

QLDC Council
20 April 2017

Report for Agenda Item: 6

Department: Property & Infrastructure

Joint Otago Councils Section 17A Shared Services Reviews

Purpose

The purpose of this report is to provide an update on the joint Otago Councils Section 17A Shared Services Reviews.

Recommendation

That Council:

1. **Note** the contents of this report.

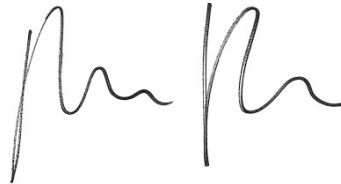
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6/04/2017

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Background

1. The LGA was amended in August 2014, to bring in the government's second phase of legislative reform to improve the operation, efficiency and effectiveness of local government. One of the new provisions in the amendment was the introduction of Section 17A – Delivery of Services.
2. This section requires the Council to undertake reviews of the cost effectiveness of current arrangements for undertaking its activities, specifically looking at governance arrangements, funding arrangements and how each service is delivered, for example, contracted out, shared service, in house etc.
3. A review must be undertaken:
 - a. In conjunction with consideration of any significant change to relevant service levels; and
 - b. Within 2 years before the expiry of any contract or other binding agreement relating to the delivery of that infrastructure, service, or regulatory function; and

- c. At such other times as the local authority considers desirable, but not later than 6 years following the last review under subsection 1 of Section 17A.
- 4. Regardless of the above, the LGA has a transitional provision that requires that all services must be reviewed by 8 August 2017.
- 5. There are two exceptions where a review is not necessary, as follows:
 - a. There is a contract or other agreement in place that cannot reasonably be changed within two years, or
 - b. The local authority is satisfied that the costs of doing a review outweigh the benefits of doing a review.

Comment

- 6. The Otago Mayoral Forum expressed support for a joint Otago review process to be undertaken, and in January 2016, the Otago Chief Executive Forum convened a Project Team to scope this work. The Project Team consists of a representative from each council, and its purpose has been:
 - a. To consider the activities of each council and determine if there is an opportunity to undertake joint reviews, and
 - b. To develop a two stage programme of work.
- 7. A paper from the Project Team detailing a proposed two stage programme of work and methodology was presented to the Mayoral Forum in May 2016. The two stage work programme consisted of:
 - a. Stage 1 – a high level review of all activities (completed), and
 - b. Stage 2 – a detailed review of those activities which represent the best opportunities in Otago for more cost-effective service provision.
- 8. It was also recommended that the detailed reviews be conducted using an adapted Better Business Case (BBC) five-case methodology. This methodology requires:
 - a. A clear statement of the rationale for change (strategic case);
 - b. Rigorous analysis of options to select a preferred option (economic case);
 - c. Analysis of options to optimise the benefits of existing supply markets (commercial case);
 - d. A clear understanding of financial costs, funding and who pays (financial case); and
 - e. Sound management of all the risks associated with delivery to ensure the benefits are realised (management case).

9. The Mayoral Forum supported the recommendations made and resolved to allocate \$25,000 for the high level service review, and a further \$125,000 for any identified detailed regional reviews in 2016/17.
10. During 2016, the Project Team completed stage 1 of the work, reviewing all activities undertaken by each council, and combining these into 27 'regional activity groups'. For each group, data was gathered including current and forecast operating and capital costs, activity specific revenue, staffing levels and the consistency of current service arrangements.
11. A high-level BBC strategic case assessment was then applied to the activity groups, which considered:
 - a. Efficiency and effectiveness gaps at a regional level;
 - b. The degree of change needed to realise benefits;
 - c. How benefits might be shared;
 - d. Any risks to realising benefits; and
 - e. Any other constraints or dependencies.
12. A draft, high level review of Three Waters Services based on the 2015 Long Terms Plans was completed as part of Stage 1.
13. In terms of Stage 2, draft project plans have now been developed for: solid waste regulatory, harbourmaster and waterways, three waters and land and transport.

Options

14. This report does not identify options on this matter as required by section 77 of the Local Government Act 2002 because this paper does not require a decision. This paper only provides information for noting on Council's section 17A requirements.
15. As the reviews progress, and should potential options for change be identified, then section 77 obligations will be completed.

Significance and Engagement

16. This matter is of low significance as determined by reference to the Council's Significance and Engagement Policy because this paper does not involve a decision that triggers any of the thresholds relating to transfers or changes ownership or control of strategic assets.

Financial Implications

17. In accordance with CEO and Mayoral Forum discussions, each council is responsible for making funding available to support their proportion of the review costs.

18. To that end, an operational expenditure budget line has been created in the 2017/18 financial year in accordance with the Council's cost share obligations.
19. The total expenditure for the Otago Councils for the 2017/18 year has been initially estimated at \$125,000.
20. Depending on the findings of the reviews, additional future funding may be required by agreement through the CEO and Mayoral Forums.

Council Policies, Strategies and Bylaws

21. The following Council policies, strategies and bylaws were considered:

- Significance and Engagement Policy 2014

Local Government Act 2002 Purpose Provisions

22. The recommended option will help meet the current and future needs of the communities for good-quality infrastructure, local public services, and performance of regulatory functions in a way that is most cost effective.

Consultation: Community Views and Preferences

23. The persons who may be interested in this matter are Council staff and the ratepayers of the Queenstown Lakes district community.
24. Broader consultation would be undertaken, depending on the outcomes of the reviews and any future potential changes to service governance, funding or delivery arrangements.