

I hereby give notice that an ordinary meeting of the Chief Executive Officer Review Committee will be held on:

**Date:** Wednesday, 26 August 2015  
**Time:** 9.30am  
**Meeting Room:** Level 26  
**Venue:** 135 Albert Street  
Auckland

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## Chief Executive Officer Review Committee

### OPEN AGENDA

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#### MEMBERSHIP

<b>Chairperson</b>	Hon Christine Fletcher, QSO
<b>Deputy Chairperson</b>	Mayor Len Brown, JP
<b>Members</b>	Cr Bill Cashmore Deputy Mayor Penny Hulse Cr Penny Webster Cr George Wood, CNZM

(Quorum 3 members)

**Tam White**  
**Democracy Advisor**

**21 August 2015**

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## TERMS OF REFERENCE

### **Responsibilities**

The Chief Executive Review Committee is established to review the Chief Executive's performance and to recommend to the Governing Body the terms and conditions of the Chief Executive's employment including any performance agreement measures and annual remuneration.

### **Powers**

All powers necessary to perform the Committee's responsibilities.

#### Except:

- (a) powers that the Governing Body cannot delegate or has retained to itself (see Governing Body responsibilities)
- (b) where the Committee's responsibility is limited to making a recommendation only

## **Exclusion of the public – who needs to leave the meeting**

### **Members of the public**

All members of the public must leave the meeting when the public are excluded unless a resolution is passed permitting a person to remain because their knowledge will assist the meeting.

### **Those who are not members of the public**

#### General principles

- Access to confidential information is managed on a “need to know” basis where access to the information is required in order for a person to perform their role.
- Those who are not members of the meeting (see list below) must leave unless it is necessary for them to remain and hear the debate in order to perform their role.
- Those who need to be present for one confidential item can remain only for that item and must leave the room for any other confidential items.
- In any case of doubt, the ruling of the chairperson is final.

#### Members of the meeting

- The members of the meeting remain (all Governing Body members if the meeting is a Governing Body meeting; all members of the committee if the meeting is a committee meeting).
- However, standing orders require that a councillor who has a pecuniary conflict of interest leave the room.
- All councillors have the right to attend any meeting of a committee and councillors who are not members of a committee may remain, subject to any limitations in standing orders.

#### Independent Māori Statutory Board

- Members of the Independent Māori Statutory Board who are appointed members of the committee remain.
- Independent Māori Statutory Board members and staff remain if this is necessary in order for them to perform their role.

#### Staff

- All staff supporting the meeting (administrative, senior management) remain.
- Other staff who need to because of their role may remain.

#### Local Board members

- Local Board members who need to hear the matter being discussed in order to perform their role may remain. This will usually be if the matter affects, or is relevant to, a particular Local Board area.

#### Council Controlled Organisations

- Representatives of a Council Controlled Organisation can remain only if required to for discussion of a matter relevant to the Council Controlled Organisation.

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**1 Apologies**

At the close of the agenda no apologies had been received.

**2 Declaration of Interest**

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

**3 Confirmation of Minutes**

That the Chief Executive Officer Review Committee:

- a) confirm the ordinary minutes of its meeting, held on Tuesday, 19 May 2015, as a true and correct record.

**4 Petitions**

At the close of the agenda no requests to present petitions had been received.

**5 Public Input**

Standing Order 7.7 provides for Public Input. Applications to speak must be made to the Democracy Advisor, in writing, no later than **one (1) clear working day** prior to the meeting and must include the subject matter. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders. A maximum of **thirty (30) minutes** is allocated to the period for public input with **five (5) minutes** speaking time for each speaker.

**5.1 Volunteering Auckland - Cheryl Martin**

**Purpose**

1. To address the committee regarding the proposed changes by the Empowered Communities Approach Project.

**Recommendation/s**

That the Chief Executive Officer Review Committee:

- a) thank Cheryl Martin for the presentation.

**5.2 Auckland Council Disability Advisors: Nicola Owen**

**Purpose**

1. Nicola Owen on behalf of Save the Auckland Council Disability Advisors will address the committee in relation to Auckland Council Disability Advisors.

**Recommendation/s**

That the Chief Executive Officer Review Committee:

- a) thank Nicola Owen for the presentation.

## 6 Local Board Input

Standing Order 6.2 provides for Local Board Input. The Chairperson (or nominee of that Chairperson) is entitled to speak for up to **five (5)** minutes during this time. The Chairperson of the Local Board (or nominee of that Chairperson) shall wherever practical, give **one (1)** day's notice of their wish to speak. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders.

This right is in addition to the right under Standing Order 6.1 to speak to matters on the agenda.

At the close of the agenda no requests for local board input had been received.

## 7 Extraordinary Business

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

- (a) The local authority by resolution so decides; and
- (b) The presiding member explains at the meeting, at a time when it is open to the public,-
  - (i) The reason why the item is not on the agenda; and
  - (ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting,-

- (a) That item may be discussed at that meeting if-
  - (i) That item is a minor matter relating to the general business of the local authority; and
  - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”

## 8 Notices of Motion

At the close of the agenda no requests for notices of motion had been received.

## Auckland Council: Financial and Efficiency Reviews

File No.: CP2015/17103

### Purpose

1. To apprise committee members of the financial and efficiency reviews currently underway within Auckland Council.

### Executive Summary

2. The Chief Executive Officer Review Committee Chair requested information about the current suite of financial and efficiency reviews underway within Auckland Council. This information augments the Efficiency Savings Report presented to the Finance and Performance Committee on 20 August 2015.
3. The council has, and continues, to actively review costs and assess ways to fund activities. The substantive reviews currently underway are:
  - a. LTP annual reviews
  - b. Metro Rail Cost Review commissioned by the Budget Committee
  - c. Alternative Sources of Funding commissioned by the Budget Committee
  - d. IS Transformation/NewCore Quarterly Report commissioned by the Finance and Performance Committee
  - e. Procurement and Strategy Implementation Update for the Tenders and Procurement Committee.
4. The council has at any time a number of smaller initiatives underway. Those smaller initiatives are not listed in this paper.

### Recommendations

That the Chief Executive Officer Review Committee:

- a) note the efficiency reviews currently underway in Auckland Council.

### Comments

5. Since amalgamation, the council has been focused on ensuring it delivers value for money. It does this by minimising the cost of resources (doing things at the most appropriate price), performing tasks with reasonable effort (doing things the right way) and maximising outcomes (achieving the right things). It achieves this through:
  - a. Excellent financial management
  - b. Better procurement and tendering processes
  - c. Improved use of information technology
  - d. Bringing more work in-house to reduce council's reliance on more expensive external providers
  - e. Reducing the number of office buildings required
  - f. Enhancing commercial management
  - g. Periodic reviews of services
  - h. Departmental reviews

6. The Chief Executive Officer Review Committee Chair has requested an update of major reviews currently underway.

#### **Long-term Plan Efficiency Savings**

7. Efficiency savings delivered to date have been in the upper end of the expectations set during the early discussions on the benefits of regional amalgamation for Auckland. Efficiency savings have been reviewed as part of the Long-term Plan 2015-2025 and these are budgeted to increase from \$183 million in FY2015 to \$309 million in FY2025.
8. The council undertook detailed annual budget reviews for each of the first three financial years of the 2012-2022 LTP to confirm costs savings, and it is expected that annual reviews will continue for the foreseeable future.

#### **Metro Rail Cost Review**

9. The Budget Committee has commissioned an analysis of the cost comparison between Auckland and Wellington's metro rail networks. The independent analysis will identify the primary drivers of the cost of the provision of rail services in Auckland, identify the main differences between the rail costs for Auckland and Wellington and the reasons for these differentials, develop a financial model showing historic and forecast costs for rail services in Auckland, and identify appropriate metrics for the comparison of Auckland and Wellington rail costs and to track the trend in costs for Auckland rail.
10. The Finance and Performance Committee will receive the review's conclusions by October 2015.

#### **Alternative Sources of Funding**

11. On 7 May 2015, the Budget Committee directed the Chief Executive to undertake a review of council's mix of funding sources to inform the Annual Plan 2016/2017. The broad objective of the review is to test whether there is scope to reduce the proportion of council revenue funded from rates, to maximise the return on council's investments and explore alternative sources of funding. This will include the optimisation of assets that are poorly aligned with council's core business and the broader strategic growth priorities for Auckland.
12. The review will encompass consideration of all alternative financing sources available to council, including but not limited to joint ventures, private-public partnerships (PPP's), leasing arrangements (e.g. re-negotiating commercial leases to improve returns, etc.), asset recycling (including partial or full sale of assets), iwi partnerships, management contracts and outsourcing opportunities.
13. The project will report to the Finance and Performance Committee in November 2015 to provide input into the 2016/17 Annual Plan process. Consideration will also be given at this stage to any Long-term Plan amendments that may be required and consultation requirements. The preferred approach is to initially take a wide ranging view of the options available and then report back so councillors can refine the areas they wish to pursue further.

#### **IS Transformation/NewCore Quarterly Report**

14. NewCore is one of the most significant projects undertaken by council and underpins organisational transformation. It enables future and more radical transformation of customer-facing services, our digital/on-line interface, and will reduce the cost to serve as a result. The annual benefits of NewCore are in excess of \$10 million annually when the project is completed.
15. Council reports each quarterly to the Finance and Performance Committee and was reported at the Finance and Performance Committee meeting on 20 August 2015.

### Procurement Transformation and Strategy Implementation

16. A new operating model and structure was implemented at council in January 2015. This is the foundation for delivering the benefits identified in the Strategic Procurement Business case in 2014. The change also enables the implementation of the new Procurement Strategy and Policy approved by the Governing Body in 2014.
17. An implementation update was provided to the Tenders and Procurement Committee in July 2015 and is due to update Finance and Performance in September 2015. To date the new procurement function has contracted over \$20 million in savings for council.

### Consideration

#### Local Board views and implications

18. Local Board views have not been sought.

#### Māori impact statement

19. A Māori impact assessment has not be undertaken for this information only report.

### Implementation

20. Not applicable.

### Attachments

There are no attachments for this report.

### Signatories

Author	Michael Quinn - Executive Officer
Authorisers	Sue Tindal - Chief Financial Officer Christine Etherington – People & Capability Director



## Chief Executive's Performance Discussion

File No.: CP2015/14002

### Purpose

1. To discuss the performance of the Chief Executive and the council organisation.

### Executive Summary

2. The Chief Executive Officer Review Committee last met on 19 May 2015. Since then, the substantive issues that committee members should consider in their discussion with the Chief Executive include:
  - a) appointments to the Executive Leadership Team
  - b) introduction of council's new staff performance framework
  - c) the development of an easy to understand dialogue for staff that promotes the work of council
  - d) the development of council's corporate strategy
  - e) the Māori Responsiveness Executive Leadership and establishment of Te Toa Takitini
  - f) information on the council's unaudited 2014/15 Annual Report.
3. The next Chief Executive Officer Review Committee meeting is scheduled for 11 November 2015.

### Recommendation

That the Chief Executive Officer Review Committee:

- a) discuss the performance of the Chief Executive and the council organisation.

### Comments

4. The Chief Executive Review Committee last met on 19 May 2015. Since then, the substantive issues that committee members should consider in their discussion with the Chief Executive include:

#### Executive Leadership Team

5. The Chief Executive has previously advised committee members of a number of changes to the Executive Leadership Team (ELT) as a result of early departures and retirements, noting that in the past few months Sue Tindal, Jim Quinn and Phil Wilson had been recruited into the roles of Chief Financial Officer, Chief Strategy Officer and Governance Director.
6. On 6 July 2015, Christine Etherington joined council as the People & Capability Director. Christine joins the council from the Auckland District Health Board where she was Director of Strategic Human Resources.
7. The Committee were previously advised that three new departments will be formed from existing groups in the Operations Division. These departments are Community Services, Regulatory Services, and Infrastructure and Environmental Services each led by a director who will report to the Chief Operating Officer. The three new directors will become part of the ELT, helping to ensure that council's leadership team accurately reflects the workload and direction of the organisation. The council has advertised the roles and they are expected to be filled by the next review committee meeting.

### My Time - new performance framework

8. The council has introduced a new model to improve individual staff performance. Our previous performance management system (the PDP) was not fully successful in aligning staff to organisation goals, motivate performance, or promote staff accountability and ownership for outcomes. To address this, My Time, the council's new performance, recognition and pay framework was launched on 24 July. My Time is a simple, flexible system that has been developed in line with international best practice and in partnership with the PSA, and other staff representatives.
9. The key elements of My Time are:
  - a. Team planning:  
Managers lead their team to develop 12 month objectives broken down into 3 month deliverables, aligned with department priorities.
  - b. Performance conversations:  
Employees lead monthly discussions about their performance and development. Managers take a coaching role, address under-performance and acknowledge achievement.
  - c. Recognition:  
Employees and managers 'say thanks' to colleagues for high performance. Managers have a modest recognition budget and departments have recognition programmes.
  - d. Pay:  
The way employees are paid has changed. With the introduction of My Time, most employees will now receive a set annual pay increase provided they are meeting their goals and all other performance expectations.
10. Implementation of My Time is business-led and is the responsibility of Senior Leaders. Roll-out of the change will be complete by December 2015.

### Our Story - a common purpose for council

11. We are working to embed a high performance culture across the council workforce. A high performance culture is one where staff understand and feel connected to the organisation's purpose and mission, they demonstrate the behaviours of a high performing organisation, and they choose to focus mostly on actions that drive towards our organisation's priorities.
12. Council has a lot of work to do to develop a common purpose. However, currently 44 percent of staff do not feel there is a sense of 'common' purpose. An important first step is having a single organisational story that encapsulates council's objectives, behaviours and approach. In recent weeks council has launched and promoted 'Our story' to all staff, including a video, a new look and feel for our internal communications channels, and discussion and engagement sessions with staff. Our Story is fully owned and authored by the executive leadership team and it captures the objectives and behaviours in a way that is hopefully engaging and meaningful for staff.
13. Our Story will underpin, and be reflected in, the work we will do over the next 2 to 3 years to embed the new culture – starting with our new performance management framework 'My Time', and moving through to our corporate strategy.

### Corporate Strategy Development

14. The council has for some years been supported with a number of internal initiatives designed to underpin the long term delivery of the council's outputs and achievement of the Auckland Plan. The council started to develop a formal internal strategy within the High Performing Council (HPC) framework in 2014. The HPC articulates an aspiration to be a high performing council. More recently, we have focused on developing an overarching corporate strategy that will set clear objectives for the next three years.

15. The corporate strategy will provide clarity about what success looks like for the organisation in three years' time, how to measure progress, a roadmap to deliver success, cost benefit analysis of initiatives, an implementation plan, and quarterly performance oversight by ELT.
16. ELT is currently developing a set of statements that will define what a successful corporate strategy should deliver in three years. These could include for example:
  - a. *We would have achieved a significant shift in the level of Aucklanders that trust us as a steward of ratepayer money, moving from 16 percent to 50 percent.*
  - b. *A more lean and efficient Auckland Council that has delivered \$100 million in organisational savings whilst achieving LTP budget for rates.*
  - c. *We become a 'digital council', with digital becoming the channel of choice for our customers (in excess of 70 percentage interactions) and staff.*
  - d. *Our customers see us as a customer focussed organisation, with customer experience ratings improving to 80 percent.*
  - e. *We would have significantly lifted council's performance and effectiveness with Maori by transforming the Council family culture, thinking and practice.*
17. Over the remainder of 2015, the ELT will undertake a current state analysis and confirm the 'future state' statements. The final corporate strategy will be finalised by December 2015.
18. The Chief Executive will share this work with the review committee given its importance to delivering council's outputs. The strategy components and targets may also inform the next set of Chief Executive Performance objectives from January 2016.

#### **Māori Responsiveness Executive Leadership and oversight of Te Toa Takitini**

19. The Chief Executive leads Council's Māori Responsiveness Executive Leadership group which includes Council's ELT and the Chief Executives of council's substantive CCOs and the IMSB. This group has oversight over the *Te Toa Takitini* structure and work programme to embed improved Māori responsiveness across into council to:
  - a. achieve progress on the Māori transformational shift
  - b. uplift Māori well-being
  - c. achieve better outcomes with Māori.
20. The Māori Responsiveness Executive Leadership group meets quarterly and oversees five programmes of action under Te Toa Takitini. Council's response to the IMSB Treaty Audit is a key part of one of these (Effectiveness for Māori). Regular progress reports are made to the Finance and Performance Committee and the IMSB Governing Body quarterly meetings.

#### **End of Year Performance Report – 2014/15**

21. The council's key performance metrics for the 2014/15 financial year (unaudited) were released to the Finance and Performance Committee on 20 August 2015 as a forerunner to their inclusion in the audited annual report. The Council Group results will be released on 28 August 2015.
22. The key organisational highlights of council parent's financial performance noted to the committee were:
  - a. \$17 million net operating surplus
  - b. \$455 million of capital investment, representing 81 percent of the budgeted capital programme
  - c. \$955 million increase in the value of council assets
  - d. \$20 million of efficiency targets achieved.

23. The information about the council's staffing levels is not included in this report. The information will be reported formally in the council group's annual report. We can report that there was a modest net increase in overall council parent staff numbers of 64 Full Time Employees (FTEs). This is made up of an increase of 99 FTEs in the service delivery areas of the Housing Project Office, Resource Consents, Building Consents and Licensing and Compliance Services in response to user demand growth (cost recovery services) and insourcing. The People and Capability and Communications and Engagement teams were increased by a total of 29 FTEs as a result of insourcing and user demand. These increases were offset by reductions of 63 FTEs, predominately in the Planning Division. The FTE changes reflect the reprioritisation of FTE resources away from planning and towards implementation and service delivery.
24. The council's total FTE count is 6,088 compared to a last year's total of 6,024 (note last years audited total has been revised from 5,990 FTEs to include 45 causal FTEs and exclude 11 IMSB FTEs). As with previous years, councillors will be provided with an analysis of staff figures and costs when CCO information becomes available.
25. A key focus for consideration is how well the organisation has responded to the pressure from growth and housing. The region's population has grown by over 100,000 since amalgamation with an average population increase of 22,000 per year. During 2015, the number of building consent applications processed increased by 6.2 percent compared to the previous year (19,230 processed in 2015), and resource consents processed increased by 3.5 percent (13,100 processed in 2015). Building inspections increased by 5 percent (124,432 inspections in 2015) driven by strong activity in the residential and commercial construction market. The number of building and resource consents processed within the statutory 20 working days remains high at 98 percent and 95 percent and customer satisfaction with the overall quality of service delivered in these two areas has increased on the previous year.
26. In addition to the work above, the council's Housing Project Office was established to accelerate Auckland's housing supply. In the reporting period it contributed to the delivery of 11,000 consented dwellings and sections against the first year target of 9,000 consented dwellings and sections. The number of SHAs totals 84, with 17 Special Housing Areas approved in September 2014 and four SHAs approved in February 2015.

### Chief Executive Performance Objectives – 2015/16

27. The current objectives expire in December 2015. The Chief Executive and ELT will be developing a draft proposal for the committee's consideration at its November 2015 meeting.

### Consideration

#### Local Board views and implications

28. The Chief Executive engages with Local Board Chairs through the Local Board Chairs Forum and their feedback is taken into consideration.

#### Māori impact statement

29. Māori outcomes are influenced through the delivery of council outputs and the effectiveness of council's operational capability and capacity. The Chief Executive's 2014/15 performance objectives include reporting on the Māori responsiveness framework targets achieved.

### Attachments

There are no attachments for this report.

### Signatories

Author	Michael Quinn - Executive Officer
Authorisers	Christine Etherington – People & Capability Director