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Napier City Council

Independent assessment report | 2022*

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



A measure
for better
community value.

* Period of assessment: 15 & 16 August 2022

Assessment Summary

AT A GLANCE



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

From Bay View to Taradale, Napier has a growing population with a strong cultural identity defined by its heritage, climate and coastal location.



LARGE METRO

SMALL METRO AND PROVINCIAL



PROVINCIAL AND RURAL

RURAL

SERVES

62,241

PEOPLE¹,
A MIX OF
81% EUROPEAN/PAKEHA
22% MĀORI
3% PASIFIKA
5% ASIAN



POPULATION TREND

GROWTH

MAKES UP²

0.039%

OF NEW ZEALAND'S TOTAL LAND AREA REPRESENTING NAPIER CITY ITSELF, WITH

A TOTAL AREA OF **105 km²**

BEING SOMEWHAT SMALLER IN SIZE THAN THE NEIGHBOURING HASTINGS DISTRICT

\$3,036m

GROSS DOMESTIC PRODUCT (2020)³

RESPONSIBLE FOR⁵

357km

ROADS (100% SEALE)

\$87,106

MEDIAN HOUSEHOLD INCOME⁴



¹ <https://www.stats.govt.nz/tools/2018-census-place-summaries/napier-city> (Census Respondents can select more than one ethnicity, resulting in a >100% population metric)

² https://www.localcouncils.govt.nz/gip.nsf/wpg_URL/Profiles-Councils-Napier-City-Council-Main?OpenDocument

³ 2021 release | Ministry of Business, Innovation & Employment (mbie.govt.nz)

⁴ <https://www.stats.govt.nz/tools/2018-census-place-summaries/napier-city#work-income-and-unpaid-activities>

⁵ <https://www.napier.govt.nz/services/roads-and-streets/about-roads-and-streets/>



Council’s current context

Napier City Council (‘Council’) has navigated a period of change over recent years. This is due to several unanticipated events including a significant flood, global pandemic, a sudden move from the Civic Centre due to earthquake strengthening requirements and multiple changes in personnel within the Chief Executive position.

This has tested the resilience of Council, surfacing areas of fortitude and dedication at some levels within the organisation, but exposing areas for improvement in others.

At the time of the onsite assessment, Council was led by a Mayor in her third triennium², complemented by a team of 12 elected members (five of whom were in their first triennium). This provided a mix of experience at the governance level, supported by a comprehensive induction and development programme.

Leadership at the operational level has been fluid, with four Chief Executives, both permanent and interim, in as many years. The high turnover at executive level has given rise to a number of challenges, causing ongoing organisational uncertainty in the translation of strategic direction and priorities. At the time of writing, no permanent Chief Executive had been appointed. Rather, the Executive Leadership Team has been responsible for day-to-day operations across a relatively diverse portfolio of activity areas and a team of just under 600 staff.

Key challenges and opportunities

In common with the wider local government sector, Council is poised to respond to a raft of central government reform programmes. Three waters, resource management and local government reform will all require Council to have a tight leadership team, a strong vision for Napier and empowered staff. In short, Council must have its affairs in order.

- > Local government within the Hawkes Bay region work well as a team, with multiple joint strategies, service agreements, lobbying of central government and planning for the future. This regional approach will serve Council well coming into a period of reform.
- > Council has a resilient and capable workforce who are committed to the ethos of public service. However, a lack of consistent leadership, strategic vision, decision-making discipline and variable internal communication has created an organisational culture that, for the sake of staff as well as ratepayers, requires acknowledgement and remediation at the leadership level.
- > With a long coastline, dry climate and propensity for flooding, the impact of climatic change presents both challenges and opportunities to which Council must respond effectively and in partnership with others.

Commonly used terms

Term	Definition
Asset Management Plan (AMP)	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	The legislation 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 (LTP)	The document required under the Local Government Act that sets out a council’s priorities in the medium to long-term.

² Two terms as a Councillor and one term as Mayor, at the time of writing.

Assessment Summary

continued...

OVERVIEW

From the governance to the operational level, Council should ensure its focus is an integrated one from decision-making to service delivery. Opportunities exist for Council to plan, lead and execute its functions more effectively as part of a clear plan to achieve its vision of ‘a vibrant and sustainable city for all’. In this way, Council will enable its communities to thrive.

RATING



Key findings

While Council is performing well in some areas, at its core it is an organisation that has endured difficult times and is urgently in need of consistent leadership to deliver a period of stability. Strategic capability and greater decision-making discipline would be beneficial at the governance and executive leadership levels to ensure deliverability of the capital programme and effective management of assets. This would also have beneficial impacts on financial management, staff morale, external relationships and service delivery. In particular, it would be advantageous for Council to consider:

- > Ensuring strategic alignment across all plans and documents to distil what is important and necessary to achieve Council’s vision and superseding that which is not.
- > Growing capability, at the governance and Executive Leadership Team (ELT) levels, to drive outcomes and to own issues such as organisational culture.
- > Introducing a greater level of decision-making discipline to ensure that capital expenditure aligns with Council’s LTP and Significance and Engagement Policy.
- > Effectively prioritising its work and the capital programme to enable staff to deliver on Council’s priorities and achieve community outcomes.
- > Making greater use of its Audit and Risk Committee and more thoroughly identifying strategic and operational risks, including qualitative risk such as staff morale and engagement.
- > Respecting and empowering staff to ‘get the job done’. This includes clear communication on any leadership changes and plans going forward.
- > Continuing to build on its strong regional relationships, including with iwi/Māori.
- > Increasing transparency through the use of targeted reporting that tracks progress against the ‘real issues’ (such as confidence in asset condition data, deliverability of the capital programme, and staff engagement).

Period of assessment 15 and 16 August, 2022.



Governance, leadership and strategy	Financial decision-making and transparency	Service delivery and asset management	Communicating and engaging with the public and business
Variable	Competent	Competent	Better than Competent

STRENGTHS

The spatial planning approach adopted by Council, including partnering with neighbouring councils, positions it well to respond to future growth and resource management reform.

Embedding the Finance team within activity areas across the organisation encourages an integrated approach to decision-making.

Council has a strong, organisation-wide, commitment to health and safety, and an ethos of collective responsibility.

Despite the turbulence of recent years and low staff engagement scores, Council has a core of dedicated staff that are doing their job well.

With a commitment to growing cultural capability across the organisation, Council is genuinely motivated to grow and strengthen relationships with iwi/Māori.

AREAS OF IMPROVEMENT

Clarification of Council's strategic framework, supported by consistent and disciplined decision-making to deliver within this framework, is a necessity.

Urgent action to improve organisational culture is required to address Council's workforce issues, including attracting and retaining quality staff at all levels of the organisation.

Deliverability of the capital programme requires immediate attention, given the risk created by the number of current projects of significance, particularly those outside the LTP.

An improvement in asset management planning, including maturity in asset condition data, is needed to inform infrastructure maintenance, growth and financial planning. It is encouraging to see work commencing to improve such data for infrastructure assets.

Opportunities exist for Council to improve its approach to both internal and external communications in order to build transparency and trust with staff and ratepayers. This includes the type, frequency and accuracy of information provided.

Leading locally

Governance, leadership and strategy

Council's overall strategic direction lacks clarity, with a low level of alignment between priorities signalled in the LTP and expenditure decisions. High turnover at the senior staff level presents various leadership challenges which require urgent attention.

Priority grading

Variable

< Council is developing a shared approach to risk management, including health and safety, for both elected members and staff. >

Its Audit and Risk Committee (which includes independent members) will be an effective mechanism for implementing the emerging risk management framework, further to the Council's traditionally conservative approach to managing its balance sheet.

A particular risk for Council is the ongoing decline in trust and confidence observable between elected members, management and staff. A key priority for the next Chief Executive must be to focus on organisational development and workplace culture in order to repair relationships, attract and retain quality staff and enable Council to perform to its full potential.

Setting the direction for the community

Council has a variety of strategic documents developed since its 2015 City Vision Framework. Many of these lack clear strategic alignment, in particular with the LTP, or do not appear to have a unifying sense of purpose. For example, although the most recent 2021-31 LTP identified water as the main priority, the more detailed picture emerging from subsequent Annual Plans and Reports is significantly less clear.

Council has a number of significant projects underway that hinder the deliverability of the capital programme identified in the LTP, making ongoing priorities uncertain.

This is a particular concern for staff, who are expected to prioritise and deliver against an uncertain and changeable schedule.

Creating confident elected members

Under the leadership of the Mayor, elected members appear to be operating as a team. The lack of any recent code of conduct issues is positive, and the systems for declaring and managing conflicts of interest, whether pecuniary or otherwise, at governance level appear to be effective.

Council has appropriate induction, professional development and, to a lesser extent, performance review processes in place for elected members. Good use has been made of external programmes, such as those of the Institute of Directors. Elected members have also been able to use workshops to develop their understanding of, and engagement with, their governance responsibilities. A recent example is a joint workshop being held with officers on risk appetite and strategy, using an external facilitator.

A portfolio system for elected members³ was implemented in the most recent triennium. This was considered beneficial to build specialist knowledge in portfolio areas. However, while elected members appeared conscious of the risk of overstepping the line between governance and operations, feedback from staff suggested that the boundary needs to be better respected in order to more effectively implement the portfolio system. A review, with reference to good practice and the experience of other councils, would be beneficial to maximise strengths while mitigating inherent risks with such a system.

Effective working relationships

Effort to engage more effectively with mana whenua was observed. Elected members embraced the recent process for deciding on the establishment of a Māori ward, and a number reported that they found the process and the associated engagement with mana whenua groups beneficial in terms of their understanding of te ao Māori. Although challenges remain in mana whenua relationships, there was a sense of satisfaction that

³³ A system where elected members are given a specific topic (or portfolio) to lead

the outcome of a decision to introduce a Māori ward from 2025 would be positive for the City.

However, current internal working relationships present room for improvement. Elected members consider they have shown leadership in their approach to setting strategic priorities in response to community feedback and on issues such as rates affordability. In contrast, there is a sense at the staff level of elected members not always engaging with, or acting on, officers' advice, and of often being indecisive as a group. More importantly perhaps, the ambiguities in decision-making has left officers uncertain about implementing Council's LTP commitments with confidence, especially in relation to infrastructure and other capital spending.

The resulting decline in trust and confidence is not helped by the high turnover of chief executives and other senior managers over the past four years. There is work to be done to address these issues, both by the incoming council and by the next Chief Executive.

Enhancing risk management

Council has the infrastructure in place for a best practice approach to risk management. The Audit and Risk Committee is a forum that is highly valued by elected members and staff alike, and Council clearly respects and benefits from the input of the Committee's independent members. Acknowledging that the completion of the new Risk Management Strategy is only a start, Council is aware that its risk management systems are still maturing. This includes the extent to which risk registers are maintained across directorates and significant risks are recorded. This is an area for improvement. Success will require leadership both by elected members, through the Audit and Risk Committee, and from the ELT, with detailed implementation needing to take place at directorate level.

Management of procurement risk is also in need of significant improvement. This includes enhancing Council's systems for ensuring probity, including conflict of interest management, to ensure consistent procurement activities across the organisation.

Focusing on health and safety

Council has a strong, organisation-wide, commitment to health and safety. Elected members show a collective understanding of the responsibilities of governance-level officers under the Health and Safety at Work Act. Similarly, senior executives and other staff have a strong sense of ownership of health and safety management. A senior manager acts as a champion at ELT level and provides a strong operational focus and support for field staff.

Implementation of the health and safety framework is supported by a comprehensive approach to reporting, both in quantitative terms and by keeping the strategic context under review. A recent initiative of extending the reporting chain on health and safety matters to the full Council, through the Audit and Risk Committee, received positive comment and appears constructive.

Managing the organisation

As noted, Council has suffered from a high turnover of chief executives, with four individuals holding the post either on an interim or a permanent basis in as many years. As a consequence, significant workplace issues are apparent throughout the organisation.

Staff feedback identified internal communication of important matters as a particular area of weakness. The ELT also has work to do to enhance confidence of staff. Both the Chief Financial Officer and Chief People Officer are not part of the ELT, although it is understood that finance is represented by the current Deputy Chief Executive, a secondee to Council. Capacity and capability at the ELT level should be reviewed to ensure that issues such as staff wellbeing, organisational culture and operational finance are well represented on a permanent basis.

Given the immediacy of these management challenges and their effects, it was surprising to observe the low priority given to organisational development and the lack of a comprehensive human resources strategy. These challenges are real and immediate, and a considerable improvement in organisational performance is needed to address them.

Informing council decisions

Council utilises a 'double debate' approach to decision-making through use of a committee system, well-developed templates for reports to elected members and comprehensive financial management and reporting systems.

The Finance team plays a strong role in informing and reporting on Council decisions. Finance personnel are embedded in, and available to, other directorates, enabling an integrated approach to financial planning and management and ensuring elected members, through the Audit and Risk Committee, are fully informed of the financial risks and consequences of decisions. Council then produces regular and comprehensive performance information, both financial and non-financial, for both internal and external consumption. However, reporting on the capital programme has room for improvement.

As discussed, Council has made considerable progress in embracing te ao Māori in Council decision-making. The establishment of Te Waka Rangapū (the Māori Partnerships Team) has been a positive initiative.

Moreover, the most recent review of the terms of reference of Ngā Mānukanuka o Te Iwi (the Māori Committee) will result in Committee members having a seat on other Council committees, which is also seen as a very positive move.

Strengths

Elected members work well as a team, supported by strong induction and professional development programmes.

Elected members considered that the double debate system, including the use of committees, provides a good platform for decision-making and reporting. Some staff had a differing opinion.

The availability of finance personnel to other directorates encourages an integrated approach to decision-making.

Council's approach to developing its new Risk Management Strategy involved both elected members and management, including through the use of externally-facilitated workshops.

Council has well-established working relationships with neighbouring local authorities and government agencies.

Over recent years Council has made good progress in developing its relationships with mana whenua and enhancing the role of Ngā Mānukanuka o Te Iwi (the Māori Committee).

Areas for improvement

Alignment and rationalisation of Council's strategic framework, supported by consistent and disciplined decision-making, is a necessity.

Implementing the new risk framework and strategy, and ensuring that risk management systems and culture are embedded across the organisation, should be a priority.

Procurement processes should ensure consistent standards of documentation and probity processes, including management of potential conflicts of interest, that also meet required standards of transparency.

Urgent action to improve organisational culture is required to address Council's workforce issues, including attracting and retaining quality staff at all levels of the organisation.

A review of the portfolio system for elected members would be beneficial to ensure that it is operating effectively at both the governance and operational levels.

Opportunities exist to improve reporting on the delivery of the capital programme.

Investing money well

Financial decision-making and transparency

Decisions made in relation to the 2021 Long Term Plan mean that Council will not run a balanced budget for several years. This results in heightened financial risk, especially in capital programme delivery.

Priority grading

Competent

< These decisions, especially in relation to revenue, depreciation and deferred expenditure, have implications for Council in terms of financial risk. Council is in a good position to manage these risks but needs to ensure that it has the necessary information to do so, particularly in relation to asset renewals.>

Council's financial performance has historically been supported by its conservative approach to its balance sheet and revenue management, in particular, its low levels of debt, and its relatively straightforward rating system. It also has a well-performing Audit and Risk Committee to oversee financial and risk management, and a strong Finance team which works across the organisation.

There is a need to ensure, however, that financial planning, including capital investment planning, risk management and reporting, are fully integrated with the work of all directorates, and are reflected in the information provided to elected members for decision-making and monitoring. That should include ensuring the Finance team has a strong voice in leadership deliberations.

Planning and evaluating financial goals

The LTP and Finance Strategy explain Council's position clearly in relation to its financial goals. However, there is a lack of clarity about how the LTP programme will be implemented, especially in

relation to the capital programme and its associated costs. Council acknowledges more information is needed in relation to asset condition for it to plan effectively for infrastructure renewals.

Assessing financial data

Council monitors its financial position through the Finance team and regular reporting to the Audit and Risk Committee. The Finance team has developed a comprehensive reporting template, covering both financial and non-financial reports by activity.

Business planning and procurement practices are integral to the management of the capital investment programme. While Council is gradually implementing the use of business cases to justify major capital expenditure, this remains a work in progress. It has, until recently, lacked a supporting procurement strategy, which is also an area for ongoing improvement.

Aside from the spending committed in future LTP years, Council has also committed to several major projects that are unfunded or only partially funded in the LTP. Management has acknowledged that there are significant deficiencies in the capital programme which, without immediate action, will place Council in the position of having a large quantum of carried-forward expenditure for future financial years. This poses significant risk to the 2024 LTP, and to the statutory audit process.

Monitoring this position, and improving the underlying asset data, needs to be a priority for the Audit and Risk Committee and management. The Finance team is aware of the risks, and Council benefits from having management accountants embedded in other teams. This also has the benefit of educating activity managers and enabling a greater understanding and use of the financial data.

Balancing the budget

The Finance Strategy acknowledges that Council will not achieve a balanced budget for eight of the next ten years. This is because Council believes that setting rate levels to achieve a balanced budget earlier would be inequitable for ratepayers and a graduated approach will result in the best fiscal and most sustainable outcome.

Its position is that while rates will be higher than people would like for the next few years, its approach will support the capital investment required for the region while maintaining the levels of service that residents expect. Council's decisions on rates

affordability also resulted in a need to utilise other forms of revenue, which include borrowing for the first time, and the use of revenue from the sale of Council's Parklands Estate.

Being clear and transparent

Council has a strong commitment to external accountability. This is evident in the quality of its quarterly financial reports, including the use of non-financial measures (although more work is needed to align reporting to Council's community outcomes).

As an organisation, Council also regularly monitors and is aware of its financial performance and position. In general terms, it has performed well in recent financial years, despite the impacts of the global pandemic and other disruptions including the 2020 flooding event.

Future financial performance will be significantly impacted by the decisions Council made in relation to the 2021 LTP and its associated finance strategy. Council's ability to meet its financial targets will be helped by clarifying its strategic direction and imposing better discipline on the capital programme.

Addressing financial risk

Elected members are aware of financial risks. They have been supported by the independent members of the Audit and Risk Committee, a valuable source of guidance on both financial and other forms of risk management. Reporting to the Committee is of a good standard, and staff overall demonstrated a reasonable level of financial risk-awareness.

More generally, Council is in the process of adopting its new risk management strategy. Both elected members and senior managers have been involved in developing the strategy, including identifying key strategic risks. This work should, over time, have benefits for financial risk reporting.

The LTP also commits Council to a programme of borrowing which will materialise in future financial years and in the 2024 LTP process. As noted, Council currently faces significant amounts of unbudgeted capital expenditure and the prospect of projects being carried forward to future years. The Finance team acknowledges the potential impact on the audit opinions for those years and the LTP itself. Understanding the financial risks associated with decision-making is critical to instilling robust decision-making discipline at the governance level.

Investing wisely

Council has a large portfolio of investments, together with interests in a number of significant Council-controlled organisations. Therefore, managing investment risk is a critical area of Council management. The investment portfolio appears to be well managed. Council has a robust Investment Property Policy, and recently engaged PwC to review the leasehold portfolio. The review raised no issues of concern. It noted that, overall, the portfolio has the potential to continue experiencing capital appreciation with revenue increasing over time as more ground rental reviews take place.

A recent Section 17a review of Council's housing portfolio was also comprehensive, and should provide a robust basis on which to ensure the portfolio is well managed into the future. The

Finance team is also developing a new Statement of Investment Policies and Objectives which reflects good practice, in particular, with clear and workable criteria on asset allocation.

Strengths

Council's strong record in prudent financial management provided a sound platform for the 2021 LTP. The Finance Strategy is based on LTP decisions and explains clearly the decisions made in relation to sources of revenue, including clearly a defined approach on rates affordability.

The Audit and Risk Committee is a well-functioning committee of Council, supported by an able Finance team.

Financial risk is understood and well managed, including in relationship to the investment portfolio. The new overall risk strategy will have benefits for the management of financial risk.

The quality of Council's external financial reporting is strong, in particular the financial and non-financial reporting on activity centres.

Areas for improvement

Deliverability of the capital programme requires attention, given the large number of significant projects to be completed. Incomplete projects create financial risk for Council.

There is room to develop Council's non-financial reporting further, in particular reporting against community outcomes.

Greater maturity in the use of business cases to justify major capital expenditure would be beneficial. This includes consistency between business cases and proportionality of detail to the significance of projects.

Ensuring that risk management systems and culture are embedded across the organisation in a consistent manner is advisable. Council's new risk strategy, once formally adopted, should be embraced by elected members and the ELT and monitored through the Audit and Risk Committee.

Council should continue to build capacity and capability across its procurement functions, including consolidation of its various procurement documents and practices.

Delivering what's important

Service delivery and asset management

Low confidence in asset condition data, coupled with a historic renewals' deficit, present significant challenges to service delivery and asset management, which Council decision-makers do not yet appear to fully comprehend.

Priority grading

Competent

< While planning and building services are functioning well, key activity areas appear not to have received the resourcing or strategic oversight necessary to enable Council to effectively achieve its vision and community outcomes. >

The situation is compounded by significant organisational culture issues which are, amongst other factors, hampering recruitment and retention. This further impacts Council's ability to achieve desired service levels and to plan effectively for the future.

Delivering capital projects

Deliverability of the capital programme and decision-making around it is a significant issue for Council. Rather than focusing on the completion of capital projects, Council displays a tendency to commit already limited resources to additional projects which are, at times, outside the scope of the LTP. This creates significant financial and reputational risks for Council.

Council's Programme Delivery team is completing work to define and programme budgets for 2022/23 and aims to extend this to the 2023/24 programme. This work should be supported and deeper interrogation as to the root cause of decision-making and deliverability issues should be an immediate priority.

Understanding asset condition data

An external review was completed in 2019/20 to assess Council's asset management practice. This highlighted that Napier's asset register data, and performance and condition data, needs substantial improvement to assist decision-making and operational management. It is unclear whether this work has been funded, although staff advised that a condition assessment programme was about to commence.

Council would benefit from a more proactive approach to explicitly reconciling asset condition with its strategy for infrastructure provision, renewals and service level goals. This in turn would enable more accurate financial forecasting to ensure that Council's infrastructure network meets the needs of its communities.

Asset management in operation

Activity Management Plans (AMPs) are in place for major asset categories, including three waters and transport. Further commentary is, as follows.

Three Waters

The cost of delivering Three Waters is incorporated into financial planning although, given the issues identified above in relation to asset condition data, it is unclear if the full cost of such delivery is understood and provided for.

Council would benefit from reviewing its publicly available information regarding Three Waters, including the Infrastructure Strategy, to ensure that it accurately portrays the current situation and risks, its approach to renewals and growth, associated costs and trade-offs made. This would increase transparency and, potentially, aid decision-making.

Waste Management

Council has a Joint Waste Management and Minimisation Plan (WMMP) with Hastings District Council. This outlines Council's strategy and action plan to increase recycling and decrease the amount of organics being disposed of to landfill. It is unclear whether these actions are monitored.

Solid waste planning considers information from the rates team regarding population increases and the impact this will have on capacity at Omārunui Landfill. It may be beneficial for Council to align population assumptions with those being utilised in its spatial and infrastructure network planning. That would ensure consistency of population forecasts being utilised across Council departments. In addition, Council may wish to model not only the impact of population growth on the current Landfill, but also on recycling and minimisation activities.

Roading

Council's Transportation AMP 2021-2031 identifies how it can maintain, operate, renew and improve Napier's transport network. The document acknowledges there is a lack of reliable, comprehensive asset condition and age data that is preventing development of optimised maintenance and renewal strategies. In response, the Transportation AMP identifies the need to verify, complete and update asset attribute data and introduce data maintenance policies. Again, it is not clear from the LTP or the Annual Plan 2022/23 whether this work has been funded. However, it is noted that no performance measures address transportation asset data quality. This is a matter Council may wish to address.

Community services

The LTP identifies an activity group 'Community and Visitor Experiences' that includes various tourism and community facilities, reserves, retirement and rental housing and community strategies. Given that the LTP estimates that 29% of rates for the next 10 years will be spent on community services, compared to 27% on Three Waters, it would be beneficial for Council to clearly articulate its strategy for this activity group in order to define a common vision and 'what good looks like' for these services.

Committing to continuous improvement

Council appears to be at the start of its journey across multiple service delivery and asset management activity areas, including:

- Procurement, where Council is in the process of building capacity and capability after a lengthy period with a lack of specialist personnel.
- Project management, with the introduction of software to increase process consistency and to enable regular reporting.
- Risk management, as discussed under "Investing money well", where a new Risk Strategy will need to be fully embedded across all Council operations.
- Climate change, where a dedicated resource is now in place and Council's climate change maturity is being assessed.
- People and capability, where a Chief People Officer was recently engaged to provide oversight of resource planning (note this position is not represented at the ELT level).
- Succession planning, which Council intends to mature to an organisational level moving forward.

There is still much progress to be made in these areas. However, it is positive to note that some work has already commenced.

Accountability reporting

Service delivery levels are reported through performance measures for each activity area, as defined in the LTP. These measures are publicly reported on quarterly and annually, copies of which are available on Council's website.

Reporting on the delivery of the capital programme appears to be absent from public documents and only mandatory performance measures are currently used for Three Waters. There is a need to increase organisational maturity regarding Council's overall performance measurement framework provided to the public, to align measures with the challenges being faced.

In addition, further improvements in transparency of accountability reporting could be achieved by consistently reporting at the activity level rather than only at the activity group level. Multi-year comparisons would also be useful to understand trends over time.

Building and planning for the future

Council is performing well in relation to its building and land use planning functions. A recent IANZ report noted that Council had good building control systems in place with excellent quality assurance systems that were well managed.

In relation to the processing of building consents Council utilises an electronic system that creates process efficiencies and supports consistent reporting. This also enables Council to process overflow building consent applications for other councils, ensuring that building inspectors are utilised effectively.

Council is also well progressed with spatial planning for the district. It has created a 'spatial picture' as a pre-cursor for a future Napier Spatial Plan. This will provide for growth to ensure sufficient housing and employment land is available to accommodate projected increases in population, in areas most suitable for development, for example, away from flooding or areas of highly productive land. Council's spatial planning work will be implemented through an upcoming District Plan review, ensuring that land use, infrastructure and transport planning is carefully coordinated to achieve sustainability, design and cost efficiencies.

Fostering a positive culture within which to grow capability and capacity

Ensuring the appropriate capability and capacity to deliver services at agreed levels is an ongoing challenge for Council. As at June 2022, there were 55 vacancies across an organisation of approximately 590 full time employees. The root cause of the recruitment issue was expressed as being the relatively low remuneration compared to neighbouring councils and ongoing organisational culture issues. These culture issues are reflected in

the 2022 Gallup employee engagement scores, which identified 27% NCC staff as being engaged, 60% being not engaged, and 13% being actively disengaged. To rectify this situation, ownership of culture is required at both the governance and ELT levels. Elected members in particular have several tools available to them to achieve this, including targeted recruitment of the next Chief Executive and through regular reporting and debate on organisational culture.

The inability to attract staff may also stem from an historic lack of focus on human resources and resource planning. The current approach, for example, is to manage capability and capacity at the individual team level across Council. A more proactive approach to prioritise people and culture at a leadership level would be useful, to ensure oversight, strategic planning and an ability to front-foot current and future capability and capacity challenges.

Strengths

Council is well progressed with spatial planning for the district. This will ensure sufficient housing and employment land is available to accommodate projected increases in population, in areas most suitable for development.

The adoption of an electronic building consent system has not only improved operational efficiency but has enabled Council to process overflow building consent applications for other councils.

Council works effectively with regional local government partners to plan for and deliver services, including a Joint Alcohol Strategy, Heretaunga Plains Urban Development Strategy, Waste Management and Minimisation Plan, as well as alignment between parking and animal control services.

Areas for improvement

Greater leadership and ownership of organisational culture issues is required at both the ELT and governance levels. This should be a strategic driver to improve capacity and capability to enable effective service delivery.

Work regarding deliverability of the capital programme should be fully supported and prioritised, and discipline in decision-making must be ensured.

Ongoing funding to increase confidence in asset condition data is essential to inform infrastructure maintenance, growth and financial planning, particularly in the face of Three Waters reform.

The findings of a current review of Council's Project Management Framework should be consolidated and embedded within operational practice.

Further improvements to transparency of external accountability reporting could be achieved by consistently reporting at the activity level, by utilising multi-year comparisons and by designing performance measures to respond to key issues such as asset condition and completion of capital projects.

Listening and responding

Communicating and engaging with the public and businesses

Council has the processes and capability in place to communicate and engage effectively. However, both staff and ratepayers indicate growing dissatisfaction with their ability to keep informed and ‘have a say’.

Priority grading

Better than Competent

< External two-way communication is fostered through a variety of tools, ranging from traditional submission processes, both paper and digital, to social media and the use of advisory groups. >

Council has a well-articulated Communications and Marketing Strategy which links to its Significance and Engagement Policy, informing consultation plans for specific projects. A strong policy framework is similarly in place for both Social Media and Media, although it is unclear what training is provided to both staff and elected members.

Meeting the needs of local communities

Despite this strong policy framework, the most recent annual Residents Satisfaction Survey notes a strong downward trend in terms of Council’s ability to keep the public informed and provide opportunities to ‘have a say’. The reasons for that are unclear but present an opportunity for Council to reset and rationalise communication activities and perhaps to alleviate consultation fatigue. This has been acknowledged at the governance and ELT levels, who have authorised a review of consultation practices with a focus on efficiencies and effectiveness.

Internal communication

There is need for an immediate improvement in internal communications within Council, particularly regarding changes in the senior leadership team and other major change events.

For example, internal communications regarding moving from the Civic Centre were viewed by staff as a relatively easy intervention that would be extremely beneficial for building trust and improving organisational culture.

Engaging digitally

Council advised that it engages with the general public and individual community groups on a variety of levels, using several tools and media platforms in a way that is scalable and tailored to the needs of each project/initiative and target market.

Clear protocols and expectations around the use of social media by both elected members and officers are in place through Council’s Social Media Policy and Code of Conduct.

The Code of Conduct covers media and the use of social media, including guidelines on the personal use thereof. While the use of social media by elected members can be a significant issue in other councils, no evidence was provided of this being problematic at Napier with no Code of Conduct complaints received in recent times. That is positive for Council.

Building good relationships

Māori/Iwi

Engagement with Māori/iwi is reported to have improved over recent times, particularly with the establishment of Te Waka Rangapū, Council’s Directorate of Māori Partnerships, and due to the efforts of the Mayor in particular. Opportunities exist, however, to strengthen the feedback loop regarding the effectiveness of engagement with Māori/iwi in order to learn from and continuously improve these relationships.

Business

Council engages with the business community through a variety of channels and at a number of levels although, again, the effectiveness of such engagement appears unknown. A Key Account Manager structure has been adopted to enable larger businesses to navigate Council processes and the benefits of this will be secured over time. Council advised that elected members are on the boards of the Napier City, Ahuriri and Taradale Business Associations, ensuring a good level of representation.

Central government

Working with regional local government partners, Council engages proactively with central government through the Regional Public Service Leads Committee and National Transition Unit for Three Waters, amongst other groups.

Reputation

Council's reputation in the community and with key stakeholders is assessed annually via the Resident Satisfaction Survey. Although no specific questions regarding 'reputation' are included, respondents are asked to express satisfaction with managers and staff, and leadership of Council. Both metrics have declined since 2021.

The Resident Satisfaction Survey is conducted by an independent, external research company via a mixed-methods approach. The 2022 survey attracted a good sample of 452 responses, which were segmented by ward, age, gender, ethnicity, home ownership and tenure in Napier, enabling insights at a granular level.

Council has an experienced and committed communications and engagement team that has strategies in place to navigate the challenges and opportunities presented by maintaining an online presence.

Strengths

Council has a clear strategic framework for communications and engagement activity backed up by operational templates to implement the strategy.

Council is part of an effective regional approach to central government engagement and economic development

There is a growing depth in Council's relationships with iwi/Māori, although it is acknowledged there is still much work to do.

Areas for improvement

Council leadership has the opportunity to reflect on and improve its approach to internal communications and the role of this function in fostering trust and a positive staff culture.

Opportunities exist to strengthen the feedback loop regarding the effectiveness of engagement with Māori/iwi in order to learn from and continuously improve these relationships.

Continued support for a review of consultation practices, with a focus on efficiencies and effectiveness, would be beneficial.

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