

1. ORION REVIEW OF THE CHRISTCHURCH CITY COUNCIL WATER AND WASTEWATER OPERATIONS

Officer responsible City Manager and Director of Operations	Author Report written by Ken Lawn, Director of Operations with significant input from Chris Kerr, Mike Richardson, Ian Hay, Mike Stockwell, Mike Bourke, Alan Watson and Bruce Henderson
Corporate Plan Output: Various	

INTRODUCTION

The purpose of this report is to provide Councillors with our reaction to the proposals in the Orion Review of our water supply and wastewater operations, and to provide background for a way forward.

The report will firstly provide a commentary on the Orion Review report, identifying significant areas where we agree with the comments and recommendations, and other areas where their recommendations either need to be tempered or are not accepted.

The report will then set the Orion review in the context of a number of other initiatives and reviews that have taken or are taking place in the organisation.

The report then provides a discussion on the changing focus of the City Council, and leads into some wider issues and changes that we are considering in order to better influence and achieve some important objectives and outcomes for the city. There are significant gains to be made in our effectiveness to address the changing issues which the Council faces.

At the subcommittee meeting on 16 August we will present a proposed restructuring of the water and waste areas, and of a number of other areas of the Council organisation. This restructuring will need to be subject to consultation with affected staff and Unions, but if implemented would lead to significant operational efficiencies.

THE ORION REVIEW

The Orion review arose from a resolution in February 2000 “that the Council invite Orion to investigate levels of service, asset management plans and network operations systems for water supply and wastewater”. The resolution arose during discussion on a report concerning “no-dig” service repairs.

While the resolution to seek this review was unexpected, it does reflect a political desire to ensure that efficiencies and improvements are sought and obtained.

Subsequent to the original resolution, the Council passed the following resolution at its April meeting.

1. That it has no intention of privatising/corporatising water and waste services.
2. That it has no intention of transferring water or waste assets to Orion or any other operator.
3. That it has no intention of removing any of its governance functions in respect of any of these services.
4. That it has no intention of charging for water or wastewater services by volume.
5. That it has no intention of transferring management of the Water Services or Waste Management Units to Orion or any other operator.
6. That it does intend to continue its search for cost effectiveness, better services, and efficiencies, in various ways, including the Orion study.
7. That it be noted that the Council has a contractual arrangement with City Care for some of the services in question.

COMMENTARY ON ORION REVIEW REPORT AND RECOMMENDATION

The Orion Report provides a useful outside view and significant challenge to a number of our practices. It has been useful in helping us to formulate a proposal for substantial change.

However, it makes the assumption that water and wastewater networks are directly comparable with electricity and gas networks. While there are similarities between the networks, there are also significant differences. Even when comparing our wastewater and water supply networks, while both have pipes and pumps, they also have differences. Wastewater is a tree-like system with wide diameter pipes relying as much as possible on gravity, and with a major treatment facility at the end of it. Water supply is a modular system, involving high pressures, and pumping water at the beginning of the process.

The Orion report is a mix of high level conclusions, combined with a few highly specific numbers for savings, with the link between the two often unclear.

The following is a commentary on the recommendations made by Orion in their Review Report. There are significant areas of agreement. There are aspects that confirm directions we have already implemented or started and others which we are pleased to include in this proposal. Some recommendations go further than we would support, and a few recommendations are inappropriate.

The merging of water supply and waste water into one unit.

We agree that there are benefits from considering the merger of water supply and waste management. There are a number of consequences of this on other units. We will present details about our analysis at the meeting on 16 August 2000.

Set up a management structure with clear lines of accountability.

We agree with the general philosophy behind this recommendation and would comment that the Council organisation, by its nature, largely separates governance from asset management, operations, and maintenance. Good examples of this apply to the areas in question, where governance is provided by the City Services Committee, asset management and operations is provided by the Water and Waste Units, and City Care provides the maintenance. Having said that there are still some areas of operations and maintenance within these two Units where further separation of roles may be beneficial. There may be some differences in emphasis, however, as the Orion model appears to prefer an arm's length relationship between planning/asset management, and operations/ maintenance. Generally our preference is for a less clear cut division to ensure that while some separation occurs, planners are not isolated from front line operational realities.

Develop asset management plans as the key asset management documents.

We agree with the recommendations set out in the Orion report concerning the importance of asset management plans, and bringing our asset management plans up to New Zealand best practice. The two asset management plans reviewed by Orion are in fact three years old. The Wastewater Asset Management Plan, which is significantly criticised by Orion, was the first one done within Christchurch City Council. At the time it was considered leading edge in New Zealand. It is accepted that by today's standards it is minimalist, and falls below the New Zealand typical standard. We have already invested significant work in producing new asset management plans for both waste water and water supply, and are confident that they will address and answer most of the issues raised in the Orion report, and will be up with the "best practice" standard. It is worth noting that, as we understand it, the independent consultant used by Orion to carry out the review of the AMPs is the same one who carried out the peer review of our asset management planning process three years ago. The learning from this process was a major input into producing the New Zealand Infrastructural Management Manual referred to in the report. Officers of this Council had a significant input into the production of that manual.

Orion use their Asset Management Plan as their primary focus. It drives much of their expenditure and decision making. For the Council, Asset Management Plans are a primary input into the Financial Plan. The Financial Plan is the core statutory consultative document and as such is the lead document. Orion's view of the Asset Management Plan reflects the simpler Financial Planning process they are involved in as a corporate rather than a local government body. This view does not necessarily lend itself easily to the Council's more complex environment. It is agreed, however, that the Units do need to ensure that there is consistency between the documents produced, and that the Asset Management Plan is the natural 'driver' of the works programme, and home of the levels of service.

Benchmarking results

The Orion report refers to a Price Waterhouse Coopers benchmarking study, and comments that for some indicators wastewater costs appear to be higher than the New Zealand average. What they fail to say is that the Christchurch wastewater system scored better than average in 13 of 17 indicators. Our overall wastewater treatment costs of \$129 per ratepayer per year, and 33 cents per cubic metre, are amongst the cheapest in the country for a large city. Where particular performance indicators have scored below average it was generally because Christchurch is a flat city requiring larger pipes, more pumping stations, and higher quality treatment. Customer service costs (stated as twice the New Zealand average) reflect the fact that we, alone, maintain a record of private drains for public information. In the water supply benchmarking results, Christchurch City scored better than average in 22 of 27 indicators. Our water supply is one of lowest cost in the country.

Introduce contestability into the more labour intensive areas.

We agree with moving further in this direction though we need to be clear about the meaning of contestability in the council context. We take contestability to mean the testing against the market of 'service delivery' to ensure that the Council is receiving appropriate quality and cost. We do not take it to mean the wholesale contracting out of services for philosophical reasons as practised by Orion.

An example of this has been the Council's approach to keeping the Building Services Team in-house. This team operates in a business-like manner providing cost-effective services to its Council business unit clients. The business units 'test' the cost of services against the market to ensure they are getting the best value and this keeps the Building Services Team sharp and focused. Some of the work is tendered and Building Services compete for this. Over time we may see more of the work being won this way and eventually the Building Services Team may move down the same path City Care have followed if this is appropriate. By following this route the Council has both protected and grown its key resource, its people, and ensured that the ratepayer continues to get value for money.

It should also be noted that all of the capital works from the Waste and Water Units and some of the operational and maintenance areas are already contestable. At the seminar we will present a proposal involving bringing together the Building Service Team with maintenance teams from Water and Waste.

Achieve operational savings

The Orion Report proposes operational savings involving the reduction of 53 jobs out of the current 140 positions within water supply and liquid waste. These are estimated to obtain savings of \$2.5 million. These savings are based on an Orion model, and would be achieved over a period of time.

The Orion model is based on their experience of significant downsizing and out sourcing of the original Southpower organisation, change that was managed over a 10 year period. We agree that the merging of the units, separating maintenance work, and reviewing staffing levels, could lead to significant operational savings. We would also note that change in these functions has been ongoing over the last decade. We will present a detailed proposal for significant savings to the meeting on 16 August.

Target a 80/20 split for planned and reactive maintenance

The 80/20 split for planned to reactive maintenance is a worthy target, but it is more appropriate for a mechanised dynamic system, and not necessarily for a more passive buried system. It is not always economic to put extra effort into planned maintenance. Having said that, we are relatively close to the 80/20 split for water supply pumping, and wastewater reticulation. We are about 60/40 for wastewater pumping, and 30/70 for water supply reticulation. These results are already higher than the New Zealand average for water and waste systems, and moving beyond them may not be economic.

The report recommends applying the reliability-centred maintenance principles to maintenance planning. In simple terms this means focusing maintenance planning and effort on high risk areas. We are already working in this area, but agree that further effort may produce benefits.

Achieve capital expenditure savings of \$1.1 million per annum in liquid waste

This figure was supplied by us to Orion in the information that they sought to carry out their study and would be brought about by reducing the level of planned sewer renewals. These savings are not yet included in the Financial Plan until verified by further CCTV data and experience with rehabilitation techniques.

Achieve capital expenditure savings of \$1 million in water supply

That level of savings in the water supply area will be much more difficult to achieve. Orion suggests this could be achieved through “demand side management”. They suggest reducing peak demand by between 20% and 50%. Achieving that level of saving without introducing some form of charging for water is extremely unlikely to be achieved. Even with charging for water, when the average water bill would be about \$80.00 per year, the financial incentives for reducing consumption are negligible. In any event, peak loading for the suburban reticulation of water supply is determined generally by having sufficient water for fire fighting purposes. There is a review of the fire fighting standards, which, if they are reduced, could lead to some reductions in the specification of pipe sizes and therefore in capital expenditure. However, those revised standards are far from agreed, and the level of savings are yet to be determined.

Review overhead cost allocation structure

Orion's recommendation is that we review the way we allocate our management overheads to a more user pays, cost reflective basis so that managers within units can better control their costs. This is already the case as significant parts of the corporate overhead budget are already allocated by this method. However, it is agreed that this should continue to be looked at further, in a separate project undertaken to look at the methods of allocating and charging corporate overheads across the organisation to see if further improvements can be made.

Develop standardised design standards, technical specifications, operating standards and procedures

We agree that more effort should be put into defining standards and specifications, etc, as we have valuable knowledge held within some core people within the organisation. We have already done significant work in this area, but should continue our efforts.

Review energy costs for water and waste

We are keen to take up the suggestion of Orion to look at the way we obtain and pay for our energy costs for water and waste. They were previously unable to respond to our request for assistance with this as they were themselves an energy retailer when we sought tenders. In our recent electricity negotiations, we have achieved overall savings across the organisation, but the costs for water supply and waste pumping and related charges have in fact increased while others such as street lighting (much our biggest) have decreased. If we can lever further electricity savings through assistance from Orion without losing gains elsewhere, then that would be excellent.

Review treatment plant upgrade conclusions

Orion employed a contractor to assist them with their review who is associated with the sale of a particular wastewater treatment system (reedbeds). Their report confuses the two issues of treatment plant capacity and the requirements for a discharge consent.

The path that we are following has been well researched, endorsed and documented, including independent consultants and peer reviews. Capacity upgrade of the plant has been led by Beca Consultants with their international partners CH2M Hill. Their work has been peer reviewed by Woodward Clyde and international partner URS Greiner. The plant effluent disposal resource consent has involved lead consultant Woodward Clyde and many other consultants such as Beca's, NIWA, Cawthron and Uniseach.

Liquefaction following an earthquake is an issue for the Bromley plant, but all new structures have been designed to be earthquake resistant. We have looked carefully at our risk profiles and have reached the conclusion that while there would be damage to the sewage treatment plant, it is recoverable.

The suggested trend to smaller plants is generally appropriate for new reticulation and new treatment installations for smaller population centres. In larger population centres the trend is towards centralisation e.g. Sydney, Wellington and Manukau. Whilst satellite plants for Christchurch are technically feasible they are likely to be more expensive than a central plant and their effluent may still need to be discharged into the City's reticulation system through to the coast as discharges from satellite plants may be difficult to consent.

Connetics Report – 'No-Dig' Technology For Waste Water

Sewer renewal and rehabilitation in Christchurch by the Christchurch City Council has used all of the techniques mentioned in the Connetics report. These techniques include slip lining, pipe bursting, folded liners, cured-in-place lining, and epoxy lining for both sealing and repair. Other methods also used and not mentioned in the report include flood grouting and injection grouting.

Where appropriate, 'no-dig' technologies are the preferred option used in Christchurch provided they are economic. Pipe bursting is commonly used for sewer renewal on the hills and slip lining where grade, capacity reduction and existing bedding conditions allow. 'No dig' is often costed as an alternative in the tendering process. Unfortunately many of the 'no-dig' options are far more expensive than conventional dig and replace with new pipes, so the situations where these techniques are appropriate are limited. Council staff have developed a 'no-dig' patch lining system that has proved to be an inexpensive repair option. These repair needs are identified through CCTV inspections.

Further, we are developing a sewer grouting capability with City Care to ensure a cost effective method for joint and lateral sealing is available. This is a welcome development because so far there has not been enough competition for injection grouting to ensure the technology is more economic than pipe replacement. Council engineers are aware of the growing use of 'no-dig' sewer renewal and rehabilitation techniques used internationally, and we have been a member of 'No Dig International' since its inception.

SETTING THE ORION REVIEW IN A WIDER CONTEXT

While the Orion Review has come from a Council resolution, it needs to be placed in some context, and put alongside a lot of other work and initiatives taking place in the organisation.

FAMIS

Our financial and management information solution (FAMIS), through the SAP and GEMs products, has given us integrated information and management systems that provide a platform for the way we manage the resources, finances and processes of this organisation. We chose to install these computer systems without undertaking substantial business process redesign as part of the implementation. This has been an extremely large

software implementation project. Our strategy has been to successfully install this software into the organisation, making only changes that were necessary to get the systems up and running. However, we always envisaged that once we had the systems in place there would be significant process redesign and organisational review in order to improve our business procedures, and to achieve savings. Effectively we have had a two year moratorium on major organisation changes until FAMIS has been implemented. Most of FAMIS is now successfully implemented.

Customer Service Strategy

The implementation of our customer service strategy, including five networked customer centres, and utilising frequently asked questions and customer interaction software, is another key building block, putting in place a structure and processes which will enable us to drive significant changes. We have now built most of the customer service network and systems (4 out of 5 are up and running), and need to take advantage of the benefits that they give us in improved customer service, redesigned processes, and obtaining savings.

Ongoing Efficiency Drive

We have had a dedicated efficiency team running within the Council now for over two years. We have carried through a number of successful efficiency projects, in utility mapping, in animal control, in contract management, and in food licensing. We are currently undertaking projects in pre school facilities, and in botanic gardens and ranger services. Our approach has been to develop internal skills, assisted when appropriate by outside companies, to undertake significant process redesign. These skills are now available to apply to further process redesign exercises, and also taking advantage of the capabilities of our new software systems. A number of the areas to be presented through this review had either already been identified, had started, or have been brought forward within this framework.

Corporate Centre Review

The 1998 Corporate Centre Review, which led to a number of changes in the Corporate Team (Directors), identified a first wave and a second wave of change. The first wave involved putting in place our systems and structures as building blocks (e.g. FAMIS, Customer Service, GIS). The second wave envisaged the Corporate Team taking a leadership role in improving our processes, services and efficiencies. We are now into that second wave of change.

Contract Management Review

One of the three initial efficiency reviews undertaken was in the area of contract management. This review identified a number of potential changes to achieve better integration between design and implementation, and to shift more to an auditing role for contract management rather than a hands on supervisory role. The proposed shift of contract management resources to a professional services unit (a successor to City Design) as part of this proposal follows from this review project.

CLAS Review

The Community Leisure and Associated Services Review in 1998 identified, among other things, the need for a much closer working relationship between the Parks Unit and the Waterways and Wetlands team in Water Services, and other greens maintenance areas in City Streets. That review provided for a move to combined management of green space maintenance and a co-ordinated approach to open space planning. It identified as a future option the merger of the Parks and waterways & wetlands functions. A considerable amount of work has gone into bringing these teams closer together and the pulling together of the Parks and Waterways teams into a new unit, as foreshadowed in the CLAS review, is now possible.

Geodata Services

The efficiency review of utility mapping led, through a series of exercises, to the formation of the new Geodata Services team in the Information Directorate. This pulled together the previous utility mapping team from the Waste Unit, together with the Core Data team (from FAMIS) and some of the Information Support team in Environmental Services. The Geodata Services team is in the process of transforming itself from the keeper of information to the provider of information products that are needed and sought by units within the Council and by our customers. Having a Geodata services team has raised the potential of considering proposals.

Works Operations

In setting up of City Care as a LATE we transferred all the staff and resources of the previous Works Operations Unit and part of the Plant and Building Services unit. A residual Plant and Building Services team (essentially building services and white car fleet management) has remained in the Council. This team has significant strengths in terms of its systems and culture in providing maintenance services, enabling it to be competitive against market benchmarks. Since the start of the year we have been exploring bringing other maintenance functions into this team.

Government Water and Waste Review

Under the previous National Government a review of the way local authorities manage water and waste services was underway, with a range of possible outcomes, including a requirement to contract out or even to sell these assets. That review was softened towards the end of the National Government's term, with the review being passed to Local Government New Zealand to pursue further. While it has been further softened by the Labour Alliance Government, the fact is that there are views held by some Parliamentarians and officials that we need to manage our water and waste services in different ways than currently.

Ageing Pipes and Murky Waters

The Parliamentary Commissioner for the Environment has recently published a report entitled "Ageing Pipes and Murky Waters", which discussed some critical issues for urban water systems for the 21st century.

It recommends treating water supply, wastewater and stormwater as a holistic system, and suggests new ways of thinking about these systems from a sustainability perspective. It supports water charging regimes as a tool to reduce water consumption and hence water discharge. It challenges using efficiency and contracting arrangements as the sole criteria for decision making on infrastructure options and utility reforms. The contents of this report will be reported to the City Services Committee in the near future.

Corporate Functions

With the transfer of Works Operations and much of Plant and Building Services to City Care, and the transfer of employment staff to CDC, our existing corporate overheads have been spread over a smaller pool of units. This current review will result in a further reduction in the number of people working for the Christchurch City Council. Reductions have been made already, but this review provides for further reductions in the Corporate overhead areas of the organisation.

City Development

There has for some time been a concern that we have not co-ordinated our planning and direction for the form and function of the growth and development of our city. The scope of the Resource Management Act and hence our City Plan, are not sufficient to alone enable Council to influence the future direction and functioning of our city. We have tended to develop city development and environmental policies in some isolation from each other within a number of business units. It is time that we better integrate our overall policy and planning to take advantage of the many skills we have in this Council, and in the community, and start making much more of a difference to the future form and direction of this city. A review of this area had been planned for the second half of 2000, but has now been brought forward and incorporated in this presentation.

THE WIDER PICTURE

The Changing Focus of the City Council

The two main tasks for the staff organisation have traditionally been the efficient delivery of programmes and projects and the provision of advice to support City Council decision-making. Increasingly it is also important for the City Council to be able to influence other decision makers and operate as a facilitator of outcomes. The change proposals being prepared will reflect the balance between these two traditional roles and the needs of the third, emerging one.

The structure of the staff organisation put in place in 1990 was focused around the areas of core service delivery activity. Its shape has changed considerably since then. In 1995, in a significant restructuring, we moved away from a system of group managers with line responsibility for specific units, such as technical services, to directors, each of whom has an organisation wide focus such as policy or information. Since then there have been scores of changes at the level of teams. At the level of units the overall number has been halved down to about 18.

The 1989 Local Government Act saw the primary purpose of Councils as being the least cost delivery of a relatively narrow range of public good services. That is, Councils should “stick to the basics”. An alternative view is that Councils are the democratically elected representatives of a community and as such should have a more general concern for the wellbeing of that community. This leads to involvement outside of the traditional areas of council service delivery in terms of both new service areas or lobbying/influencing others. It is likely that the new Local Government Act, anticipated to be introduced into Parliament next year, will give statutory confirmation of this wider role.

Increasingly the issues on which elected members require advice and support are ones that sit outside of traditional service delivery areas. These require a more holistic approach than that which flows from an organisational structure largely built around service delivery areas (or “silos” as they are often termed). Examples would be issues such as meeting the needs of young people, reducing dependence on non-renewable resources, or ensuring the City responds to opportunities provided by information and communications technology.

There are a significant number of documents in which the Council has established goals that relate to environmental sustainability. It is our view that considerably more can and should be done to integrate these and produce a single clearly articulated and widely understood vision of what this City is seeking to achieve in terms of environmental sustainability. Our efforts have been too fragmented, partly because the resources have been dispersed through different units of the organisation each with a particular emphasis and no-one taking responsibility for the whole.

The City Council has already become increasingly focused on achieving broadly based social outcomes in the City. Significant progress has been made over the last three to four years through the innovation of appointing advocates for target groups within the community such as children.

This approach has been extremely successful in adding value and fine tuning service delivery. It is therefore intended in this review to extend this principle further, so that all of Council’s programmes and projects are audited from the point of view of ensuring that they provide the best possible contribution towards social, environmental, and economic outcomes. The so-called “triple bottom line” accountability.

It is not the suggestion of this review that it is the “fault” of the staff organisation that better outcomes are not being achieved on these critical long term issues. It is our view, however, that the organisation structure should be redesigned to produce greater critical mass of expertise and technical skills in a way which can be applied holistically to achieving outcomes in the City as distinct to simply delivering Council services.

The principles of the Community Governance model which we have developed and adapted from the work of Michael Clarke and others are another aspect of this issue.

We must be able to influence decision makes elsewhere in the public sector and in the private and community sectors.

Implications for Organisation Structure

To be fit for the challenges ahead of us our organisation structure must be designed to facilitate three outcomes:

1. Efficient and responsive delivery of services.
2. Better cross fertilisation and integration between teams so as to produce effective delivery of programmes and projects which are cross-functional in nature.
3. Significantly better capacity to produce outcomes in terms of social, economic and environmental wellbeing in the City as a whole.

The staff organisation must have a capability to handle wide-ranging or holistic issues as effectively as it handles ones which can be neatly pigeonholed such as a roading project or a leisure project.

As elected members are aware considerable attention has been given and much progress achieved to developing a culture within the staff organisation which encourages good communication between teams and functional areas, flexible ways of working, joint problem solving, etc. Notwithstanding this in any organisation there is no escaping the fact that structure matters in terms of influencing behaviour and accessing resources.

It would be foolish to abandon the organisational structure that has served us well, especially given that while the emphasis may be shifting towards non-traditional issues the City Council still delivers more than \$200 million worth of traditional services each year. Nonetheless it can be concluded that the organisational structure needs to be changed to provide better integration across the Council. This need is reflected in this proposal principally in two ways:

- (i) The strengthening of those organisational elements which exist at the present time and are designed to produce better integration. In particular this applies to the Policy and Information Directorates. Existing resources within specific units need to be freed up so as to be available for more broadly based work when appropriate.

- (ii) Putting in place at a working level an organisational element that will provide better integration on a day-to-day basis. Technical and professional skills developed in one area of Council activity should be readily transferable to another. Also, at a working level we need to be smarter at making connections between projects or streams of work which should logically be linked but tend to take place in their unit silos. This is reflected in this proposal by the concept of a Professional Services and Planning Unit providing services to all of the service delivery/asset management units and the Policy Directorate, in a way which explicitly seeks to transfer learning and “make connections” rather than undertaking a series of separate jobs for different “internal clients”.

Ongoing consideration needs to be given to how we structure our essential service delivery units. Part of the 1995 changes included empowering the service delivery units to concentrate on the delivery of their key outputs. While this has generally resulted in significant gains in efficiency and effectiveness initiated by teams throughout the organisation, in some cases it has led to a partial duplication where activities cut across unit boundaries. For example, in LIMS and PIMS processing efficiency in particular units has been gained at the expense of the organisation as a whole.

Principles that we have been using and need to be applied through this review process are:

1. That we should place within one unit the whole of a major process so as to gain the most benefit from improved processes and practices and have clear accountability.
2. That the service delivery units’ core focus is planning, asset management and specialist operations. These activities should generally be retained in-house. Generic operations specific to a service delivery area should be considered for contestable provision.
3. Activities that are duplicated in several units should be corporately organised where this can show clear benefit. Examples of this include customer services, information handling, maintenance services, advertising and printing.

In summary the issues and projects in which Council is increasingly involved are ones where an ability to integrate horizontally across the organisation is as important as the vertical service delivery chain around which the organisation structure remains largely based. This is reflected in a strengthening of the centrally placed directorates and the grouping together of a strong team of professional and technical people. Their brief will be to provide expertise to the service delivery units and to look for integration between programmes and transfer of knowledge and expertise at the working level.

Just as critically we are structuring service delivery units around the functions of planning/asset management and specialist operations, with Council-wide services grouped together and provided to these units.

CONCLUSION AND PROPOSED RESTRUCTURING

A core focus for us is, and will continue to be, providing excellence in service delivery. This is an area in which we can rightly be proud of ourselves. The changing dynamics of local governance now also require us to place additional emphasis on providing resources to enable integration across service delivery units and achievement of outcomes in non-core activities.

The principles developed through the review process and the proposals to be presented are focused on improving our flexibility, our efficiency and our effectiveness as we move forward in the changing world of local government.

At the subcommittee meeting on 16 August we will present and discuss a series of restructuring proposals that have been developed over the past few months in response to a large number of change drivers, the Orion Review obviously being one. The proposed restructuring is part of the ongoing process of shaping the organisation to meet the needs of the elected Council, the community and our day-to-day customers.

This proposed restructuring will identify operational savings exceeding \$3 million per annum, together with the \$1.1 million wastewater capital savings identified earlier in this report.

Given our ongoing programme of efficiency reviews we will be recommending that \$100,000 of the savings are budgeted to provide additional external expertise to provide challenge in future reviews. To be effective this needs to be managed in a way that works alongside Council managers who will be responsible for implementing the outcome of these reviews.

- Recommendation:**
1. That Orion be thanked for the helpful report on Council Water and Waste Operations.
 2. That the overall draft proposal presented by management to the meeting on 16 August be endorsed in principle.
 3. That the City Manager and his team proceed to consult with all staff and unions on the draft proposals.

4. That the implementation of the proposal reflect best employer practices, especially with regard to minimising immediate direct redundancies, by maximising opportunities for early retirement and redeployment, and assistance for finding new employment.
5. That it be noted that minimisation of immediate redundancies may result in the targeted savings being achieved over a longer period.
6. That further consideration be given to establishing a small Council owned professional services consultancy.
7. That it be noted that the issue of the reading of water meters will be the subject of a report to the City Services Committee.

The Chairman comments:

After the meeting I realised that the use of the words “in principle” in the second recommendation could create some uncertainty. It would be sensible to replace “in principle” with “subject to recommendations 3-7.

Chairman’s

Recommendation: That the recommendations be adopted subject to this change of wording in recommendation 2.