



I hereby give notice that an ordinary meeting of the Finance and Performance Committee will be held on:

**Date:** Thursday, 19 June 2014  
**Time:** 9.30am  
**Meeting Room:** Reception Lounge  
**Venue:** Auckland Town Hall  
301-305 Queen Street  
Auckland

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## **Finance and Performance Committee OPEN ADDENDUM AGENDA**

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### **MEMBERSHIP**

<b>Chairperson</b>	Cr Penny Webster	
<b>Deputy Chairperson</b>	Cr Ross Clow	
<b>Members</b>	Cr Anae Arthur Anae	Cr Calum Penrose
	Cr Cameron Brewer	Cr Dick Quax
	Mayor Len Brown, JP	Cr Sharon Stewart, QSM
	Cr Dr Cathy Casey	Member David Taipari
	Cr Bill Cashmore	Member John Tamihere
	Cr Linda Cooper, JP	Cr Sir John Walker, KNZM, CBE
	Cr Chris Darby	Cr Wayne Walker
	Cr Alf Filipaina	Cr John Watson
	Cr Hon Christine Fletcher, QSO	Cr George Wood, CNZM
	Cr Penny Hulse	
	Cr Denise Krum	
	Cr Mike Lee	

(Quorum 11 members)

**Crispian Franklin**  
**Democracy Advisor**

**18 June 2014**

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## Response to report commissioned by the Independent Māori Statutory Board - Independent Assessment of Expenditure incurred by Auckland Council to achieve Māori outcomes.

File No.: CP2014/12587

Item 10

### Purpose

1. This report responds to the Finance and Performance Committee request that staff report on the findings of the 'Independent Assessment of Expenditure incurred by Auckland Council to achieve Māori Outcomes' report commissioned by the Independent Māori Statutory Board (IMSB); and the steps and actions that will be taken to address the findings, including The Long-term Plan 2015 to 2025 planning.

### Executive summary

2. KPMG undertook the work and their overall finding was that "although Council has indicated a strong interest to significantly lift the social and economic wellbeing of Māori in Auckland in the Auckland Plan, there is a clear lack of alignment of Council's intent to [Council's] strategy and delivery of specific Māori initiatives". Thirteen recommendations, attached as Appendix A, are provided in support of this overall finding.
3. The thirteen recommendations are a mixture of forward looking recommendations which align with the council's Long-term Plan 2015 to 2025 (LTP) planning process; recommendations which support and strengthen business improvement work already underway; and recommendations focussing on budgets and expenditure for the financial years 2012/2013 and 2013/2014. There is some cross-over and repetition between recommendations.
4. When viewed together, the forward looking recommendations (1, 2, 5, 6, 9, 10, 11 and 13) are proposing that the council family:
  - takes a strategic top down approach to agreeing and prioritising activities that contribute to Māori outcomes
  - allocates resource to the agreed activities and ensures that this is carried through into improved budgeting, business planning, monitoring and reporting processes so that progress towards these activities can be clearly identified.
5. We support this approach as it aligns well with the mayor's direction to the council family for the LTP planning process, which includes prioritisation of activities to deliver on the transformational shifts in the Auckland Plan. The LTP process provides the opportunity for renewed political direction on priority Māori transformational shift activities.
6. We also propose the development of a comprehensive Māori responsiveness reporting framework clearly tied to the agreed LTP priorities to ensure proactive monitoring and reporting on Māori transformational shift activities across the Auckland Council family as well as on long-term Māori wellbeing indicators.
7. Three recommendations (7, 8 and 12) relate to process, capacity and capability improvements across the council and its Council Controlled Organisations (CCOs). Through the council's Te Tiriti o Waitangi response work programme, business improvement initiatives have been progressing for some time on a number of these recommendations. We support the continued focus on this work that these recommendations bring.
8. Auckland Council's Chief Executive has agreed to establish and lead a Māori Responsiveness Leadership team across the Auckland Council family to ensure progress on the agreed actions arising from this report.

9. Recommendations three and four relating to KPMG's assessment of expenditure against budget in 2012/2013 and 2013/2014 are not supported.
10. Recommendation three recommends rolling over a shortfall in expenditure from those years. For 2012/2013, KPMG appear to have misinterpreted the council's identification of projects that contributed to Māori outcomes, as budget allocations. While activities occurred there was no allocated budget or tracking of expenditure against Māori outcomes in 2012/2013.
11. Budgets with respect to activities and projects within the 2013/2014 Annual Plan were identified that contribute to Māori outcomes. Expenditure against this budget has been reported regularly to this committee. Some of the 2013/2014 projects will not be completed by year end and we have already anticipated the need to carry over remaining budgets for those particular projects into 2014/2015. This is a timing issue rather than a shortfall in expenditure.
12. Recommendation four that "Council and IMSB should agree a budget for specific Māori expenditure for FY 2013/14, excluding stormwater" is not supported as there is already an agreed budget for this financial year, which is almost over. In addition, senior council and IMSB staff discussed whether stormwater projects and in particular daylighting contributed to identified Māori outcomes. The monitoring and reporting on stormwater to date reflects that it was considered to contribute to Māori outcomes.
13. In summary, while we do not agree with everything in the KPMG report, we acknowledge the need to continue working on the council's approach to Māori outcomes. The LTP provides the opportunity to do this as of 2015. For 2014/2015 we propose reporting to this committee on specific projects which will contribute to Māori transformational shift activities and setting out the monitoring and reporting process.

## Recommendation/s

That the Finance and Performance Committee:

- a) note the IMSB intends the KPMG report findings to assist the council in improving its Māori responsiveness in resource allocation and its key planning, budgeting and reporting processes, particularly in preparation of the LTP
- b) note the KPMG report recommendations 1, 2, 5, 6, 9, 10, 11 and 13 are together proposing that the council family takes a strategic top down approach to agreeing and prioritising activities that contribute to Māori outcomes
- c) agree to support this approach through clarifying the council's political direction on priority Māori transformational shift activities and associated budgets in the LTP
- d) request work to be undertaken to support c) and to ensure that the council's budgeting, business planning, monitoring and reporting processes identify progress on priority Māori transformational shift activities through the LTP years
- e) agree that a Māori responsiveness reporting framework be developed to ensure monitoring and reporting of Māori transformational shift activities across the Auckland Council family as well as on long-term Māori wellbeing indicators
- f) note that KPMG recommendations seven and eight support and strengthen work currently underway and that the council's Chief Executive will progress recommendation 12 in discussion with the CCO Chief Executives
- g) note that Auckland Council's Chief Executive will lead a Māori Responsiveness Leadership team across the Auckland Council family to ensure progress on the agreed actions arising from this report
- h) agree that KPMG recommendations three and four are not supported for the reasons explained in this report
- i) note that staff will report back in July 2014 to this committee specifying those projects which will contribute to Māori transformational shift activities in 2014/2015 and setting out the monitoring and reporting process for 2014/2015.

## Background

14. The IMSB's purpose is to:
  - assist Auckland Council to make decisions, perform functions, and exercise powers by promoting the cultural, economic, environmental and social issues of significance to Māori in Tāmaki Makaurau
  - ensure that the council acts in accordance with statutory provisions referring to the Treaty of Waitangi.
15. The IMSB commissioned KPMG to provide an assessment of Auckland Council's and CCOs' annual expenditure for 2012/2013. The objectives of this review were to:
  - identify plans, activities and related expenditure directed toward achieving Māori outcomes that are included in the council's Long-term Plan 2012 to 2022 with greater focus on the 2012/2013 year and assessing the end of year results
  - assess whether the council processes and expenditure incurred supported the activities, initiatives identified and communicated
  - report on the expenditure gaps identified and areas where process and systems could be improved generally and more particularly for the LTP 2015 to 2025 (LTP).
16. The IMSB's intention is that the findings will assist the council in improving its Māori responsiveness in resource allocation and its key planning, budgeting and reporting processes, particularly in preparation of the LTP.
17. The Finance and Performance Committee on 22 May 2014 requested council staff to report back to the next committee meeting on the findings and steps and actions that will be taken to address the findings, including LTP planning.

## KPMG report recommendations

18. KPMG's overall finding was that "although Council has indicated a strong interest to significantly lift the social and economic wellbeing of Māori in Auckland in the Auckland Plan, there is a clear lack of alignment of Council's intent to [Council's] strategy and delivery of specific Māori initiatives".
19. This overall finding is supported by thirteen specific recommendations which are attached as Appendix A. The thirteen recommendations are a mixture of forward looking recommendations which align with the council's LTP planning process; recommendations which align with work currently underway; and recommendations focussing on budgets and expenditure for 2012/2013 and 2013/2014. The recommendations are set out below with our proposed response.
20. Auckland Council's Chief Executive has agreed to establish and lead a Māori Responsiveness Leadership team across the Auckland Council family. This team will help to ensure progress on the agreed actions arising from the committee's consideration of this report and provide the necessary internal leadership around embedding the priority Māori transformational shift activities into the council's budgetary, activity, monitoring and reporting processes, across the council family.

## Strategic top down approach to prioritising Māori transformational shift activities

21. When viewed together, the forward looking recommendations (1, 2, 5, 6, 9, 10, 11 and 13) are proposing that the council family:
  - takes a strategic top down approach to agreeing and prioritising activities that contribute to Māori outcomes.

- allocates resource to the agreed activities and ensures that this is carried through into improved budgeting, business planning, monitoring and reporting processes so that progress towards these activities can be clearly identified.

22. These recommendations are supported.

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KPMG recommendation		Proposed Auckland Council response
1	A top down view by the Governing Body is required to ensure a clear financial commitment and understanding of Māori priorities.	Agree.
2	The Provisional IMSB Budget Estimates for Māori Transformational shift activities and Activities document (\$295.2 million) presented to the Council in November 2011 for consideration should be refreshed in close consultation with the Council. The updated budget will assist IMSB to advocate for specific projects and expenditure to be allocated to Māori outcomes.	The IMSB is refreshing its budget estimates in preparation for IMSB's discussions with the Governing Body about LTP priorities. Council staff will review this against proposals within departmental budgets and endeavour to achieve alignment during the development of the draft LTP.
5	Agree a list of Māori specific projects and budget with IMSB and include this as part of the Annual Plan to simplify identification and monitoring of Māori outcomes.	Agree in LTP context. The draft 2014/2015 Annual Plan has been agreed and will be adopted by the Governing Body on 26 June 2014. This recommendation is consistent with the proposed top down approach for the 2015-2025 LTP.  For the 14/15 FY, staff will report back to this committee specifying those projects which will contribute to Māori transformational shift activities in 2014/2015 and setting out the monitoring and reporting process for 2014/2015.
6	The 2015-2025 LTP along with the Local Board planning process is an excellent opportunity to better align Māori outcomes to Council's strategies. The 2015-2025 LTP should clearly articulate expenditure to be allocated towards delivering specific transformational shift activities. This should be developed on the basis of specific projects linked to Māori outcomes.	Agree. Te Waka Angamua (TWA) are coordinating the development of the council's Māori outcome proposals in the LTP process. TWA are engaging with the IMSB on their draft LTP priorities. As part of the LTP development process the IMSB have been invited to the LTP workshops on 7 July and 1 September and are meeting with the Mayor on 4 August to discuss the LTP.
9	Whilst improvement initiatives have been introduced to improve the processes over budgeting, planning, delivery and reporting of Māori outcomes, these have not been fully embedded in the Council's and CCOs' daily operations.	Agree.
10	There is a need to improve the quality of reporting to the Council Committees to present a fair view of the Council's progress against the Māori outcomes budget.	Agree. We propose the development of a comprehensive reporting framework clearly tied to the agreed LTP priorities that ensures monitoring across the Auckland Council family activities.
11	To ensure alignment of Council's Māori Responsiveness Framework response programmes to the Māori Plan, policies and procedures should be updated for the 13 areas of gaps identified by Te Waka Angamua.	Agree in LTP context. This recommendation seeks integration of the Māori Plan initiatives into the LTP and the council's budgets. The LTP process provides the opportunity to consider alignment of the Māori responsiveness programme and the Māori Plan. We do not consider it is necessary to have an

		additional process beyond the LTP for this recommendation.	<b>Item 10</b>
13	A need for proactive monitoring on a regular basis by the Council and CCO Management on progress against budgeted expenditure for Māori outcomes. This will allow Management to identify any early warning signals of low levels of spending so that corrective measures can be put in place to ensure the Council delivers on its commitments for Māori outcomes.	Agree. The proposed change and approach will assist this.	

### Discussion

23. During the process of developing the 2012/2022 Long-term Plan the IMSB commissioned work to identify priority Māori outcome areas and an appropriate level of spending on Māori outcomes.
24. The amount identified by the IMSB was \$295 million over the 10-year life of the LTP. The council agreed to reference the eight priority outcome areas in the LTP and each activity included statements and performance measures with respect to Māori outcomes. However, the council did not establish a specific budget for Māori outcomes. Rather council staff were requested to identify the extent to which existing budgets contributed to Māori outcomes.
25. A specific budget was not identified for the 2012/13 year nor was there active monitoring of actual expenditure. Rather effort was applied to working with IMSB to develop guidelines for identifying expenditure, and developing systems and processes for capturing budget and actual expenditure. The guidelines excluded staff costs and projects where the actions or expenditure have less than 80 per cent focus on Māori.
26. The guidelines have proved difficult to apply and as noted by KPMG have relied on a 'bottom up approach'. It has resulted in significant effort by the organisation to identify a relatively small proportion of the overall contribution to Māori outcomes.
27. KPMG recommended a top down approach. This will require the council to agree specific budgets for projects and activities which will contribute to Māori outcomes. This approach is supported and will form a much clearer basis against which to report actual expenditure. It will not capture the council's total expenditure towards Māori outcomes and should not pretend to do so.
28. Taking a strategic approach to Māori transformational shift activities aligns well with the mayor's direction to the council family for the LTP planning process, which includes:
  - prioritisation of the top five activities/projects to deliver on the transformational shifts and geographic projects in the Auckland Plan
  - a coordinated LTP planning process exercise across the council and our CCOs
  - a "top down" approach rather than "bottom-up" for financial modelling
  - a thorough and inclusive LTP planning process.
29. As the KPMG report states, the council has made a number of strong commitments to Māori in the Auckland Plan, LTP, Unitary Plan and Local Board plans. The council has also formally received the IMSB's Issues of Significance, Māori Plan, and Treaty of Waitangi Audit. Each of these contains proposed transformational shift activities, some of which have been agreed to and/or incorporated into council strategic documents and activities. Māori community plans and iwi management plans also contain Māori outcomes.
30. Clarity is needed as to which of these many activities the council is prioritising and committing resources to. We support a top down strategic approach to agreeing and prioritising Māori transformational shift activities and allocating resource to them. We

consider that the LTP process provides the appropriate opportunity for renewed political direction on priority Māori transformational shift activities and associated budgets.

31. Te Waka Angamua (TWA) are coordinating the council's Māori transformational shift activity proposals as part of the LTP process. TWA staff are engaging closely with the IMSB secretariat to achieve alignment where possible with the IMSB's draft LTP priorities. As part of the LTP development process IMSB members have been invited to the LTP workshops on 7 July and 1 September and are meeting with the mayor on 4 August to discuss the LTP.
32. KPMG recommendations nine, ten and 13 refer to the need to improve and further embed the council's budgeting, planning and reporting process for Māori transformational shift activities and for proactive monitoring of expenditure on these activities. We propose the development of a comprehensive Māori responsiveness reporting framework that ensures proactive monitoring and reporting on Māori transformational shift activities across the Auckland Council family as well as on long-term Māori wellbeing indicators.

### Recommendations supporting and strengthening current business improvement initiatives

33. Recommendations seven, eight and 12 relate to process, capacity and capability improvements across the council and its CCOs. These include clarifying TWA's role and mandate; proactive monitoring by council and CCO management to ensure the council delivers on priority Māori transformational shift activities; increased staff capability and a consistent Māori engagement framework. Through the council's Te Tiriti o Waitangi response work program, business improvement initiatives have been progressing on a number of these recommendations. We support the continued focus on this work that these recommendations would bring.
34. We understand that recommendation twelve particularly relates to the role of TWA with respect to the council's substantive CCOs. The council's Chief Executive will discuss this with the CCO Chief Executives and agree an approach to this.

KPMG recommendation		Proposed Auckland Council response
7	The Council should consider rolling out a consistent Māori engagement framework across the Council and CCOs. The framework would ideally take into account the underpinning principles of effective engagement with the iwi and results from the Māori Strategy and Relations survey.	Underway. There are multiple initiatives already underway to promote consistent best practice engagement with Māori. "Engaging with Māori: A practical guide" is available to the council family to provide a consistent framework through which to engage Māori. A monthly engagement forum for CCOs has been recently initiated by TWA and specialist and general senior advisors provide advice and/or support to engagement with Māori across the council family.
8	There is a need for a transformational uplift in capability and cultural awareness of staff in the Council and CCOs. More focussed training should be provided to Council and CCO staff to uplift their knowledge and awareness of the Treaty of Waitangi obligations, Māori Responsiveness Framework Māori Plan and Māori values/culture.	Underway. The training and development work stream of the council's Te Tiriti Audit response programme has multiple elements. One of these, Ngā Kete Akoranga is: <ul style="list-style-type: none"> <li>• delivering of a suite of entry level courses available to all council staff through on-line enrolment</li> <li>• facilitating the development of targeted training upon request at the department or unit level within the council or CCOs</li> <li>• facilitating delivery of entry level courses for CCOs upon request.</li> </ul>
12	The role of TWA should be clearly specified and	Agree.

	communicated and their mandate clearly defined to ensure clarity of their role, manage expectations of stakeholders regarding levels of service and ensure proper accountability.	The council's Chief Executive will discuss this with the CCO Chief Executives and agree an approach to this.
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**Recommendations relating to expenditure against budget for 2012/2013 and 2013/2014**

35. Recommendations three and four relating to KPMG's assessment of expenditure against budget in 2012/2013 and 2013/2014 are not supported.

	KPMG recommendation	Proposed Auckland Council response
3	Shortfall in spending on Māori outcomes in prior years should be rolled forward to the future.	Not supported.
4	IMSB and the Council should agree a budget for specific Māori expenditure for FY 13/14 excluding Stormwater.	Not supported.
<b>Proposed response to recommendations three and four:</b> Staff will report back in July 2014 clearly specifying those projects which will contribute to Māori transformational shift activities 2014/2015 and setting out the monitoring and reporting process for 2014/2015.		

**Discussion**

Recommendation three

36. KPMG recommends rolling over a shortfall in expenditure in KPMG's assessment of expenditure against budget for 2012/2013 and 2013/2014.
37. With respect to 2012/2013 recommendation three appears to be a misinterpretation of the report presented to the 15 February 2012 Strategy and Finance Committee. This report was an estimate of the extent to which existing budgets contributed to Māori outcomes. It was not a process of allocating budget to "a set of Māori outcomes" as stated by KPMG; there was no allocated budget.
38. Prior to the IMSB engaging KPMG to undertake this work, council staff advised the IMSB that assessing Māori outcomes expenditure in 2012/2013 would be difficult and could result in inaccurate figures, due to the lack of allocated budget or reporting requirements in that year.
39. Budgets with respect to activities and projects within the 2013/14 Annual Plan which contribute to Māori outcomes were identified. Some of the projects will not be completed by year end and we have already anticipated the need to carry forward remaining budgets for those projects into 2014/2015.

Recommendation four

40. Recommendation four proposes that the IMSB and the council should "agree a budget for specific Māori expenditure for FY 13/14 excluding stormwater" on the basis that the council's stormwater work is not achieving a Māori outcome.
41. The financial year 2013/2014 year is almost over. The annual expenditure on projects which contributed to Māori outcomes in 2013/2014 was identified collaboratively with the IMSB secretariat and has been reported on regularly to this committee.
42. Senior council and IMSB staff in the Māori outcomes steering group discussed a number of activities including stormwater (in particular daylighting) and whether the activities met the Māori outcomes criteria. At the meeting, the La Rosa daylighting project demonstrated how stormwater and daylighting contributed to a range of Māori transformational shift activities. Stormwater was not removed as a Māori specific outcome, and has been monitored and reported on this basis to date.

43. Further, mana whenua have consistently submitted to Auckland Council and legacy councils on stormwater as a priority issue; and stormwater continues to be a Mayoral Priority Area in the Annual Plan as agreed with the IMSB.
44. The 15 May 2013 Accountability and Performance Committee considered a report on the La Rosa daylighting project which included this information. This report was provided to KPMG prior to their report being finalised.
45. The financial year 2014/2015 will commence on 1 July 2014. Our intention is to report back to this committee in July 2014 clearly specifying those projects which will contribute to Māori transformational shift activities in 2014/2015 and set out the monitoring and reporting process.

## Consideration

### Local Board views and implications

46. The KPMG report is focused on expenditure across the council family, including local boards. Local board budgets, including those for Māori transformational shift activities sit with the relevant departments that undertake the work on behalf of the local boards. The proposed response to the report will apply across the council family including local boards.

### Māori impact statement

47. This report responds to a view which suggests that the council should change its approach to identifying and actioning Māori transformational shift activities and to its budgetary, monitoring and reporting processes as they relate to Māori transformational shift activities. This report proposes supporting many of the KPMG recommendations.

## Attachments

No.	Title	Page
A	Appendix A KPMG report recommendations	13

## Signatories

Authors	Deborah James - Executive Officer
Authorisers	Grant Taylor - Governance Director Andrew McKenzie - Chief Finance Officer

<b>KPMG Report recommendations</b>	
<b>1</b>	A top down view by the Governing Body is required to ensure a clear financial commitment and understanding of Māori priorities.
<b>2</b>	The Provisional IMSB Budget Estimates for Māori Outcomes and Activities document (\$295.2 million) presented to the Council in November 2011 for consideration should be refreshed in close consultation with the Council. The updated budget will assist IMSB to advocate for specific projects and expenditure to be allocated to Māori outcomes
<b>3</b>	Shortfall in spending on Māori outcomes in prior years should be rolled forward to the future.
<b>4</b>	IMSB and Council should agree a budget for specific Māori expenditure for FY 13/14 excluding Stormwater.
<b>5</b>	Agree a list of Māori specific projects and budget with IMSB and include this as part of the Annual Plan to simplify identification and monitoring of Māori outcomes
<b>6</b>	The 2015-2025 LTP along with the Local Board planning process is an excellent opportunity to better align Māori outcomes to Council's strategies. The 2015-2025 LTP should clearly articulate expenditure to be allocated towards delivering specific outcomes. This should be developed on the basis of specific projects linked to Māori outcomes.
<b>7</b>	The Council should consider rolling out a consistent Māori engagement framework across the Council and CCOs. The framework would ideally take into account the underpinning principles of effective engagement with the iwi and results from the Māori Strategy and Relations survey
<b>8</b>	There is a need for a transformational uplift in capability and cultural awareness of staff in the Council and CCOs. More focussed training should be provided to Council and CCOs staff to uplift their knowledge and awareness of the Treaty of Waitangi obligations, Māori Responsiveness Framework 'MRF', Māori Plan and Māori values/culture.
<b>9</b>	Whilst improvement initiatives have been introduced to improve the processes over budgeting, planning, delivery and reporting of Māori outcomes, these have not been fully embedded in the Council's and CCOs daily operations.
<b>10</b>	There is a need to improve the quality of reporting to the Council Committees to present a fair view of the Councils progress against the Māori outcomes budget.

<b>KPMG Report recommendations</b>	
<b>11</b>	To ensure alignment of Council's Maori Responsiveness Framework response programmes to the Māori Plan, policies and procedures should be updated for the 13 areas of gaps identified by Te Waka Angamua.
<b>12</b>	The role of Te Waka Angamua. should be clearly specified and communicated and their mandate clearly defined to ensure clarity of their role, manage expectations of stakeholders regarding levels of service and ensure proper accountability.
<b>13</b>	A need for proactive monitoring on a regular basis by Council and CCO Management on progress against budgeted expenditure for Māori outcomes. This will allow Management to identify any early warning signals of low levels of spending so that corrective measures can be put in place to ensure Council delivers on its commitments for Māori outcomes.