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

Date:	**Thursday, 17 March 2016**
Time:	**9.30am**
Meeting Room:	**Reception Lounge**
Venue:	**Auckland Town Hall**
	301-305 Queen Street
	Auckland

Finance and Performance Committee

OPEN ADDENDUM AGENDA

MEMBERSHIP

Chairperson	Cr Penny Webster	
Deputy Chairperson	Cr Ross Clow	
Members	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
	Deputy Mayor Penny Hulse	
	Cr Denise Krum	
	Cr Mike Lee	

(Quorum 11 members)

Mike Giddey
Democracy Advisor

15 March 2016

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Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.

Information and Communication Technology (ICT)

File No.: CP2016/03862

Purpose

1. To inform the committee of the findings a review of council's Information Services (IS) department and outline a roadmap of future actions that will improve effectiveness and reduce costs.

Executive Summary

2. The council's IS performance since amalgamation has been the subject of significant scrutiny. During this time, the council's IS systems have provided the platform for the largest rating transition in New Zealand and a large scale desktop upgrade for around 9,000 users. More recently in November 2015, the Group Chief Financial Officer (GCFO) led the renegotiation of the SAP contract which will deliver savings of $33 million over the Long-term Plan. However, it is prudent that council undertakes periodic formal reviews to ensure the council's IS strategy is fully optimised and delivered at the most appropriate cost.

3. On 19 November 2015, the Finance and Performance Committee resolved

   "(g) request the Chief Executive to direct staff to undertake further work to identify and minimise duplicated common back-office functions and operational costs, including HR, communications, and ICT across Auckland Council Group by ten per cent to save $15.2 million annually as estimated in the Ernst & Young report in option 3a (p65)."

4. In response, the GCFO initiated a review of the council's IS functions. As a consequence of that work the GCFO believes that the council's current IS strategy can be more fully optimised with a consequential saving of $36.8 million including an on-going saving of $10.8 million annually. This can be achieved by:

   - Prioritising the number of IS projects underway and stopping underperforming or non-essential projects.
   - Evaluating the IS functions that could be better performed by third parties.
   - Disestablishing non-critical IS staff functions.

5. The review noted that the council's focus is to drive value at the council group level covering the council and its CCOs. The review recommends the council parent focus on getting itself 'fit for purpose' before extending to the CCOs. This approach has been confirmed with the CCOs Chief Executives. The immediate work programme consists of five workstreams, closely aligned with the initiatives that will deliver the anticipated cost savings.

6. Council will pause consideration of the establishment of a Group Chief Information Officer (CIO) and will focus instead on the immediate recruitment (either external or from within current staff) of a Director of Information and Communication Technology (ICT) reporting to the GCFO. This role will be on a contract or fixed term basis of up to 12 months and will drive through the review recommendations.

7. The GCFO will provide the committee with an overview of the review and the proposed next steps.

Recommendation/s

That the Finance and Performance Committee:

a) note the contents of this Information and Communication Technology report.

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Comments

Context

8. The Auckland Council Group is a significant user of IS products, software and equipment. IS provides the backbone for core internal functions which includes rating, billing, finance, procurement, HR and desktop services. IS is also instrumental in providing services to the public, including library transactions, property consents information and licensing and regulatory services. It is therefore essential that Auckland Council has an effective and robust IS strategy that delivers a fit for purpose solution at the most appropriate cost.

9. Committee members will be aware that the council inherited over 5,000 legacy IS systems from the former councils. The large number of IS systems, of varying conditions and state, presented a challenge in terms of functionality, relevance and cost to maintain. Changes to the IS environment were initiated by the Auckland Transition Agency (ATA) and handed to the newly formed council to complete.

10. The major IS drive since 2010 has been threefold:

    - To maintain the inherited IS systems and integrate them as best as possible into the council's new operating environment.

    - To implement NewCore and decommission legacy systems across Finance, Procure to Pay, Property Management, Rates Billing, Consents and Customer Relationship Management (CRM).

    - To implement SAP applications across Asset Management, GIS data and reporting that leverage the core SAP Enterprise Resource Planning (ERP) structure.

11. A schematic of the Auckland Council Group IS Roadmap is attached at Attachment A.

12. The council's IS performance to date has been the subject of significant scrutiny and speculation. Despite the large challenges of amalgamation there have been no material IS failures. Further, since amalgamation the IS network has assisted in the complex rates transition process without error and council has undertaken a large scale desktop upgrade for all of its users. Financial savings have also been secured, most notably the renegotiation of the SAP contract in November 2015 that will deliver savings of $33 million over the Long-Term Plan.

13. Our largest IS project, NewCore, is progressing to its new delivery parameters following the approved reset in November 2014. Several NewCore functions will go live across a third of the region in June 2016 (the Rodney, North Shore and Waitakere areas) covering customer interactions, licensing, property management and financial management. Rating will go live in July 2016 following the rates being struck as part of the 2016/17 Annual Plan process. Consenting and property information functions will follow in October 2016. NewCore is tracking to its revised budget and is expected to deliver benefits of $58 million by 2022.

14. Managing the council's IS is a complex and challenging task that requires significant financial commitment of around $80 million to $90 million opex per year. Council now has the foundation to significantly transform its services. Staff and the public will begin to experience this from mid 2016 onward.

15. Examples of what Aucklanders will see in the near future include being able to lodge and track consent applications from start to finish, easy access to property files, one location to book community facilities across the region and the ability to pay for council services and licenses online. For staff, there will opportunities to simplify our business processes, work more collaboratively and ultimately to deliver services in a more cost effective way.

16. Despite the progress that has been achieved to date, it is prudent to reassess the council's management of its IS network and test whether the current roadmap is the most appropriate and cost effective. In late 2015, the GCFO commissioned a review of the council's IS functions and asked Ernst Young to provide a dispassionate assessment that drew upon work they had undertaken as part of the Alternative Sources of Financing review and their role in providing Independent Quality Assurance (IQA) to the NewCore project.

17.   The review also addresses the Finance and Performance Committee resolution of 19 November 2015:

> "(g)   request the Chief Executive to direct staff to undertake further work to identify and minimise duplicated common back-office functions and operational costs, including HR, communications, and ICT across Auckland Council Group by ten per cent to save $15.2 million annually as estimated in the Ernst & Young report in option 3a (p65)."

Analysis and New IS Roadmap

18.   Following an analysis of the council's IS functions and consultation with the GCFO, it is believed that the council's IS strategy can be more fully optimised with a consequential saving of $36.8 million including an on-going saving of $10.8 million annually.

19.   This can be achieved by:

- Prioritising the number of IS projects underway and stopping underperforming (over budget or behind schedule) or non-essential projects. This could deliver savings of between $23.1 million to $33.7 million.

- Assessing the IS functions that could be better performed by third parties. An initial estimate indicates that savings of $2.1 million could be achieved through increased efficiencies and reductions in staff numbers if nominated functions were outsourced.

- Disestablishing non-critical internal IS staff functions to deliver an estimated $1 million of savings.

20.   The review noted that the council's focus is to drive value at the council group level which includes the CCOs. However EY strongly recommend that the council parent must focus on getting itself 'fit for purpose' before extending the scope to include the CCOs. This ensures that focus and effort is not diluted. This approach has been confirmed with the CCOs Chief Executives.

21.   As an initial first step, the council will pause consideration of the establishment of a Group Chief Information Officer (CIO) and will focus instead on the immediate recruitment (either external or from within current staff) of a Director of Information and Communication Technology (ICT) reporting to the GCFO. This role will be on a contract or fixed term basis of up to 12 months and will drive through the review recommendations.

22.   The immediate work programme consists of five workstreams, closely aligned with the initiatives that will deliver the anticipated cost savings:

- Workstream 1 – Reassess Project Priorities. This will lead to more responsible budget utilisation and allocation of resources.

- Workstream 2 – Improve Project Delivery. This will improve project performance so that they are delivered on time, on budget and delivering expected value.

- Workstream 3 – Actively Manage Workforce Performance. This will improve delivery performance and cost optimisation.

- Workstream 4 – Re-align Shape and Size of IS Department. This is to ensure the department is the right shape, size and cost.

- Workstream 5 – Group Roadmap Phase II. This will standardise the council's IS platform and reduce SAP implementation costs.

23.   A schematic of the approach and proposed workstreams is provided at Attachment B.

Implementation

24.   The proposed changes will create a more robust IS structure for the council. With fewer projects we can focus more on those IS initiatives that are critical to the performance of the council. The changes will also deliver cost savings.

25.   Staff have been informed of the proposals.

26.   A workplan is currently being developed.

Consideration

Local Board views and implications

27. The views of local boards have not been sought for this paper. Improved operational performance and cost efficiencies achieved through the IS transformation will ultimately benefit local boards through the delivery of improved operational and financial outcomes.

Māori impact statement

28. A Māori impact assessment has not been undertaken for this report, but Māori outcomes achieved through council interventions will ultimately benefit as a result of improved operational and financial outcomes.

Attachments

No.	Title	Page
A	Auckland Council Group IS Roadmap	9
B	ICT Proposed Workstreams	11

Signatories

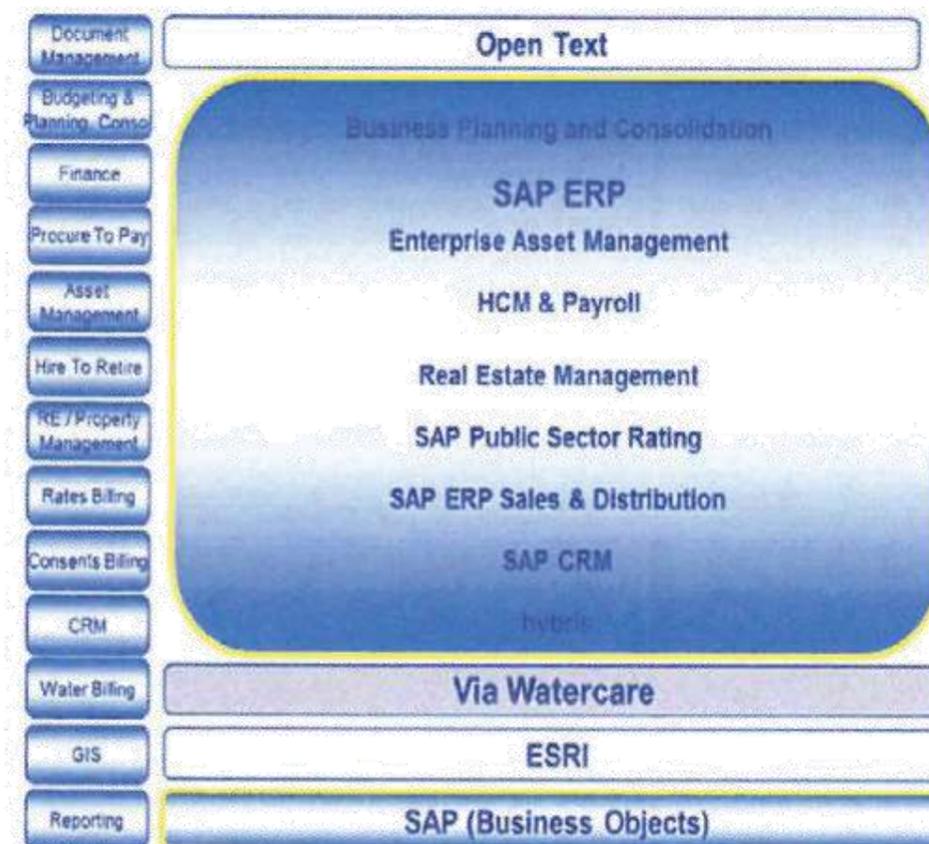| Author	Michael Quinn - Executive Officer
Authoriser	Sue Tindal - Group Chief Financial Officer

Auckland Council Group IS Roadmap

We are still following the path set in motion by the ATA. However our approach to date has created duplication and waste around "common" capability

Our Estate Nov 2010

	Auckland City Council	Auckland Regional Council	Waitakere City Council	Manukau City Council	North Shore City Council	Rodney District Council	Papakura District Council	Franklin District Council
Document Management	FileNet	SAP DMS	TRIM	Alchemy/ Sharepoint	Tech One	BIZ e Asset	N/A	Sharepoint
Budgeting & Planning Consol.	SAP BPS	SAP BPS	SAP BPS	Peoplesoft	Tech One/ Interplan	Excel/Tech One	ACS	Ozone
Finance	SAP	SAP	SAP	Peoplesoft	Tech One	Tech One	ACS	Ozone
Procure to Pay	SAP	SAP	SAP	Peoplesoft	Tech One	Tech One	ACS	Ozone
Asset Management	SAP ESRI	SAP	Hansen	Hansen	ESRI	BIZ e Asset	Confirm	ProOmni
Hire to Retire	SAP Snaphire	SAP SAP - Duet	SAP	Peoplesoft	Tech One/ Chris	Snaphire Payroll o/s	IMS	Ozone
RE/Property Management	SAP Pathway	SAP Pathway	Pathway	Hansen	Pathway	Pathway	ACS	Ozone
Rates Billing	Pathway	Pathway	Pathway	Hansen	Pathway	Pathway	ACS	Ozone
Consents Billing	Pathway	SAP	Pathway	Peoplesoft	Pathway	Pathway/ Tech One	Ozone	Ozone
CRM	SAP	SAP	Pathway	Peoplesoft	Pathway	Pathway	N/A	Ozone
Water Billing			Pathway		Pathway	Pathway	United Water	Ozone
GIS	ESRI	ESRI	ESRI	ESRI	ESRI	Intergraph	ESRI	Mapinfo
Reporting	SAP – BW Business Obj	SAP – BW Business Obj	SAP – BW	SAP Bus Obj	MS/Cognos Crystal	SAP Crystal	N/A	Reporting Services

Figure 21-1: State of information technology systems in the former eight councils

Potential Footprint

Document Management	Open Text
Budgeting & Planning Conso	Business Planning and Consolidation
Finance	SAP ERP
Procure To Pay	Enterprise Asset Management
Asset Management	HCM & Payroll
Hire To Retire	Real Estate Management
RE / Property Management	SAP Public Sector Rating
Rates Billing	SAP ERP Sales & Distribution
Consents Billing	SAP CRM
CRM	hybris
Water Billing	Via Watercare
GIS	ESRI
Reporting	SAP (Business Objects)

Inflight work completed to date highlights:

A. NewCore is still the key programme of work to drive decommissioning of systems across Finance, Procure to Pay, Property Management, Rates Billing, Consents Billing, CRM at Auckland Council

B. Asset Management initiatives must be started to drive simplification and decommissioning – these can be led by AT as they have a compelling event around rail

C. Other common IT capabilities such as Data Centres, Networks, Document and Records Management must be viewed as common moving forward and our "Group" approach must be more aligned

ICT Proposed Workstreams

Initial focus will be on prioritisation and demand planning within ICT, to drive better value for money

Activities to be implemented immediately will focus on prioritisation and demand planning within ICT – once priorities and demand have been agreed and greater value for money is being delivered, continuous improvement and process optimisation activities will commence

Focus on prioritisation and increasing value for money

Focus on continuous improvement and process optimisation

Today — June — Dec-onwards

Proposed Workstreams

The activities that have been identified as a priority for execution, are highlighted below in blue:

ICT Change Assistance Core Team
- ► Detailed project planning
- ► Delivery of day to day outcomes and overall approach
- ► Communications and stakeholder management
- ► Coordination across Auckland Council and wider Group

Key Activity Descriptions

Workstream 1 Re-assess Project Priorities	Workstream 2 Improve Project Delivery	Workstream 3 Actively Manage Workforce Performance	Workstream 4 Re-align Shape and Size of ICT	Workstream 5 Group Roadmap Phase II
► Conduct project prioritization - work out prioritisation criteria, apply them to the entire portfolio of projects and ensure AC is only executing the highest priority, most achievable projects and realise the savings, including stopping in-flight projects, where necessary ► Drive improvement in business case development and benefits realisation and hold business units accountable for benefit delivery and evidence ► Invest in planning/estimating, risk management, contingency allocation and general project financial management	► Empower finance and portfolio management teams to hold project managers and steering committees accountable for their targets ► Make this process more efficient by focusing on the quality of project governance information specifically and performance dashboard data more generally ► Develop a framework/factory for decommissioning and realising promised cost reductions	► Set clear performance expectations for portfolio, program and project managers and all the way up to leadership level, to drive true accountability for project delivery success ► Build on improved planning and estimating ► Align the organisation in terms of skills and work types (contractor/permanents) (Strategic Resourcing Plan) ► Reduce waste by developing a strategic sourcing plan and develop strategic partnerships while maintaining competitive tension and accountability for delivery ► Know where and when contractors are needed and provide tighter controls throughout the full life cycle of their engagement	► Identify and propose to disestablish relevant roles ► Develop action plan for addressing anomalous contractors identified through the deep dives ► Develop NewCore support model to ensure capability and capacity in place through validation of and gap analysis against the forecasted BAU needs ► Update ICT Operating Model - having established prioritised needs, identify and consult on associated headcount reduction and explore alternative operating models to establish optimal delivery ► Assess the ICT functions that could be better performed by third parties	► Establish Working Groups ► Prioritise the candidate technologies and SAP projects ► Profile projects and document candidate technologies ► Assess technology gaps and analyse future requirements and update architecture ► Develop and review Concept level business case for technology consolidation and project collaboration ► Develop commercial strategy for shared technology sourcing and develop implementation plan ► Approve implementation plans and proceed.
More responsible budget utilization and allocation of resources	Improved project performance - on time, on budget and delivering value	Improved delivery performance and cost optimisation	Right shape, size and cost for the future	Reduced SAP implementation cost, standardised ICT platform

The ELT have confirmed support of this high level approach to move ICT forward

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Attachment B

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

That the Finance and Performance Committee:

a)   exclude the public from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

C3   Tāmaki Infrastructure Investment

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. In particular, the report contains information relating to the provision of infrastructure which is the subject of an upcoming procurement process. Releasing this information prior would prejudice the commercial position of Panuku Development Auckland or Auckland Council.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.