

TO: COUNCIL

FROM: BRUCE ROBERTSON (COUNCIL-APPOINTED INDEPENDENT ADVISOR) AND JANE PARFITT (ADVISOR – OFFICE OF THE CHIEF EXECUTIVE)

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MEETING DATE: THURSDAY 12 NOVEMBER 2020

IN COMMITTEE

Reason for Exclusion:

Local Government Information and Meetings Act 1987 –

- (7) *Other reasons for withholding official information:*
(2) (a) *Protect the privacy of natural persons, including that of deceased natural persons.*

INDEPENDENT GOVERNANCE REVIEW – FINDINGS AND NEXT STEPS

SUMMARY

In response to a letter from the Department of Internal Affairs (DIA) expressing concerns about the Council's standard of Governance performance, Council commissioned an independent review of governance related matters. This report includes the review in full, summarises its findings and discusses three options for Council as it considers how to respond to it.

Elected members have been briefed on the contents of the Independent Governance Review and had time to consider its findings. Beyond presenting and summarising the governance review, this report moves to focus on next steps: deciding a pathway forward to address the findings of the report (or how the Council might otherwise respond to it).

The preferred option to address the findings of the governance review is aimed at providing the DIA and the Invercargill community with confidence that the Council is addressing the matters of concern and is committed to making measured improvements. In particular, it aims to restore the Council's reputation in the community and make sure it is in the right place to make the big decisions ahead, particularly in relation to the city's infrastructure. As Southland's largest urban centre, Invercargill must play a lead role in ensuring the region's sustainable and positive future; the preferred option will ensure the Council is in a position to provide this regional leadership and direction.

This option involves one relatively serious intervention – the appointment of active observers for a minimum period of 12 months – coupled with a series of smaller but still important actions including the need to develop a positive culture. A series of actions over the next six months are recommended together with a monitoring regime.

It recommends that both the Independent Governance Review and the related outcome of Council deliberations are proactively released to the media and the public.

RECOMMENDATIONS

That Council:

1. Receive the report “Overview of Independent Governance Review”; and
2. Receive and adopt in full the Independent Governance Review Report prepared by Richard Thomson, dated October 2020 (Appendix A – A3243874) and
3. Resolve to appoint two independent active observers from December 2020 until June 2022, and take all other steps set out in the time-bound Action Plan (included in the body of this report and as Appendix B – A3243871) including a mechanism to monitor progress, to address the issues raised in the Independent Governance Review Report; and
4. Commence the implementation of the plan of action by:
 - a) Requesting that staff provide draft Terms of Reference for the role of active observers and a list of potential candidates by December 15; and
 - b) Requesting that staff provide a list of possible delegations for the Deputy Mayor by December 15; and
5. Agree to work together during November to further workshop the plan of action to enable sign-off by full Council on 15 December; and
6. Agree that when appointed one of the active observers will be requested to act as the sponsor of the plan to ensure it remains on track and the role is supported by regular reporting to the Risk and Assurance Committee; and
7. Note the indicative cost of developing and delivering this plan is estimated to be up to \$310,000 (exclusive of travel costs) for the seven months to June 2021 and up to \$420,000 for the following 12 months, as set out in the ‘Financial implications’ section of this report; and
8. Resolve that up to \$310,000 for the period from now until June 2021 will be funded by Council as unbudgeted expenditure from the general rate and reported in the quarterly financial reports; and
9. Resolve that up to \$420,000 for the 12 months from July 2022 be included in the draft LTP; and
10. Request that the Chief Executive advise the Department of Internal Affairs of ICC’s planned way forward after the meeting; and
11. Appoint the Mayor and Chief Executive to be the media spokespeople.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> No
2.	<i>Is a budget amendment required?</i> Yes
3.	<i>Is this matter significant in terms of Council's Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> No
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> Yes/No

BACKGROUND AND CONTEXT

In response to a letter received from Department of Internal Affairs (DIA) on 18 August 2020 (refer Appendix C – A3243869), on 25 August, Council resolved that:

1. The report, "*Department of Internal Affairs – Request for Information*" be received; and
2. Council determine to proactively address the issues by coming up with a plan as requested by the DIA; and
3. Council appoint Bruce Robertson as their independent governance expert; and
4. Council request the Chief Executive and Council Leadership Group, with guidance from Mr Robertson, to outline a draft plan for consideration at an Extraordinary Council meeting on Thursday 27 August at 2.00 pm;

At the meeting on 27 August, Council further resolved that the Chief Executive and Mr Robertson prepare a list of candidates for Council to consider and commission one to undertake the evaluation of the current standard of governance performance.

Richard Thomson was subsequently appointed to carry out the independent evaluation of the current standard of governance performance. His report is attached as Appendix A. In addition to documenting his Key Findings, Mr Thomson includes a discussion on the Terms of Reference (ToR) and how they relate to Council's Code of Conduct and he outlines the process of investigation. He concludes with a suggested pathway forward which we have used as the basis for this report.

For completeness, a summary of the key decisions that the Council needs to make through to 30 June 2021 to deliver the 2021-2031 LTP, as requested by DIA, (attached as Appendix D – A3243873).

Noting that the letter of 18 August is from the Department not the Minister, as we have worked through this process, officers have maintained a positive working relationship with DIA officials and kept them abreast of progress. It has been made very clear to us that from their perspective everyone is working with the best intentions for Council. It is seen as positive that Council is taking an evidence-based approach to the review rather than relying

on anecdotal information. This means that progress can be measured, particularly by repeating the Institute of Directors (IOD) survey.

DIA is keen to see that Councillors own the outcome of the review and the steps to address the issues raised. Going forward DIA will continue to monitor progress in its regulatory capacity and will be available to provide advice, if requested, on best practice.

Contact has been maintained with Local Government New Zealand (LGNZ) as the peak advocacy body which is, consistent with DIA, supportive of Council developing a pathway and are open to providing support if required.

To understand the full context of this report, it is important to recognise the current sector challenges facing local government nationally. Over the next six to 12 months in particular, councils around the country are facing major challenges. These include necessary structural changes related to the water reforms, signalled changes within the waste stream, and the need to play a role in the Covid recovery. In addition, there are also a range of local issues facing ICC which will impact Council activity, such as the rebuild of the central city and the potential closure of the smelter, which add to the complexities of the operating environment.

This means that the recently formed ELT will need to “hit the ground running” both in terms of day-to-day functions required to meet the operational needs of a large organisation with a substantial workforce, and delivering what is required by Council itself, in particular the LTP.

The sections below cover a high-level summary of the Independent Governance Review including its recommendations. This is followed by a reminder of the key issues identified by Council and the CEO during the early stages of this process. Three options to address the various issues and problems have then been identified and evaluated. The first is based on developing an action plan based on the findings of the governance review together with the issues identified by Council and the Chief Executive as needing to be addressed. The second is requesting statutory intervention. The third option, choosing to take no further action, is included for completeness, but our advice is that it is neither a valid nor a credible option. The concluding sections cover financial and legal implications, how we may share the outcomes with the public, and the need to ensure we support the democratic process.

SUMMARY OF GOVERNANCE REVIEW

Invercargill City Council engaged Richard Thomson to carry out an independent evaluation of governance with a specific focus on the Code of Conduct, in response to a letter issued by the DIA on 18 August 2020 (Appendix C) raising concerns in this area.

The report highlights a range of issues which ultimately focus on what it calls a “leadership void” within the elected council. It recommends a range of actions and interventions that are required in order to give the DIA the assurance that the Council is addressing the issues and working to fix the governance problems.

The report sets out seven key themes, under which it describes the Council’s governance problems, however it continues to come back to the “leadership void” as the organisation’s key issue. The report contends that the leadership void is largely due to Sir Tim Shadbolt’s “[struggle] to fulfil significant aspects of his role”. This is evidenced through interviews with Councillors and the Mayor himself, senior staff, review of council meeting videos and documents, and an unprompted contact by three “southern mayors.”

The report goes on to set out concerns under a further six key themes:

- “The impact of a new CEO” – outlining tensions between some elected members and the CEO who was appointed in 2018 with a mandate to make broad change across the organisation.
- “Election of Councillor Clark” – highlighting elected member concerns about the polarising nature of their interactions with the now Deputy Mayor Nobby Clark.
- “Breakdown in CEO and Mayoral relationship” – noting that this lack of relationship contributes further to the leadership void.
- “Continuing stone-in-the-shoe issues” – setting out a range of city projects and decisions that elected members disagree on and continue to be debated without firm resolution.
- “Relationships between councillors” – outlining recent Code of Conduct complaints and external investigations that suggest the council is struggling to effectively work together.
- “General state of the city” – which the report contends is in good health, despite the governance and relationship issues. But the combined matters above raise risks about the Council’s ability to collectively lead a coherent development of the Long Term Plan.

Overall, the report reflects an elected council which is affected by a breakdown in relationships and lack of shared culture. Without effective political leadership to manage elected members during meetings and steer the group toward decision points and outcomes, the result is a council struggling to make decisions and in need of guidance.

The report contends, however, that with a range of recommended activities and interventions, the council could improve its governance and get back on track. These include:

- Appointing two independent “active observers” to act as part of the elected council and guide the governance process.
- Having a Deputy Mayor who is able to represent the broad wishes of most councillors, can work closely with staff and operates within clear delegations and responsibilities.
- Retaining the new two committee-of-the-whole structure to support decision-making processes.
- Investing in governance training for councillors.
- Holding an independently facilitated workshop to address some of the key issues – including key community projects – to develop an agreed approach to address them and start to rebuild relationships and focus the council on the future.
- Establishing regular review and performance measurement processes for the council.

It is a challenging report that seeks to highlight some of the key problems the Council is facing. It focuses on relationships and raises personal matters about both elected members and staff. In summing up, the author notes the difficulties in traversing some of the more personal matters in the report, particularly around the Mayor’s ability to fulfil his role, but states that *“to pull my punches because of that would have been of little benefit for the City”*. He also states that these are issues at this specific point in time and by no means reflect on Sir Tim’s previous accomplishments.



For completeness, the review of the information leak commissioned by the CEO is now complete. It did not identify the source of the leak but did conclude that it could not have been a staff member. The Hadley/Biddle Code of Conduct complaint has now been withdrawn, and a report on the Pottinger/Clark Code of Conduct has been drafted and will be presented shortly.

SPECIFIC RECOMMENDATIONS OF THE INDEPENDENT GOVERNANCE REVIEW

1. That the Council considers the inclusion of two independent appointed “active observers”. One of the observers would Chair the ‘Chairs meeting’ and both would act as if they were a Councillor, except without voting rights. Responsibilities would be divided and each would support the other.
2. That the Council appoints a Deputy Mayor that represents the broad wishes of the majority of Councillors and who can work effectively with Management.
3. That the Council establishes a clear set of delegations for the Deputy Mayor that are explicit as to the role.
4. That the Council continues to support the two committee-of-the-whole structure.
5. That the Council invests in training for the Committee Chairs and others who might aspire to the roles to ensure a depth of knowledge and skill for succession planning.
6. That the Council holds an independently facilitated workshop to address ongoing key projects and decision making. The workshop’s purpose would be to openly canvass issues, not make decisions, and would include:
 - a. Developing a clear understanding of the key issues Councillors are bringing to the table that will impact their decision-making (initially without the presence of staff).
 - b. Understanding where there is general support, or not, for the pursuit each Councillor’s key issues.
 - c. Agreeing how a work programme would be developed to address the issues, how it might be prioritised, required resourcing and other detail.
 - d. Developing a prioritisation framework to key identified council projects.
 - e. Determine the full range of questions and information required from staff and required timeframe for response.
 - f. Establish a framework to facilitate final decisions being made on each project in a formal Council meeting and linking to the Long Term Plan.
7. That the Council establishes a formal Council evaluation assessment on at least an annual basis.
8. That the Council holds an independently facilitated workshop in early-to-mid 2021 to establish what progress is being made.
9. That the CEO works with the “active observers” to step out of any governance roles that circumstances have placed her in such as the Chairs Meeting role, and seeks support in work to rebuild relationships with elected members and communications.
10. That the Council invests and participates in training elected members, with specific focus on culture.
11. That the Council develops a protocol or agreed approach to media commentary.

KEY ISSUES IDENTIFIED BY COUNCIL AND THE CEO

Each Councillor and the CEO provided their views on the key issues facing Council on a confidential basis to Bruce Robertson, in his capacity as the independent expert to guide and support Council through this process.

These were consolidated by Mr. Robertson and reflected back to the Mayor, Councillors, and the CEO in a letter dated 3 September 2020, (attached as Appendix E – A3243872).

This letter summarises the key issues identified as follows:

1. There is an absence of effective senior leadership among elected members
2. There is a low level of trust and respect between members, verging on instances of alleged bullying and threatening behaviour
3. The standard protocols on meeting and decision-making are neither well-understood nor necessarily observed, and in some instances abused
4. The governance/management split is not understood reflecting a polarised view of the role and performance of the management

The findings of the governance review are consistent with these self-identified issues.

OPTIONS TO ADDRESS

There are three possible courses of action:

1. Develop an Action Plan

This option is based on:

- a) applying the recommendations in Mr Thomson's Independent Governance Review to the key issues which need to be addressed as identified by the councillors and CEO; and
- b) using them to develop a time-bound Action Plan, owned by Council, to address the key issues.
- c) Ensuring funding is available for its implementation (see a detailed breakdown of costs in the 'Financial Implications' section of this report.)

2. Request Intervention

This option is based on requesting Government to use its powers under section 258(1)(c) the Local Government Act 2002 to agree to provide an external intervention. Under the Act, there are certain circumstances in which the Minister may use their powers to intervene and assist a Council with a matter – called a "significant problem". Of their nature, such interventions are irregular and discussion with the DIA would suggest here would be a very high bar for such action by the Minister.

This is an option but it is considered that it should only be considered if Council cannot agree that it is capable under the preferred option to either improve governance generally or deal with a specific matter as reach consensus on the development of the LTP.

Council would need to self-fund such an option.

3. Accept the Status Quo

This option is based on Council deciding not to take further action. This would essentially involve retention of the existing governance environment and would mean Council would not be prepared to deal with the key issues it has self-identified and which have been essentially confirmed by the Independent Governance Review.

How this would be viewed by the ratepayers, Council's regional stakeholders and the Crown is speculative, but section 258 enables the Minister in certain circumstances to appoint a Crown Review Team if Council is unwilling or unable to address a significant problem.". Adoption of this option would be tantamount to saying Council is part of the problem but ruling it is not part of the solution.

It is difficult to envisage this is a credible option in light of Council's self-assessment and resultant Independent Governance Report.

The following sections further develop these options.

1. Action Plan Option

Implementing the Recommendations from the Independent Governance Review

In our view, the Independent Governance Review's recommendations fall into three groups. Each of these will serve a different purpose but when implemented in a planned way will work together to provide a sustainable way forward and address the key issues identified by Council and the CEO.

The three groups are:

- Building Strong Foundations
- Strengthening the Team
- Measuring Progress

Building Strong Foundations

These are the most immediate tasks that Council is advised to action. Included in this group are the appointment of active observers, commentary on the appointment of the deputy mayor, and ensuring there is a clear set of delegations for the deputy mayor.

The over-arching aim of these tasks is to encourage the council to work together and, in time, begin to rebuild trust and develop a shared culture.

Of these three tasks, staff can provide advice on the Terms of Reference (ToR) for active observers and some potential candidates. We can also provide advice on possible delegations for the deputy mayor. However it is important to note staff have no view on the appointment of the deputy mayor. That is the province of the Mayor and his councillors.

With the appointment of active observers with the appropriate seniority and skillsets, who have clearly specified ToR enabling them to actively contribute, together with clear delegations for the deputy mayor, in our view strong foundations will be in place to address all four of the key issues identified by interviewees (that is, the absence of senior leadership, low levels of trust, standard meeting protocols, governance/management split).

It is anticipated that the observers would need to be appointed for a minimum of 12 months. It is also anticipated that one of the observers will act as the sponsor of the Action Plan to ensure it remains on track and the role is supported by regular reporting to the Risk and Assurance Committee – this would require an invitation to be extended to all councillors to attend these committee meetings and to be provided full speaking and voting rights when the Action Plan is discussed.

Strengthening the Team

A clear theme from the independent governance review and the issues identification exercise is that work is needed on the “team” as a whole – this includes “the how” (i.e. the culture) as much as “the what” (i.e. the business which needs to be transacted).

Therefore, once the foundations are in place, to achieve this there are five tasks that we believe should be scheduled to build capability. These are:

1. ***Reviewing strategic projects***
There is a workshop already scheduled which will bring together much of the work that has been done to date and map out the way forward for the LTP. Council have already worked the initial stages of this exercise with an independent facilitator so will be able to action this with relative ease.
2. ***Supporting the Committee Structure***
The two committees of the whole are relatively new so time needs to be invested in making them work well.
3. ***Training for both Committee Chairs and Councillors***
The review makes it clear that there is an absence of a shared culture round the Council table. It is therefore important that some training and workshoping time is provided to address this.
4. ***Supporting the CEO and Mayor***
In addition to her important role in supporting governance improvements, the sector issues ahead will require the CEO to commit time and effort to focusing “up and out” – collaborating with her colleagues across Otago/Southland, keeping abreast of what’s happening in key government departments and strengthening relationships with local stakeholders. She also has the lead role in developing her very new ELT. In order to support her in delivering on these many fronts, it is suggested that the CEO agrees the form of support she requires with the Independent Chair of Audit and Risk for sign off by Council.

The review raises the issue of support for the Mayor. It is suggested that Council, the CEO and the Mayor determine what form this should take.
5. ***Developing Media Protocols***
This is specifically mentioned as an action. We believe it is particularly important as Council works to rebuild its reputation.

A plan based on addressing these five tasks will build trust, upskill elected members on key elements of their roles, support the Chief Executive and embed a clear understanding of the governance/management split.

Measuring Progress

Just as the review takes an evidence-based approach to identifying where changes should be made, progress needs to be monitored as we work through the next six months and beyond.

The report suggests an annual evaluation and a facilitated workshop to provide a basis for a monitoring regime. We propose that these actions should be included in Council’s Action Plan not only to monitor progress, but also as a way to find continuous improvements. We consider this would include continued use of the Institute of Directors’ benchmark service.

Progress also needs to be reported with a clear line of sight to DIA and the Minister.

Framework for Draft Action Plan

The following table provides a framework for an action plan to address the findings of the governance review. We have purposely kept it at a high level as elected members themselves need to own it. It is designed to demonstrate that Council can resolve its own problems, that there is a clear line of sight on what would be achieved, and the timeframe.

Of note is the focus from now until June 2021 which covers the critical phase of preparation and adoption of the Long Term Plan. However our recommendation is for the retention of the observers through to June 2022 to effect the governance changes inherent in the Thomson recommendations.

DRAFT FRAMEWORK FOR DISCUSSION					
Building Strong Foundations					
	Action	Specifics	Lead	Timeframe	Measuring Progress*
1.	Appoint Active observers	<ul style="list-style-type: none"> Develop ToR Identify suitable candidates Check availability Present to Council for decision to appoint Induction for appointees Observers commence 	CEO/Staff CEO/Staff CEO/Staff Council	Nov Nov Nov Dec Jan	Observers in place
2.	Delegations for Deputy Mayor	<ul style="list-style-type: none"> Develop draft delegations Consider draft and make any amendments Present to Council for decision 	Staff Chairs CEO/Council	Nov Nov Dec	Delegations in Place
Strengthening the Team					
3.	Reviewing strategic projects	<ul style="list-style-type: none"> Convene workshop with external facilitator Reflect decisions back to Council Council decision 	CEO CEO Council	Dec Dec Dec	Projects included in draft LTP
4.	Supporting the Committee Structure	<ul style="list-style-type: none"> Further development of report and action tracking systems Individual needs analysis and plan to address 	CEO/Staff/ Chairs Chairs and Deputies	Ongoing	
5.	Training for both Committee Chairs and Councillors	<ul style="list-style-type: none"> Develop training needs analysis Develop draft training programme Workshop 'Working Together' Agree 3 month programme – Feb – April 	Councillors CEO/Chairs Councillors	Dec Jan Feb	IOD survey by June 30th

6.	Supporting the CEO and Mayor	<ul style="list-style-type: none"> • CEO to put a proposal to Chair R&A • Chair R&A to present to Council • Council decision • Mayoral support considered by Council 	CEO Chair R&A Council Council	Nov Dec Dec	Support programme in place
7.	Developing Media Protocols	<ul style="list-style-type: none"> • Draft media protocols developed • Discussed with Chairs and any amendments made • Draft put to Council for sign off 	Staff/CEO CEO/Chairs CEO	Nov Dec Dec	Media review Dec-Mar
Measuring Progress*					
8.	Facilitated Workshop	<ul style="list-style-type: none"> • Design a workshop to self-evaluate progress 	CEO/Sponsor	June	

**Note measuring progress is ongoing but also has a specific action*

Intervention Option – Request Government Assistance

Section 258B(1)(b) of the Local Government Act 2002 gives the Minister of Local Government (the Minister) the power to appoint a Crown Observer if the Minister has received a written request from the local authority to do so. In taking this option, the Council would need to demonstrate that it has a serious problem that it is unable to resolve itself. Of its nature, such an intervention does not happen often and is considered a position of last resort for a council. However, there have been recent examples of councils that have taken the step to formally request Crown intervention. Most notably, Environment Canterbury (2009) and Kaipara District Council (2012).

If a request for intervention is made, the Council would hand over the terms and conditions of the appointment to the Minister. The Council would also be responsible for meeting all costs associated with the intervention.

We are advised that the timeframe for Crown intervention would be to have the decision made by the end of the year and the Observer (or Manager) to start in late January 2021.

This is not the recommended option and should be considered only if the council can agree that it is not willing or able to address the recommendations identified in the review.

The relevant sections of Part 10 of the LGA 2002 are attached as Appendix F – A3243870.

2. Status Quo Option – Do Nothing

The commentary above indicates this is not a credible option for Council.

If Council was to adopt this option, it should do so only after full consultation with the Department of Internal Affairs as the Minister's representatives. In light of the Department's initial approach in writing, the results of Council's own self-assessment and the Independent Governance Review, Council would be effectively admitting it is not prepared to address any of the evident issues.

The impact of such a decision is difficult to anticipate. There would most likely be a range of risks identified in the Independent Governance Review and the further breakdown of Council governance. This would ultimately impact on Council's reputation and the costs imposed on ratepayers through potentially poor decisions made.

Similarly, it is difficult to anticipate a framework for such an option.

OPTION EVALUATION

1. Action Plan (Preferred)
2. Intervention
3. Status Quo

Option	Pros	Cons	Risks
1.Action Plan	Shows Council are taking proactive, time-bound steps to address issues identified Is based on evidence gathered Includes measurement tools Can be reviewed over time Meets requests in DIA letter and a credible approach has, in principle, their support.	Aggressive timetable to put in place Relies on team approach Council will need to meet the unbudgeted cost of the observers and other programme costs	Council unable to attract suitable high calibre observers. Time commitments required of Councillors too great. Councillors not unanimous on this course of action. Culture change takes too long The Minister forms the view that the Council is unable or unwilling to deliver significant improvements and uses the Part 10 intervention powers
2.Request Intervention	Direct control of key processes driven for an effective and focussed outcome	Doesn't meet the approach suggested in DIA letter Council cedes control to Government and / or an external advisor May cost more	Council not feeling the results are their own and disengaged from any process such as the development of the LTP.
3.Accept the status quo	This option may feel 'comfortable' if adopted on a "let's see" basis	Doesn't address DIA concerns Council reputation continues to plummet Investors lack confidence in council Sub optimal draft LTP produced May force Ministerial intervention with the result that Council would lose control	Serious intervention by government removes local democracy for longer than anticipated/necessary May lose key staff A false sense of optimism in a 'do nothing' option

FINANCIAL IMPLICATIONS

There are substantial financial implications in any of the credible options. The estimate for costs to date remains at \$120,000 as previously reported.

The projection for the costs associated with the recommendations in the Thomson report centre on the engagement of two “active” observers. This requires a high level of engagement and the following costs are projected on the basis:

- the need for immediate engagement of observers from December 2020 for the critical phase of preparation and adoption of the Long Term Plan in June 2021;
- retention of the observers through to June 2022 to effect the governance changes inherent in the Thomson recommendations.

Further, the key assumptions are that one observer will be ‘local’. This is in part sensible given the recommendation of an observer chairing the weekly “Chairs” meeting. The other observer is assumed to be ‘out of town’. Again, this is considered sensible given the value of an external perspective and the need to canvass widely for relevant expertise.

The projected range of costs below anticipate:

- the observers will attend all council and committee meetings, plus one attends the Chairs’ meeting. Initially at least, the observers will be ‘on site’ although Zoom may be practical later in some circumstances;
- the role of an active observer is more than just attendance at meetings and will entail meeting and working with councillors and staff. Hence the estimates assume a day’s ‘preparation’ and a day’s ‘attendance’ for each meeting. But it is assumed that within that time the observers will also have other meetings and engagement consistent with their role.

By its nature it is difficult to predict the actual costs. It is in part determined by how well councillors and management engage with the observers and utilise the observers’ skills.

The anticipated range for costs (including some workshops in the first phase of engaging observers and staff support) are:

- for the seven months to 30 June 2021: \$250,000-\$310,000
- for the 12 months to 30 June 2022: \$320,000-\$420,000

The range is provided to indicate the level of most likely costs. There are probably a range of sensible arrangements that could be agreed that would ensure the actual costs are at the lower end of both ranges, and indeed less than the lower end. However, it is important to recognise the financial implications needed to implement the recommendations.

If a course of action not covered in this report is to be considered, further advice on all implications, including financial, should be sought.

LEGAL IMPLICATIONS

The matters raised in this report are personal to councillors and staff and include Council’s employment relationship with its employee, the Chief Executive. In the first instance councillors should be aware of the potential implications and not breach privacy or employment matters.

Secondly as options are weighed up by councillors it is important to keep in mind their statutory duties under the LGA 2002 and obligations to the community.

PROCESS TO RELEASE THE OUTCOMES OF THE REVIEW AND ONGOING SUPPORT

Sharing the outcomes with the public

The result of the ongoing governance tensions around the council table has been a deterioration in the reputation of the council among the community. This reputation needs to be rebuilt and will require open, honest conversations with the community. The Governance review offers options for the future of the council.

Whatever decisions the Council makes, it will be important to share these, and the reasons for them, with the community – both directly and through the media. Into the future, it is recommended the council work to engage more closely with the local community on decision points, including regular briefings for media which are jointly led by staff and elected members. When the council has made decisions on the way forward, these must be shared with the public and a plan prepared to support ongoing information sharing and engagement.

Supporting the democratic process

The independent governance review has been a challenging process for the Council, touching on personal matters that affect elected members and staff. Sharing the findings of the report with the public is an important step in the process, however it must be noted that this could be difficult for the individuals mentioned.

Through all of this, the council must continue to function, making decisions and carrying out its democratic duties. A range of support mechanisms are available for elected members and staff which will help guide them through the process, these range from health and wellbeing support services to staff support during meetings and advice on talking to the public and media about what's in the report and what are the council next steps.

CONCLUSION

The letter from the DIA requires Council to provide assurance and evidence that Council is taking proactive steps to restore trust and confidence in its ability to meet the Crown's expectations of a high performing council.

All the evidence gathered supports the main issues faced by Council as being those they themselves and the CEO identified at the beginning of the process.

The recommended option to address the concerns raised by the DIA involves one relatively serious intervention – the appointment of active observers – coupled with a series of smaller but still important actions including the need to develop a positive culture.

The key success factors associated with the recommended course of action are that Council and the CEO take a team approach, accept the need for change, and follow an agreed, time-bound plan of action with regular monitoring.

If a course of action not covered in this report is to be considered, further advice on all implications, including financial, should be sought.