

**Review of Police Administration &
Management Structures**

Report of Independent Reviewer

6 AUGUST 1998

EXECUTIVE SUMMARY

1. The New Zealand Police is a very significant contributor to the Government's objective of improving public safety. As such, the Government is vitally concerned that the New Zealand Police has management and administrative structures that support, rather than inhibit, the delivery of quality policing services.
2. The resources involved in the New Zealand Police are substantial. Operating expenditure for 1998/99 is \$740 million, with a total staffing of 8,934. Fixed assets, principally property, are valued at \$481 million.
3. The review of the management and administrative structure of the New Zealand Police has identified potential savings of between \$45 and \$50 million in direct personnel costs. These savings, which do not affect frontline Police, primarily arise from:
 - (i) a proposed new and flatter organisational structure, characterised by:
 - a Commissioner's Office, which is focussed on the Government's strategic objectives, and which is concerned with securing performance in the delivery of policing services in support of these objectives;
 - ten to twelve Districts, each headed by a District Manager, whose focus is the delivery of quality policing services. The District Managers are empowered to make decisions on the delivery of policing services in their Districts, within an allocated budget. The accountability of the District Manager is reinforced by a direct reporting relationship to the Commissioner. The Commissioner, together with the District Managers and other senior staff, constitute the Operating Committee of the New Zealand Police;
 - the establishment of Service Centres which deliver, on a centralised basis certain support services required by the Districts; and
 - (ii) the proposed outsourcing of non-core support services.
4. The proposed new organisational structure requires significantly fewer management and administrative staff than the current one. Between 380 and 450 positions are considered to be no longer required. The staffing reductions arise from a smaller, strategically focussed Commissioner's Office, the elimination of regions, and a leaner and consolidated District management and support structure.
5. The proposed outsourcing of non-core support services will have further staffing implications, which will occur progressively over two years. Between 200 and 300 staff are potentially affected by outsourcing.

6. The review has also considered the governance of the New Zealand Police, and in particular, ways of enhancing the accountability of the Commissioner of Police without compromising the Commissioner's constitutional independence on law enforcement. The Commissioner's accountability is diluted somewhat by uncertainties over the boundary between Government policy, which the Commissioner must follow, and Police operations. The favoured approach is to strengthen and extend the accountability framework contained in the Police Act and the State Sector Act, notably by:
 - (i) making the workings of the boundary between Government policy and Police operations more transparent by amending the Police Act to prescribe a process for dealing with an impasse between the Minister and the Commissioner (see paragraph 53(i)).
 - (ii) amending of the Police Act to clearly set out its purpose, to define the role of the Police, and to more clearly specify the responsibilities of the Commissioner;
 - (iii) bringing the Police Act into line with those provisions in the State Sector Act which enhance accountability including:
 - clarification of the appointment process for the Commissioner and Deputy Commissioners including issues of tenure and removal;
 - empowering the State Services Commissioner to review and report on the performance of the Commissioner of Police;
 - requiring the Commissioner of Police to report each year to the Minister on the financial performance of the Police; and
 - requiring the Commissioner to furnish a report on the operational components of New Zealand Police activities, and on issues which are subject to Ministerial direction.
7. A Ministerially appointed Advisory Board is also suggested for the purpose of scrutinising the New Zealand Police's corporate intentions, including proposed capital investments and divestments, and monitoring the adequacy of the business practices adopted by the New Zealand Police. The Advisory Board's views would be fed into the State Services Commissioner's review of the Police Commissioner's performance.
8. In summary, the changes proposed are designed to make the New Zealand Police more efficient, and more accountable for the delivery of quality Policing services in support of the Government's public safety objectives. Decisions on the uses to be made of the resources released from the proposed changes are, of course, for the Government to make.
9. The conclusions reached in the review have followed an extensive process of consultation. A draft report was released on 9 June, and attracted some 570 submissions from staff and persons outside of the Police. The draft report was

significantly changed in a number of respects as a result of the many well considered submissions received.

Acknowledgments

The review team acknowledges:

1. the unequivocal cooperation of the Commissioner and senior staff in the review;
2. the high quality of the staff made available by the Commissioner to assist in the review, and indeed the quality of the staff generally;
3. that, while the report, of its nature, is critical in some respects, many of the issues identified were already the subject of analysis by the New Zealand Police, particularly in regard to organisational structure. The quality of the internal work greatly assisted the review; and
4. the time and effort devoted by many staff and outside persons in making submissions on the draft report.

The Review Team

The team consisted of:

Doug Martin, partner, Martin, Jenkins & Associates, reviewer
Sir Geoffrey Palmer, partner, Chen & Palmer (constitutional issues)
Mr Jack Jenkins, company director (business related issues)
Mr David Preston, formerly property consultant, Ernst & Young (property management)

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A INTRODUCTION

(i) Terms Of Reference

1. On 6 April 1998 the Minister of Police, the Hon Jack Elder, announced a review of the administrative and management structures of the New Zealand Police. The key objectives of the review were to:
 - optimise the New Zealand Police's contribution to the Government's public safety objectives by ensuring that the most cost effective administrative and management levels and structures are in place; and
 - ensure the most cost effective administrative and management structures for the New Zealand Police in achieving the Government's public safety objectives (including statutory obligations), without compromising front line capability.
2. The question of what is meant by "front line capability" is key, and is discussed in paragraphs 11 to 13.

(ii) How the Review was Conducted

3. The structure of this report broadly reflects how the review was conducted. The first stage was to further develop the issues arising from the Terms of Reference, and this is summarised in section B. Section C outlines relevant background, and section D the legislative framework. The next stage was to analyse the issues under the headings of:
 - Governance
 - Organisational Structure
 - Training
 - Outsourcing
 - Property Management

Potential savings are then summarised.

4. Each component of the review has been conducted in the context of the other components and of the overall review. In this, the review has been guided by Waterman's model,¹ commonly referred to as "McKinsey's 7-S Framework" - that the success and effectiveness of organisational change depends on the relationship between structure, strategy, systems, style, skills, staff and "superordinate goals" (values).

¹ Waterman, R, Peters t., and Phillips, J., "Structure is Not Organisation", Business : Indiana 1980.

(iii) **Process of Consultation**

5. The Preliminary Draft report was released to New Zealand Police staff, employee representative groups and the public to enable them to make submissions on the scope and nature of the issues which had been analysed, and on the tentative proposals for change.
6. Submissions from staff were sent to Police National Headquarters who completed the initial analysis and forwarded all submissions to the Review Team. Submissions from other individuals and groups were sent directly to the Review Team.

Over 400 written submissions were received from staff, and over 160 from the public and other groups.

7. All the submissions were read and analysed for the Review Team so that the full range of issues and points of view could be taken into account before finalising the Review Team's recommendations. As a result of this process there have been a number of changes which are reflected in the sections that follow. A summary of the key themes and issues arising from the submissions is included in this report at section E.
8. The Commissioner of Police separately read all staff submissions and also undertook a series of meetings with staff around the country (attended by more than 1500 staff) to get direct feedback on the Review. These submissions and views contributed to a separate submission to the Review Team from the Commissioner of Police.
9. It should be noted that a number of submissions referred to matters that were outside the Terms of Reference for this review, or to implementation issues rather than the nature of the proposed changes. While these matters have not impacted on this report, they have all been analysed, and have been forwarded to the Commissioner of Police so that relevant considerations can be factored into the next stages of the review process.

B ISSUE DEFINITION

10. The first stage of the review consisted of identifying the issues for analysis. These arose from a series of discussions between members of the review team, the steering group of the New Zealand Police, and Treasury officials, and through an analysis of previous reviews of the New Zealand Police. The key issues which emerged were:

(i) Governance

- the uncertainties over the boundary between decisions made by the New Zealand Police that must be exercised on an independent basis free from Ministerial direction, and Government policy which the New Zealand Police must follow. This is the over arching issue;
- the fact that the Police Act 1958 does not fully reflect the changes that have occurred in the State sector since 1988;
- the lack of clarity in the accountability of the New Zealand Police and the Commissioner, reflecting the first point above; and
- the unsatisfactory definition of the Commissioner's accountability to the Minister contained in the Police Regulations 1992.

(ii) Organisational Structure

- the mix of centralised (ie Headquarters) and decentralised decision making (ie regions and districts) with the consequent difficulty in properly assigning accountability for service delivery;
- the devolution of some aspects of management authority in resource allocation to regions and districts without robust performance measures and budgetary controls;
- confusion amongst client groups over who has decision making authority in respect of a particular issue;
- the excessive number of layers of management; and
- a management/staff ratio which is high (1:3.7) compared with 1:6 in Australia and 1:7 in Britain.

(iii) Service Delivery

- the delivery by the New Zealand Police of support services which are either not central to core policing, or which do not require sworn Police officers (or employees of the New Zealand Police) to deliver them; and

- issues around capturing economies of scale, quality, and mitigation of risk.

(iv) **Purchasing**

- the lack of a regular (eg annual) tendering process for the purchase of major supplies/services; and
- ability to leverage off purchasing power as a large organisation not maximised.

(v) **Property Management**

- the lack of a comprehensive strategic plan for property, which means that it is not possible to identify (with minor exceptions) obvious potential for savings; and
- the decentralised and uncoordinated approach to property management.

11. A key question underpinning the foregoing is the definition of the term ‘front line capability’ referred to in the terms of reference. The Commissioner of Police provides a useful definition in his submission:

“frontline includes all staff, both sworn and non-sworn, whose roles require them to provide a service directly to the public for a significant rather than an occasional part of their duties”

12. As with any definition of this nature, the dividing line is not always clear. However, the important point is that the definition recognises the contribution of non-sworn front line staff to front line capability, and is thus more meaningful than a crude focus on ‘sworn’ staff numbers. This is particularly important given that the strategic direction of the Police is to broaden the mix of services to include non-coercive programmes, notably in crime prevention. Equally, a number of sworn Police are not directly involved in front line delivery.
13. It is important that the Commissioner has flexibility to alter the mix between sworn and non-sworn staff, and between staff and equipment, the only proviso being that any such change enhances operational capability.

C BACKGROUND

(i) Structures and Resources

14. The New Zealand Police is a large organisation by any standards. As at 8 May 1998, the Police employed 8,933.94 staff, of whom 6,882.84 were sworn staff, excluding recruits, and 2,051.1 non-sworn. Total expenditure, including depreciation and capital charge, amounts to \$740 million for 1998/99. The book value of the fixed assets owned by the New Zealand Police as at 30 June 1997 was \$481 million.
15. Currently the New Zealand Police is organised into four regions and sixteen districts, and is administered from Police National Headquarters in Wellington. The Royal New Zealand Police College is situated at Porirua.

	Sworn	Non-Sworn	Total
Districts	6,256.32	1,225.41	7,481.73
Region Headquarters	105.00	95.48	200.48
PNHQ	265.52	645.49	911.01
RNZPC (including 195 recruits)	256.00	84.72	340.72
Total	6,882.84	2,051.10	8,933.94

16. Each region is managed by a Region Commander, who is an Assistant Commissioner of Police. Districts are managed by District Managers who hold the rank of Superintendent of Police.

(ii) Government Strategic Result Areas for Police

17. The New Zealand Police contribute to a number of outcomes desired by Government, which are given emphasis and direction through Strategic Result Areas 1, 6 & 8. The main Strategic Result Area for Police is SRA 6: Safer Communities which seeks:

Enhanced community safety for individuals, families and communities through inter-agency development of policies and delivery strategies for responding to crime, including crime prevention, management of offenders, and support for victims that:

- focus on addressing the underlying causes of criminal offending;
- have an emphasis on prevention and early intervention;
- encourage proactive multi-agency partnership between Government agencies and community organisations;
- respect people's rights;
- lead to a reduction in crime.

18. This SRA has a number of sub-ordinate SRAs to which agencies in the Criminal Justice Sector (including Police) must respond. Police primarily contribute to SRA 6 (v) which requires the:

Implementation of an effective community orientated policing system that

- strengthens community capability and utilises community problem solving strategies;
- emphasises balanced prevention and enforcement approaches;
- targets a reduction in the incidence of violent crime (particularly family violence), gang organised criminal activity, road trauma, street disorder, alcohol related offending and house burglary.

19. Secondary contributions are also made to the following subordinate SRAs:

SRA 6 (i)	Increasing the personal safety of children and young people and women, and breaking inter-generational cycles of offending and victimisation.
SRA 6 (ii)	Decreasing the incidence of youth offending.
SRA 6 (iii)	Fostering positive participation by Maori and Pacific peoples in the criminal justice system, and reducing the impact of crime of Maori and Pacific peoples in terms of offending and victimisation.
SRA 6 (iv)	Support for, and partnership with community organisations that provides crime prevention services and social support to individuals, groups and communities at risk of criminal offending or victimisation.
SRA 6 (vi)	Developing and implementing an effective sentence management and correction service designed to reduce the likelihood of reoffending.
SRA 6 (vii)	Modernising court administration and enhancing the effectiveness of the court system for users and victims.

20. Flowing from the Government SRAs, the New Zealand Police have developed the following set of Key Result Areas (“KRAs”) which are designed to operationalise the strategic direction into policing activities and functions.

KRA 1	Ensuring that resources are targeted towards reducing the incidence and effects of crime by focussing on significant risk issues as youth at risk, gangs and organised crime, family violence, house burglary and motor vehicle crime, street violence and disorder, and alcohol as an aggravator.
KRA 2	Ensuring that an efficient, effective and responsive Community Orientated Policing service is delivered which builds police, community and inter-agency partnerships.
KRA 3	Ensuring that policing services are delivered within a quality customer service framework that recognises the particular needs of individuals and communities.
KRA 4	Reducing the incidence of road crashes through the use of enhanced road safety programmes, better management of resources and greater inter-agency co-operation.
KRA 5	Developing and implementing the first stage of the “Policing 2000” Business Strategy for Change which is directed at “managing demand - developing better capability for emergency response”.
KRA 6	Ensuring that sufficient resources are targeted towards all staff gaining a greater understanding of the Treaty of Waitangi, develop mechanisms to bring the voice of Maori into decision making, and operational procedures and implement strategies to reduce the incidence and effects of offending by Maori.

(iii) **The Police Strategic Plan**

21. The strategic plan is the linkage between the Government’s higher order strategic direction and the operational face of policing.
22. In 1992, in response to rising crime trends, the New Zealand Police developed its first strategic plan to define what it was trying to achieve and how it would reach those goals. Police adopted the overall vision of “Safer Communities Together” for policing in New Zealand using Community Orientated Policing (COP), an internationally recognised operating strategy for reducing crime and creating safer communities. It emphasises community-based problem solving and a balanced crime prevention and enforcement capability targeted at reducing both the incidence and effects of crime.
23. The New Zealand Police strategic approach is based on the themes of community safety, strategic and tactical partnership and a combination of crime prevention, problem solving and law enforcement. The results New Zealand Police aim to achieve over the next five years are:
 - reduced crime
 - reduced fear of crime
 - reduced road trauma
 - reduced disorder
 - reduced impacts of emergencies and disasters
 - increased trust and confidence in police
 - increased community capability for self protection

- better partnerships with the community and other agencies
 - better management of police people and resources
24. New Zealand Police operations are based around six key strategies
- law enforcement and investigation
 - policing in partnership with the community and other agencies
 - focus on problem solving
 - increased focus on crime prevention
 - better management of resources and people
 - targeting collective resources where they will have best effect
25. Examples of projects within the first four strategies are:
- family violence
 - youth at risk
 - organised crime
 - gangs
 - street violence and disorder
 - house burglary
 - motor vehicle crime
 - repeat offenders
 - alcohol related offending
 - families at risk
 - Maori victimisation and offending
26. In 1994, New Zealand Police commenced to address the remaining two strategies; management and resource issues, within a transformation change programme known as Policing 2000. In essence the programme aims to enable the New Zealand Police to increase the proportion of resources applied to proactive policing by improving the way in which resources are deployed and used in the reactive areas of policing.

(iv) **District Plans and Purchase Agreement**

27. The Purchase Agreement signed by the Minister and Commissioner of Police is the formal document which specifies the amount and quality of services that the New Zealand Police will provide and Government will purchase under 12 output class categories. These details are largely replicated in the annual Departmental Forecast Report which is presented to Parliament prior to the commencement of financial year.
28. Internally the requirements in the Commissioner's Purchase Agreement are allocated to Regions and Districts and included in District Plans. Resources to achieve the service delivery are allocated and a District Planning template is used to record District performance. Each District Manager and Region Commander has these requirements linked into their individual performance contracts. At the completion of the year the results are aggregated and included

in the Report of the New Zealand Police which is formally presented to Parliament.

(v) **Relationship with other Public Sector Agencies**

29. From time to time, it has been suggested that the New Zealand Police be broken into policy and operational arms (eg. a Ministry of Police, and a “delivery” Police Force). This, in effect, treats Police as a “sector”, and ignores the wider justice sector that New Zealand Police operates within.
30. The justice sector consists of a number of agencies that establish a context for the New Zealand Police, and this context needs to be borne in mind in considering change. These agencies include the:
 - Ministry of Justice;
 - Crime Prevention Unit of the Department of Prime Minister and Cabinet;
 - Department of Courts; and
 - Department of Corrections.
31. The New Zealand Police also operate in the context of the transport sector, including with the:
 - Ministry of Transport; and
 - Land Transport Safety Authority.
32. These agencies reflect only the close linkages - there is clearly a wide network of other linkages, including, for example:
 - youth - Ministry of Youth Affairs; Children and Young Persons Service of the Department of Social Welfare; and
 - accident prevention - transport agencies above; ACC.

D LEGISLATIVE FRAMEWORK

33. The New Zealand Police is governed by a number of legislative provisions contained within the Police Act 1958, the State Sector Act 1988, the Police Complaints Authority Act 1998, and the Public Finance Act 1989. These provisions govern the role of the Commissioner of Police, Police accountability, and the operational authority of the New Zealand Police. There are also important common law principles and constitutional understandings governing the exercise of Police discretion. The most important statute is clearly the Police Act.

(i) Role of the Commissioner

34. Under section 3(1) of the Police Act, the Governor-General appoints a Commissioner of Police whose main function is “general control of the Police”. The Commissioner is also the administrative head of the New Zealand Police. The Commissioner remains in office during the pleasure of the Governor-General (Police Act, section 3(2)).
35. The Commissioner has a substantial degree of independence as the result of judicial decision and constitutional conventions that operate in this area. The Commissioner does not exercise powers delegated from the Minister, rather, he or she maintains constitutional separation and independence. The Commissioner is recognised as occupying a distinct constitutional position in the State sector (section 44 of the State Sector Act). Independence is also an inherent characteristic of the office of Constable. The Commissioner is, in this context, the Chief Constable.
36. One or more Deputy Commissioners are also appointed by the Governor General (Police Act, section 4). In general, each Deputy exercises such powers or functions of the Commissioner of Police as the Commissioner delegates (section 4(3)). Each Deputy’s delegated power is revocable at will (section 4(4)-(6)).
37. The New Zealand Police receive appropriations from Parliament in accordance with the provisions of the Public Finance Act 1989. The Minister of Police and the Minister of Transport purchase a range of services provided by the New Zealand Police. The mechanism for achieving this is the Purchase Agreement. Purchase agreements between Ministers and departments specify individual outputs in terms and conditions similar to private sector contracts. In the case of the Agreement between the Minister of Police and the Commissioner of Police, the Minister’s right to impose binding requirements in respect of matters of administration is subject to the limitation that these shall not directly affect the Commissioner’s duty to enforce the law. In this respect, the constitutional independence of the New Zealand Police is preserved in areas where that is necessary.

(ii) **Police Accountability**

38. While the constitutional independence of the Commissioner in matters of operational law enforcement has long been recognised, its boundaries have not been defined, resulting in a lack of clarity in accountability. The Commissioner's accountability to the Minister is not dealt with in the Act, but in somewhat unsatisfactory terms in the Police Regulations 1992.
39. The Police Act does contain a number of audit, scrutiny and performance reporting mechanisms that apply to the Police. Section 56 affords the Minister of Police authority to implement an inquiry into New Zealand Police activities headed by a Judge. Section 65 requires the Commissioner of Police to report annually (at the end of each financial year) through the Minister of Police to Parliament on Police operations, specifically those involving use of any special Police powers (for example, use of listening devices).
40. Some State sector practices are also relevant to New Zealand Police accountability. Objectives against which New Zealand Police performance can be measured are contained within the set of KRAs, developed by the New Zealand Police in consultation with the Minister. The development of KRAs takes place within the wider public sector, within a performance agreement framework coordinated and administered by the State Services Commission under the framework of the State Sector Act. The New Zealand Police have developed this method of reporting to the Minister of Police through a Memorandum of Understanding. Memoranda are monitored by the State Services Commission, which also provides feedback to the Commissioner upon performance.
41. The Police Complaints Authority Act 1988 also governs New Zealand Police performance. Under the Act, an independent review of Police operations, practices and procedures can take place. Section 29 provides the capability for the Police Complaints Authority to report on any unactioned recommendations to the Attorney General who can table a report before Parliament.
42. A system of financial accountability applies to the New Zealand Police under the Public Finance Act 1989. The Commissioner of Police is responsible to the Minister of Police for the financial management and performance in terms of Regulation 3 of the Police Regulations 1992.
43. In a similar fashion to core Government departments, the Public Finance Act requires the New Zealand Police to make an annual financial report (section 39), comply with Treasury instructions (section 80), meet Treasury requests for financial information (section 79), and forward a copy of the financial statement to the Audit Office (section 35(5)). The financial statement and the Commissioner's financial management of performance is subject to annual Audit Office opinion (section 38). The New Zealand Police must undertake all reporting functions as defined under section 33, including production of Forecast Reports, Annual Reports and other reports as set out within Treasury requirements.

(iii) **Operational Authority of the Police**

44. There is no statutory basis for the prosecution functions that are carried out by the New Zealand Police. The powers of the New Zealand Police to prosecute arise indirectly because Parliament creates many statutory offences and it is the responsibility of the New Zealand Police to investigate alleged breaches of these offences. In this regard, the powers of arrest and seizure are conferred on the New Zealand Police to enable them to undertake their investigatory role and charge persons with particular offences where there is sufficient evidence.
45. However, in carrying out their prosecution functions, the New Zealand Police are required to follow the Police General Instructions that are issued under section 30 of the Police Act. The Commissioner of Police can issue General Instructions, and all members of the New Zealand Police must obey them (Police Act, section 30). These Instructions must be notified either by publication in the *Police Gazette* or a Manual of General Instructions issued by the Commissioner, or by bringing them to the personal notice of a member (section 30(3)). At present General Instructions are first published in the Police “Ten-One” magazine. The Instructions set out the role for prosecutors and are currently being superseded by the *Manual of Best Practice*, which incorporates the Prosecution Guidelines issued by the Attorney-General and Solicitor-General.
46. The State Sector Act also has some relevance to the operational authority of the New Zealand Police. The State Sector Act deals with key matters relating to the State Services Commissioner, the administration of the State Services Commission and of “Departments” and the “Public Service”. The New Zealand Police has never been part of the Public Service, though as an instrument of the Crown, it is part of the State sector. Accordingly, some parts of the State Sector Act apply to the New Zealand Police, but others do not.
47. For example, as an employer, section 7 of the Police Act requires the Commissioner of Police to apply the personnel policy and EEO policy contained respectively in sections 56 and 58 of the State Sector Act. Under section 5 of the Police Act, the Commissioner has all the rights, duties and powers of an employer in respect of the New Zealand Police as an organisation. He or she must notify all job opportunities to enable suitably qualified people to apply for positions (section 9 of the Police Act), and employ the person best suited to the job (section 8 of the Police Act).

E SUBMISSIONS : MAIN THEMES

(i) Introduction

48. This section is a summary overview of the key themes and issues arising from the written submissions received on the Preliminary Draft Report. It is based on, but in no way represents, the full analysis of submissions done for the Review Team. Given the sheer volume of written submissions and range of issues covered, it is not possible to include all the points made in the body of this report. More comprehensive summaries of the written submissions are contained in separate reports prepared by the Review Team.

(ii) New Zealand Police Staff Submissions

49. More than 400 written submissions were received from New Zealand Police staff or staff groups. The issues that attracted the most attention were outsourcing (especially search and rescue, fleet management, photography, and welfare) and reductions in the numbers of non-sworn staff. These issues stood out not only for the number of submissions but also for the strength of the opinions expressed.
50. A large number of submissions contained comments on the review process. The majority expressed cynicism about the review, suggesting that it was a cost cutting exercise and that the process was flawed, and expressing concerns that their views would not be properly considered. A minority expressed explicit support for the review process.

Review Process

51. Many submissions conveyed a sense of frustration with continual reviews that did not actually achieve anything. Concerns were expressed about the reviewer not having enough time to fully understand the special nature and characteristics of police, and the amount of time for submissions and lack of sufficient information. The review was criticised for focussing on cost cutting and some suggested a wider review was needed.

Governance

52. Most submissions on this issue expressed concerns about the possibility of political interference with the activities of the police by way of Ministerial intervention at Commissioner level. These submissions expressed strong views on the need for demonstrable integrity in police conduct and the need to maintain New Zealand's almost internationally unique tradition of a non corrupt police organisation.

Organisation Structure

53. Submissions on the removal of the regional structure were generally supportive. Most submissions on the districts were concerned with opposition to the place of Taranaki and Auckland/Northland in the proposed district structures. Others

expressed concerns that the districts were too few or too many, should follow local government boundaries, or were not sufficiently based on communities of interest.

54. Some submissions stated general support for flattening the structure, though this support was not always without reservation. The proposals for reducing the layers of hierarchy was widely interpreted as eliminating senior sergeants or inspectors, and most strongly opposed this. Some expressed strong support for flattening the structure.
55. Submissions also addressed processes for implementing new structures, including the timing of the process, access to jobs, methods for determining actual staff numbers, deployment, and redundancy.
56. Concerns about the impact of restructuring were noted in relation to:
 - the number of women employed;
 - iwi liaison;
 - youth aid and youth education; and
 - community liaison.
57. Views on the proposed service centre concepts were mixed, ranging from seeing merit in it, to considering it ill-conceived. Some suggested specific activities for service centres.
58. The major portion of the submissions on redundancy related to the number of non-sworn staff positions that would potentially be surplus. Very strong opposition was expressed across the board to a reduction in non-sworn staff numbers. This was largely on the basis that non-sworn staff had been introduced and increased to free up sworn staff for frontline duties and that reducing non-sworn numbers would result in sworn staff coming off the frontline. It was also felt that non-sworn staff did a good job and were being disproportionately affected.
59. A number of submissions expressed support for the concept of a more focussed (and smaller) Commissioner's office, and some made suggestions about the specifics of the proposed structure and perceived risks such as:
 - lack of emphasis on partnerships;
 - impact of transferring internal affairs function to districts;
 - traffic safety and traffic enforcement must be given appropriate priority;
 - the need to maintain a viable legal section at national headquarters;
 - fingerprint units needing to be administered and controlled centrally;
 - forensics should not be merged with national intelligence;
 - the need to retain prosecutors in the districts.

Outsourcing

60. The majority of submissions received dealt with one or more aspects of outsourcing. Many dealt only with outsourcing with some focussing on only one particular outsourcing possibility.
61. Generally, there was strong opposition to outsourcing of most of the various possibilities listed, and there were mixed views on the concept of outsourcing itself. Contestability was suggested as a better approach, with each case being considered on its merits. A number of submissions pointed out that earlier reviews covering potential outsourcing options had resulted in the activities remaining in-house.
62. The significant number of submissions on outsourcing search and rescue (SAR) strongly felt that police were central to the SAR process and that the volunteer network depended on police coordination. Other reasons included: the police are a 24 hour nation wide agency and provide a coordination and direction function that no other agency could meet.
63. A lot of submissions opposed outsourcing police photography as, unlike private firms, police photographers were highly trained and skilled in forensic photography, were available 24 hours a day, had highly skilled backup (relief photographers) to cover for them, and could guarantee confidentiality.
64. Some submissions expressed doubts that outsourcing fleet ownership and leasing vehicles back would be cost effective. On maintenance, those making submissions strongly opposed outsourcing. Many referred to substandard work by private sector garages and to fleet management being kept in-house for precisely that reason.
65. Most submissions on information technology recognised that some aspects could be outsourced. Similar views were expressed on the accounting function but there were significant concerns about the proposed timeframe and process to be used.
66. There was support for outsourcing property management, but also support for in-house property maintenance, or at least in-house property management control of outside contractors.
67. Overall, there was a significant level of support for outsourcing prison escorts, but far less support for outsourcing prisoner custody. The few submissions received on the following issues generally opposed outsourcing:
 - scene guards
 - infringement processing
 - speed camera operations
 - document serving
 - video unit
 - lost and found
 - communication centres

- payroll
- cafeteria
- welfare

68. Almost all submissions on outsourcing CVIU were opposed based on the need for CVIU staff to use coercive powers.

Training

69. The few submissions on training generally supported the need for standardised training and the Police College in terms of training courses offered.

(iii) External Submissions

70. More than 160 written submissions were received from a range of organisations and individuals. The large majority of these commented on the outsourcing proposals, with SAR the most commented on topic, followed by photography, traffic camera field work and lost and found property.

Search and Rescue

71. There was strong support for the SAR function remaining with the Police. The close relationship and trust that has developed between Police and volunteer search and rescue groups was highlighted, and individuals and groups involved with volunteer SAR work commented that commercialisation of the Police function would risk volunteers withdrawing their services. Submissions supported the professionalism, experience and expertise of Police and thought their oversight and coordination role in respect of SAR essential to the provision of an efficient and effective service. Particular mention was made of the Wellington Wharf Police and the need to retain this service. It was pointed out that Police are able to provide nationwide coverage, 24 hours a day.
72. The need for a police presence in case of investigations and death was noted, including the statutory responsibility on Police to provide support for the Coroner's Office. It was also commented that Police authority was needed to control and direct resources, and ensure access to private land.
73. There was also some support for outsourcing, or further research on its feasibility, but also suggesting that Police should retain a limited role eg., funding, first point of contact, or coordination but enhancing the role of volunteers.

Other Outsourcing

74. The majority of submissions favoured the Police retaining the photography function. The main reason given was the need for photographic documentation of a standard that could provide accurate evidence in a court. The specialised nature of the role was noted, with the photographer providing other forensic and scene of crime skills. The risks of using a range of local providers was raised,

however it was also suggested that photography could be outsourced together with a range of other forensic services to a national provider.

75. Outsourcing of speed camera operations was generally supported, but some submissions noted the need to maintain standards by accrediting providers and ensuring it does not simply become a revenue generating exercise.
76. Submissions on the lost and found property function favoured retaining the activity within the New Zealand Police, mainly because of the link with stolen property.
77. There was support for the concept of outsourcing property management, but it was suggested that any review of the property portfolio should be considered strategically rather than on the basis of short-term needs.
78. Submissions on the welfare function supported Police Welfare Officers, because of their understanding of police work and its associated stresses.
79. The submissions on prisoner custody, prisoner escorting, and scene guard functions noted the need for a “lead in time” for outsourcing and that it may also require a law change to operationalise. Some opposition to outsourcing these three functions was based on the view that they require staff who are under oath and experienced in police work.
80. Views on outsourcing fleet maintenance were mixed. They ranged from strong support, to questioning how Police’s specific needs would be addressed if maintenance was outsourced, to opposition on the basis that research had shown retaining the function to be more cost effective.
81. Potential difficulties with outsourcing the commercial vehicle investigation function were raised, given the interdependent safety and revenue enforcement functions. It was also suggested that significant benefits could arise from outsourcing.
82. A number of submissions suggested that functions in addition to those identified in the report could be outsourced. Some commented on the contracting process noting the need for contracts to be specific. Several submissions were concerned that the decision to outsource needed to be based on clearly identified cost benefits, and that additional criteria needed to be considered such as integration with Police activities and the statutory responsibilities of the Commissioner of Police.

Organisation Structure

83. A large number of submissions commented on the restructuring proposals. A majority of the comments related to reducing or merging of police districts. A few submissions also commented on the flattening of regional and headquarters structures, the Commissioner’s Office, and Police ranks and grades.

84. A number of the submissions were against the proposed district boundaries, usually because a particular boundary did not adequately reflect the composition or uniqueness of the communities it served (eg keeping Taranaki and Northland as separate Districts). The need to consider the specific needs of the Auckland 'region' was also raised.
85. Comments on the flatter structure and smaller Commissioner's Office included:
- support for the dismantling of the Regional structure;
 - support for the retention of the Northern Region media office;
 - reduced opportunities for staff progression;
 - concern about devolution of complaint reviews to District Managers;
 - support for devolving greater responsibility to District Managers; and
 - the need to have adequate levels of supervision for front line staff.

Review Process

86. A number of submissions supported the objectives of the Review, but comments on the review process itself raised concerns about the timeframe and adequacy of the consultation process, and on the cost cutting focus.

Governance

87. There were mixed views about accountability arrangements. Some suggested that the Commissioner should report to the Governor-General and others raised concerns about the impact of Ministerial directions on the Commissioner's independence.

Other Issues

88. A large number of submissions commented on a variety of general issues. The single most common theme to emerge concerned the role of Police Education Officers, particularly in relation to the 'DARE' programme. Several submissions also commented on the status of road safety enforcement. A few submissions identified interface issues between Police and government agencies and or community groups.
89. Another general common theme related to staffing issues such as the potential loss of experienced staff and the reduction of non-sworn and sworn police staff. Several submissions also commented on reinvesting savings in front-line policing.

F GOVERNANCE

90. Policing is a core function of the State, and as such the New Zealand Police, as an organisation closely resembles a Public Service department. As described in Parts C and D, a number of the practices and processes adopted in the State sector for assigning accountabilities also apply to the New Zealand Police, most notably:
- (i) the contribution of the New Zealand Police to the Government's Strategic Result Areas is specified, and given operational effect through the six Key Result Areas;
 - (ii) leading from (i), the Commissioner of Police and the Minister negotiate an annual Purchase Agreement specifying the amount and quality of the outputs to be delivered by the New Zealand Police. The Purchase Agreement is reasonably specific, and does create the potential for the Minister to alter law enforcement priorities consistent with the limits on Ministerial direction incorporated in the Memorandum of Understanding between the Minister and the Commissioner; and
 - (iii) the financial accountabilities and associated reporting requirements specified in the Public Finance Act apply to the New Zealand Police.
91. Notwithstanding, the New Zealand Police is distinguishable from a Public Service department in a number of respects.
- (i) the power of the Minister of Police to direct the Commissioner is constrained by the Commissioner's original and independent statutory authority on law enforcement. The precise limits on the Minister's powers are difficult to define, and amount to a distinction between Government policy and Police operations.
- It is clear that the Minister cannot direct the Commissioner in criminal law enforcement, either in particular cases, or in classes of cases. The Minister can, however, impose binding requirements in respect of administration and resources.
- (ii) the difficulty in precisely defining the boundary between Government policy and Police operations has the effect of diluting the accountability of the Commissioner and the New Zealand Police, and has meant that the responsibilities of the Commissioner and the New Zealand Police have been defined in the broadest of terms only.
 - (iii) whilst some parts of the State Sector Act regime apply to the New Zealand Police, others do not, most notably, the appointment processes for Chief Executives, and the procedures for reviewing the performance of Chief Executives.
92. The New Zealand Police manage assets of very substantial value, including a significant property portfolio. The main risk associated with owning these

assets is that of ensuring that the assets are continuously assessed to ensure that they meet the needs of the New Zealand Police.

93. A thorough analysis of the constitutional issues involving the New Zealand Police is contained in Appendix 1. The analysis focuses on the central issue of how to strengthen the accountability of the Commissioner and the Police consistent with their constitutional independence on law enforcement. Two broad approaches are identified, namely, a strengthening and extension of the current accountability arrangements contained in the Police Act and the State Sector Act, and a Management Board which exercises powers over resources and administration and holds the Commissioner to account for the effective and efficient management of resources.
94. On balance, the former approach is favoured because it does not offend the constitutional independence of the Commissioner. An externally appointed Board analogous to a Board of Directors or a Commission, with powers over resources and administration, has the potential to create real tensions around the issues of constitutional independence. Such tensions are best addressed through a direct relationship between the Minister and the Commissioner. However, as discussed below, there may well be advantages in a Ministerially appointed Advisory Board to advise on the management of the Crown's ownership risk in the New Zealand Police.
95. The existing accountability arrangements could be strengthened and extended in a variety of ways:
 - (i) whilst it is not possible to clearly define the line between Government policy and New Zealand Police operations, it is possible to make its workings more transparent. This could be achieved by way of an amendment to the Police Act to prescribe a process for dealing with an impasse between the Minister and the Commissioner. Specifically where the Minister and the Commissioner are unable to agree on whether an issue falls within a Minister's role for decision making, or the Commissioner's independent role, and where the Minister feels strongly enough to direct the Commissioner, then the Minister would be required to give that direction in writing and table it in the House of Representatives.
 - (ii) the Police Act should be amended to clearly set out its purpose, to define the role of the Police, and to more clearly specify the responsibilities of the Commissioner;
 - (iii) the Police Act could be brought more into line with those provisions in the State Sector Act which would enhance accountability including:
 - clarification of the appointment process for the Commissioner and Deputy Commissioners including issues of tenure and removal;
 - empowering the State Services Commissioner to review and report on the performance of the Commissioner of Police;

- requiring the Commissioner of Police to report each year to the Minister on the financial performance of the Police;
- requiring the Commissioner to furnish a report on the operational components of New Zealand Police activities, and on issues which are subject to Ministerial direction; and
- the Commissioner's rights and responsibilities in dealing with issues of staff performance and discipline should also be lined up with the State Sector Act as appropriate.

96. The changes outlined above have the effect of more clearly defining the roles and responsibilities of the Police Commissioner, and strengthening reporting and review procedures. As such, they are very much "after the event". However, given the magnitude of the Crown's ownership interest in the New Zealand Police, further measures are necessary to properly manage that risk. These could, to an extent, be achieved by the Minister of Police appointing a Management Advisory Board, comprising persons with business skills and experience, to advise the Minister on the New Zealand Police's corporate intentions, including capital investments and divestments. This advice could also extend to assessing the adequacy of the business practices adopted by the New Zealand Police in managing its resources, and which in turn could feed into the State Service Commissioner's review of the Police Commissioner's performance.

G THE ORGANISATIONAL STRUCTURE OF THE POLICE

(i) The Framework

97. Changing the way in which an organisation is structured is not a panacea for real or perceived failure to deliver at an optimal level.² However, poor structure can blur an organisation's focus on its goals, inhibit its ability to pick up signals from its stakeholders, reduce the speed and quality of its decision making, including the use of resources, and frustrate the people who work in it.
98. Good people will always find a way to work around poor structure, but they should not have to. Considering change to structure within the context of an organisation's strategy should be an ongoing **process** rather than an intermittent, possibly wrenching, **event**. Put another way, developing and implementing an organisational strategy, whether in the public or private sectors, is an integral part of the life of an organisation, and like all other aspects, the organisation's structure must be constantly reviewed to ensure it contributes to (or at least does not inhibit) the organisation's effectiveness in achieving its goals. Structure should follow strategy, or, in a static sense, *form follows function*.³
99. It is also incumbent upon the New Zealand Police to constantly improve efficiency, and its initiatives in this are touched on elsewhere in this report. Organisational structure has an obvious impact on this, but again, the context must be recognised - designing an organisational structure for New Zealand Police must take account of the legislative/governance environment (statutory responsibilities), the Policing Strategy (effectiveness), the normal State Sector/Public Finance Act ownership responsibilities (efficiency), and the current structure (transition costs).
100. In a crude sense, this includes balancing strategic capability (the ability to deliver, including in response to rare and/or unexpected demands), with operational excellence (the no-waste, efficient "machine"). This, of course, is the challenge faced by all organisations.

(ii) How the Structure of New Zealand Police Was Reviewed

101. The organisational structure of the New Zealand Police was reviewed within the context of the overall review. The analysis and design work built on an intensive amount of work already undertaken by a Police Structures Working Party. The review goal was set by the review's Terms of Reference, but, in a more fundamental sense, by the Government's Strategic Result Areas and the Policing Strategy discussed elsewhere in this report.
102. A set of "Operating Assumptions for Structures and Service Delivery" was identified and refined throughout the review to guide the design work. These

² The idea that structure is only one of many factors affecting performance is encapsulated by Waterman op. cit.

³ The need for organisations to structure themselves to achieve their strategic objectives is discussed in Robins, P. et al, "Organisational Behaviour: Concepts, Context, Cases and Application", 1994, Prentice Hall, Australia.

are appended as Appendix 3. In addition, “Key Principles” were identified to guide the design of the Commissioner’s Office, which are also appended in Appendix 3. Both the “Assumptions” and “Key Principles” are a mixture of high-level and second-order criteria that fall into the two broad factors of:

- strategic capability; and
 - operational excellence
103. “Strategic capability” relates to the New Zealand Police’s capability to deliver on its strategic goals, and encompasses:
- thinking strategically;
 - ability to manage risk; and
 - flexibility and innovation.
104. The organisational structure must foster and maintain **strategic thinking**: indirectly by enabling information flows externally (information exchange with stakeholders), and internally ie. ensuring strategy takes account of “coalface” reality, and equally, that those on the frontline are working in concert with the overall strategy; and directly, by maintaining some resource focused on strategic development. It must harness the ideas and initiatives of the highly trained, experienced, frontline staff.
105. **Risk assessment** must be ongoing to ensure the maintenance of a reasonable capability to act and react to policing situations. Like strategic thinking, this must be integral to policing at all levels.
106. Given the nature of the Policing Strategy, the speed of change in society generally and of new technology, the challenge to New Zealand Police is to ensure the fluid nature of the strategy process is reflected in **flexibility** and **innovation**.
107. Finally, along with the expectation that everyone in New Zealand Police must contribute to strategy is the necessity of giving “managers” and constables maximum leeway to both do this and deliver policing services. This in turn requires clear and robust accountability mechanisms.
108. “Operational excellence” relates to the New Zealand Police’s efficiency, and encompasses:
- “customer focus”;
 - quality of service;
 - the freedom of the Commissioner and other “managers” to manage resources efficiently;
 - cost minimisation;
 - the number and nature of direct reports (span of control) to the Commissioner and other “managers”;
 - transparency of decision making; and
 - clear lines of accountability and no duplication of functions.

109. “**Customer focus**” to the New Zealand Police means understanding the needs and expectations of its customers and delivering services that meet or exceed their needs and expectations. This involves positioning all Police officers and the organisation to understand the needs of the public, Iwi, and Government. It requires all New Zealand Police staff to have the skills to deliver a quality service to their customers and work in partnership with them to achieve their vision of *Safer Communities Together*.
110. Empowering the Commissioner and other “managers” to manage resources efficiently and to minimise costs is a dimension of the accountability mechanism referred to under “strategic capability”, as are the other factors of a reasonable number of direct reports (span of control) to the Commissioner (and other “managers”) - this of course is heavily influenced by nature of the activity undertaken by the direct reports, but, in any case, requires sound management information systems - transparency of decision making, and clear lines of accountability and no duplication of functions.

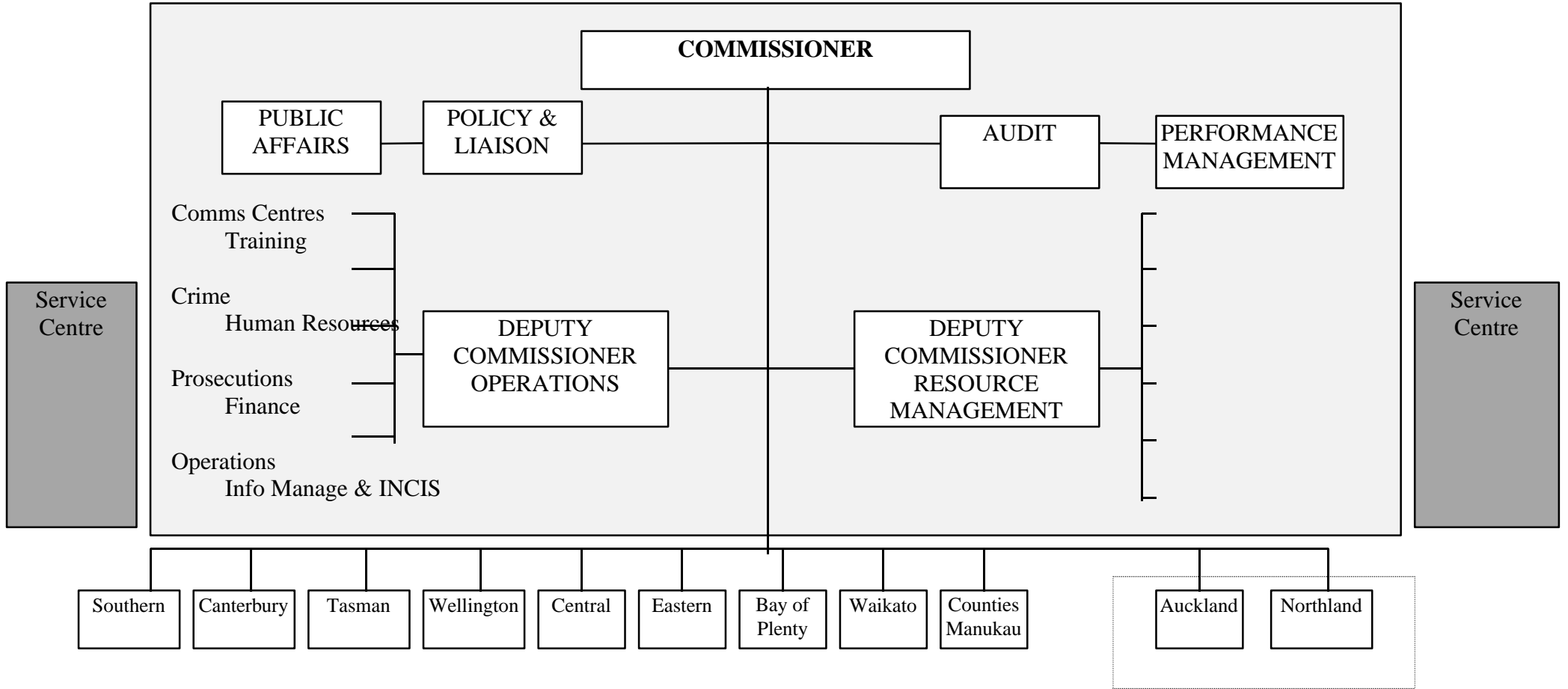
(iii) **The Preferred Option**


111. In developing an organisational structure, two polar extremes in terms of approach are possible - developing and testing a wide range of options against established criteria, or an iterative approach using the criteria to build a preferred option. This review adopted an approach somewhere in the middle, but closest to the latter.
112. As noted, the design work on the preferred option described below was conducted in the context of the overall review and cannot be seen in isolation from it - for example, the review of property management led to conclusions impacting on the organisational structure, and the section on **Property Management** discusses some detail in this regard.
113. The design of the preferred option was driven by a tight focus on:
- maintenance of a strategic capability to ensure delivery of the Policing Strategy (effectiveness); and
 - core policing competencies (efficiency).
114. It has the following key characteristics:
- devolution of responsibility to the lowest competent level, with concomitant robust accountability mechanisms;
 - empowerment of the frontline and Districts to the maximum degree possible (a dimension of devolution);
 - streamlined reporting lines including:
 - the elimination of the regional office layer and other layers of hierarchy consistent with other factors such as reasonable span of control; and

- direct links between Districts and the Commissioner and senior officers/managers;
- an emphasis on frontline delivery, with national/interregional, and support services being provided on an internal contracting basis (“service level agreements” akin to those found in many public sector agencies);
- national/interregional services (eg. monitoring of gang behaviour) grouped into “service centres”;
- a small Commissioner’s office focused on support for the Minister, Commissioner, and, for strategic advice to districts; and
- a three-pronged approach to support services:
 - districts being resourced to manage most support services in a day-to-day sense (with an emphasis on “managers” assuming greater responsibility in accordance with increased devolution, and district support staff, such as human resource advisers, providing advice and assistance rather than having line responsibility);
 - the Commissioner’s office retaining strategic oversight of support services; and
 - services outside of policing core competencies being outsourced (see the section on **Outsourcing**).

115. The preferred option for the national organisational structure is:

NATIONAL STRUCTURE



 to be further analysed

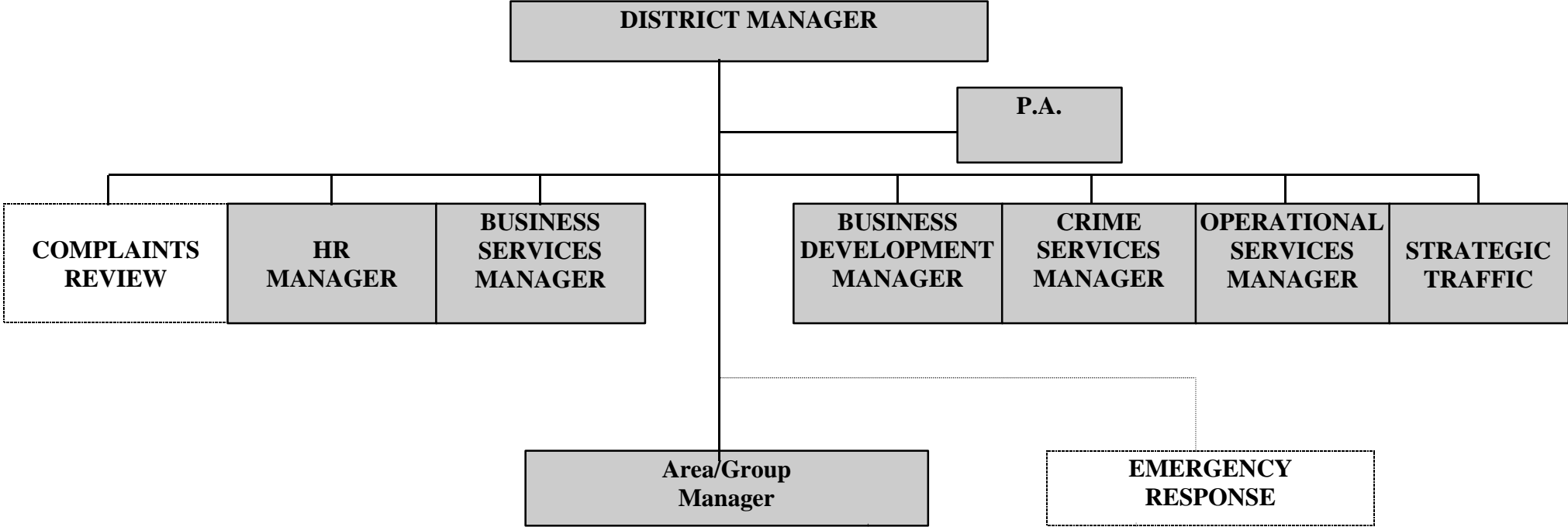
Comment

116. The preferred option would see a major change from the status quo:
- enhanced relationship (communication and accountability) between the key “players” responsible for managing service delivery, by direct reporting lines between the Commissioner and District Managers;
 - role of District “Managers” will be enhanced by this relationship, with their performance agreements being linked directly to KRAs;
 - the Office of the Commissioner becomes a small, multi-skilled unit focused on supporting the Minister, Commissioner and Districts; and
 - District Offices will combine skilled management support teams focused on best practice performance.
117. The District “Managers”, together with the Commissioner and other senior staff, would form an Operating Committee, which would focus on the efficient and effective delivery of outputs to achieve the Government’s public safety objectives. It would also develop a strategy to manage major security events such as APEC. The Committee would constantly monitor the support services necessary to fulfil the Districts’ obligations, and would provide a forum for cross fertilisation of ideas.
118. The Service Centre concept would see a number of national/support services grouped and providing services to Districts (and, for, say, management information, to the Commissioner’s Office) via a direct purchase contract.
- The services could include:
- communications
 - traffic safety
 - forensic
 - prosecutions
 - licensing
 - HR support (eg. payroll)
 - training
 - finance (non-strategic accounting services)
 - stores
 - INCIS
 - IT
119. How the services could be configured into groups would need further work - one possibility is to divide them into those relating to policing capability (eg forensic), and those related to more generic processing functions (eg. payroll). Some functions may be suitable for outsourcing.
120. Substantive submissions have been made on the impact of reducing the resourcing for the Internal Affairs function. Given Internal Affairs’ current role

in undertaking investigations on behalf of the Police Complaints Authority (PCA), such a reduction is seen as having significant resourcing implications for the PCA. While the original proposal is still considered appropriate for the Police organisation structure, it is suggested that Government consider further the most appropriate location and resourcing of the investigation function currently undertaken by Internal Affairs with a view to enhancing the independent status of the PCA.

121. The preferred option for a typical District office is:

DISTRICT MANAGEMENT TEMPLATE



**OPTIONAL
MANAGER**

Approved subject to business case on need, and size of district

Service Level Agreement operating

Comment

122. The draft report suggested 11 Districts, with Northland merged with Waitakere and North Shore. A large number of submissions commented on this, and the Commissioner reported extensively on the representations he received. Arguments can be mounted for a range of numbers of Districts, but it is important to appreciate that the proposed integration is administrative only. As the Commissioner points out, all areas, whether they are Districts or not, will have a local manager whose core role will be leadership of Police in a particular community. That person will be the local point of contact for operational and resource issues in the same way the District Manager currently is.
123. The Commissioner identified particular issues associated with merging Northland with Waitakere and the North Shore and with the treatment of Auckland. These issues require further consideration, and in light of this some flexibility should be afforded by fixing the number of Districts at between 10 and 12. This range is appropriate, taking into account:
- the elimination of the regional structure;
 - natural communities/geographical boundaries; and
 - reasonable span of control - both in terms of manageability for the District Manager, and in terms of direct reports to the Commissioner.
124. Whilst not addressed in the preceding diagrams, the rationalisation of the number of Districts would also suggest a reduction in the number of Areas/Groups (the next and final management unit below the District level) from 57 to 48 - or 4 to 5 per District Manager.
125. Each District Office would have 11 and up to 14 staff, with the possibility of slightly more in major cities. The “template” in the preceding diagram could be varied to meet local needs, but would broadly reflect:

Business Development

Strategy, managing change, policy, communications, Iwi and partnerships.

Crime Services

Major investigations, squads, specialists and forensic

Human Resources

HR specialist

Business Services

Financial specialist, contracts, assets, administration and corporate planning

Operational Services

District operational units, intelligence, professional standards

Strategic Traffic

Delivery of traffic safety strategies

In metropolitan Districts, the following may also be included:

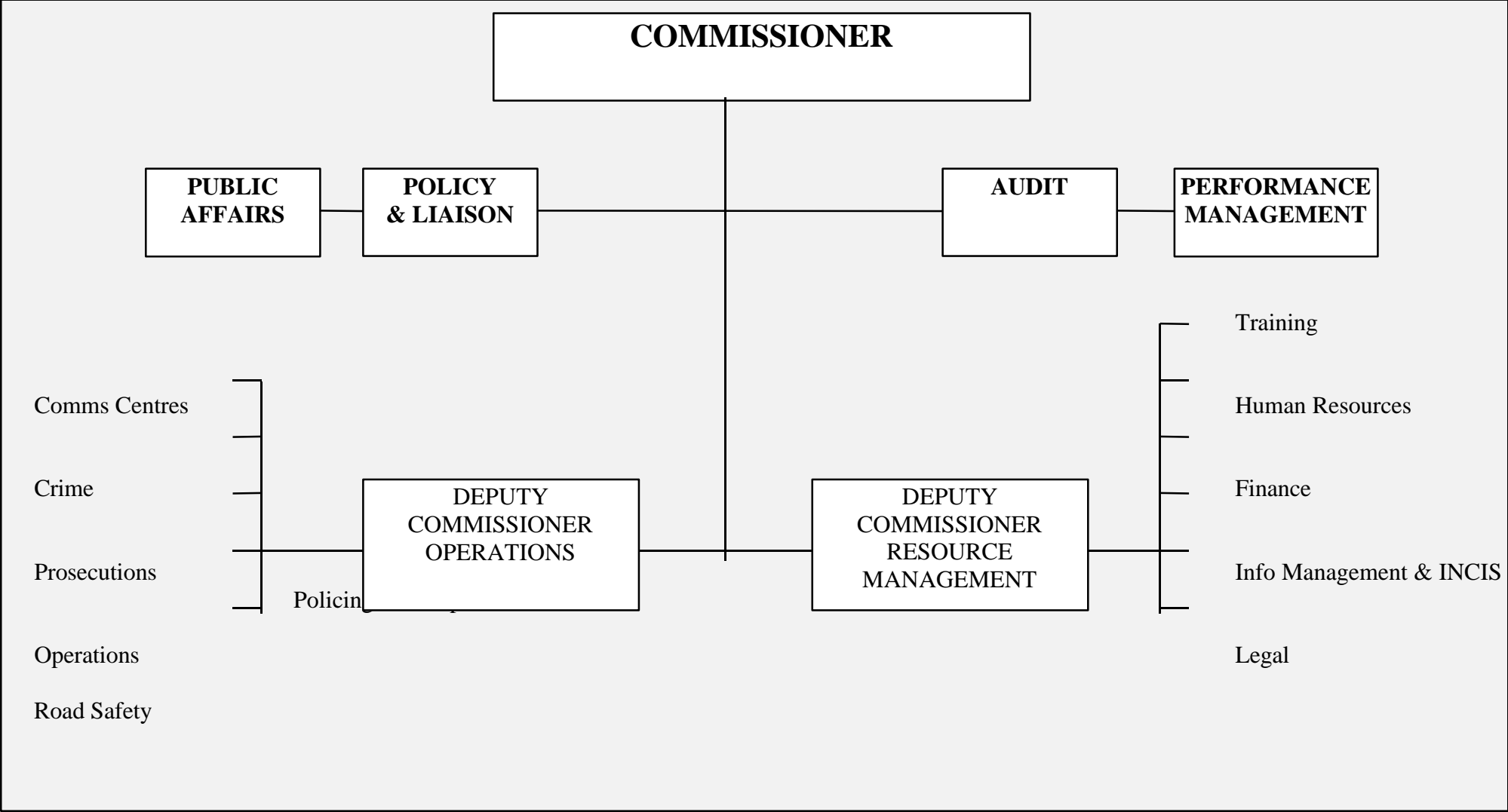
Emergency Response

126. In light of submissions from traffic safety officers, the Ministry of Transport, and the Land Transport Safety Authority, the originally proposed optional designation of a strategic Traffic Manager has now become mandated.

Commissioner's Office

127. The preferred approach for the Commissioner's Office is:

COMMISSIONER'S OFFICE STRUCTURE



Comment

128. The Office of the Commissioner exists to support the Minister, the Commissioner, and the Districts. The broad roles for each function on the diagram are described below:

Policy and Liaison, and Public Affairs

- assist the Commissioner to set the national direction of the organisation and define strategies to support the national goals;
 - ensure activities are coordinated with other sector partners;
 - provide input into the national policy development process;
 - ensure there is clear communication with all stakeholders.

Resource Management Group

- provide a sound organisational framework to ensure an efficient and effective use of resources;
- provide guidance and support to District and Area Managers to assist them in exercising their functions;
- administer those services which are centralised to achieve economies of scale eg. payroll and accounts;
- provide advice on complying with legislative and central agency requirements; and
 - policing development: co-ordination of research and project management.

Operations

- national and international intelligence clearing house;
- tactical and specialist services eg. communications centres; forensic;
 - co-ordination and management of national operations;
 - road safety;
 - peer review and quality assurance of major district investigations;
 - management of special events (APEC) or special investigations ; and
- separate prosecutions (consistent with Law Commission recommendation).

Audit and Performance Management

- undertake compliance and Internal Audit functions; and
- review organisational effectiveness eg. thematic reviews on District initiatives with local Iwi.

129. As with the Districts, a dedicated Road Safety Manager reporting to the Deputy Commissioner (Operations) has been added to reflect the need for a coordinated and visible approach to road safety.

(iv) **Analysis**

130. What follows is a summary analysis of the status quo, a divisional structure, and the preferred option.

Status Quo

131. Given the Terms of Reference and the other review recommendations, the status quo is not an option, but summarising the analysis of it links the issue identification specifically to the current organisational structure.

132. The current structure clearly contributes to some of the New Zealand Police's weaknesses. The structure is an awkward mix of a many-layered hierarchy, matrix management, and vertical "pillars" of services. Combined (and, arguably, each component on their own), they may inhibit and compartmentalise strategic thinking. The overall strategy may not always be clear to those on the frontline.

133. The risk of dissipated accountability inherent in a matrix management model, and the risk of "patch protection" inherent in "pillars", do not aid risk assessment at the strategic level, and the consequent prioritisation of resources. These components, and especially the many layers of the hierarchy⁴, inhibit flexibility and innovation. Management autonomy at the middle management level is in many respects illusory given the many input controls.

134. The structure does provide for "command" responses necessary in the policing environment, but the question remains about the degree to which a clearer, simple structure would allow middle managers to maintain a strategic capability within their area of responsibility.

135. The weak "feedback loop" in relation to external stakeholders referred to above, coupled with the relative lack of autonomy of middle managers, sits uncomfortably with the Policing Strategy, and community policing in particular - in short, there are obstacles to "client focus".

136. As noted, there is room to increase manager autonomy, and allow them to make resource trade-offs that best suit their area of responsibility to maintain strategic capability and minimise cost.

137. Also as noted, the current hierarchical/matrix/"pillar" hybrid structure means decision making is emphatically not transparent to staff not directly involved in the process, nor to external stakeholders. This issue of clear lines of accountability is a dimension of transparency in this context. The relative lack of accountability of "managers" means where the "buck stops" for a given issue is

⁴ Drucker, P. 1960. "The most common and most serious symptom of malorganisation is multiplication of the number of management levels. A basic rule of any organisation is to build the least possible number of management levels and forge the shortest possible chain of command".

not always clear to those at a lower level in the organisation (or to external stakeholders). This is exacerbated by the matrix component.

138. Finally, the hierarchy, coupled with the regional structure and the functions located in them, strongly suggest duplication of functions.

Divisional Model

139. A “divisional” model was considered in the early stages of the design work. This would entail a Commissioner’s Office responsible for governance, goal-setting and monitoring, and other corporate functions, and two or more national divisions each focused on a particular function, eg. traffic; or divisions based on outputs. This model could be compared to the holding/subsidiary company model in the private sector, or a number of Public Service departments such as Social Welfare and Labour.

140. However, several factors quickly ruled out detailed consideration of this model:

- the Policing Strategy, particularly the concept of community policing, rests on devolution of responsibilities to the lowest competent level;
- the Constable is at the frontline and, as discussed, has a wide brief within statutory parameters. Put in conventional terms, Constables and the supervisory/management positions of Sergeant and Senior Sergeant are multi-skilled positions of significant authority and responsibility. They are required, over time, to operate across the full range of policing activities. They reflect, at the level of the individual, the flexible nature of frontline policing where resources are deployed across a wide range of duties. Reinforcing organisational “pillars” by adopting a divisional structure would introduce an organisational obstacle to this flexibility.

Preferred Option

141. The preferred option will enhance the New Zealand Police’s strategic capability to achieve the Government’s higher order strategic policing direction. The centrality of strategic thinking will be reinforced by:

- the refocussing of the Commissioner’s Office on the Government’s strategic direction and monitoring of the performance in terms of the Policing Strategy of the districts and the service centres;
- enhanced, “built-in” links between the Commissioner’s Office and the “coalface” by streamlining the lines of accountability;
- the expectation of strategic thinking on the part of all Police staff inherent in maximum devolution. This, combined with better links to the Commissioner’s Office, will also enhance external information flows; and
- maintenance of a strategic policy resource in the Commissioner’s Office.

142. Risk assessment will be enhanced by the same mechanisms as for strategic thinking - maximising information flows and input to strategy - but in the context of sharpened accountability (see below).
143. Flexibility and innovation will be encouraged by the devolved nature of the preferred option.
144. Accountability will be sharpened by the reduction in layers of hierarchy and the shift in focus from matrix management to collegiality. That is, district and service centre managers accountability in their area of responsibility will be clearly defined. They will also be required to contribute collegially to the overall direction of the New Zealand Police in a direct sense by virtue of reporting directly to the Commissioner. Managers and staff in the Commissioner's Office will have a clear focus on strategic issues, with delivery to be primarily by the districts and service centres.
145. The separation of prosecutions from the districts - in effect, a separate organisational "pillar" - reflects the distinct nature of their role and competencies (they are not Constables), and implements the recent recommendations of the Law Commission. They were the exception to prove the rule.
146. The preferred option will also enhance the operational excellence of the Police. Districts and service centres will be charged, within an overall strategy that they will be part of determining, with delivering the policing strategy in the way best suited to their area of responsibility. "Client focus" is central to that strategy, and so to the operations of the districts and service centres. Managers will be held accountable for demonstrating "client focus" and high quality services.
147. Empowering the Commissioner and other managers to manage resources efficiently and minimise costs is inherent in the devolved/sharpened accountability nature of the preferred option.
148. The preferred option involves a reasonable span of control, both in terms of areas of responsibility, and the number of direct reports. The former is enhanced by the clear definition of, and accountability for, areas of responsibility, and contractual (service level agreement) arrangements between districts and service centres (and outsourced services). When considering what is reasonable in terms of the number of direct reports, it is important to keep in mind that this is heavily influenced by the nature of those direct reports ie the Commissioner - district manager relationship will be managed in the context of a set of clear, measurable performance measures, and specialist advisers in the Commissioner's Office. Having district managers, the two Deputy Commissioners, and specialist advisers, reporting directly to the Commissioner is possible with 11 districts, and with "corporate" service functions reporting through a direct report to the Commissioner. This model is replicated at the district level - the focus on the core policing function emphasised by area managers reporting directly to the district manager, with business/support services grouped.
149. Transparency of decision making, clear lines of accountability, and no duplication of functions are clearly all enhanced by the preferred option for the reasons cited in relation to accountability above.

(v) Staffing of Preferred Option

150. Allocating staff numbers to a redesigned organisation is, in the end, a matter of judgement rather than a precise science. However, the key criteria referred to in the analysis of options earlier provide a guide. For example, the strategic focus of the Commissioner's Office clearly points to a small entity akin to such offices in many public and private sector organisations. Other criteria were also applied, such as a ratio of one NCO Supervisor to 5 Constables as a sound supervision ratio for Police.
151. In light of the judgement involved in fixing staffing numbers, it is more realistic to set ranges rather than precise numbers. This point was strongly made by the Commissioner, and reflected concerns expressed in other submissions. The revised numbers are:

Commissioner's Office	- Commissioner - 145-170
District Management and Support Staff	- 130-170

152. The Commissioner has also noted (as well as a number of other submissions) that there may be some supervision and management risks associated with the flatter structure, ie.

Commissioner
District Managers
Area Managers
(Senior) Sergeants/Team Leaders
Constables/Team Members

153. The suggestion has therefore been accepted that there should be some flexibility during detailed design and implementation to allow for some locations to have a different mix of NCOs/Commissioned Officers or an additional management tier.

(vi) Staffing Reductions Generated by Preferred Option

154. The frontline is not affected. By refocussing the Commissioner's Office and streamlining the hierarchy, staff reductions can be broadly identified as follows:

	Total
Commissioner's Office	90-115
Regional Offices	75
District Offices	215-255
Total	380-445

155. Pursuing the outsourcing of non-core services, and the practical establishment of service centres, may also lead to fewer staff being required.

(vii) **Financial Savings From Staff Reductions in Preferred Option**

156. The estimated savings in direct personnel costs generated by the staff reductions of the preferred option is of the order of \$20-24 million. This figure assumes pay and related costs of \$60,000 per position for the Districts, and in the case Commissioner's Office is broadly based on actual salary bands.

H TRAINING

157. The Training Directorate of New Zealand Police is required to report to Cabinet by the end of June on options for Police training. The process is well advanced: most of the strategic issues have been identified and analysed, and cost options have been identified around strategic needs. The total expenditure on training by the New Zealand Police (including trainee salaries) is \$16.7 million, of which \$12.2 million is spent on the Royal New Zealand Police College. The analysis thus far has identified initial on-going savings from the operation of the Police College alone of \$3.1 million. The College should plan to realise these savings in their own right as soon as possible ie. irrespective of what scenarios are finally decided for Police training.

I OUTSOURCING

(i) Why Outsource?

158. Outsourcing of non-core activities can yield significant benefits over time. The key to successful outsourcing is to have a framework in place to monitor service delivery on an ongoing basis ie. to ensure that the organisation is getting the best deal and the best quality.
159. The principal benefits from outsourcing are:
- (i) lower costs, deriving in part from the economies of scale achieved by the outsourcer;
 - (ii) higher quality, arising from the higher skills possessed by the outsourcer; and
 - (iii) mitigation of risk, because the outsourcer's commercial viability is at stake and they will wear the cost of time overruns or budget blowouts.
160. There are costs involved in outsourcing, principally in terms of staff required to specify the contractual requirements and to monitor outcomes. These will, to some extent, offset the money saved.
161. A range of non-core support services currently performed by the New Zealand Police have been assessed for outsourcing against explicit criteria. The criteria are:
- (i) whether coercive powers are involved in delivering the service
 - (ii) the impact of the service on core Police capability
 - (iii) the strategic alignment of the service to core business
 - (iv) the ability to manage contract failure and whether the service is readily retrievable in these circumstances
 - (v) the synergy with the services currently provided by potential outsourcers
 - (vi) the reliability of potential outsourcers
 - (vii) the ability to change, ie. to separate management systems, to resolve accommodation issues, to continue to secure internal cooperation, to easily manage the transition, and to contain the cost of change (including redundancy).
162. There were wide ranging submissions on outsourcing. Two proposals in particular attracted most attention:
- Search & Rescue
Police Forensic Photography

163. In regard to Search & Rescue, it is clear that this requires further analysis before a decision is made in principle to outsource. The Police obviously have the capability at the front end to coordinate Search & Rescue activities and there is no obvious alternative organisation with that capability. Search and Rescue has therefore been removed from the proposals pending further analysis.
164. Forensic Photography poses particular problems for alternative providers: the requirement for a 24 hour service nationally, the need to be expert in crime scene and pathological photography, and the need to be expert witnesses in criminal proceedings. Forensic Photography has been removed from the proposals.
165. The Institute of Environment Science Research (ESR) expressed interest in providing a full range of forensic activities as a national package, notably:
- Scene of Crime Officers
 - Fingerprints
 - Accident investigation
 - Document examination
 - Much of the sound laboratory
 - Much of the armoury
 - Forensic biology (already contracted to ESR)
 - Physical evidence analysis (already contracted to ESR)
 - Forensic toxicology (already contracted to ESR)
 - Drug analysis (already contracted to ESR)
 - Alcohol analysis (already contracted to ESR)
 - Pathology (provided through CHEs)

This suggestion is worthy of further investigation by the Commissioner of Police.

166. The services scoped have, on the basis of criteria identified, been categorised according to likely time frames for completion, and an estimate of the potential net benefits of outsourcing made. The timeframes in the draft report have, on the suggestion of the Commissioner, being extended slightly. The lack of available information concerning these services has constrained the analysis, and the expected net benefits are indicative only at this stage.

(ii) **New Zealand Police Services That Should be Considered for Outsourcing**

Completion by 30 June 1999

Service	Estimated Benefits \$mill
Property Ownership/Management (not rationalisation)	
Cafeteria	
Video Unit	
Fleet ownership/management	
Payroll	
Equipment – inventory management	
Equip - stores and supply (not including optimisation of purchases)	
Management review and audit	
Accounting services	
TOTAL	5.5

Completion by 30 June 2000

Service	Estimated Benefits \$mill
Welfare	
Prisoner escort	
Document serving	
Lost & Found Property	
Prisoner custody	
Infringement processing	
Provide Speed Camera Operation	
Scene Guard	
TOTAL	12.0

Possible Completion by 30 June 2001, pending resolution of strategic issues

Service	Estimated Benefits \$mill
IT development (additional)	
Communications Centres	
Provide Commercial Vehicle Investigation	
TOTAL	5.00

167. A number of other services warrant analysis to determine suitability for outsourcing. At this stage, there is insufficient information upon which to base any judgement about the benefits of outsourcing. These services could include matters such as recruitment, passport enquiries and travel arrangements.

J PURCHASING OF SUPPLIES

168. The New Zealand Police are a significant purchaser of goods and services. Major areas are telecommunications, computer associated hardware and vehicles. It is important for the future to develop a purchasing strategy which maximises the benefits, both financial and non-financial, from the suppliers who are a part of the value chain of the New Zealand Police.
169. A tendering process should be in place for the top 100 purchases to be tendered on a once per year basis. Items for tender should be packaged from the various sectors of the New Zealand Police in a way most attractive for suppliers. Given the size of the purchases additional value should be extracted by way of guarantees, technology updates and additional warranty periods for vehicles over and above that being offered by general practice.
170. Benefits which can be maximised by an appropriate process and strategy include buy-back clauses to be exercised at the end of the useful life of appropriate items, technological upgrades, and financing arrangements. A central professional negotiator should be responsible for the formalising and leading of these negotiations.
171. The current expenditure on supplies is of the order of \$70 million. Savings of around 5%, or \$3.5 million, should be readily achievable through the adoption of a more aggressive purchasing strategy.

K PROPERTY MANAGEMENT

172. A substantial part of the Crown's ownership interest in the Police is tied up in property. The Police have 599 freehold properties with a book value of \$312.6 million (including 184 houses at a book value of 15.3 million). The Police also lease 166 additional properties, at a total net rent of \$8.6 million.
173. An analysis of property management issues confronting the Police is contained in Appendix 2. The analysis was originally going to focus on two issues:
- (i) the rationale for the continuing ownership of property by the Police, and the potential for selling property and leasing; and
 - (ii) the location of Police premises relative to public safety risk, and the scope for swapping prime sites for alternative locations.
174. The analysis has revealed that consideration of these issues is premature. This is because there are underlying problems with property management that must be addressed first, notably:
- (i) the absence of a planned national property strategy rooted in a firm understanding of property needs, to facilitate rational, consistent, and nationally directed property decisions.
 - (ii) the absence of robust property information and reporting systems.
 - (iii) a decentralised property process with little in the way of accountability specification and performance measurement. There is no consistency of asset or service procurement.
 - (iv) arising from (iii), little opportunity is taken for global efficiencies. The National Property Office has no service level agreements with the regions.
 - (v) a depreciation regime whose rates are lower than the Inland Revenue Department published rates.
 - (vi) properties, particularly houses, which are in average or poor condition. Little money is spent on property maintenance, with the result that deferred maintenance is high (estimated at \$2.4 million for Police stations alone).
175. The immediate imperative is to bring decisions on property back within a national framework. One way of achieving this would be to establish a Property Service Organisation headed by a Property Manager, and to vest ownership of New Zealand Police property in that organisation. The Property Manager would report to the Chief Financial Officer, and be assisted by three property managers located outside of Wellington each managing an agreed portfolio of districts.

176. Specifically, the functions of the Property Service Organisation would be:

- (i) to establish in consultation with District Managers a national property strategy appropriate to the new organisation and direction of policing;
- (ii) to develop an evaluative programme for considering the viability and priority of capital works;
- (iii) to develop and implement a property management information system with appropriate performance measures and benchmarks to identify performance improvement opportunities as the portfolio evolves;
- (iv) to enter into service agreements with District Managers on the provision of property, this initially being done on an occupation and capital charge basis district by district. The service agreements would cover occupation, maintenance, cleaning, compliance, and energy purchase. The application of a capital charge alone will cause District Managers to think carefully about their property needs. These will dispel the notion that property is a free good; and
- (v) to urgently review maintenance requirements with a view to bringing all property up to a satisfactory standard. Funding for this should fall outside of normal operating budgets.

177. There are, however, some more immediate opportunities to rationalise at least part of the property portfolio:

- (i) the preferred organisational structure described earlier means that the Commissioner's Office could be housed in an area of around 3000sq metres, at a current total occupation of \$750,000 annum for similar quality accommodation. The total occupancy cost a present is 2.4 million. The lease expires on 8 April 2000 and if renewed would result in a considerable surplus of accommodation, if the preferred structure is adopted. Given the potential savings in rent, it is important to establish the accommodation requirements for the Commissioner's Office as soon as possible so that alternatives can be identified which meet the requirements within a sufficient timeframe to enable withdrawal and relocation from the current property;
- (ii) the lease on the accommodation at Transport House, Wellington; expires on 30/9/2000. A right of renewal for six years is available, but at a rental higher than the market rental level. The lease should either be restructured to apply only to the space the Police require, and failing this, viable alternatives should be identified within this timeframe; and

(iii) in respect of housing, a total review of housing stock should be undertaken urgently with a view to a disposal of those properties which are not genuinely required to satisfy “hard to fill” policing requirements. Initial indications are that some \$13 million could be realised through this process. Some of these savings could be released to address deferred maintenance.

178. The gains specified above are relatively modest compared with the potential gains arising from a rationalisation of the property stock within the context of a national strategic property plan.

L. INCIS

179. The terms of reference required the reviewer to assess the productivity gains likely to arise from INCIS. The savings identified in the review largely incorporate those which had been assumed to arise from INCIS. Savings from INCIS are required to meet financial commitments made by Police to the Government at the time the project was approved. Of the \$45-50 million savings identified in this report \$22 million is required to meet that commitment from the 2000/2001 year. The roll-out of INCIS is not expected to lead to further significant job reductions or direct savings. The main gains will be reflected in time saved for frontline officers, allowing them to put more time into fighting crime.

M. OTHER INITIATIVES - POLICING 2000

180. As indicated previously, Policing 2000 involves matching management and resources to the strategy of proactive policing. The review drew on some of the research conducted by the Policing 2000 group particularly on structures and outsourcing. Policing 2000 has identified a number of other initiatives which will lead to further efficiencies and hence add to the savings potential identified in the report.
181. Policing 2000 should be implemented as soon as possible. The remaining work should be prioritised and expedited, once the new organisational structure is in place and implemented as a matter of priority at the District level.

N. SUMMARY OF SAVINGS

182. The resources potentially released as a consequence of the proposed initiatives identified in the review are, in summary:

Year*		Full Year	First
		(when all savings realised)	
	1. District Office Rationalisation	10.7-13.2	3.0
	2. Disestablishment of Regions	4.5	1.0
	3. Rationalisation of Police National Headquarters	4.8-6.3	1.5
	4. Royal New Zealand Police College	3.0	1.5
	5. Purchasing of Supplies	3.5	1.8
	6. Outsourcing of non-core services	<u>20.0</u>	—
		\$46.5-50.5 million**	\$8.8 million

* Assuming savings realised in the second six months only.

** This range is expressed as \$45-50 million elsewhere in the report to reflect the fact that, while these figures are considered robust, it is appropriate to allow a 'general' range to provide for flexibility in implementation.

183. The savings identified in 1-4 above do not fully reflect the gains arising from reduced overheads: ie. rent, heat, light, power, telecommunications, and so forth. For example the section on **Property Management** revealed significant potential gains arising from a better specification of requirements for the Commissioner's Office, and the consequent implications for the leases on the Molesworth Street property and Transport House. Savings in the order of \$2.25 million from these initiatives alone are possible. The extent of reductions in other overheads, however, depends on what decisions are taken on the uses to be made of these released resources (eg. the balance between capital and operational expenditure).

184. There are also likely to be a number of "one off" costs associated with implementation of the proposals, and these will need to be funded and repaid from downstream savings. Reinvestment in Police will therefore be net of these costs.

185. The changes underlying these savings will improve the efficiency of the New Zealand Police and will also enhance its ability to achieve the Government's public safety objectives.