

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

Date: Thursday, 30 March 2017
Time: 9.30am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Finance and Performance Committee

OPEN AGENDA

MEMBERSHIP

Chairperson	Cr Ross Clow	
Deputy Chairperson	Cr Desley Simpson, JP	
Members	Cr Dr Cathy Casey	Cr Mike Lee
	Deputy Mayor Bill Cashmore	Cr Daniel Newman, JP
	Cr Fa'anana Efeso Collins	Cr Dick Quax
	Cr Linda Cooper, JP	Cr Greg Sayers
	Cr Chris Darby	Cr Sharon Stewart, QSM
	Cr Alf Filipaina	IMSB Chair David Taipari
	Cr Hon Christine Fletcher, QSO	Cr Sir John Walker, KNZM, CBE
	Mayor Hon Phil Goff, JP	Cr Wayne Walker
	Cr Richard Hills	Cr John Watson
	IMSB Member Terrence Hohnock	
	Cr Penny Hulse	
	Cr Denise Lee	

(Quorum 11 members)

Mike Giddey
Senior Governance Advisor

27 March 2017

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TERMS OF REFERENCE

Responsibilities

The purpose of the Committee is to:

- (a) control and review expenditure across the Auckland Council Group to improve value for money
- (b) monitor the overall financial management and performance of the council parent organisation and Auckland Council Group
- (c) make financial decisions required outside of the annual budgeting processes

Key responsibilities include:

- Advising and supporting the mayor on the development of the Long Term Plan (LTP) and Annual Plan (AP) for consideration by the Governing Body including:
 - Local Board agreements
 - Financial policy related to the LTP and AP
 - Setting of rates
 - Preparation of the consultation documentation and supporting information, and the consultation process, for the LTP and AP
- Monitoring the operational and capital expenditure of the council parent organisation and Auckland Council Group, and inquiring into any material discrepancies from planned expenditure
- Monitoring the financial and non-financial performance targets, key performance indicators, and other measures of the council parent organisation and each Council Controlled Organisation (CCO) to inform the Committee's judgement about the performance of each organisation
- Advising the mayor on the content of the annual Letters of Expectations (LoE) to CCOs
- Exercising relevant powers under Schedule 8 of the Local Government Act 2002, which relate to the Statements of Intent of CCOs
- Approving the financial policy of the Council parent organisation
- Overseeing and making decisions relating to an ongoing programme of service delivery reviews, as required under section 17A of the Local Government Act 2002
- Establishing and managing a structured approach to the approval of non-budgeted expenditure (including grants, loans or guarantees) that reinforces value for money and an expectation of tight expenditure control
- Write-offs
- Acquisition and disposal of property, in accordance with the long term plan
- Recommending the Annual Report to the Governing Body
- Te Toa Takatini

Powers

- (a) All powers necessary to perform the committee's responsibilities, including:
 - a. approval of a submission to an external body
 - b. establishment of working parties or steering groups.
- (b) The committee has the powers to perform the responsibilities of another committee, where it is necessary to make a decision prior to the next meeting of that other committee.
- (c) The committee does not have:
 - a. the power to establish subcommittees
 - b. powers that the Governing Body cannot delegate or has retained to itself (section 2).

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

Apologies from Cr C Casey, Cr D Quax and Mayor P Goff have 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 Petitions

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

4 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.

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

5 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.

6 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.”

7 Notices of Motion

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

Procurement process update for arboriculture services, ecological services and full facilities maintenance and management services

File No.: CP2017/04799

Purpose

1. To inform the Finance and Performance Committee of the final procurement processes for the contracts for arboriculture services, ecological services and full facilities maintenance and management services known as Project 17 and note that the supplier recommendations are reported in the confidential agenda of this meeting.

Executive summary

2. Council currently has 26 contracts for the supply of facilities maintenance and management services, arboriculture and ecological services in the Auckland region.
3. Service levels and performance under these contracts had been the subject of review and a project team, Project 17, was established to look at ways to improve the service provision and the way these contracts were structured and procured in the future.
4. On July 2016 the Tenders and Procurement Committee approved the category strategy for the procurement of all the service categories under the Project 17 umbrella (Category Strategy).
5. The Category Strategy recommended creating five geographical clusters aligned to local board and ward boundaries known as Tahi, Rua, Toru, Wha and Rima for maintenance services contracts across the region.
6. The Category Strategy also recommended retaining one of the geographic clusters, Rua, including the Hauraki Gulf Islands, to be serviced by council's internal maintenance business unit City Parks Services (CPS).
7. Council has taken the Project 17 contracts through a two stage procurement process since August 2016. This has resulted in the shortlisting of two respondents for arboriculture services, 12 for the full facilities maintenance and management services and four for ecological services.
8. Negotiations were undertaken with these shortlisted participants prior to officers making the recommendations on the award of the contracts as outlined in the report on the confidential agenda for this meeting.
9. The Strategic Procurement Committee, at its meeting on 24 March 2017, has granted preliminary approval to the supplier recommendations for the award of the Project 17 contracts and recommends that the Finance and Performance Committee grant final approval as tabled in the report on the confidential agenda of this meeting.

Recommendation/s

That the Finance and Performance Committee:

- a) receive the update on the procurement process for Project 17 contracts in this report; and
- b) note that the supplier recommendations in respect of the Project 17 contracts, as approved and recommended by the Strategic Procurement Committee at its meeting on 24 March 2017, are contained in the report on the confidential agenda of this meeting.

Comments

Background

- Item 8**
10. On 19 July 2016 the Tenders and Procurement Committee approved the category strategy and procurement process for Project 17.
 11. The Category Strategy recommended creating five geographical clusters known as Tahi, Rua, Toru, Wha and Rima for maintenance services contracts across the region. The clusters align with local board and ward boundaries as outlined in the Category Strategy.
 12. The Category Strategy also recommended retaining one of the geographic clusters, Rua (including the Hauraki Gulf Islands), to be serviced by council's internal maintenance business unit City Parks Services (CPS).
 13. Regular updates regarding the procurement process (including local board engagement) have been provided to the Tenders and Procurement Committee and the Strategic Procurement Committee since July 2016.
 14. Existing inconsistencies in facilities maintenance service delivery, due to both internal (different ways of doing things between teams/departments) and external (contract scope/contractor delivery) factors have long been identified.
 15. These issues and challenges, under the contracts entered into by council in 2012 following the last major procurement of the facilities maintenance contracts (Project Genesis), included:
 - Duplication in the delivery of services under 20 existing contracts.
 - Prescriptive contracts that were not delivering added value.
 - Un-coordinated approach to the management and delivery of services, with multiple contractors delivering across multiple service lines in the same geographic areas.
 - Lack of coordination in the delivery of services across the council family.
 - Inefficient procurement and delivery of minor capital expenditure renewals.
 - Lack of good quality asset information in a centralised register together with an associated asset condition assessment.
 16. The local board and stakeholder feedback that informed the Category Strategy included:
 - Lack of consultation and engagement with local boards regarding the outcomes from the service delivery.
 - Lack of accountability.
 - Service levels were not aligned with local boards' objectives and requirements.
 17. Over the course of the Project 17 procurement process, Community Facilities and the Procurement team have engaged with elected members through both formal and informal processes. Together with engaging the supplier market, this engagement has helped to shape the requirements for Project 17 and seek feedback on maintenance requirements and service levels.
 18. The Category Strategy recommended rationalising most facility maintenance and management activities into five separate geographic cluster contracts for the region. The reasons for dividing the region into five clustered contracts includes:
 - Mitigating performance risk.
 - Customer and community experience compatibility – single point of contact / service delivery.
 - Alignment with wards and local board boundaries – efficiencies for a contractor to work in a collective area.
 - Geographic alignment – easy to manage.
 - Similar socio-economic outcomes within each proposed contract area.

19. The Category Strategy also recommended retaining one of the geographic clusters, including the Hauraki Gulf Islands, to be serviced by council's internal maintenance business unit City Parks Services (CPS).
20. Council's current internal operational structure now supports a more consistent service delivery and is ready to deliver the new contracts resulting from the Project 17 procurement process. This includes teams specifically dedicated to the five geographic clusters to provide:
 - Contract management, including measuring and reporting on KPI's.
 - Supplier management, including performance monitoring.
 - Auditing of contracts.
 - Operational maintenance and management.
 - Project delivery.
21. The majority of current facilities maintenance service contracts are scheduled to terminate on 30 June 2017. The new Project 17 contracts will commence on 1 July 2017.

Procurement Process

22. The Request for Expressions of Interest (REOI) for the Project 17 contracts was released to the market on 8 August 2016. There was a single REOI issued, however participants could respond to the full facilities maintenance services; arboriculture, sports fields renovations, ecological restoration, or any combination of these services.
23. 34 participants responded to the REOI. Following evaluation, the respondents were then shortlisted to participate in the Request for Proposal (RFP) stage of the procurement process. Two respondents were shortlisted for the arboriculture services RFP, 12 for the full facilities maintenance and management RFP and four for the ecological services RFP.
24. Following final evaluations and negotiations with the shortlisted suppliers, officers have made supplier recommendations in respect of the Project 17 contracts.
25. The Strategic Procurement Committee, at its meeting on 24 March 2017, has granted preliminary approval to the supplier recommendations for the award of the Project 17 contracts, and recommends that the Finance and Performance Committee grant final approval as tabled in the report on the confidential agenda of this meeting.
26. The confidential report also includes details of the service levels, performance outcomes, financial impacts and service delivery under the proposed Project 17 contracts.

Consideration

Local board views and implications

27. Local board requirements regarding the levels of service that Council will be seeking from the shortlisted suppliers have been incorporated as part of all the Project 17 RFP documents and negotiation processes.
28. Formal feedback is currently being sought from all 21 local boards prior to final approval of contracts. This includes feedback on full facilities maintenance and management contract service specifications, the asset lists subject to these contracts and draft Smart procurement targets.
29. The Project 17 team has engaged with local boards through various channels including:
 - Local Board Chairs Procurement Working Group.
 - Local Board Chairs Forum presentations.
 - Memorandums.
 - Cluster workshops.
 - Individual local board workshops.
 - Business meeting reports.

30. All local board resolutions received by close of business on 29 March 2017 will be tabled in the confidential agenda of this meeting.

Māori impact statement

31. The suppliers being recommended to deliver the Project 17 contracts are expected to explicitly identify how, where and when Māori outcomes will be delivered as part of their contract delivery.
32. Targets and measures to achieve these Māori outcomes have been negotiated with the recommended suppliers and will be incorporated as part of the contract. These will be linked to KPI's to ensure that they will be measured and monitored during the term of the contracts.
33. Council is committed to meeting its responsibilities under Te Tiriti o Waitangi/the Treaty of Waitangi and its broader statutory obligations to Māori.
34. Māori responsiveness requires the collective effort of everyone. Under the new contracts suppliers will work collaboratively with council to achieve better outcomes with Māori and for Auckland. This will include:
- Building positive relationships with Māori – effective communication and engagement with Māori, developing resilient relationships with mana whenua.
 - Significantly lifting Māori social and economic well-being.
 - Building Māori capability and capacity.
35. Through these contracts, opportunities to support local community outcomes and economic development include (but are not limited to):
- Providing employment opportunities, in particular for local people and for youth.
 - Increasing capability and capacity (apprenticeships, cadetships or equivalent) in particular for youth.
 - Building on community and volunteer networks.

Implementation

36. The transition into the new Project 17 contracts will commence once approved by the Finance and Performance Committee.
37. Local boards will have the opportunity to meet suppliers in April and May 2017 to discuss specific local priorities. Any local service level variations may need to be reflected in the appropriate contracts and implementation timelines agreed with the supplier.
38. The Project 17 team will also put in place a communications strategy that will be designed to inform customers, elected members and council staff about any changes to service delivery and the points of contact within the Community Facilities team that will resolve any issues as they arise.

Attachments

There are no attachments for this report.

Signatories

Authors	Rod Sheridan - General Manager Community Facilities Jazz Singh - General Manager Procurement
Authorisers	Dean Kimpton - Chief Operating Officer Sue Tindal - Group Chief Financial Officer

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:

C1 Supplier recommendation for the award of contracts for arboriculture services, ecological services and full facilities maintenance and management services

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.	<p>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.</p> <p>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p> <p>In particular, the report contains information about tender offers. If released, this information could prejudice council's position with suppliers.</p>	<p>s48(1)(a)</p> <p>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.</p>