

BDO Review and Lessons Learned Report

1. Purpose

To inform councillors of the outcome and recommendations of the 2021 Rates Setting Review carried out by BDO in July 2022, outline progress made, next steps, and ongoing progress to implement the recommendations in the report.

2. Executive Summary

In April 2022, the CEO engaged BDO to conduct an investigation into the 2021 setting of rates. The purpose and scope of the inquiry was, on the balance of probabilities, establish what occurred, and:

1. Provide a review on how the miscommunication came about and what factors lead to it;
2. Provide an opinion on whether the Consultation Document was fit for purpose, and adequately reflected the rates increase Council required;
3. Provide an assessment of whether the Rates Holiday Borrowing was communicated appropriately;
4. Advise how the miscommunication occurred and what lesson Council could learn;
5. Make recommendations on what Council could do differently in the future, to ensure such miscommunication does not occur again.

The BDO Report describes the governance decision making processes, but the investigation focuses on operational processes that led to the lack of sufficient explanation (described as a miscommunication in the report).

Although the outcome has an impact on the role of elected members, most significantly the trust with our communities, the implementation of the recommendations in this report are largely the responsibility of the CEO and the Executive Leadership Team (ELT) to ensure the recommendations are delivered.

Elected members have a critical role in maintaining healthy relationships with the communities of the South Wairarapa, including mana whenua, through engagement and consultation activities that ensure that all stakeholders have a voice and can be heard on issues they care about.

3. Recommendations

Officers recommend that the Council:

1. Receive the BDO Investigation Report.
2. Note the lessons learned, recommendations and the actions taken to implement the recommendations.
3. Note that the report will be made publicly accessible on the South Wairarapa District Council website.

4. Background

The BDO Report outlines the SWDC structure and Territorial Authority planning and reporting cycles as required under the Local Government Act 2002. It examines the context of the rates setting including examining the workload of key staff and lays out a detailed timeline of events.

Lessons Learned: There were three key themes that came out of the interviews on what could have been done differently on reflection (summarised):

1. The Council potentially should not have taken the *rates borrowing**, even though it was the right decision at the time due to the unknown potential economic and social impact of COVID-19.
2. The impact of the *rates borrowing** should have been communicated better to ratepayers.
3. The communications after the discovery of the miscommunication could have been more timely and conveyed more clearly to ratepayers.

Recommendations: The report makes the following recommendations (summarised):

1. SWDC needs to take action to rebuild the confidence of the ratepayers. This will require open, honest, and authentic communication with the ratepayers moving forward.
2. Implement an online rates calculator.
3. A register of decisions should be kept and referred to in the next planning process round to ensure transparency and assumptions made in future financial modelling.
4. SWDC needs to consider the capacity of staff to deliver projects. It is a very lean team that needs to produce the same number of documents as much larger councils and it can have an impact on the quality of work being delivered.
5. Engage an external peer reviewer for the AP and LTP processes who is not involved in the preparation of the documents.

6. SWDC should engage with interested members of the public as “sanity” checks for the AP and LTP process to seek learned feedback.
7. SWDC should look to create a culture of listening to ratepayers and engaging with those who have valid, well-articulated points on matters before Council.
8. SWDC should review its communications strategy and communication should be timely, accurate, and let the ratepayer know what is being done or when you can let them know.

Additional general recommendations for all territorial authorities made by the Auditor General were included:

“There is a high public interest in rates and rates increases. Therefore, we encourage councils, when they are preparing their consultation document, to take due care in ensuring that the proposed rates increases disclosed are accurate.”

The BDO report was provided to the CEO and ELT in July 2022 at which point legal advice was sought on any employment law risks of making the report public. The advice stated the report could be made public.

5. Prioritization

5.1 Tangata whenua considerations

Engagement considered not required in this case.

5.2 Long-Term Plan alignment

The recommendations have an impact on how the organisation plans and delivers key activities including the next Long-Term Plan.

6. Discussion

The BDO report makes recommendations regarding lessons learned reflecting on systems and process gaps. A number of actions have already been taken or are in the planning stages (dependant on available resources).

1. Examples of specific actions on improving trust through honest, authentic communication include:
 - a. A focus on improving public information management and communication in times of local crisis.
 - b. Support for Community Boards to engage with their communities through drop-in sessions, community forums, and the design of their Community Board Plans.
 - c. Working through the process of publishing LGOIMA requests on our website.

2. A rates calculator has been established on our website and has received positive feedback.
3. Decisions made by ELT are recorded and monitored in the ELT meeting minutes. The Policy and Governance Team maintain decision and open action registers for Council, committees, and community boards. Feedback from engagement and consultation is logged and recorded by the Policy and Governance team. Further work is under way to ensure the information is transparent across the organisation.
4. The workload of staff continues to be an ongoing risk and mitigations are recorded in the risk register. ELT include a risk review in regular meetings and the GM of Policy and Governance is responsible for maintaining the risk register which will be monitored quarterly by the Assurance and Risk Committee during this triennium.
5. Philip Jones has been engaged to provide an independent peer review of key strategic processes. Additionally, a professional independent chair has been appointed to the Assurance and Risk Committee.
6. We are currently looking into setting up community user groups to support engagement and consultation processes and ensure “sanity checks”.
7. We are working to improve our engagement process to genuinely listen to the communities of South Wairarapa, see points 1 and 6 above.
8. An organisational communications strategy is in development.

In addition, the ELT have developed a three-year rolling business plan that is in working draft for the purpose of improving efficiencies in internal systems and processes and improving organisational culture in an environment with limited resources. It has eleven priority areas (in no particular order) being:

1. Improvements to finance and procurement systems.
2. Creating a resilient and adaptable IT and IM systems that are fit for purpose.
3. Building a healthy and strong organisational culture.
4. Nurturing a positive relationship with Māori, mana whenua, hapū, and marae.
5. Strategy, risk, business planning, and reporting processes are fit for purpose and support good quality decision making.
6. Building and maintaining trusted relationships between elected and appointed members, council officers, and South Wairarapa communities.
7. Programmes and projects are well managed using established project management methodology that includes lessons learned reviews.

8. Strategic workforce planning enables staff development that helps future proof the organisation.
9. Communications, engagement, and consultation processes build trust and confidence in Council and improve our social licence.
10. Asset management enables good decision making and investment in infrastructure.
11. The organisation design is future proofed, agile, and prepared for change.

The business plan will be reviewed at least twice a year by the ELT.

It is expected that elected members will remain interested in the progress made against the recommendations and that a clear action plan, with KPIs, and progress reporting could be delivered to the Risk and Assurance Committee at least twice a year.

7. Risks & Mitigations

7.1 Risk Register

Risks (as per the register) include our reputation and social licence to operate and the capacity of the organisation to deliver high quality work within limited resources.

7.2 Communications

A communications plan is in development.

8. Appendices

Appendix 1 – SWDC 2021 Setting of Rates Inquiry

Contact Officer: Amanda Bradley, General Manager; Policy and Governance

Reviewed By: Harry Wilson, Chief Executive Officer

**rates borrowing* refers to the loan that Council took in 2020 to “smooth” the impact of projected rates increases

Appendix 1 – SWDC 2021 Setting of Rates Inquiry