

**Chairperson and Members
COUNCIL**

29 AUGUST 2019

Meeting Status: **Public**

Purpose of Report: For Decision

**INDEPENDENT ORGANISATIONAL REVIEW SUBCOMMITTEE
REPORT BACK**

PURPOSE OF REPORT

- 1 The purpose of this report is as follows:
 - a) To provide the Council with a progress update from the Subcommittee regarding the independent organisational review, which is attached as Appendix 1 to this report, (Corp-19-885).
 - b) To seek Council's consideration and approval of the Subcommittee's draft terms of reference for the independent organisational review, which is attached as Appendix 2 to this report (Corp-19-885).
 - c) To seek Council approval to reassign up to a further \$25,000 plus GST, from the Procurement Improvement Programme budget in the 2019/20 Annual Plan to help fund the total estimated costs of the Procurement Advisor.
 - d) To seek Council approval to reassign up to a further \$100,000 of unbudgeted revenue received from Mackays to Peka Peka (M2PP) in lieu of undertaking lining works on several stormwater pipes they installed as part of the overall project, to help fund the total estimated costs of the independent organisational review.
 - e) To seek Council approval to reassign up to a further \$30,000 plus GST from the coastal adaptation budget in the 2019/20 Annual Plan to help fund the total estimated costs of the independent organisational review.
 - f) To seek Council approval to reassign up to a further \$20,000 plus GST from the districtwide planning budget in the 2019/20 Annual Plan to help fund the total estimated costs of the independent organisational review.

DELEGATION

- 2 Only the Council has the authority to consider this matter.

BACKGROUND

- 3 The Council has met on the 27 June 2019 and on the 8 August 2019 to consider the independent organisational review. Key Council resolutions (decisions) from these meetings are outlined below separately.

Full Council meeting of 27 June 2019 – key resolutions

- 4 On 27 June 2019, the Council approved the commencement of an independent organisational review to include the following in its scope:
 - a) internal culture of the staff organisation, including staff satisfaction and turnover;
 - b) relationship and interface between governance and the staff organisation;
 - c) relationships with key stakeholders and the interface between the staff organisation and ratepayers;
 - d) the effective delivery of the Open for Business programme; and
 - e) the capacity and capability of the staff organisation to deliver the Council's objectives in a cost effective and efficient manner.

- 5 At that same meeting, the Council further agreed to the following:
 - a) A Subcommittee consisting of the Mayor, Chief Executive or alternate, three Councillors, Cr James Cootes, Cr John Howson, and Cr Janet Holborow and a mana whenua representative from the ART Confederation to be appointed by the Confederation, and be established immediately to oversee the process and the appointment of the independent reviewer for approval by Council;
 - b) The Subcommittee to develop the Terms of Reference for the independent review based on paragraph 4 (a) to (e) above, as soon as practicable for approval by Council;
 - c) The Chief Executive brings forward suggested entities/organisations for the Subcommittee to consider along with other suggestions in the procurement process;
 - d) The Subcommittee reports back to the Council to recommend the selection and appointment of the entity/organisation contracted to deliver the review;
 - e) The Subcommittee reports regularly to the Council on progress of the review;
 - f) The review preferably be completed in time to report to the last Council meeting on 26 September 2019 or earlier; and
 - g) The Council noted that decisions around the management of the unbudgeted spend for this review would be determined once the cost and timeframe for the review was determined.

Council meeting of 8 August 2019 – key resolutions

- 6 At its meeting on the 8 August 2019, the Council:
 - a) noted that there is no funding for this organisational review in the 2019/20 Annual Plan and authorised the Chief Executive to reassign \$10,000 (plus GST), from the 2019/20 economic development budget of \$25,000 (plus GST) for Major Events Feasibility works; and
 - b) noted that further funding for the Organisational Review will be required (for example, the costs of the reviewer), and will be the subject of a later report; and

- c) approved the Subcommittee to appoint a suitably qualified Terms of Reference Advisor and delegated authority to the Chief Executive to enter into any such contract(s) as advised by the Subcommittee; and
- d) approved the appointment of a suitably qualified Probity Advisor and delegated authority to the Chief Executive to enter into any such contract(s) as advised by the Subcommittee.

Chief Executive Deliverables

- 7 Since 27 June 2019, the Chief Executive has assigned the Group Manager Corporate Services and the Corporate Business Improvement Manager, to provide procedural advice and to best support the Subcommittee to complete their Council mandated duties, as set out above.
- 8 Once the independent reviewer has been appointed by the Council to undertake the review, the Chief Executive has assigned the Corporate Business Improvement Manager to provide the necessary support and/or assistance to the reviewer so as to best ensure that the review is completed within the approved timeframe.
- 9 A recommended procurement process was included in the report "*Proposed Independent Organisational Review (Corp-19-845)*", on the agenda for the Council meeting of 27 June 2019. The Chief Executive advised the Council at the same meeting that an open competitive tender process would be appropriate.
- 10 Subsequently, the Chief Executive has reassigned Council's Procurement Specialist (currently engaged to complete the Council-wide procurement improvement programme), to advise the Council on procurement process that is compliant with the Council's procurement policy and procurement manual.
- 11 The Subcommittee was provided with a list of several entities/organisations, to consider carrying out the organisational review. In addition, the Procurement Specialist is now supporting the Subcommittee through an open competitive procurement process for the organisational review.
- 12 It is noted that the Chief Executive tasks as per paragraphs 6 (a) and (c) of this report, as mandated by the Council, are complete.

DISCUSSION

Subcommittee Deliverables

- 13 The progress-update from the Subcommittee is attached as Appendix 1 to this report (Corp-19-885). In doing so, the Subcommittee is adhering to its Council mandated task.
- 14 Since the Council meeting of 8 August 2019, the Subcommittee has been primarily focused on further developing the terms of reference for the organisational review for Council consideration and approval at this 29 August 2019 meeting of Council. At the time of producing this agenda the Subcommittee had met several since the Council meeting of 8 August 2019 and had also appointed a Terms of Reference Advisor.
- 15 The draft terms of reference for the organisational review is attached as Appendix 2 to this report (Corp-19-885). In doing so, the Subcommittee has completed its Council mandated task as per paragraph 5(b) of this report.
- 16 In finalising the draft terms of reference, the Subcommittee also sought "high level" feedback from the Council's Senior Legal Counsel, the Group Manager Corporate Services and the Corporate Business Improvement Manager.

Policy considerations

- 17 There are no policy considerations arising directly from the report.

Legal considerations

- 18 Both the Subcommittee and the Council are utilising expert resources to assist them with this organisational review.

Financial considerations

- 19 There is no funding for this organisational review in the 2019/20 Annual Plan and the Subcommittee has no financial delegation.
- 20 As already noted, the Council approved the Subcommittee to appoint a Terms of Reference Advisor and a Probity Advisor. To achieve these appointments, the Council authorised the Chief Executive to reassign \$10,000 (plus GST), from the 2019/20 economic development budget for the Major Events Feasibility Fund.
- 21 The organisational review will include the total costs of the Independent Reviewer, the costs of the Procurement Advisor, the Probity Advisor and the Terms of Reference Advisor. Council Officer(s) and Elected Member costs associated with this review are already budgeted for in the 2019/20 Annual Plan and will not be included in the total costs of the organisational review.
- 22 The table below shows the total estimated direct costs of the organisational review at the time of writing this report.

Total Direct Costs	as at 23 August 2019 excl. GST	Total Estimated Costs excl. GST
Procurement advisory services	\$17,438	\$20,000
Probity advisory services	\$1,820	\$15,000
Terms of reference advisory services	\$15,000	\$15,000
Independent Review Costs	\$Nil	\$120,000
Total	\$34,258	\$170,000

- 23 The exact total costs of the Procurement, Terms of Reference and Probity Advisors are unknown. They are entirely dependent on the degree of advice given to and the level of involvement required from the Subcommittee.
- 24 Following preliminary dialogue with three market participants, based on the Terms of Reference as set out in paragraph 4 above, the independent reviewer is estimated to cost approximately \$120,000 plus GST at this stage.
- 25 As a minimum, a further \$160,000 needs to be reassigned from the 2019/20 Annual Plan budget to cover the total estimated costs of the organisational review.
- 26 Council Officers have identified a further \$175,000 of 2019/20 Annual Plan budget that could be reassigned to help fund the total estimated costs of the independent organisational review. These are discussed separately below.

- 27 Given the procurement specialist has been reassigned from the Procurement Improvement Programme, Council Officers suggest that up to \$25,000 plus GST is reassigned from the Procurement Improvement Programme budget in the 2019/20 Annual Plan to help fund the costs of the Procurement Advisor.
- 28 M2PP have agreed to pay Council \$100,000 in lieu of undertaking lining works on several stormwater pipes they installed as part of the overall project. This \$100,000 of additional revenue was not included in the 2019/20 Annual Plan and could be reassigned to help fund the costs of the independent organisational review.
- 29 Council Officers suggest that up to \$30,000 plus GST could be reassigned from the coastal adaptation budget in the 2019/20 Annual Plan to help fund the cost of the independent organisational review.
- 30 Council Officers suggest that up to \$20,000 plus GST could be reassigned from the Districtwide planning budget in the 2019/20 Annual Plan to help fund the cost of the independent organisational review.
- 31 Should further funding for the independent organisational review be required, additional funding from the 2019/20 Annual Budget will need to be identified for Council approval and will be the subject of an additional report.

2019/20 Annual Plan budget reassignment risk considerations

Procurement Improvements

- 32 It should be noted that reassigning \$25,000 which is half of the procurement improvement programme budget for 2019/20 will slow down the planned development and implementation of further procurement tools, procedures, strategies and training by at least 6 months, further delaying planned uplifts to council-wide procurement capability and support.

M2PP stormwater pipe re-lining (Reassign an unbudgeted \$100,000 of revenue from 2019/20)

- 33 It should be noted that Council Officers have inspected the pipes and they do not require any remedial work currently, but there are several pipes with small cracks that will need to be monitored over the next 5-10 years.

Coastal Adaptation

- 34 It should be noted that reassigning up to \$30,000 of the coastal adaptation budget from the 2019/20 Annual Plan could potentially result in this work progressing slower than planned and/or reducing Council Officers' ability to provide information/resource to support public participation in the community conversation. In addition, this budget reassignment could also potentially reduce the resource available for the science/technical work necessary for this work.

Districtwide Planning

- 35 It should be noted that reassigning up to \$20,000 of the districtwide planning budget from the 2019/20 Annual Plan could potentially result in reducing Council Officers' ability to obtain input from technical experts to resolve Proposed District Plan (PDP) appeals and variations. In addition, this budget reassignment could also potentially reduce Council officers' ability to prepare Plan changes ready to progress once the PDP is operative.

Business Improvement Work Programme

- 36 At the time of writing this report, the Business Improvement Work Programme is on track. Once the independent reviewer has been appointed, potentially the business improvement work programme may be slowed down, particularly if the Corporate Business Improvement Manager is required to substantially support and assist the independent reviewer.

Tāngata whenua considerations

- 37 The ART Confederation has appointed Mahina-a-rangi Baker as their mana whenua representative to the Subcommittee.

Significance and Engagement

Significance policy

- 38 This matter has a low level of significance under Council's Significance and Engagement Policy.

Publicity

- 39 Given the public knowledge of the review, the Subcommittee and/or the Council should consider whether it wishes to issue a media advisory.

RECOMMENDATIONS

- 40 That the Council notes the progress update from the Subcommittee as provided in Appendix 1 to this report (Corp-19-885).
- 41 That the Council considers and approves the Subcommittee's draft terms of reference for the independent organisational review as provided in Appendix 2 to this report (Corp-19-885).
- 42 That the Council notes there is no funding for this organisational review in the 2019/20 Annual Plan and at the time of writing this report (Corp-19-885), the total estimated costs of the independent organisational review is \$170,000 plus GST.
- 43 That the Council authorises the Chief Executive to reassign up to a further \$25,000 plus GST from the procurement improvement programme budget in the 2019/20 Annual Plan to help fund the costs of the Procurement Advisor.
- 44 That the Council authorises the Chief Executive to reassign up to \$100,000 of unbudgeted revenue in 2019/20, received from M2PP in lieu of undertaking lining works on several stormwater pipes they installed as part of the overall project, to help fund the total estimated costs of the independent organisational review.

- 45 That the Council authorises the Chief Executive to reassign up to a further \$30,000 plus GST from the coastal adaptation budget in the 2019/20 Annual Plan to help fund the total estimated costs of the independent organisational review.
- 46 That the Council authorises the Chief Executive to reassign up to a further \$20,000 plus GST from the districtwide planning budget in the 2019/20 Annual Plan to help fund the total estimated costs of the independent organisational review.
- 47 That the Council notes and accepts the risks identified of reassigning a total of \$175,000 from the 2019/20 Annual Plan budget as noted in this report (Corp-19-885).
- 48 That the Council Notes should further funding for the independent organisational review be required, additional funding from the 2019/20 Annual Budget will need to be identified for Council approval and will be the subject of an additional report.

Report prepared by

Approved for submission

**Sharon Foss
Business Improvement Manager**

**Mark de Haast
Group Manager Corporate Services**

Approved for submission

**Sean Mallon
Group Manager Infrastructure Services**

- Appendix 1 Report-back from the Mayor on the progress of the Independent Organisational Review Subcommittee.
- Appendix 2 Draft Terms of Reference for the Independent Organisational Review for approval by Council.

Independent Organisational Review Subcommittee Report back – 23 August 2019

Part One: Update as at 23 August 2019
The Subcommittee has
1. <u>Held 6 meetings</u> – 16 th July and 25 th August: 8 th , 9 th , 14 th and 15 th .
2. <u>Confirmed</u> - Mahina-a-rangi Baker as the Mana Whenua representative from the ART Confederation on the Subcommittee.
3. <u>Confirmed</u> - a change to the role of the procurement specialist from Procurement Leader to Procurement Advisor and completed new Conflict of Interest and Declaration forms.
4. <u>Informed</u> - Elected Members of progress to date: an email from the Mayor on 7 July 2019; provided a report to Council on 8 August " <i>Independent Organisational Review Subcommittee Report Back (Corp-19-862)</i> "; and this report (CORP-19-885).
5. <u>Terms of Reference Advisor</u> - Agreed the need for an independent advisor to assist the Subcommittee to further develop the terms of reference for the organisation review. Following Council approval, the advisor was appointed and the draft terms of reference for Council consideration and approval are outlined in Appendix 1 to this report (CORP-19-885).
6. <u>Probity Advisor</u> - Agreed the need to appoint a Probity Advisor to act as an auditor ensuring that the correct procurement process is being followed. The Probity Advisor will be involved up until the award of the contract of the independent reviewer. Following Council approval, the Probity Advisor was appointed and has met with the Procurement Advisor and GM, Corporate Services.
7. <u>Requested</u> and had approved an additional Council meeting to be held on the 10 October 2019 to accommodate the Subcommittee's work programme.
8. <u>Confirmed</u> dates for meetings associated with the Procurement Process.

Part Two: Meetings and Forward Work Programme Summary as at 23 August 2019	
Meeting Schedule and Forward Work Programme	Date / 2019
Subcommittee Meeting – Workshop(s) with Terms of Reference Advisor	8-15 August
Subcommittee Meeting – Finalise draft Terms of Reference	Completed offline. Note. An additional meeting may be scheduled between receipt of this Agenda and the Council meeting of 29 August 2019
Council meeting – Consider/approve draft Terms of Reference. Subcommittee to attend Council meeting.	29 August
Request for Proposal Issued on GETS	29 August
Subcommittee Meeting – Pre-evaluation meeting.	17 September
Subcommittee Meeting – Complete Supplier shortlisting.	24 September
Subcommittee Meeting – Selected Supplier presentations	27 September
Council meeting (Additional) – Approve preferred Supplier. Subcommittee to attend Council meeting.	10 October

K Gurnathan, JP, MA

Mayor

Kapiti Coast District

Chair Independent Organisational Review Subcommittee