

Report No.	19-194
<b>Decision Required</b>	

## STRATEGIC GOVERNANCE: OPPORTUNITIES FOR THE TRIENNIUM

### 1. PURPOSE

- 1.1. This report sets out an approach to strategic governance for the triennium, including identification of strategic challenges, the likely influences on the policy programme over the three-year term and potential direction setting for the next Long-Term Plan for the 2021-2024 period.

### 2. EXECUTIVE SUMMARY

- 2.1. The Council has a range of decisions it needs to make as part of its statutory responsibilities in the triennium. These include a refresh of the triennial agreement, the development of a new **Long-Term Plan (LTP)** for the 2021-2024 period. These decisions impact on asset and activity planning, resourcing, and community engagement and wellbeing.
- 2.2. These decisions are an opportunity for the Council to focus the energy and direction of Council on areas they have determined are strategic priorities for the triennium. As a first step to defining the strategic priorities three strategic challenges for consideration (climate change, fresh water, information management) have been proposed and are likely to endure throughout the period, and any potential changes to central Government.

### 3. RECOMMENDATION

That the Committee recommends that Council:

- a. receives the information contained in Report No. 19-194 and Annexes.
- b. note that the three strategic challenges proposed for Council to consider are:
  - i. Climate Change
  - ii. Fresh Water
  - iii. Information Management
- c. agree that the strategic challenges decided by Council will be included in the first instance in a strengthened triennial agreement with Territorial Authorities and their Mayors; providing greater direction of the key priorities and focus of the Council.

### 4. FINANCIAL IMPACT

- 4.1. There is no financial impact on existing budgets as a direct result of this report.

### 5. COMMUNITY ENGAGEMENT

- 5.1. As the Council works through the LTP process for the 2021-2024 period there will be a number of opportunities for the community to engage with work that may flow on from this report. No community engagement was conducted in preparing this report.

## 6. SIGNIFICANT BUSINESS RISK IMPACT

- 6.1. There is no significant business risk associated with the contents of this report.

## 7. BACKGROUND

- 7.1. The Council is beginning the journey of an 18-month period of development towards a new long-term plan. With the reintroduction of the four wellbeings (social, cultural, environmental and economic) into the **Local Government Act (LGA)**, there is an opportunity to reflect on the challenges of the previous triennium of Council, to identify the strategic challenges of the new triennium that may shape the policy agenda for the Council and build the foundational areas of focus for the development of the next LTP (2021-24).
- 7.2. There are also a set of key strategic decisions that the Council may choose to make in its approach to the LTP, such as the development and integration of key documents (including the triennial agreement with territorial authorities), including long-standing agreements, assets and plans; the desired level of engagement within the region on community outcomes and iterative or step-change movements in Council activities and levels of service.
- 7.3. A short brief on the political and regional landscape is included in **Annex A**, which is a precursor step to a robust environmental scan for the region in preparation for the next LTP. In summary, the brief highlights the substantial legislative agenda being advanced by the current Government (particularly in environmental policy), notable trends towards greater use of Commissions that have enduring functions and powers at arm's length from Government, e.g. Independent Climate Change Commission, reform of public sector leadership and cohesion, and the shift away from the former Business Growth Agenda (that was integrated across the public sector) to the Wellbeing framework.
- 7.4. Regionally, there is significant growth, with Manawatū-Whanganui ranking 2<sup>nd</sup> in economic growth across New Zealand. This growth this comes on the back of infrastructure projects (including Te Ahu a Turanga), strong sheep and beef commodity prices and a surge in house prices. The uplift in prices is likely to shortly be reflected in revised valuations and rating calculations; with affordability for first homebuyers, superannuitants and renters becoming a real issue to be faced by the region.
- 7.5. Regional councils play a critical role in providing regional services (including environmental management) and undertake a range of statutory responsibilities. The statutory and operational service-driven responsibilities have tended to drive our policy work programme within Council. An evaluation of the policy priorities of the previous triennium have highlighted that some issues are enduring (such as climate change and strengthening Iwi relationships). An evaluation of the six key policy issues identified during the 2016-19 period is attached at **Annex B**.
- 7.6. Over the last six months Council staff from across the organisation have worked together to identify a set of strategic challenges that they believe will endure throughout the triennium. Development of this work has been influenced by political theory around public sector models and consideration of ensuring enduring public value, legitimacy of local government functions, and capability and capacity to deliver for the public. A description of these identified strategic challenges and their influence on systems is provided below.

## 8. STRATEGIC CHALLENGES FACING COUNCIL

### *Framework for determining the strategic challenges*

- 8.1. There is always debate about how organisations should prioritise their areas of focus. For the Council, identifying the key priorities early in the term assists to align the organisation towards making good progress on these issues over the triennium. In order to determine

the vital few, five criteria were identified, as set out below. This resulted in three strategic challenges being identified for Council to consider.

- 8.2. The framework defines the following five criteria, that the strategic challenges are:
- i) are a reflection of our statutory functions, but not driven by our statutory functions per se;
  - ii) reflect society's general expectations and our local communities in the region in particular;
  - iii) have the potential to have a marked influence on our 50 year financial strategy and 30 year infrastructure strategy;
  - iv) could influence the majority of council business units, including policy and operational functions over time;
  - v) cannot be wholly solved by the Council alone, yet:
    - (a) the Council holds a key role in ensuring progress toward outcomes on these challenges can be made (i.e. Council has to be involved in some way in order for tangible progress to occur); and
    - (b) Council involvement is likely to enhance community wellbeing overall if the strategic challenges are appropriately determined.
- 8.3. In assessing issues against the criteria, three strategic challenges were identified; these being freshwater, climate change and information management. Cross-cutting themes of community wellbeing, stakeholder engagement (particularly strengthening relationships with iwi) and regional growth are inherent in the strategic challenges identified.

#### *Fresh water*

- 8.4. The health of our rivers and lakes is strongly linked to many New Zealanders' values and sense of wellbeing. From secure drinking water, to healthy ecosystems and swimmable rivers, freshwater management is a well-recognised issue nationally, and a topic of much discussion and debate.
- 8.5. The Government recently announced its intent to halt degradation of freshwater bodies and provide long-term direction, within the next five years. Their proposals, delivered within the Essential Fresh Water package, acknowledge that everyone has a part to play and envisages close involvement of communities in regional planning. This reflects public expectations, both in terms of environmental improvement and responsiveness to popular opinion.
- 8.6. Councils, including Horizons, have been focused on freshwater management for a decade, with mixed results. There has been criticism that progress to improve freshwater quality is too slow; however, the complexity of the issues and the timeframes within which the Government — and the public — expect tangible progress presents a significant challenge for councils. All aspects of water management are under review – from resource management to drinking water, wastewater treatment and stormwater management (the three waters review).
- 8.7. Over the past two years, we have been working toward a catchment-based approach to fresh water management, with the first of the catchments (Manawatū) going through the process of finalising co-governance arrangements. This work aims to provide the common vision and commitment to action by and for communities within each catchment that can identify and resource actions that make a tangible improvement to water quality, rather than an overriding focus on regulation and Government-directed responsibilities.
- 8.8. Within this term of Council, we will have to have to make difficult decisions about which aspects of our fresh water work programme should be prioritised. If we fail to do so, the

freshwater work programme may overwhelm our organisation's capacity to advance any further water quality improvements in our region. There are also likely to be some hard decisions confronting councils about how to define suitable activities and land use in the face of continued water quality degradation in some catchments. The Council will need to resolve how we can ensure timely decisions while enabling community and iwi involvement; and find balance when reconciling national and regional consistency with local conditions; and encouraging tangible environmental improvement while ensuring fairness and appropriate apportionment of transition costs.

#### *Climate change*

- 8.9. Ensuring our region remains a great place for future generations to live, work and play demands that we plan for a changing climate. Communities across New Zealand are looking to local government to take a stronger lead. We have, to date, lacked a strategy that expresses a vision for the future, shows how far existing initiatives get us and identifies additional work required to fill the gaps.
- 8.10. However, existing council activities are contributing to our response to climate change by building community resilience and changing behaviour to reduce emissions that affect global warming. Trees planted for erosion control also absorb carbon dioxide and improve resilience to intense storm events. Freshwater planning and flood-protection design take the likely effects of climate change into account.
- 8.11. It is critically important to engage all members of our regional community to think about their contribution to climate change activities – whether they are urban-based or rural. This includes our choices of transport, reducing food waste and general waste, utilising local suppliers and a much stronger understanding of the interconnectedness of the activities we do on land that affect our waterways, biodiversity and biosecurity, and natural ecosystems. This means greater action than simply educating people, but incentivising change through a range of regulatory and non-regulatory measures and incentives.
- 8.12. For the Council to be effective, our response to climate change needs to be integrated into (not separate from) our day-to-day decisions and practices. To do this we will need to also ask our communities about their views on the relative priorities and ensure we have sufficient resources to undertake the work needed across the organisation to fulfil community expectations. We will also need to coordinate our actions with those of the territorial authorities in the region. This is likely to require strong governance leadership to ensure better long-term outcomes on climate change for local communities.

#### *Information Management*

- 8.13. Robust, relevant and timely information is the foundation upon which our operational programmes are built and allows us to use evidence to inform our decisions on how to respond to environmental change.
- 8.14. Increasingly, members of the public expect evidence to be open to scrutiny and available for reuse. To deliver on these expectations, we must be able to bring many datasets together dynamically, in real time, across organisations and drawing from multiple repositories. Data also needs to be available in a form where it can be reinterpreted in ways that may not have been envisaged when the data was collected
- 8.15. In order to achieve real progress on environmental issues in the region, there may need to be a fundamental economic shift within the region from commodity production and manufacturing to high value digital services. This shift has already occurred in a number of sectors, for example traditional news outlets (television, newspapers) are struggling to compete with social media; which offers real time, local and targeted news. The "gig economy" appears to be here to stay, with traditional passenger transport services (buses,

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taxis) being displaced by ride hailing services and networked microtripping (e. g rentable e-scooters) and accommodation providers competing with home rental platforms.

- 8.16. Preparing well for these types of challenges and to participate effectively in the digital economy as part of local government, and to deliver effective public services would require a transformation in the traditional way the Council have been approaching management of data. We can also only deliver if we have the right capability in place.
- 8.17. New tools and technology offer exciting opportunities; harnessing them will require capital investment and investment in changing corporate systems and practices. Talent, relationships and business systems all require long-term investment that may not correspond directly to immediate priorities. Adopting the necessary culture to effectively manage data and information and support innovation, is critical to our success as an organisation over the long term.

## **9. COMMENT**

- 9.1. Council has the opportunity to define the strategic challenges that could form the foundation for community outcomes in the next iteration of the LTP. These community outcomes now need to show a clear link to the recently reintroduced wellbeings in the LGA. If this approach to strategic governance is agreed, then this provides the Council with sufficient time to align its work organisationally to develop a robust policy programme and organisational activities that provide a more cohesive picture in the LTP and provide space for governance leadership and organisational innovation.
- 9.2. What this would mean in practice, is that Council staff could prioritise and resource effectively. For example, if Council was to define climate change as a strategic challenge, then policy effort would be directed towards ensuring we look to influence central Government policy related to climate change (for example, the current consultation on the Emissions Trading Bill currently before Select Committee), including building preparedness in data, information and science to implement the Climate Change (Zero Carbon) Amendment Act. Similarly, the planting programmes that utilise targeted Council funding could focus on carbon sequestration effectiveness and overall contribution to reducing emissions.
- 9.3. The Chief Executive has already identified the need for Council to have ongoing strategic conversations and all elected members have signalled their readiness to engage at this level. The journey towards developing the next iteration of the LTP will be strongly aided by this work.

## **10. CONSULTATION**

- 10.1. Discussions were held among Horizons staff and with colleagues in other regions in the preparation of this report.

## **11. NEXT STEPS**

- 11.1. The next three years present an opportunity to refocus the contribution we make to the wellbeing of local communities across the region, and the next 18 months provides Council with a meaningful opportunity to do this through the LTP. It is not without risk and may require greater resourcing than is available at present. It will also be influenced by the pace and scale of the Government's reform programme.
- 11.2. Staff are proposing to support Council to engage on the strategic matters through a series of structured discussions, supported by information to build situational awareness (for example, of Government's environmental policy, local government-specific and broader reform agenda) and development of the regions approach to wellbeings in the next LTP

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over the coming year. Over time, we anticipate this would develop into the priorities for the policy and operational work programmes to be delivered on behalf of Council.

## 12. SIGNIFICANCE

12.1. This is not a significant decision according to the Council's Policy on Significance and Engagement.

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## ANNEXES

- A Situational Analysis in brief
- B Evaluation of key policy issues