indicated they want more reporting, in a format that is easier to understand.

Capital projects and investment decisions

There has been limited investment in capital projects over the last decade. Those that have proceeded have been justified on the basis of being necessary repairs or upgrades of essential services.

There is no formal business case development or methodology in place. Council acknowledged that formal business case and project management capability and expertise is needed to enhance capital decision-making, to ensure projects are managed well and to verify the benefits expected from approved capital projects are realised.

Strengths

Council has a good understanding of its three waters and roading networks.

Relations with contracted providers are good.

Staff are loyal and experienced.

Areas for improvement

The three waters infrastructure is aged and, as a result, its resilience has declined.

Better utilisation of shared services arrangements is needed to deliver reduced operational costs and improve service delivery.

Some work practices may expose Council to unintended health and safety risks.

Council does not appear to have sufficient staff to reliably meet level of service expectations and succession planning is needed.

A more formal business case methodology is required, to enhance capital investment decisions.

Listening and responding

Communicating and engaging with the public and businesses

Council has maintained a relatively low profile in the community in recent years. A stronger commitment to more effective engagement with the community is needed. Council's relationship and engagement with Māori is developing.

Priority grading

Areas for improvement

< Council's approach to community engagement and stakeholder management has been informal over recent years. >

Members of the business community and iwi leaders are calling for higher levels of transparency and engagement, to work together to ensure the vibrancy of the district.

Communications strategy

Council does not currently have a Communications Strategy, but a Significance and Engagement Policy is in place. That policy is used to guide processes around engagement for decisions of Council.

Operational delivery of the communications function is spread across several people, resulting in a somewhat fragmented function. To address that a new strategic communication role was recently created to improve coordination and the quality of Council's communications and engagement.

Media and digital engagement

The Mayor and Chief Executive both recognise the importance of print media and social media as communications channels. The Mayor, in particular, speaks with print media reporters every week to discuss topical matters and answer questions.

The effectiveness of Council communications is not explicitly monitored or evaluated. Senior leaders feel Council generally receives fair and balanced coverage from the media.

To date, the Council has not made extensive use of social media. However, the value of on-line channels of communications, especially social media, is recognised and plans are being developed to enhance these. The staff member responsible for the Council's Facebook page has received training in social media, and a social media policy is being drafted.

The Council's website is fairly rudimentary, with limited functionality for online services. Plans are being developed to redesign the website and to add a greater number of online service options.

Reputation

Council does not conduct an independent survey of residents. Consequently, Council's understanding of its reputation in the community and amongst stakeholders, and of its delivery of service quality, is anecdotal.

Established points of contact and engagement, primarily the service desk and telephone system, do not appear to function well at times. Consequently, some community members with requests they perceive as being urgent or important have been known to contact individual elected members or staff directly. Sometimes, elected members also engage directly with staff with service requests.

The service request process is being reviewed to correct flaws and improve the quality of communications and engagement with residents and other stakeholders.

Engagement with Māori

Council engagement with Māori/iwi has been relatively informal over the years, despite approximately one quarter of the community being of Māori descent. Council staff and Māori/iwi representatives say there has been an awakening, and that the status of the relationship is now developing.

While there are no formal processes or structures in place to provide Māori/iwi opportunities for participation in decision-making, both parties are working to engage effectively. The Mayor has begun meeting with Ngāti Maniapoto regularly, and that has strengthened the relationship considerably.

Iwi representatives say they expect a far greater involvement in decision-making processes, especially in relation to decisions involving land, water and rating. However, kaumatua said the creation of a Māori seat at the Council table does not have their support.

Engagement with the business sector

Council has a number of engagement points with the business community, including the Regional Economic Development Agency (Te Waka), the Ōtorohanga District Development Board and local Business Association.

Currently there is no formal measure of the effectiveness of the Council's engagement with the business sector, aside from anecdotal feedback. Business stakeholders report the quality of engagement is not as strong as they would like, which is a strong and productive relationship with Council. The quality and frequency of communications and responsiveness to enquiries are areas that would benefit from some attention.

Engagement with the public

Council engagement with the general public has historically been relatively informal and pragmatic. However, the recent early engagement drop-in sessions to inform the next LTP are an example of a desire within Council to engage with residents more effectively than in the past.

Stakeholders say that Council responsiveness to general enquiries can be slow at times. Sometimes, several days can pass before emails are acknowledged, and callers often feel the need to leave a message to follow up earlier requests.

Strengths

Council has recognised it needs to communicate with stakeholders and Māori/iwi more effectively.

The recent employment of a dedicated strategic communications person demonstrates a commitment to enhance communications and engagement.

The Mayor has a strong commitment to effective communications with print media reporters.

Areas for improvement

Relationships with Māori/iwi lack the depth and trust needed for high-quality decision-making.

There is no formal Communications Strategy or framework in place.

Community engagement is generally ad hoc and unstructured, and there is no evidence-based feedback mechanism.

Council's reputation amongst the business community requires attention.

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