
To:	Council
Date:	29 April 2020
Subject:	Update on Financial and Corporate Sustainability (FCS) Workstream
Prepared by:	Bruce Robertson, Project Director
Contributors:	Lisa Goodman, Policy and Admin Support
Authorised by:	Angela Oosthuizen, Chief Executive

PURPOSE

The purpose of this report is to outline the progress and status of the FCS workstream since the 25 March and 1 April 2020 Council meetings.

RECOMMENDATIONS

That Council:

- a) receives the report
- b) notes the recent appointment of Tregaskis Brown as the Business Transformation Manager resource (BTMr) for the second Tranche of work on the FCS project, with Sue Powell as the lead director
- c) notes and affirms the planned arrangements to manage the FCS project through the detailed design phase
- d) notes the focus of project work planned until the end of May.

BACKGROUND

Since December 2019, the FCS project has been focusing on refining and defining the *new operating model* for the Kaikōura District Council (KDC). This includes the critical step of engaging with potential local authority partners and establishing if one is prepared to be a *primary partner*.

In recent months project work has focused on:

- work to ensure there is a complete plan to engage with potential partners, and a plan of service assessments to develop the model, and
- establishing a budget utilising the second tranche of Crown funding – the “Tranche 2” of \$500,000 budgeted for 2019/20
- concluding Stage 1 of engagement with potential partner councils.

The DIA received the Council’s proposal earlier this month on the Tranche 2 budget and funding allocation. The funding under Tranche 2 will now be used to:

- “internalise” the programme as it now significantly involves all staff and the leadership of KDC’s Executive Leadership Team (ELT)
- undertake service assessments of key functions to enable identification of their most sustainable way to ensure their ongoing delivery
- identify a potential partner Council(s) in order to develop shared services/delivery arrangements.

While subject to programme contingencies and the current COVID-19 lockdown, it is planned that detailed design will be concluded and elected member decision-making started by the end of 31 August 2020. The KDC will need to amend the Annual Plan by special consultative procedure with the Kaikōura community in order to adopt this model.

FCS WORKSTREAM UPDATE

Recent appointment of a Business Transformation Manager resource (BTMr)

At its meeting of 18 March 2020 Council approved the immediate appointment of a Business Transition Management resource (BTMr) for the FCS workstream, noting that this role will be part of the KDC’s Executive Leadership Team.

The broad role for the BTMr is to coordinate and complete the service assessments so they are an input to the due diligence phases with potential partners. The BTMr will provide the support and lead required within the Executive Leadership Team (ELT) to have the capacity to “internalise” this project in addition to dealing with *business as usual*.

We approached four firms to consider the role of BTMr, which have the depth and resource capability operating within the sector and can work on a short term contract. Three provided us with a proposal based on a brief for the role. A selection process has been carried out through KDC’s normal procurement rules set up for this project.

Based on that selection process, we have appointed Tregaskis Brown as the BTMr. Sue Powell will take the lead but will have “backup” support from within Tregaskis Brown. Sue has previously undertaken work on the service assessment for KDC’s Strategy, Planning and Policy functions and has a deep all round understanding of the position of Kaikōura and the challenging nature of defining a *new operating model*. Sue also has strong connections with central government and local government. Her support team at Tregaskis Brown will bring strength to developing and meeting project deadlines.

Rescoped delivery arrangements for the programme

The ELT, supported by the BTMr, will now drive the detailed design of project activity. The former Implementation Working Group (IWG) will transform into an advisory and assurance role for the remainder of this development phase.

The currently rescoped arrangements are included in *Attachment A*.

The KRSG will remain in place to ensure that the terms of the MOU between KDC and DIA are met, including process and key milestones for Crown funding draw-downs.

These arrangements are considered the best means to:

- ‘internalise’ the arrangements to ensure that this design phase fully involves staff and is managed from within Council management structures – that is led by the ELT, with the key addition of the BTMr
- retaining the core of the consultants who have worked on the project since inception. In this structure their corporate knowledge is retained and some of their skill will still be applied directly in this detailed design phase.

Initial contact with potential partner Councils

This matter is set out in another report currently to be considered in Public Excluded.

Focus of work up until end May

Over the next few weeks the key priorities for the project are to:

- finalise the Strategy, Planning and Policy service assessment already commenced by Sue Powell
- carry out other service assessments, particularly those where outcomes may have an important impact on the Annual Plan process – the finance and administrative functions have been prioritised
- continue engagement underway with potential partner Councils (i.e. Waimakariri, ECan and Hurunui)
- begin work on developing the new operating model.

The Government’s Budget 2020 will be a critical milestone for determining whether sufficient funding will be available for the project to continue as currently envisaged, i.e. “Plan A”. If not, then efforts will need to be refocused on developing what a “Plan B”, KDC self-funded approach might look like.

PROJECT RISK

The immediate project risks identified in the funding letter to DIA earlier this month remain relevant:

	Factor	Comment
1.	COVID-19 impact – delay in completion could add to the cost, especially if work progresses past 31 August 2020	This is being monitored actively. External events and staff/potential Council availability remain a concern and will be impacted by changes in the national alert levels for COVID-19
2.	Complete transition (the estimated cost of \$10m to complete transition to a <i>new operating model</i> commencing in 2020/21) requires external funding assistance. Crown funding has been sought by DIA through Budget 2020 to assist the transition. This funding is critical to continuing as planned.	The Council is committed to pursuing reform to a <i>new operating model</i> . It is aware that if further Budget funding is not available then an alternate form of reform will be needed. Council has determined the status quo is not sustainable. If Budget funding is not available nor adequate, an alternate plan will be developed with the BTMr by 31 May. In

	Factor	Comment
		<p>this situation the remaining funding will need to be applied to progressing as much of the reforms as possible.</p> <p>.</p>
3.	<p>A potential Council cannot be identified from the 3 locally-based councils that we are currently engaging with.</p>	<p>As with no.2 above, this is fundamental to the model. If no alternate to the current three councils is considered viable, then this too requires consideration of an alternate approach.</p>
4.	<p>In consulting the community once the model is defined, there is a rejection of the model in its detailed design.</p> <p>Consultation with the community must be authentic and reasonable grounds may give rise to Council rejecting the proposed model.</p>	<p>Council is meeting regularly (workshopping monthly) and receiving regular reports to remain informed and aware of developments. They remain aligned with progress to date and this process will continue through to the end of detailed design.</p>

Attachment A : Rescoped arrangements for FCS programme delivery to 31 August 2020

**Council and Crown
(giving effect to MOU)**

**Kaikōura Transformation
Advisory Group (new)***

To guide the transformation programme to achieving its outcomes and to recommend course corrections as needed.

Reports into KRSG

Chaired by KDC BTMr; CEO and senior officials from KDC

Short weekly stand-up meetings in addition to the BAU ELT meetings



**Kaikōura Recovery Steering
Group (KRSG)**

To ensure that the terms of the MOU between KDC and DIA are met, including process and key milestones for Crown funding draw-downs.

Independent Chair and senior officials from KDC/ECan/DIA/MCDEM
Other agencies may be co-opted as the need arises

***ELT accountability**



Transformation work programme*

Develop a financial and corporate sustainability strategy and implementation plan for KDC

- Presents shared service assessments and options
- Progress the project including project reporting against budget, outcomes and risks
- Focus on people side of the Transition programme including process development and communications
- Oversee system change (with staff and stakeholders)
- Ensures increased benefit realization

*** ELT accountability**



**Kaikōura recovery advisory
programme**

Oversight of the programme with responsibility for advice and assurance over:

- Effectiveness of recommended model
- Decision making
- Budget
- Engagement with and for the Crown

And providing support for the Transformation work programme

KDC Recovery Programme – roles and responsibilities

Focus: Management and Delivery (develop, model and implementation plan)

Executive Leadership Team

- CE
- ELT members (includes BTMr)

- ELT is chaired by CE
- KTAG chaired by BTMr
- It is the internalisation of the project
- It has access to external support for financial planning, assurance and communications
- Develops and holds the Project Management Plan (BTMr)
- Undertakes all development work

Focus: Overall Delivery and control (ensures the programme will deliver its outcomes)

Project Leads

Transformation	Recovery
<input type="checkbox"/> BTMr	<input type="checkbox"/> Project Director
<input type="checkbox"/> CE leading ELT Advisory Group	<input type="checkbox"/> CE ex-officio
	<input type="checkbox"/> Crown representation (DIA)

Oversight of the programme with responsibility for advice and assurance over:

- Effectiveness of recommended model
- Decision making
- Budget
- Engagement with and for the Crown
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And providing support for the Transformation work programme

Accountability to CE, Council and Crown

Focus: Ensure that the terms of the MOU between KDC and DIA are met

KRSRG

Independent Chair and senior officials from KDC/ECan/DIA/MCDEM

Other agencies may be co-opted as the need arises

- Existing functions continue
- Recommendations to the CE and to the Council
- Oversight of delivering to the MOU – supported by Project Director and the BTMr
- Occasionally offers support direct to Council