

23. COUNCIL REORGANISATION

Purpose of Report	:	Strategy
Significance of Decision	:	Internal Procedure
Reporting Unit	:	CEO Designate
Reporting Officer	:	Leigh Auton, CEO Designate
Ward	:	Citywide

SUMMARY

With the review of Tomorrow's Manukau – Manukau Apopo, the City Manager Colin Dale signalled in 2004 that a re-assessment of the Council organisation was timely and necessary. A significant number of work streams were initiated with the view to these being available for an incoming CEO to consider and develop as appropriate. In initiating the review, it was acknowledged that the current structure has been in place since 1995, albeit with a number of modifications since that time. The adoption of Tomorrow's Manukau and the appointment of a CEO Designate Leigh Auton provides an important opportunity to realign the organisation structure to reflect the changed circumstances that now exist compared to those of the mid nineties.

In developing and promoting a new organisation design to reflect today's imperatives, it is emphasised that the structure retains and builds on the strengths of the current organisation. Significantly, the organisation has major strengths inter alia around innovation, people and community engagement. Necessarily however, in the context of the scale of the operation, there is a need to enhance Council's financial capability, its systems and processes, as well as support functions, such as information management. The development of a sustainable funding capability to deliver on community aspirations is likewise a significant challenge for Council. The creation of commercial opportunities to create 'value' for the Council is an important feature of the design.

It is important to reflect that Council is a large operation by almost any measure. Council has total assets of \$5 billion, employs approximately 1200 staff (plus 100 contractors), has very significant outsourced contract arrangements and has gross revenues of \$450 million per annum (operational spend \$250 million per annum and capital expenditure of \$200 million per annum). Council is faced continually with ongoing devolution of Government responsibilities and increased demand from residents for services and facilities. Likewise, the demand to ensure affordability is ever present.

The recommended organisational design will provide enhanced capability to meet the challenges that face the City and Council. The report covers:

- (i) Overarching vision;
- (ii) Proposed organisation structure and principles;
- (iii) Roles/functions of the new Directorates and Units;
- (iv) Benefits of proposed changes;
- (v) HR Considerations;
- (vi) Cost Analysis;
- (vii) Maori Considerations; and
- (viii) Consultation Process.

RECOMMENDATION TO COUNCIL

1. That the CEO Designate's proposals for the organisation and directorates be endorsed.
 2. That it be noted that the budget adjustments outlined in paragraph 7.1 below are incorporated in the report on this agenda entitled 'Variations to the 2005/08 Annual Plan'.
 3. That the report and resolutions be restated following the adoption of these recommendations by Council.
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1.0 Background

- 1.1 The CEO Designate has proposed a new organisational structure for Council, with the intent to have a significant proportion of this new structure and people in place by 1 July 2006. During the Council's recent Leadership Forum, a request was made for a report that sets out the benefits of the proposed structure and its cost implications. This report addresses these issues.

2.0 CEO Designate's Vision

2.1 Strategic Context

New Zealand is heading into a period where global trends and developments will cause rapid and significant change. As a country we must adapt to gain entry to emerging global markets and move up the value chain in service, manufacturing and commodity exports if we are to compete in a market where new economies such as China, India and Brazil are rapidly becoming more dominant and competitive.

Cities also compete globally for resources. Competitive cities are attractive, innovative, inclusive and vibrant. As part of the Auckland region, Manukau's challenge is to build on the significant opportunities that exist in the City. Manukau has many strong attributes, including a dynamic and culturally diverse community, modern infrastructure, a major airport, growth management capability, good community infrastructure and a strong economy. However, the City also faces a number of challenges: These include:

- (i) **Governance:** For example:
 - (a) The need to meet new legislative requirements.
 - (b) Defining the power of general competence for Manukau City.
 - (c) Devolution of responsibilities from Central Government and associated resourcing issues.
- (ii) **Physical Infrastructure:** For example:
 - (a) Funding Council's AMPs for roading, stormwater, water and wastewater, parks, properties and information technology.
 - (b) Development of sustainable transport network linked to land use.
- (iii) **Environment and Urban Design:** For example:
 - (a) Management of growth within a context of regional strategies.
 - (b) Intensification and consolidation of growth in the existing urban area.
 - (c) Quality urban design.

- (iv) **Community:** For example:
 - (a) Continued support and enhancement of the City's social fabric, including education, affordable housing, health, security and safety.
 - (b) Cultural expression and wellbeing.
 - (c) Healthy lifestyles.
- (v) **Economic:** For example:
 - (a) Availability of land and infrastructure for business and economic development.
 - (b) Ensuring an educated and skilled workforce.
 - (c) Ensuring Manukau is competitive.

2.2 Vision

Within this context, Tomorrow's Manukau sets a vision for the City of being **proud, progressive and prosperous**.

Council will play a pivotal role in achieving this vision, meeting the challenges of the region and utilising the City's strengths to capitalise on opportunities. In positioning the organisation to play its part, the CEO Designate has articulated his vision as follows:

"To be New Zealand's leading City and Council connected locally, nationally and internationally to achieve great economic, environmental and community outcomes for the people of Manukau."

To play this leading role, the organisation will need to build on its capacity to engage in an influential manner with the various communities of interest in the City, and with all levels of local and central government and their respective agencies.

Equally important to this external focus (and indeed critical to creating the capacity for the external focus) is the need to create an organisation structure and supporting processes which lead to robust decision-making by Council and its management, aligned and focused policy development, good risk management and the most effective service delivery models consistent with Council's policy direction.

Key aspects of the proposed organisation structure are to ensure Council has:

- (i) Clear and simple lines of accountability.
- (ii) Aligned strategy and policy objectives.
- (iii) Enhanced service delivery capability.
- (iv) Integrated systems and processes.
- (v) Improved financial capability.
- (vi) Robust performance management.
- (vii) Improved risk management and audit.
- (viii) Improved City profiling.
- (ix) Continued focus on our people and teamwork.

By way of example, Council is again moving towards the creation of Council Controlled Organisations (CCOs) as a means of harnessing the strategic and business expertise of skilled boards of directors to enhance business performance, drive innovation, improve service delivery, leverage new sources of funds and generate financial benefit for the City. Further opportunities for this model to be applied for service delivery and the development of growth centres are being explored. These opportunities will be reported to Council as requested by the Strategic Directions Committee, in February 2006. These considerations have led to the organisation structure proposed by the CEO Designate, which is discussed below.

3.0 Proposed Organisation Structure

3.1 Organisation Chart

Set out overleaf is the proposed new structure. Whilst the CEO Designate's Task Force is still refining elements of the structure, it is not expected to change significantly from that shown.

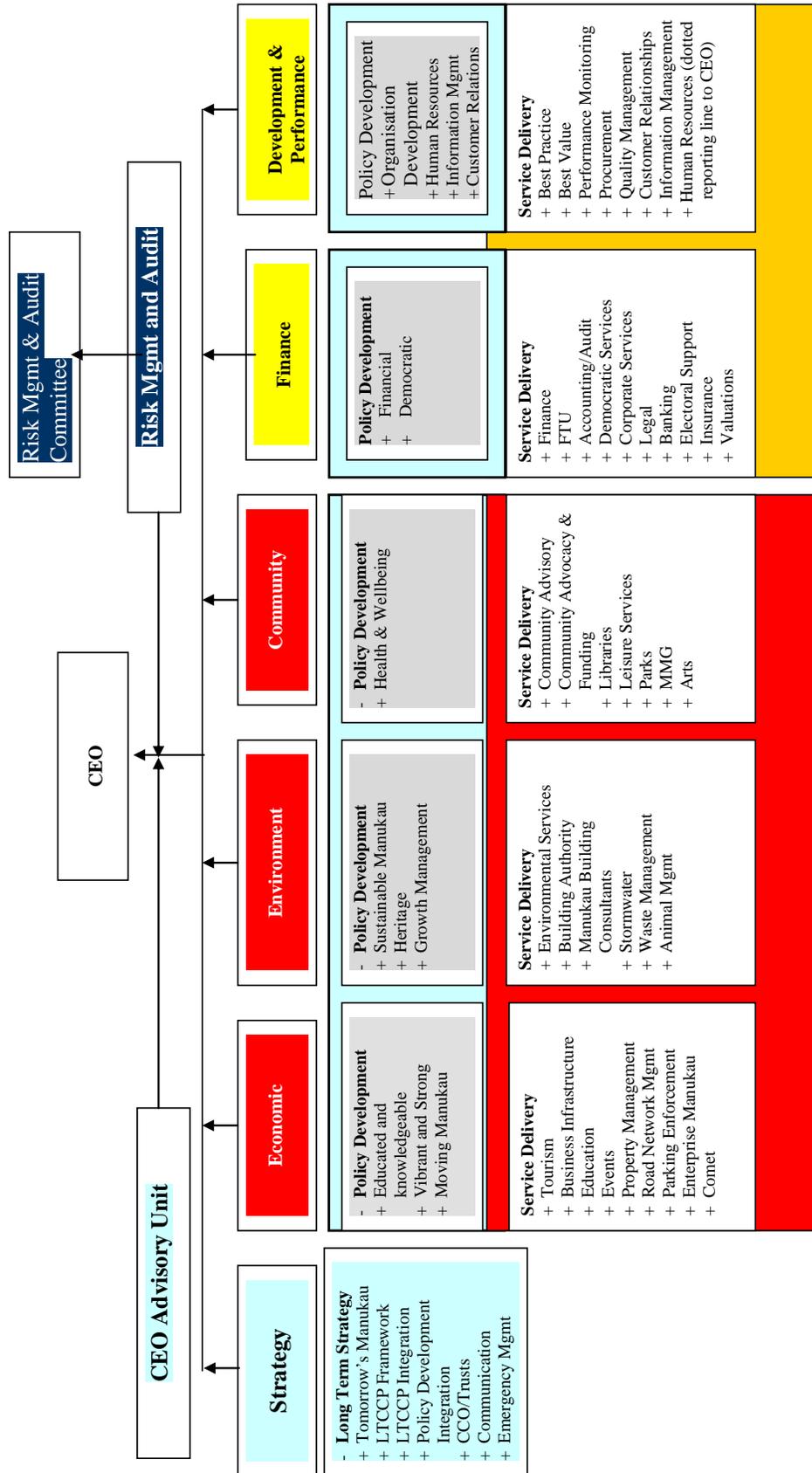
3.2 Organisational Principles

Key principles of the proposed organisation are as follows:

- (i) Within each Directorate (except Strategy), there are to be Policy and Service Delivery units. It should be noted that these elements are to work closely and seamlessly under each Directorate and should be represented, where appropriate, in the senior management team of each Directorate.
- (ii) Wherever possible, Policy is to be integrated with Service Delivery and Contract Management to achieve a single point of accountability within a Directorate.
- (iii) The Policy functions within each Directorate are to become more focused on policy development (within the approved policy programme developed by Strategy), which requires:
 - (a) Removal of service delivery functions from policy.
 - (b) Policy development to occur at a broad macro-level (e.g. social, economic) rather than necessarily at a specialist level.
 - (c) Management of AMPs, with direction from the Strategy Directorate and input from the Directorate Service Delivery Units.
- (iv) The service delivery component of each Directorate will include all Council managed units and other services provided to Council as an input required to assist the internal service delivery unit to deliver its service. In addition, each delivery directorate will have staff responsible for managing large contract relationships with external service providers, Trusts and Council's CCOs.
- (v) Within each Directorate, effective feedback loops are to be implemented to ensure sharing of knowledge and learnings across the policy development, and service delivery units, and across directorates.
- (vi) There is to be aligned reporting responsibilities across functions of Council, including:
 - (a) Strategy Directorate with Directorate Policy Units (and vice versa)
 - (b) Internal Service Units with other Council Directorate Delivery Units
- (vii) Certain support functions will be managed, where appropriate, directly by each Directorate on a centralised basis. These include:
 - (a) Procurement specialists/buyers.
 - (b) Reception/general administration (not specialist/technical administration).
 - (c) Secretarial support (other than for certain senior managers).

Specialist support staff will be located within certain Directorates and will be available to support Council Directorates, as required.

MCC ORGANISATIONAL STRUCTURE



3.3 Outcome Expectations

The new structure is expected to deliver the following benefits:

- (i) *Achieving Outcomes*
 - (a) The proposed new structure will be simple from the viewpoint of residents and ratepayers, focusing attention on outcomes sought by customers and the community and ensuring the delivery of services in a business-like manner.
 - (b) The Council's structure will support its leadership role in national and regional forums, promoting strong relationships and effective advocacy at these levels.
- (ii) *Operating Smoothly*
 - (a) Management of Council's affairs will be simplified to ensure more efficient and effective management of the organisation.
 - (b) The structure will ensure clear accountability for corporate systems, processes and technologies that support the efficient and effective operation of Council.
 - (c) The structure will reflect the desirability of having short reporting lines linking those responsible for identifying outcomes to those responsible for delivering outputs.
- (iii) *Assuring Value*
 - (a) The structure will enable effective planning, clear definition of the role of Council and the outputs to be delivered, and accurate reporting of the financial and service performance of the organisation.
 - (b) The structure will provide separate lines of accountability for (1) strategy and priority setting, (2) policy development and service delivery and (3) on-going monitoring of operations.
 - (c) The structure will support delivery of services through arm's length arrangements, via outsourcing arrangements and Council Controlled Organisations (CCOs) and Trusts, under appropriate circumstances.
- (iv) *Managing Risk*
 - (a) The structure will support robust corporate systems and processes to underpin corporate policy and organisational performance, and compliance with these, by identifying clear accountabilities for their design and implementation.
 - (b) The structure will support an internal audit function, separate from other corporate functions, and a best practice unit with a clear focus on achieving the most effective use of resources to deliver outputs most likely to generate outcomes.

4.0 Roles/Functions Of The New Directorates/Units

The proposed structure involves the following:

1. Role of Strategy Directorate

The role of the Strategy Directorate will remain similar to its current role, with its prime responsibility to develop Tomorrow's Manukau – Manukau Apopo and prioritise key Council outcomes/outputs through the development of the LTCCP and AMPs and integration of policy across Council. However, it will have additional responsibilities in the areas of:

- (i) Ensuring integration and alignment of policy development across the three Service Delivery Directorates. To strengthen this relationship, the policy units residing within the Service Delivery Directorates will have dual reporting and accountability to the Strategy Directorate;
- (ii) Management of Council's public affairs and communications; and
- (iii) Emergency Management. This reflects the significance of this activity to the City and region.

2. Reorganisation of Council's Service Delivery Function

City Services currently employs the greater portion of Council's staff in delivering an array of activities. The new structure places these activities under groupings that reflect legislative and other imperatives, namely:

- (i) Economic;
- (ii) Environment; and
- (iii) Community.

Such groupings mean that policy and service delivery can be coordinated under each of these Directorates. It also ensures that each of these Service Delivery Directorates is appropriately structured in terms of the number of staff employed and the range of activities undertaken.

3. Establishment of Finance Directorate

Whilst the Finance unit has recently undergone significant beneficial change to improve its capability and resourcing, the new structure elevates the importance of having access at senior management level to strong financial skills during decision-making. In addition to the Finance Directorate assuming management responsibility for the Financial Transaction Unit (FTU), the Directorate will also have responsibility for:

- (i) Senior legal advice and legal services, both internal and external;
- (ii) Banking;
- (iii) Electoral Services;
- (iv) Democratic Services;
- (v) Printing;
- (vi) Insurance; and
- (vii) Valuations.

4. Establishment of a Development and Performance Directorate

The establishment of the new Development and Performance Directorate is a significant development in terms of adoption of best practice across Council and generally improving levels of accountability and performance. The key objectives of the new Directorate will be to:

- (i) Ensure performance through adoption of best practice;
- (ii) Focus on business process improvements, which offer the potential for significant cost savings and service enhancements;
- (iii) Drive integrated decision making across the organisation, particularly in the evaluation stage of proposed investments/expenditure and through integrated management reporting systems;

- (iv) Share learnings across Council, by undertaking post implementation reviews and communicating the findings to relevant parties; and
- (v) Retain "corporate knowledge" in a centre of excellence, so that all can benefit from this knowledge.

Activities to be undertaken by this Directorate include:

- (i) Best Practice Unit
 - (a) Best practice, such as developing appropriate frameworks for contracts, project management and systems and processes.
 - (b) Best Value, such as undertaking independent evaluation of significant Bids and Contracts.
 - (c) Performance Monitoring, such as undertaking post implementation reviews of projects and sharing learnings.
 - (d) Procurement, including developing Council's procurement processes and establishing relationships with key suppliers.
 - (e) Quality Management, including further developing Council's quality assurance framework.
- (ii) Human Resources
 - (a) Management of all existing HR functions including recruitment, evaluation and support, learning and development and employee relations.
- (iii) Customer Relationships
 - (a) Management of all customer related activities, such as management of the Call Centre, Customer Centre and customer information, including written communication.
- (iv) Information Management
 - (a) Management of Information Management, related technology, GIS and Records.

5. Establishment of a Risk Management and Audit Unit

The purpose of the new Risk Management and Audit arrangements is to ensure that Council is positioned to identify and manage its risks within approved parameters. The new arrangements include two aspects – improved resourcing and skills of the existing executive function and establishment of a Risk Management and Audit Committee to oversee the management of Council's risks.

The role of the Risk Management and Audit Unit will be:

- (i) Develop and implement a risk management strategy and framework reflecting best practice for Council to ensure key risks are effectively managed;
- (ii) Provide leadership in all audit services, including developing a programme of internal audit activities and monitoring matters raised in respect of any management audit reports;
- (iii) Conduct investigations into issues of a sensitive and confidential nature and deal with special projects as delegated by the CEO; and
- (iv) Monitor Council's processes for dealing with complaints and privacy issues and Official Information Act requests.

6. Establishment of a CEO Advisory Unit

The CEO Advisory Unit will provide high-level strategic input and problem solving capability direct to the CEO. Specifically, it is expected that the Unit will provide the following:

- (i) Leadership and advice on the overall strategic intent for the City.
- (ii) Leadership and advice on key central and regional government relationships and strategic alliances.
- (iii) Leadership in the area of City profiling, both regionally and nationally.
- (iv) Responsible for the development and enhancement of Tangata Whenua relationships.
- (v) Responsible for undertaking other strategic initiatives, as and when directed by the CEO and the Executive Leadership Team.

It should be acknowledged that Council is on a journey towards a smaller, better resourced organisation. This is evident with the creation of Manukau Water and likely establishment of new CCOs. The new structure recognises the need to manage key suppliers, such as CCOs and large third party providers, as they will play an increasing role in the delivery of services over time.

5.0 Benefits of Proposed Changes

5.1 Key Benefits

The CEO Designate is confident that significant benefits will flow from the new structure:

- (i) External
 - (a) Transparency of structure and roles providing a clearer point of contact for customers.
 - (b) Accountability of Council outcomes through clarity of roles and responsibilities.
 - (c) Service delivery to ratepayers and residents.
- (ii) Internal
 - (a) Enhanced capability to operate at a strategic level.
 - (b) Focus on delivery of core services.
 - (c) Greater coordination between strategy and policy development and delivery of outcomes.
 - (d) Devolvement of responsibility to managers.
 - (e) Integrated systems and processes to better support the business.
 - (f) Enhanced financial management capability.
 - (g) Enhanced rigour around the preparation and evaluation of Bids and AMPs.
 - (h) Monitoring of performance and development of best practice.
 - (i) Enhanced risk management and audit capability.
 - (j) Career opportunities for staff, reinforcing the desire to be an employer of choice.

5.2 Decision Making

The Strategic Directorate will have specific responsibility for prioritising key Council outcomes/outputs by developing a robust LTCCP framework and integration of policy across Council. The priority setting and integration of policy work will result in more effective and efficient use of current resources.

The Finance Directorate will build on the Corporate Finance structure undertaken over the past year and work closely with other Directorates to create enhanced financial analysis and provide support to Council's decision making processes.

The new Development and Performance Directorate will have a key objective of driving integrated decision making across the organisation. This will be achieved with the introduction of new skills, accountabilities and a change in culture. The further refinement of asset management plans (AMPs), bids and contracts will be underpinned with a rigorous and consistent evaluation process. This evaluation will include an assessment to ensure that each will meet expected outcomes and outputs, compliance with Council's strategic and policy framework, risks, legal implications and commercial viability.

5.3 Processes

The new structure has been designed to ensure that there is clear accountability for all corporate processes. The processes will underpin all areas of Council, including policy, service delivery and development and performance. This will include the identification of business processes where there is the potential for significant cost or resource savings. These processes will become the initial focus of the Development and Performance Directorate.

5.4 Assuring Value

The new organisation structure has been designed to ensure that all roles will be defined with clear accountabilities, so eliminating duplication of effort and ensuring better delivery of outputs and achievement of outcomes. This is to include a review of how services are being delivered to ensure that the organisation design principles are being achieved. The introduction of a centralised formal monitoring and measurement programme for all contracts and bids supported with post implementation reviews will provide assurance that value is being achieved.

Directors will be expected to drive increasing performance levels and achieve greater efficiency gains in both operating and capital costs. In addition, the creation of specialist advisory units will allow Council to better manage risks and provide expertise required to deliver complex programmes.

The cumulative effect of more integrated systems and processes and consequential changes in support roles following changes in service delivery options (such as establishing CCOs) is expected to lead to a decrease in staff establishment numbers and contractors of approximately 5% within 1-2 years. Processes such as attrition would be applied to achieve this.

The key outcome is to improve the quality of the capital and operational spend undertaken by Council. Gains observed in similar industries suggest that Council will be seeking operational and capital efficiencies in the order of 1-2% of total spend, to be achieved over the next 1-2 years. This will improve Council's ability to meet growing demands in its budget requirements.

6.0 Human Resources Considerations

6.1 Context

This report outlines a number of important enhancements to the organisation. However, there is also a strong desire to nurture what have historically been the organisation's key strengths. In this regard, changes in the organisation are being designed in a way that seeks to preserve the high calibre of Council's existing staff and many aspects of the organisation's established culture.

The change process is being designed so as to avoid unnecessary risk of staff turnover. Given the existing difficulty in staff recruitment and retention, special efforts are and will be taken to ensure staff are well informed and supportive of changes being made and that there is no perception of change being made for its own sake.

6.2 Scope

In the first instance, the HR aspects associated with the change management process relate mainly to defining, costing and implementing a changed organisation structure. This involves the potential disestablishment of some roles and recruitment and redeployment processes for affected staff. Beyond this, the HR role extends into team development and support measures to ensure staff are re-aligned to roles, inducted and supported with appropriate learning and development. More broadly, a challenge exists to drive any desired changes in organisation culture. Inevitably, this will involve excellent communication, training, changes to processes and the emphasis of different priorities through performance management and reward mechanisms.

6.3 Organisation Culture and the Future Workplace

Work is underway on broader culture change measures. Underpinning the changes in the roles and responsibilities of staff will be a programme to raise awareness and imbue staff with a higher level of understanding and commitment.

Further work needs to be done to define adequately a future organisation culture. However, based on the premise of an amalgam of what is good about the current state and what is intended to change, it is likely to reflect that which is described in the following table:

Workforce Characteristics	Organisation Culture Themes	Policy and Process Themes
Increasingly diverse – especially in relation to age and ethnicity.	People-centric: caring and respectful.	Health, safety and wellbeing measures.
More highly educated.	Citizen, customer and community focused.	Consultative if not consensus oriented decision-making.
Typically longer career cycles.	Leadership.	Career development and pursuit of learning (e.g. entry point roles, study support, active talent management, managed internal progression).
Leveraging external relationships and resources (a network of partner organisations).	Relationship based and collaborative – internally and externally.	
	Staff learning and development.	

Workforce Characteristics	Organisation Culture Themes	Policy and Process Themes
Workforce motivated by higher-order goals – making a difference for Manukau.	Innovation.	Performance orientation – and accountability. Accommodation of flexible work practices <ul style="list-style-type: none"> • Part time staff • Casual • Semi – retirement • Diverse contractual arrangements. Emphasis on intrinsic motivators and non salary benefits. Celebration/recognition of diversity (including recognition of the Treaty of Waitangi Charter). Strategic partnering and alliances.

6.4 Procedural Matters

The Committee is asked to recognise legal and contractual obligations that impact on planned changes in structure. An endorsement of the restructuring plans will lead to formal consultation processes with staff that stand to be affected. These must be fulfilled before formal disestablishment can occur and commencement of the recruitment process.

Whilst a strong desire exists to minimise human and financial costs from redundancy, some cost is inevitable. Without exception, employment agreements currently provide for a compensation formula of eight weeks pay for the first year of service with two weeks for each subsequent year. Efforts are being made, and processes will be followed, to minimise any costs.

6.5 Recruitment Process

Some new positions will inevitably be required and, significantly, are likely to be at a senior level. To this end, an external recruitment agent has been identified. This process is being managed in line with Council's Contracts policy and standing orders.

6.6 Care and Support Measures

It is recognised that a priority must be to ensure existing staff who might be affected by change are treated with appropriate dignity and supported with career planning, personal support and practical outplacement assistance. This is required both contractually by employment agreements and is in keeping with the values of the organisation around its people. A programme and external supplier arrangements are currently being put in place.

7.0 Cost Analysis

7.1 Costs/Funding Tomorrow's Council to 30 June 2006

Reference was made in the "Variations to the Annual Plan 2005/06" report to the Council Plan Committee on November 2005 under the heading of Tomorrow's Council.

This report has set out the CEO Designate's vision, the proposed organisational structure, outcome expectations and the human resource consideration required in the change management processes.

While there is on-going refining of the structure and change management process, Council officers have been tasked with costing the changes and identifying "sources" of funding such changes that will achieve an overall balanced budget for Council to 30 June 2006.

Investigations have identified options that are a mix of corporate costs/revenue changes, and individual net business budget requirements.

A summary of estimated costs and funding is as follows:

Operating Costs	
HR recruitment, redundancy and staff support	\$2.0m
Reorganisation management and advice	\$0.8m
Remaining YTD salary costs, recruitment and operational spend	<u>\$0.4m</u>
	<u>\$3.2m</u>
Operational Funding	
Annual Plan adjustments	
- Refuse	\$0.7m
- Corporate interest, MCIL Divs & Rating Base Growth	<u>\$2.5m</u>
	<u>\$3.2m</u>

7.2 Accommodation Changes

There is likely to be some costs involved with accommodation changes. It is envisaged that such changes will be reprioritised within existing budgets.

7.3 Operating Budgets 2006/07 Onwards

Further changes may be required as details of final structures, appointments etc are known. This should be known towards the first quarter of 2006.

8.0 Maori Considerations

The proposed structure places significant emphasis on the importance of further enhancing the relationship Council has with Mana Whenua. This is demonstrated with the relocation of existing staff devoted to maintaining and enhancing Mana Whenua relationships and placing this function under the direct responsibility of the CEO Advisory Unit. The CEO Designate wishes to continue to play a significant personal role in building and maintaining linkages with Mana Whenua.

9.0 Consultation Process

The CEO Designate is very mindful of the need to communicate regularly with key stakeholders and, particularly, staff during the transition process. An extensive communications plan has been prepared covering a range of stakeholders.

A number of briefings have been held to inform staff of the proposed changes and extensive consultation is planned for early new year. In addition, a web-based portal has been established and the views of staff have been sought and responded to on a regular basis.