

Case Study: Thames-Coromandel District Council

Introduction

The following case study of the Thames-Coromandel District Council (TCDC) is considered the most devolved council model of operations and governance in New Zealand or Australia. Called 'Community Empowerment' by TCDC, its relevance to the Auckland Council Governance Framework Review is that it represents the most contemporary example of devolving decisions, funding, and service delivery under a Board structure.

The Model was developed and implemented in 2012 by the Council team led by new Chief Executive David Hammond. It came to attention a year later when the Taxpayers Union noted TCDC as having the lowest operating costs per property in the Waikato Region, following two consecutive years of rates decreases. These financial results were in an era of high debt and rates for the council following the construction of three new environmentally world-leading sewerage plants in 2009 at a cost of \$93 million. The Peninsula's rates were running at some 14% above the national average at the time this Model change occurred in 2012.

The Political Mandate

The journey Coromandel took began with the 2010 elections. The council had a well-established Community Board systems which was one of the most effective systems in New Zealand at that time. However the public was dissatisfied at what it saw was a 'head office' dominated council and voted for change. Only one existing elected member was returned at that election. Incoming Mayor Glenn Leach had a strong mandate for a community empowerment-led change and a vision for the Community Boards. His election manifesto included the following:

- Bring back community leadership
- Give your community board more autonomy to make decisions¹

Mayor Leach says,

"I was on Council from 1989-95 and at that time we had a very devolved system of Boards, like Southland. The Council moved away from these roots of democracy and inclusiveness. Power had to be returned to the people. But to get this through after the election meant hard decisions had to be taken about who could lead this process. It would be massive. We had to stay tough at the top because it was a fight to bring this change. I take my hat off to our elected members who stayed united and strong through some very lonely times."

¹ Glen Leach For Mayor election card 2010

The issues that the 2010 Council saw that needed to be changed were:

- Slow decision-making from Council particularly with those things affecting local areas.
- Communities feeling that the decisions, budgets and policy development of the Council had become too centralised and distant from their communities, aspirations, and were in fact stymying the pace of local development.
- Access to council staff was felt to be 'managed' and not open and accessible, no one knew what staff member to speak to, and this made the sense of partnership with communities a one-way process defined by Council willingness to engage. This was not true partnership with them.
- Costs were not under the level of control that the newly elected Council was seeking.
- The new Council opposed the notion that centralised leadership and service delivery is the best and most efficient way to grow Coromandel.

The Council worked with the existing management team from 2010 to 2012 but were not able to effect the council's direction. TCDC recruited a new Chief Executive as a change manager in 2012 and the Community Empowerment Model was developed and implemented in that same year.

Community Empowerment Model Development

The Community Empowerment Model drew its inspirations from British devolved models, and in New Zealand from Auckland City, Wanaka and Southland. The following extract from TCDC's March 2012 Report² highlights the inspiration that the Auckland City Model provided to Coromandel's change (p.18):

"The governing body (Mayor and councilors) and local boards share the decision-making responsibilities of Auckland Council jointly with:

- The governing body focusing on the big picture and on region-wide strategic decisions.
- The local boards represent their local communities and make decisions on local issues, activities and facilities.

"The Auckland model has the former Auckland Regional Council incorporated within the greater Auckland Council, whereas the Waikato currently has the regional function stand-alone. However, this does not preclude TCDC adopting the principles of shared responsibility within the Auckland model and applying it at a district level in an enhanced partnership between Council and the community boards.

"The four key functions of Auckland local boards in leading, advocating, funding and facilitating appear to provide a sound basis for the future of community boards within an enhanced community governance function for the Thames-Coromandel District.

"One key area within the 'leading' function of local boards is the ability to make decisions on a wide range of local services. This is an area that is further developed in the TCDC approach."

² TCDC (March 2012) Thames-Coromandel District Council Community Governance

The change goals set for the project were:

1. Local people making decisions over local issues and services that effect their lives
2. Faster decision-making
3. To stop the 'one size fits all' culture of central silos
4. Cost savings through local innovation
5. Faster local economic development
6. To grow local leadership
7. Better community planning
8. Bring empathy and 'the local' back into staff culture across all of Council

Governance in the Model

With the strength of mandate for Community Empowerment, TCDC elected members were looking for a model which allowed decision-making to return to local areas as well as being confident in their elected District decision-making roles. The Model managed this seamlessly. In a process of workshopping the changes required, elected Council and Board Chairs jointly agreed to some principles:

- The Council as a strong community leader
- Providing services at the appropriate level personalized and community-based (localism)
- Citizens and communities empowered to design and deliver services and play an active role in their communities
- Elected accountability as a test of Community Board engagement with their communities
- Local accountability and responsibility for local decisions
- Citizen engagement and partnership to guide operations
- One Team of governance – councilors and Board members
- Efficiency – the system has to drive better cost savings

The Council decided on a similar structure to the Auckland Model and included both elected Council and Boards in a single Governance Body with simply different roles as the following diagram represents:



Based on an agreed document between Council and Boards, elected Council resolved in its April 2012 meeting a list of 25 recommendations which formalised the relationship and established the Community Empowerment model. The tenet was that 'Local manages local services, District manages district services', and District also retained a monitoring role over all in an agreed way.

With elected councillors sitting on Boards, and Board chairs an integral part of Council meetings and workshops, this relationship easily worked as one of mutual respect. The Council had several measures in place to assist Boards with priorities. An overall financial envelope is established at the Council level with Board agreement annually, to assist Boards to understand how much funding is available for local projects. If in the eventuality there was a serious rift between Board and Council over any particular project, a last resort 'call-in' provision was included where the Mayor and Chief Executive could override and take a project back under District Leadership.

The new Board powers under the Model are as follows. Boards can:

- Choose methods of rating for their services, with Council agreement
- Set new fees and charges for services and ringfence funding raised in that area
- Set local levels of services in each area eg. library hours are set locally according to local preference
- Manage local services' policies and asset planning
- Determine the provision of and funding for facilities (such as sports centres) which were devolved
- Set a different rate rise locally to the Council's overall rate
- Enter into service contracts
- Buy and sell property with Council agreement
- Board Chairs sit on every Council meeting including confidential ones

Operationalising the Model

The TCDC model returned 14 council services deemed 'local' back under Community Boards with the powers listed earlier. To administer the Boards the Council already had 'Area Offices' of multiple staff located in the Board areas to administer services and build community engagement. In most cases the Area Office administers more than one Community Board area. With the Community Empowerment Model, a range of new powers came to the Area Offices which required changes of job descriptions, and new roles being established. Community Development Officer functions were devolved from the head office into Area Offices so that local community partnerships could be developed and supported by staff who lived in those communities. One of the most significant changes was the recruitment of Area Managers to very senior second-tier positions to be able to make the decisions required to assist the Board in their new powers.

Staff in Area Offices reported to the Area Managers and Area Managers reported directly to the Chief Executive. The Area Offices were staffed at an agreed permanently located level to manage the community engagement in these areas, local services, and capital projects. Staff levels are agreed by both the Chief Executive (who the area Managers report to) and by the Community Boards as it is local rates which will fund for additional staff.

Support function such as finance, information technology, human resources, communications, District Planning, consenting, regulation remained central. However all support functions were expected to operate in the community empowerment way, meaning that head office teams had dedicated individuals to Board areas for support, and Boards were expected to be well-consulted on central services, planning or strategy issues well before decisions were made.

To achieve the Model meant the need for a fit-for-purpose restructure of the staffing. With so many staff devolved to Area Offices, and lesser workloads centrally in areas such as Policy Planning, restructure is inevitable.

The 14 services returned to Boards were:

- Toilets
- Parks and reserves
- Airfields
- Local economic development
- I-Sites
- Cemeteries
- Halls and properties
- Harbours
- Local social development
- Local transportation: footpaths, street lighting, foliage trimming, kerb and channel, seawall protection
- Libraries
- Pools
- Local strategic planning
- Community grants

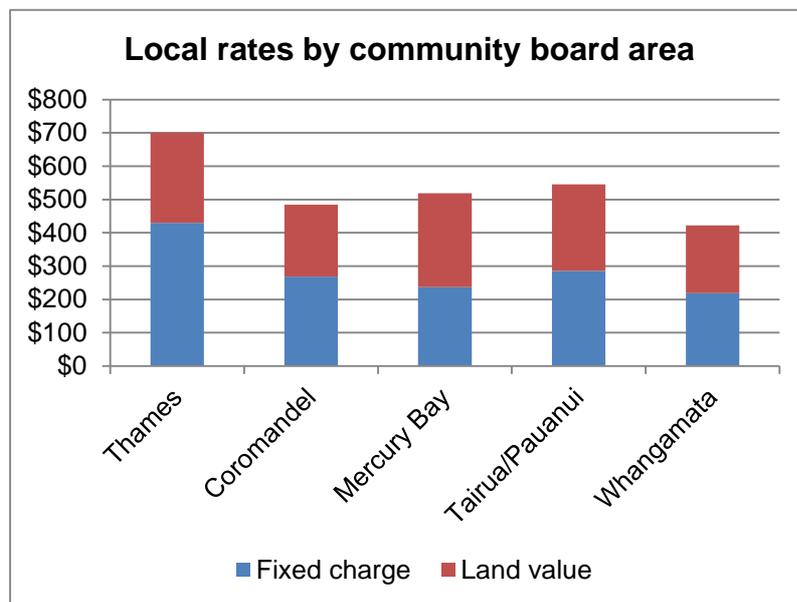
A number of services have both a district and a local function and were managed with a head office 'Centre of Excellence' and staff under Area Managers as in the following examples:

| Service | Central Functions | Local Functions |
|-----------|---|---|
| Parks | <ul style="list-style-type: none"> • Contract management and negotiation • Taking the lead on coordinating strategy and asset management planning • Development of central policy in coordination with boards • Central training and quality management of local parks staff | <ul style="list-style-type: none"> • Contract performance locally • Building levels of service into the contract • Local asset management and updating asset management • Local Reserves Management Planning • Responding to local community needs and issues • Local development of reserves and play facilities • Local funding and partnerships |
| Libraries | <ul style="list-style-type: none"> • Central provision of the library system for all local libraries • Contract negotiation of systems (such as Kotui) with approval of the Boards • Central management of the collection and interloan • Taking the lead on coordinating strategy and asset management planning • Development of central policy in coordination with boards • Central training and quality management of local libraries staff | <ul style="list-style-type: none"> • Local library service delivery including outsourcing library services • Development of local library buildings paid locally and including shared building decisions with other organisation • Deciding on hours of service • Responding to local community needs and issues • Running local programmes and partnerships |

Funding the Model

The devolved model can increase council costs operationally if not combined with a staff restructure. The restructure is triggered by the change of Model because a traditional council structure is not fit-for-purpose for a devolved council Model.

The devolved Model can also trigger increased local community costs. If communities are to have services returned locally to them including local funding as TCDC did, this represents more costs on local rates. The following table³ represents TCDCs 2016 local rate levels which are broadly similar to the range of local rate levels in Auckland City.



In this Model it appears that Thames is experiencing considerably higher local rates than the rest of the District. The Thames local rates are driven higher than other areas by a higher levels of service in libraries and pools. However, overall rate levels (including District rates) are remarkably similar. In part this is because of property values are relatively similar District-wide, and partly because TCDC chose to equalize its District rates for the fixed-charge components of District-wide services. The Council argues for equalizing of District services on the basis that:

- All residents are receiving the same level of service they should pay the same
- The capital costs of District services (such as sewerage and water plants) has risen beyond the means of individual communities to pay for them
- The cross-subsidisation of capital plants provided in one area and funded by other areas is equalised over time as all plants come up for renewal or replacement
- The good of the whole District is enhanced by water and sewerage plants that meet standards

The devolved model can also represent substantial opportunity to Boards by enabling them to find more cost effective local solutions to service provision. In Mercury Bay Board the Area Manager set a goal of offsetting \$250,000 of local rates annually by other revenue sources. In two years, he and the Board achieved \$200,000 of offset.

³ Stiven G. (2016) Comparative analysis TCDC and Auckland City

The local service delivery model requires that all assets and services under Boards are costed back to the Board level. It also leads to the structuring of the financial model to set rates for each Board area. The complexity for financial systems is substantial. However the benefits are the identification of actual costs back to the areas they are generated which improves transparency and enables Boards to find methods of cost control.

The Council and Boards agreed that the overall financial direction of the Council would be followed by the Boards. However a large degree of autonomy was provided to Boards to achieve local projects. Board rates were different from District rates and if a Board wanted to fund projects in their area then their rate could be higher than the overall District agreement, subject to consultation with their communities.

As the Boards are responsible for funding their own services and assets there is no need for a financial arrangement with the Council. Council resolutions established a level of discretionary fund that each Board area could have, funded by the ratepayers of the Board area, not at-large.

The annual or ten-year planning budgeting process is very similar to the Auckland City budgeting model but has the Board more central in the budget development process. Boards are not given a budget, but they recommend their budgets back to Council in the following way:

| Timing (approximate) | Budget Step |
|----------------------|--|
| August | <ul style="list-style-type: none"> • Council and Board chairs meet to discuss and set the overall financial envelope for the Council eg a rate rise of no more than 3% • Boards also consult with community organisations about their aspirations and projects as the Board Plans are reviewed |
| August/September | <ul style="list-style-type: none"> • The Finance Team from head office send out budget allocation templates to Boards with a column for last year's expenditure and a new column with those same costs with an inflation adjustment as appropriate. The new column is in red text for Board review. |
| September | <ul style="list-style-type: none"> • Area Managers and their staff hold workshops with the Board the budgets and any justifiable projects, including projects that have been costed which may come from community organisations that the Board wishes to champion. |
| September/October | <ul style="list-style-type: none"> • Area Managers meet with the CEO, CFO and a budget review team to go through the suggested Board budgets, look at the overall impact, query the robustness of figures and take issues of cost or projects back to Boards to review. |
| October | <ul style="list-style-type: none"> • Boards with their Area Managers and staff, review the feedback from the Budget Peer Review team and amend or firm up on their original position as they see fit and can justify. • Board Plans are re-drafted with the updated projects and priorities and only contain justifiable and costed spend which has been through business cases. |
| November | <ul style="list-style-type: none"> • Council budget workshops go through all district and local spend. The Board chairs speak to their proposals, take questions and have the draft budgets confirmed. |

Challenges of the Change

The biggest challenge was bringing the Community Empowerment culture all the way through the Council organisation, including staff with services delivered by District-wide contracts. TCDC had to provide more staff, reliable systems and robust reporting frameworks to Area Offices who would be required to deliver more services - and all within a mandate to reduce organisational costs. Some observers pointed out that a handbrake was applied to projects as consistent and reliable project management procedures were rolled out for all Area Offices. However, this view is countered by Whangamata Board Chair, Mr Keith Johnson's experience,

"In my view, more 'local' projects have been completed under the first year of Community Empowerment, with contemporaneous reductions in rates, than had been completed in several prior years of convoluted and expensive bureaucracy."

The change impacted on every staff member's way of working. Some staff welcomed change. Many other staff did not fully understand this unique Model, and some did not agree that it was a better Model and felt that councils should not ever try to operate in this way. Adding to the doubts were vocal critics in the media who claimed it would create mini-councils, that productivity would halt, communities would run riot with unrestrained 'wish lists' of projects, and that the council would be wracked by personal grievances. None of those predictions proved correct.

Results of the Community Empowerment Model

The results of this Model change validate that the Council got the Model right for its population. The following outline key results:

- In 2016 public satisfaction in Council decision-making improved 15% since the Model was introduced and is now 10% higher than the national average
- In 2016 public satisfaction in Council decisions themselves increased by 20%
- Public satisfaction rates spend improved 17% (up to 83%) since the Model was introduced
- Satisfaction in parks (moved under the Boards) increased to 96%
- Satisfaction in libraries (moved under the Boards) increased to 99%
- Council reduced rates in two successive years (-6%)
- Commercial and rural rates will not return back up to higher 2010 levels for over 15 years
- After restructuring Council had the lowest operating cost per property of any council in the region
- \$43M was removed from ten-year capital budgets without degrading assets or reducing levels of service
- Staff engagement post-restructure rose to higher levels than before restructure
- Community and Council disciplines over approving capital and setting priorities vastly improved.