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Queenstown Lakes District Council

Independent assessment report | July 2017*

An independent assessment report issued by the Independent Assessment Board for the CouncilMARK[™] local government excellence programme. For more information visit www.councilmark.co.nz



QUEENSTOWN
LAKES DISTRICT
COUNCIL



A measure
for better
community value.

* Period of assessment: September 2016

Assessment Summary

AT A GLANCE



Queenstown is transitioning from a town to a small urban centre with a daily visitor level not seen elsewhere in New Zealand.



LARGE METRO

**SMALL METRO
AND LARGE
PROVINCIAL**



SMALL PROVINCIAL AND RURAL

REGIONAL

The current situation

Queenstown is transitioning from a town to a small urban centre with a daily visitor level not seen elsewhere in New Zealand.

Each day, it experiences visitor numbers equivalent to what Auckland had during the 2011 Rugby World Cup. The area is growing strongly and there is a large migrant worker population. Land development is relatively concentrated and, at present, there is a wait and see approach to infrastructure development.

Period of assessment

The assessment occurred over a two day period in September 2016, during the final weeks of the trimester. The Mayor and half of the councillors changed during the subsequent election.



\$2b
GROSS DOMESTIC
PRODUCT¹

SERVES

28,224

PEOPLE², A MIX OF
87.5% EUROPEAN/PAKEHA
6.8% ASIAN
5.4% MĀORI
0.8% PASIFIKA



POPULATION TREND
STRONG GROWTH

MAKES UP

3.253%

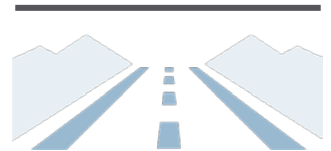
OF NEW ZEALAND'S TOTAL LAND AREA³
REPRESENTING QUEENSTOWN LAKES
DISTRICT, AN AREA OF

8,467 km²

RESPONSIBLE FOR

823km

ROADS⁴



Key learnings

The assessment discussions with staff and managers demonstrated there was a good sense of what the Council was and was not doing well, with a growing realisation through the two review days that the Council needed a much stronger vision and direction. The management team appears well equipped to take up this challenge. There are key learnings from this review as follows:

- > *Planning:* The point of inflection for a Council to change direction from being development led to planning led is difficult to pick, but with this Council clearly needs to move from facilitating developers interests to managing the needs of a small metropolitan community with substantial out-reach populations.
- > *Rates:* This Council is a leading example of using targeted rates to better share the rate burden of a tourism based city.
- > *Emergency leadership:* In emergency management, which is a material issue for this district, there is clear leadership in emergency planning that may be replicable elsewhere.
- > *Systems management:* Prioritisation of management effort in improving utility asset management was beneficial to the Council's grading. In contrast, the previous lack of prioritisation of Council property management, although pragmatic, showed in a poor assessment. However, the incremental investment to improve that activity is less now that the core asset management skills and systems are established.

1 MBIE 2016

2 Stats NZ Census 2013

3 DIA 2013

4 Ministry of Transport 2013/14

Assessment Summary

continued...

OVERVIEW

Queenstown Lakes District Council has managed past growth in a financially prudent manner and now needs to find a more proactive, forward view for its district in the face of continuing growth pressure.

RATING



Findings



THE COUNCIL HAS BEEN REACTIVE TO GROWTH PRESSURES, AND OVER THE PAST FEW YEARS HAS GAINED A STRONG SENSE OF ITS CURRENT INFRASTRUCTURE STRENGTHS AND WEAKNESSES.

But it is less able to provide incremental development of its networks, as the actual needs are often dependent on developers' decisions.



THE AREA AROUND WANAKA IS GROWING AND THERE HAS BEEN INVESTMENT IN COMMUNITY FACILITIES, ALTHOUGH THIS INVESTMENT MAY HAVE COME AHEAD OF POPULATION GROWTH.

There is no clear view of what Queenstown will look like in the longer-term (eg 10, 20 and 30 years) and as the population continues to grow, having a strong sense of where this growth may happen is important. For instance, there is no forward view of where tourism infrastructure will develop, and migrant workers' accommodation issues have been unaddressed for over a decade.



How Queenstown Lakes District Council balances the needs of growth, developers, the community, land use, the environment, and the factors that make the district so appealing is still a work-in-progress for the new Long Term Plan and District Plan.

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
Competent	Better than competent	Variable	Performing well

STRENGTHS

The Council has worked hard on its communications with the community and has used social media and other channels to both find out what the community needs and how to be accountable. Online services make Council processes more accessible.

The community is well served with walking tracks, parks, and other recreational amenities, and the district is well maintained as part of its image for residents and for tourists.

There is a strong team culture in the Council, with regular meetings and other interventions ensuring operational silos are broken down. There is also a strong belief in serving the public.

Over the past three years, there has been a solid focus on systems underpinning infrastructure management of the three waters (drinking water, stormwater and wastewater), and this will provide a strong basis for further improvement in the future.

Financial management, including prudential ratios, is appropriate.

AREAS OF IMPROVEMENT

The Council needs to position itself to be ahead of, or keep up with, growth. The Council should prioritise projects, in addition to dealing with business-as-usual activities. Improved prioritisation would result in greater awareness of and preparedness for growth issues.

There could be greater community awareness of what the Council does and the value of that activity. Rates are low and there is a need to communicate more clearly the value of this for residents across the district.

There is a sense that the operating model of the Council is under pressure, particularly in the information technology area.

There is a sense amongst stakeholders that the Council could provide greater influence in economic development.

Leading locally

Governance, leadership and strategy

There has been considerable progress in building governance and management, but there are several material issues to address.

Priority grading

Competent

< The Council attends to governance. It attends well to decision-making, actively manages the Chief Executive's contract and is continuing to develop its approach to risk management. Having two independent members on the Finance, Audit and Risk Committee (one being the chair) is good practice, and the committee itself is active.>

But the Council would benefit from improved governance self-appraisal and in bringing the risk register to the Council.

There has been a significant catch-up in the past three years on management of infrastructure. Councillors are now integrated into the capital expenditure decision processes at the earliest possible stage, through use of the Victorian Government's Investment Logic Mapping template and workshops. However, both staff and external parties view the Council as reactive.

Setting the direction for the community

The Council faces numerous growth challenges. If it is to meet these challenges it needs to change its self identification as a tourist destination with developer-led growth to an emerging small city with greater complexity of decision-making. Further, it would benefit from stronger articulation of priorities and context.

The key issue for this Council is managing growth proactively. It is strengthening its ability to run and operate its infrastructure and

has identified where it needs to improve its systems further. But there is a need for stronger focus on how it will respond to pressures for growth in its district.

Creating confident councillors and effective working relationships

Councillors meet their obligations, with each councillor taking responsibility for participation (with managers) in decision-making in each of the portfolios. This close association of councillors and executive members at an early stage of decision-making appears to successfully merge the decision-making processes.

The Council's management has a strong team culture and is committed to continuous improvement.

Focusing on health and safety

A health and safety framework is in place and is implemented with contractors. There are some issues around the health and safety understanding of volunteers and these are likely to be typical for all councils. However, there is a very clear understanding within the Council, by both staff and councillors, of the need to address health and safety issues.

Upping risk management

The Finance, Audit and Risk Committee has a charter and two independent members. There is also a growing culture of risk identification and risk management throughout the Council. However, the councillors are less involved in risk management, and the final step in the governance of audit and risk (ie greater involvement by the Council) needs to be put in place.

Information and advice received by the Council often fails to identify affected parties. This issue exposes the Council to legal risk (through administrative review) and means there is more time taken in making decisions.

Strengths

There is a strong team culture within management.

The Council understands health and safety issues.

The Finance, Audit and Risk Committee has two independent members.

Councillors are integrated into the decision-making process at an early stage, through the Victorian Government's Investment Logic Mapping template.

Areas for improvement

The Council should develop a longer-term vision suited to a high-growth district.

The risk register should be formally reported to councillors.

Council should review and strengthen processes relating to the identification and management of conflicts of interest.

There is a need for Council to clearly identify stakeholders affected by Council decisions.

Investing money well

Financial decision-making and transparency

The Council makes good use of the targeted rating system and manages itself prudently.

Priority grading

Better than competent

< The Council has a financial strategy that is in line with its current reactive policy of managing for growth. It is prudent in the level of debt it takes on, and it makes full use of targeting and development contributions. Infrastructure for new suburbs is now funded to 85 per cent of costs, although this excludes community facilities.>

Hotels and other accommodation are heavily rated, so residents would seem to experience lower than expected rates while living in a growing area with significant calls on infrastructure development. Those that are negatively and positively affected by rates are clearly identified in an easy to access manner in both charging and rating decisions.

Understanding how the Council's property portfolio is to be managed in the future is an on-going matter of review and consideration. Currently there are assets held for amenity value, whose value may be under-recognised. There are assets (properties) that could be released, but that may be undervalued, and there are assets (eg land gifted as reserves) that may be converted to some other use. It would be well worth understanding the possible value of property release more fully.

It would appear that the Council's implicit strategy has been to manage its finances prudently, so as not to encumber future councils. The Council is also exploring opportunities for a visitor levy but this is dependent on central government agreement.

Meeting financial targets

For the past six years, the Council has had a policy of keeping debt levels low, thus providing flexibility for future councils. In addition, it has a large property portfolio, some of which might be released to fund infrastructure development. Further, the Council has taken full advantage of its ability to target rates, and has a high loading on hotel rooms.

Residential rates are low by national standards and a considerable number of homeowners are absent. There are considerable uncertainties in future costs of three waters. Greater effort on sensitivity testing and alternative cost and funding scenarios should be explored.

Borrowings are less than \$100 million, and so the Council deems it unnecessary to seek a credit rating.

There is a forecast surge in capital spending; and although the rate of increase is meant to tail off, the tail might be longer than expected as the district continues to grow. The Long Term Plan reflects a particular point in time, but there is a much more short-term uncertainty about which developments will happen and in what order.

The Council manages both its operating costs and its balance sheet in a very prudent manner and so all measures, with only minor exceptions, are within expected limits.

Assessing the financial data

The Council has implemented finance software that enables the integration of its financial data legacy systems. The software's regular monthly reporting is extensive, covering performance of infrastructure assets as well as financial data.

On expenditure and budgeting, corporate cost centres are not allocated to operating groups. The operating groups have demanded a higher level of service than previously, but the corporate services group is held at a relatively constant level. So, for instance, there is dissatisfaction with the wait for changes in business intelligence and supporting management information systems. Potentially, corporate services costs could be recharged to the operating groups and those operating groups could then be allowed more freedom in purchasing additional levels of corporate service.

Addressing financial risk

There is progressive briefing of councillors on asset resilience and other risk issues, but there is no regular reporting to councillors on the risk register. Councillors are involved in matters of risk measurement and risk management, but review of the risk register is left entirely to the Finance, Audit and Risk committee.

Accountability reporting

Emergency response accountability appears well-established and well-practised. Local emergency plans are being implemented through the region (six out of 16 are complete), with a view to increasing local resilience. This emergency response approach is being adopted across the Otago region.

Being clear and transparent

The Council clearly sets out how it sets rates and other charges. In addition, it makes full use of its ability to set targeted rates, with a large portion of the rating burden being allocated to accommodation. This accommodation rating and other rates are transparent. The Council provides good descriptions of who pays what rates, and the Annual Plan makes good use of infographics.

The Council's consultation obligations appear to be met, in terms of public engagement on major decisions being consistent with the Council's Significance and Engagement Policy. For example, from the Council's self-assessment response: "Recent examples include the Wanaka pool (formal statutory consultation); Beach St pedestrianisation (informal feedback initially, followed by statutory consultation now underway); Coronet Forest (informal feedback which will inform a formal consultation expected in the next few months); Stanley St proposed development – about to get underway and will be informal feedback to start with, which will inform the future statement of proposal for formal consultation."

Strengths

The Council makes use of targeted rating.

There is good presentation of impact analysis in setting rates and charges.

Council's financial management is prudent.

Monthly reporting is comprehensive.

The Council is developing a risk-management culture.

Areas for improvement

The Council should do more on valuing and classifying its own property assets.

Corporate operating costs are not fully attributed to activities. Doing so could improve delivery of support services by Corporate Services.

Governance and strategy changes should be consistent in developing an approach to two existing revenue sources; user fees and development fees.

Delivering what's important

Service delivery and asset management

The Council has done some very good work in managing its infrastructure, but is facing challenges in its property management and management of its three waters infrastructure.

Priority grading

Variable

< The Council has given priority to the three waters (drinking water, stormwater and wastewater), and it is now able to identify both the location and state of its pipes.>

Asset maintenance is managed proactively, and contracting arrangements have been refreshed. The Council faces incremental investment decision-making similar to that in most utility-network industries, but the rate of growth in this Council's area makes planning difficult.

Planning and evaluating service goals

Over the past few years, the Council has changed procurement practices in its major expenditure areas within drinking water and wastewater management, as well as in roading management. The approach to contracting is appropriate and reflects current good practice. There is generally a close liaison with contractors, specification of service levels, and closer working with contractors in identifying and addressing problems. There have also been minor changes in contract accountability to better align incentives (eg sumps maintenance has been switched from the roading manager to the three waters manager).

Council is updated on network performance as well as financial performance. Issues of systems resilience are addressed in the risk register. The risks associated with these infrastructure assets are managed well, but issues such as possible stormwater overflow and the consequent risks for drinking water may damage the Queenstown Lakes District Council brand. In particular, there are a large number of bore-water supplies in the district, many of which are quite shallow. Stormwater management is developing and there is a consciousness that it needs to improve further.

There is still mixing of stormwater with lake water which is not sustainable in the medium to long-term.

The Council faces an incremental investment scenario, where the next increment is not necessarily clear in terms of either place or time. This scenario is also present in other councils. Also, decisions on critical assets such as main trunk pipes need to take into account that there is not always full information about development areas that may or may not proceed in a different sequence to that expected. The Council is improving its planning skills to react to growth more quickly.

There is a surge in capital spending against forecast and, although this is meant to tail off, the tail might be longer than expected as the area continues to grow.

The property management contract is outsourced and is currently under review. It may be improved, reflecting the practice with other major contracts, or it may be brought in-house (amongst other possible alternatives). It was noted that, in the most recent property management contract, there are issues around the maintenance of the town spaces that need to be addressed.

The Council's roading strategy must be implementable. Council coordination with the NZ Transport Agency and with the regional council could improve, particularly in respect to developing a plan for public transport and for addressing congestion around Queenstown airport.

Considerable effort has gone into providing outdoor amenities. However, community services need to be better aligned with visitor and resident expectations (eg hours do not clearly meet customer need).

Assessing capability and capacity

There is a process for identifying problems, and then reviewing and assessing these problems. Some problems are minor operational matters, while others are more significant and are put through a robust business case (or a Better Business Case framework when the project is being undertaken with central government support). This use of business cases to support financial decisions is being extended to include considerations for property assets.

There is some uncertainty over where development will happen first, and this affects investment decisions for future infrastructure assets. As noted above, the Council is improving its planning skills to be able to predict infrastructure requirements more quickly.

Strengths

The Council has readily improved its approach to managing key infrastructure, especially with respect to the three waters infrastructure.

There are good mechanisms in place for prioritising and assessing capital expenditure and operational activities.

Contract management is strong.

There is growing attention to infrastructure resilience in general.

Areas for improvement

The Council would benefit from a transport strategy that outlines implementation measures.

Council could improve its approach to capital investment and to incremental capital decision-making.

The Council should complete and implement its review of property management.

Listening and responding

Communicating and engaging with the public and businesses

The Council spends a lot of time communicating with the community through a range of channels.

Priority grading

Performing well

< The Council has identified and is using various channels for communicating with ratepayers.>

There is a clear mechanism for engagement, though the channel used may not be appropriate for communicating with non-member businesses and contract workers.

Planning effective engagement

Communication and engagement is proactive and comprehensive.

Engaging digitally

The Council has extensive methods for engagement and makes very good use of digital media. The Council website is well regarded and the Association of Local Government Information Managers ranks it eighth of all New Zealand local authority websites. There is a commitment to electronic processing of Council transactions (eg dog permits).

How the community views the Council

The results of surveys are reported through the Annual Report, and each full survey is on the Council's website. The results of the annual residents and ratepayers survey are reported to all staff. General Managers and unit managers receive the survey results, including verbatim comments provided, so they can consider and incorporate feedback into future work programmes.

An additional annual satisfaction survey is undertaken as part of the Otago Performance Improvement Framework, developing standards and benchmarks for Otago's territorial authorities. Also, different parts of the Council undertake surveys to measure satisfaction or assess customer experience (eg in using leisure facilities and applying for resource or building consents). There is a high awareness of community satisfaction and dissatisfaction levels amongst the staff interviewed for this assessment. The 2015/16 Annual Report notes the council's willingness to listen, and lists a range of projects completed across the district.

Building good relationships

The Council has a strong business and cultural relationship with Ngai Tahu and various agreements are in place. There is opportunity to grow these relationships further, particularly in Otago.

Communicating when there's a crisis

The approach to emergency management is developed at a local level, implemented through the district, and further implemented through the region.

Strengths

Emergency-management communications and documentation is strong.

A newsletter updates the community on Council events and activities every-other month.

The Council is committed to e-government and digital engagement, and it uses social media.

Areas for improvement

The Council should continue to develop its relationship with iwi.

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