
Finance and Performance Committee

OPEN MINUTES

Minutes of a meeting of the Finance and Performance Committee held in the Reception Lounge, Auckland Town Hall, 301-305 Queen Street, Auckland on Monday, 6 November 2017 at 1.05pm.

PRESENT

| | | |
|---------------------------|--------------------------------|----------------------|
| Chairperson | Cr Ross Clow | |
| Deputy Chairperson | Cr Desley Simpson, JP | |
| Members | Cr Dr Cathy Casey | |
| | Deputy Mayor Bill Cashmore | |
| | Cr Linda Cooper, JP | |
| | Cr Chris Darby | |
| | Cr Alf Filipaina | |
| | Cr Hon Christine Fletcher, QSO | Until 3.57pm, Item 9 |
| | Mayor Hon Phil Goff, CNZM, JP | |
| | Cr Richard Hills | |
| | Cr Penny Hulse | |
| | Cr Daniel Newman, JP | |
| | Cr Dick Quax | Until 3.56pm, Item 9 |
| | Cr Greg Sayers | |
| | Cr Sir John Walker, KNZM, CBE | |
| | Cr Wayne Walker | From 1.10pm, Item 9 |
| | Cr John Watson | |

ABSENT

Cr Fa'anana Efeso Collins
IMSB Member Terrence Hohneck
Cr Mike Lee
Cr Sharon Stewart
IMSB Chair David Taipari

1 Apologies

Resolution number FIN/2017/151

MOVED by Chairperson R Clow, seconded by Deputy Chairperson D Simpson:

That the Finance and Performance Committee:

- a) **accept the apology from Cr S Stewart for absence.**

CARRIED

2 Declaration of Interest

There were no declarations of interest.

3 Confirmation of Minutes

Resolution number FIN/2017/152

MOVED by Deputy Chairperson D Simpson, seconded by Chairperson R Clow:

That the Finance and Performance Committee:

- a) **confirm the ordinary minutes of its meeting, held on Tuesday, 24 October 2017, including the confidential section, as a true and correct record.**

CARRIED

4 Petitions

There were no petitions.

5 Public Input

There was no public input.

6 Local Board Input

There was no local board input.

7 Extraordinary Business

There was no extraordinary business.

8 Notices of Motion

There were no notices of motion.

9 Value for Money Section 17A Review Programme

Cr W Walker entered the meeting at 1.10pm.

Cr A Filipaina left the meeting at 2.07pm.

Cr A Filipaina returned to the meeting at 2.13pm.

Staff provided a PowerPoint presentation in support of this item. A copy has been placed on the official minutes and is available on the Auckland Council website as a minutes attachment.

Resolution number FIN/2017/153

MOVED by Chairperson R Clow, seconded by Mayor P Goff:

That the Finance and Performance Committee:

- a) receive the Three Waters, Domestic Waste, Communications & Engagement and Investment Attraction & Global Partnerships Value for Money (s17A) reports.
- b) endorse the recommendations contained in the Three Waters Value for Money (s17A) Review Report 2017 as follows:

Immediate Actions

Three waters policy and strategy

- i) initiate and produce a Three Waters Policy and Strategy, in conjunction with Watercare and all other relevant authorities, that sets out the vision and outcomes for the Three Waters, and has an associated fully costed asset management and funding plan.

Noting that Auckland Council has commenced the development of an Auckland Water strategy encompassing the Three Waters covered in this review along with marine water, ground water and natural water bodies.

Consolidated capital planning & delivery

- ii) in conjunction with Watercare, identify Three Waters-related projects that will benefit from a joint approach and prepare a business case to establish the value of a single center of excellence organisation for joint capital project planning. Noting that the governance and funding option of a special purpose vehicle be evaluated to oversee the construction of the Western Isthmus Water Quality Improvement Programme, and associated detailed planning and delivery of stormwater and wastewater projects.

Joint procurement

- iii) in conjunction with Watercare (and Auckland Transport), evaluate the formation of a single procurement center of excellence which may be operated by Watercare or Auckland Council dependent on what organisation has the appropriate capacity and capability, to manage procurement for mandatory categories of spend and on the top 10 shared suppliers and report back on progress by June 2018.

Three Waters Operating Model

- iv) in conjunction with Watercare, prepare a business case evaluating the case for council performance-based contracting with Watercare to deliver the operation and maintenance of stormwater services and report back in progress by June 2018.

Economic regulation

- v) to assist in achieving the necessary reporting transparency and consistency for pricing reviews:
 - 1) require both Watercare (as part of the Statement of Intent process) and Healthy Waters to submit and publish in each organisations' next funding plan an explanation of the funding required to deliver on the asset plan, projects and associated service levels, and how the proposed prices, rates components, and charges are calculated, including the impact on pricing of cost-efficiencies.
 - 2) require both Watercare (as part of the Statement of Intent process) and Healthy Waters to apply a harmonised reporting approach to asset condition assessments, planning and related data in their next asset management plans.
 - 3) encourage both Healthy Waters and Watercare Services to participate in the next and subsequent Water Services Association of Australia Annual Asset Management Benchmarking exercises.

Consolidated environmental regulation

- vi) working with Watercare and the relevant council departments evaluate the benefits of creating a one-stop-shop for Three Waters regulatory and compliance functions where all the Three Waters regulatory functions co-habit in a single customer service center environment by June 2018.

Post Strategy Actions

Consolidated capital planning & delivery

- vii) assess the best operating model to plan and deliver Three Waters capital projects under recommendation ix) below.

Joint procurement

- viii) have the procurement center of excellence prepare an expanded category planning and shared supplier scope with three-year forecasts that consolidate go-to market approaches, joint contracting and co-sourcing to support the synergies from having a Three Waters asset management plan.

Three Waters Operating Model

- ix) review the options in business operating models to best enable the delivery of the integrated strategy and the objectives and outcomes being sought and to revisit design principles, levels of service and key accountabilities.

Economic Regulation

- x) 1) pilot for the next asset management planning ((AMP) cycle, an economic regulation process by contracting an independent economic assessment of whether the asset management plans, costs and funding plans of the water organisations are appropriate, reasonable, and efficient. Noting whether the outcome justifies a regular cycle of pricing reviews and report the result.

Noting that Watercare are proposing engaging a UK consultancy specialising in utility operations to review their next Asset Management Plan and we encourage Auckland Council and Watercare to include Healthy Waters and to jointly agree the scope of any review.

- 2) review the current regulatory framework and operating model for Three Waters regulatory services, evaluating the benefits of consolidating the Three Waters regulatory functions including trade waste, environmental water quality, overflow standards, consent conditions and building standards.

CARRIED UNANIMOUSLY

Resolution number FIN/2017/154

MOVED by Chairperson R Clow, seconded by Mayor P Goff:

That the Finance and Performance Committee:

- c) endorse the recommendations contained in the Domestic Waste Value for Money (s17A) Review Report 2017 as follows:

Focus on the total waste stream

- i) prepare a plan of actions to advance the Zero Waste objective in the growing non-domestic waste segments and include it in the second Management and Minimisation Plan currently being developed for approval.

Strengthening business disciplines

- ii) review the strategic case for the council owning and operating waste facilities/services, and prepare a business case which evaluates alternative options for achieving their domestic waste service and policy objectives, including selling non- strategic assets or using long-term lease arrangements, and report back on progress by March 2018.
- iii) immediately introduce a funding principle that no new waste management or minimisation service or trial is approved without it having:
 - 1) first sought significant co-funding support from the contestable Government's Waste Minimisation Fund
 - 2) a business case that shows benefits exceed costs by a predetermined margin.
- iv) consider the value of continuing the current community grants for waste initiatives, based on an evaluation of the impacts of grants, given the size of grants and compared to the administration costs
- v) develop information and guidance, and protocols for advisory support to community organisations and businesses to help them apply to the contestable Government 's Waste Minimisation Fund.

Site waste management plans

- vi) develop, in collaboration with relevant business groups, simple easy-to-use site waste management plans to support businesses to cost-effectively minimise their waste that goes to landfill, and report back on progress by March 2018.

Lift economic discipline

- vii) within the next 12 months:
 - 1) develop, and then maintain, an economic evidence base that quantifies the wider environmental and other damages caused by landfill and whether these costs are already captured in market prices or covered by regulatory requirements, for use in business cases

- 2) do market research to test with households and businesses on what they would be willing to pay or do to achieve additional reductions in waste going to landfill, for use in economic assessments
- 3) rank all of the council's existing and planned waste minimisation and diversion services or initiatives by their cost-effectiveness, to guide implementation priorities and test value-for-money on an ongoing basis
- 4) require independent review of material business cases, to be undertaken by experts with economic or commercial expertise, as part of building internal economic and business capability.

Get more evidence on whether to advance the case to lift the landfill levy

- viii) do further economic research to ascertain if the introduction of a landfill levy would result in benefits that justify the increase in household and business costs of disposing waste in landfill, and once this research has been done, confirm the council's position on advocating or not for a higher landfill levy.

Consolidated outcome-driven contracts

- ix) implement outcome-based contracting, to give waste collectors incentives to also pursue ambitious waste minimisation and diversion targets, such as through enabling innovative retail and advisory services to households and businesses, and report back on progress by May 2019, noting that work is underway to consolidate, bundle, and standardise the waste collection contracts when they are due to be renewed from 2020.

CARRIED UNANIMOUSLY

MOVED by Chairperson R Clow, seconded by Mayor P Goff:

That the Finance and Performance Committee:

- d) endorse the recommendations contained in the Communications & Engagement Value for Money (s17A) Review Report 2017 as follows:

Group communications and engagement strategy and plan

- i) initiate a working party with the CCOs and involving Group communications management to develop a formal Group C&E strategy and plan that sets out the Group's approach to communications matters of significance including:
 - 1) addressing Group communications risks and mitigation actions where C&E services are critical to risk management and defining protocols
 - 2) agreement on the shared Group C&E outcomes, objectives and channels and a supporting work plan
 - 3) Group brand standards and supporting policy
 - 4) Group communications procurement plan

Cost-efficiency plans

- ii) require organisations receiving council funding for C&E services to implement a formal cost-efficiency programme for the service in the next financial year to achieve a minimum 5 per cent per annum reduction in spend for the next three years, over and above any existing efficiency targets and based on the current expenditure funded by council rates.

Strategic planning process

- iii) develop a top down strategic planning process to drive the allocation of the council parent's C&E budget with clear investment logic between the work activity and resources required to achieve the prescribed outcomes and objectives including digital by default, and have a fully documented and integrated strategic plan in place for the new financial year FY18.

Engagement with Māori

- iv) 1) for those organisations without an engagement plan, develop an annual Māori engagement plan to integrate with the communications strategies and plans to demonstrate the link with the Māori responsiveness framework. For the council, review the engagement model to ensure iwi liaison has an integrated and cohesive approach to support the council's statutory and policy obligations. Report back on progress by June 2018.
- 2) for the Group: consider introducing a common performance measurement and improve the effectiveness of the Māori engagement process by strengthening accountability for planning and delivery of strategic engagement, linked to each organisation's strategic communications and engagement plan

Performance evaluation framework

- v) for those organisations without a consistent performance evaluation framework, develop a consistent performance evaluation and monitoring methodology and implementation plan for determining the return on investment for major campaigns and projects. Report back on progress by June 2018.

Joint procurement

- vi) develop a single procurement centre of excellence to manage procurement for the Group communications spend category with a view to deliver increasing, consistent value across the Group while reducing the number of suppliers. Report back on progress by June 2018.

The meeting adjourned at 3.01pm and reconvened at 3.10pm.

Cr P Hulse was not in attendance.

Cr P Hulse returned to the meeting at 3.21pm.

Resolution number FIN/2017/155

MOVED by Chairperson R Clow, seconded by Mayor P Goff:

That the Finance and Performance Committee:

- d) **endorse the recommendations contained in the Communications & Engagement Value for Money (s17A) Review Report 2017 as follows:**

Group communications and engagement strategy and plan

- i) **initiate a working party with the CCOs and involving Group communications management to develop a formal Group C&E strategy and plan that sets out the Group's approach to communications matters of significance including:**
 - 1) **addressing Group communications risks and mitigation actions where C&E services are critical to risk management and defining protocols**
 - 2) **agreement on the shared Group C&E outcomes, objectives and channels and a supporting work plan**
 - 3) **Group brand standards and supporting policy**
 - 4) **Group communications procurement plan**

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Performance evaluation framework

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Joint procurement

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CARRIED UNANIMOUSLY

Cr G Sayers left the meeting at 3.46pm.

Cr G Sayers returned to the meeting at 3.52pm.

Resolution number FIN/2017/156

MOVED by Chairperson R Clow, seconded by Mayor P Goff:

That the Finance and Performance Committee:

- e) endorse the recommendations contained in the Investment Attraction & Global Partnerships Value for Money (s17A) Review Report 2017 as follows:

A consolidated Auckland investment story

- i) task the Auckland Investment Office, ATEED, Panuku, Auckland Transport and any other Auckland agencies with significant investment attraction roles to develop a consolidated Auckland investment story to:

- 1) explain clearly to potential investors the respective roles and how they fit together
- 2) develop a shared understanding of Auckland's overarching urban growth and infrastructure development plan to guide respective investment attraction and financing projects.

Fees for investment attraction services

- ii) investigate the business case for introducing fees for those investment attraction services that generate clear private benefits to the investors and businesses receiving the investment.

Better performance measures

- iii) develop better measures of the impact of investment attraction and global partnership activities, such as:
 - 1) results of project evaluations that compare outcomes against predetermined baselines or controls
 - 2) analysis and indicators that show which groups and communities benefited
 - 3) tools like Net Promoter Score (used by NZTE) and in-depth interviews with clients and other interests to find out what value they think was added.

CARRIED UNANIMOUSLY

*Cr D Quax left the meeting at 3.56pm.
Cr C Fletcher left the meeting at 3.57pm.*

Resolution number FIN/2017/157

MOVED by Chairperson R Clow, seconded by Mayor P Goff:

That the Finance and Performance Committee:

- f) refer the four Value for Money (s17A) reports stated in b) to e) above to the Chief Executive and request that he develops, in consultation with the Chief Executives of the relevant Council Controlled Organisations (CCOs), detailed work programmes and business cases supporting the implementation of the recommendations noted in each report for inclusion, where appropriate, in the 2018 – 2028 LTP process.
- g) request that the Chief Executive reports on the feasibility and time frame for implementation of the recommendations noted in the four Value for Money (s17A) reports stated in b) to e) above to the Finance and Performance Committee at the meeting on or before Tuesday 27 February 2018.

CARRIED UNANIMOUSLY

Attachments

- A 6 November 2017, Finance and Performance Committee: Item 9 Value for Money Section 17A Review Programme - presentation

10 Consideration of Extraordinary Items

There was no consideration of extraordinary items.

4.23pm

The Chairperson thanked Members for their attendance and attention to business and declared the meeting closed.

CONFIRMED AS A TRUE AND CORRECT RECORD
AT A MEETING OF THE FINANCE AND
PERFORMANCE COMMITTEE HELD ON

DATE:.....

CHAIRPERSON:.....