I hereby give notice that an ordinary meeting of the Appointments, Performance Review and Value for Money Committee will be held on:

**Date:** Thursday, 7 June 2018  
**Time:** 9.30am  
**Meeting Room:** Room 1, Level 26  
**Venue:** 135 Albert St  
Auckland

**Appointments, Performance Review and Value for Money Committee**

**OPEN AGENDA**

**MEMBERSHIP**

**Chairperson**  
Hon Phil Goff, CNZM, JP  
**Deputy Chairperson**  
Hon Christine Fletcher, QSO  
**Members**  
Cr Josephine Bartley  
Cr Ross Clow  
Cr Chris Darby  
Cr Richard Hills  
Cr Penny Hulse  
Cr Desley Simpson, JP

**Ex-officio**  
Deputy Mayor Bill Cashmore  
IMSB Chair David Taipari

(Quorum 5 members)

Suad Allie  
Governance Advisor  
1 June 2018

Contact Telephone: (09) 977 6953  
Email: suad.allie@aucklandcouncil.govt.nz  
Website: www.aucklandcouncil.govt.nz

**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.
Terms of Reference

Responsibilities

The Council Appointments, Performance Review and Value for Money Committee is established to:

1. Review the chief executive’s performance and to recommend to the Governing Body the terms and conditions of the CE’s employment including any performance agreement measures and annual remuneration.

2. Make appointments to Council-Controlled Organisations (CCOs), Council Organisations (COs) and exempt CCOs and COs.

3. Approve policies relating to the appointment of directors and trustees to CCOs and COs.

4. Monitor and report to the Governing Body on the implementation of service delivery reviews required under s17A of the Local Government Act 2002, and the recommendations arising from those reviews.

5. Approve the scheduling of the forward s17A work programme, and recommend to the Governing Body the terms of reference for individual reviews.

6. Request reports on Auckland Council parent and CCO value for money, savings and effectiveness-focused initiatives that are beyond the scope of s17A reviews, and make recommendations on these reports to the Governing Body.

Powers

All powers necessary to perform the committee’s responsibilities.

Except:

(a) powers that the Governing Body cannot delegate or has retained to itself (section 2)

(b) where the committee’s responsibility is limited to making a recommendation only

(c) the power to establish sub-committees
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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<thead>
<tr>
<th>ITEM</th>
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<td>13</td>
<td>Consideration of Extraordinary Items</td>
<td></td>
</tr>
</tbody>
</table>

PUBLIC EXCLUDED

14   Procedural Motion to Exclude the Public                           | 203  |
C1   Approve the council-appointed board member to the Auckland Regional Amenities Funding Board | 203  |
C2   Shortlist candidates for chair vacancies on Auckland Council's Council Controlled Organisations | 203  |
C3   Chief Executive’s Employment Review: Part Two                    | 204  |
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 Appointments, Performance Review and Value for Money Committee:

a) confirm the ordinary minutes of its meeting, held on Thursday, 3 May 2018, including the confidential section, 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 Governance 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.

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

There were no notices of motion.
Te take mō te pūrongo / Purpose of the report

1. To provide an update on the implementation of the recommendations for the Value for Money (s17A) programme arising from the first four completed reviews.

Whakarāpopototanga matua / Executive summary

2. In March 2017 the Finance and Performance Committee endorsed a Value for Money programme for the council group including approval to undertake the first four Value for Money (s17A) reviews. The first four reviews were Three Waters, Domestic Waste Services, Communication & Engagement Services, and Investment Attraction and Global Partnerships.

3. In November 2017 the first four reviews were completed. The Finance and Performance Committee endorsed the reports and resolved to refer the four value for money (s17A) reports 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 where required business cases supporting the implementation of the recommendations noted in each report for inclusion, where appropriate, in the Long-term Plan 2018-2028 process.

4. This report provides a quarterly implementation progress report for the recommendations.

5. Respective business managers across the group have developed implementation plans for these actions and the four attachments to this report provide information on each review area, how these actions will be implemented and current progress. These areas may change as the work is further scoped or developed, feasibility work is completed, and dependencies are refined. Therefore, the completion dates in particular and the sequencing of work in the over-arching programme is indicative.

Ngā tūtohunga / Recommendation/s

That the Appointments, Performance Review and Value for Money Committee:

a) receive the progress updates for the Value for Money (s17A) reviews on Three Waters, Domestic Waste Services, Communication & Engagement Services, and Investment Attraction and Global Partnerships.

Ngā tāpirihanga / Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Three Waters Review Value for Money implementation progress report</td>
<td>11</td>
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<td>B</td>
<td>Domestic Waste Services Review Value for Money implementation progress report</td>
<td>17</td>
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<tr>
<td>C</td>
<td>Communication &amp; Engagement Services Review Value for Money implementation progress report</td>
<td>21</td>
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<tr>
<td>D</td>
<td>Investment Attraction &amp; Global Partnerships Review Value for Money implementation progress report</td>
<td>27</td>
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</tbody>
</table>
Ngā kaihaina / Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Sally Garrett - Programme Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Kevin Ramsay - General Manager Corporate Finance and Property</td>
</tr>
<tr>
<td></td>
<td>Matthew Walker - Acting Group Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>

Item 9
Status Overview for the Review

On 27 February 2018 the Finance and Performance Committee received a joint report from Auckland Council’s Healthy Waters department, Watercare and Auckland Transport outlining their action plan for responding to the S17A - Three Waters Review. In response the committee resolved that staff should:

1. Develop an Auckland’s Waters Strategy
2. Form a joint working team to progress opportunities for savings through joint procurement, capital planning, and operations and maintenance across Auckland Council, Auckland Transport and Watercare.
3. Develop a business case evaluating further opportunities to work collaboratively across the council family, including evaluating outsourcing of stormwater operations and maintenance from Auckland Council to Watercare.
4. Provide advice on options for integration between Watercare and Veolia in Papakura in the planning and provision of water infrastructure.
5. Progress S17A recommendations relating to economic regulation, the operating model for all water services and consolidation of environmental regulation as part of the second phase of council’s response to the Value for Money review.

An update on progress on the first four actions is provided below. The remaining recommendations relating to economic regulation, the operating model for delivery of all water services and consolidation of environmental regulation will be considered after completion of the Auckland’s Waters Strategy in June 2019. Work on these will also be informed by the central government Three Waters review, which is currently underway.

In summary, good progress has been made during the update period with $293 million of benefits forecast over the next decade. Updates on progress over the period include:

- The joint development of the scope, budget and timeframes for Auckland’s Waters Strategy and the identification of $1 million in operational savings from incorporating the three waters strategy into Auckland’s Waters
- Realisation of $179 million in benefits through deferred Watercare capital expenditure. Watercare has identified significant capital expenditure that can be deferred or avoided without increasing operational risk. This deferral will allow Watercare’s portion of the Western Isthmus Programme to be brought forward and, also, helps council to manage its debt to revenue ratio.
- Realisation of $1 million in benefits from joint programme delivery and procurement.
- Additional forecast joint programme and project delivery work has identified $108 million in additional savings.
- To date $3.6 million of operational and maintenance savings have been identified. Initial work into this workstream has revealed a larger overlap of customer service requests and maintenance between Auckland Transport and Healthy Waters than was considered in the value for money review. Further evidence-based investigations will be undertaken to determine where efficiencies can be delivered.
- Opportunities to avoid capital expenditure through innovation and process improvement projects are being explored by Watercare. For example, new innovations in treatment technology may remove the need for capacity upgrades to water treatment infrastructure resulting in avoided capital expenditure.
- Additional opportunities for procurement savings will be explored through the S17A review of procurement across the council family.
### Benefit Realisation ($,000s)

<table>
<thead>
<tr>
<th>Benefit opportunity</th>
<th>Benefit forecast</th>
<th>Variance to opportunity</th>
<th>Benefit realised (to date)</th>
<th>RAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300,000</td>
<td>$292,692</td>
<td>$7,308</td>
<td>$181,069</td>
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</table>

### Commentary

Work is progressing on the actions approved by the Finance and Performance Committee in February 2018. Approximately $181 million of benefits have been realised to date. While the majority of the benefits to date are from deferred capital expenditure and optimisation of projects, other opportunities are being explored to avoid expenditure while achieving desired outcomes. Future benefits forecast will mainly be achieved through joint project delivery and procurement efficiencies.

Note: All figures used are in real dollars (uninflated)

### Risk amount

A sum of approximately $16 million has been identified as a potential benefit forecast from the Healthy Waters portion of the Western Isthmus Water Quality Improvements Programme that is not yet confirmed. Delivery of these benefits is dependent on approval of the water quality improvement targeted rate as part of the Long-term Plan 2018-2028.

### Definition

- **Benefit opportunity** – this is the benefits identified by the Value for Money review
- **Benefit forecast** – this is the forecast benefit (of approved opportunities) following business unit review of the benefit opportunity. Note that not all benefits were valued as part of VfM review so forecast may include additional benefits
- **Benefit realised** – these are benefits that have either been realised or have been included in the Long-term Plan
- **Benefit realisation plan developed** – Y/N – is there a documented plan to realise benefit from VfM review

### RAG

- **Green** – work will progress as planned, due date will be met or if the due date has been revised it will not affect the project critical path or a dependent project
- **Amber** – Due date has or will possibly be missed and this may affect the project critical path or a dependent project, or an issue has arisen that may affect this project or a dependent project.
- **Red** – due date has or will imminently be missed and this will affect the project critical path or a dependent project, or an issue has arisen that will negatively impact this project or a dependent project.
<table>
<thead>
<tr>
<th>Initiative</th>
<th>Start Date</th>
<th>Completion Date</th>
<th>Flag</th>
<th>Work plan achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop Auckland’s waters (three waters) strategy</td>
<td>November 2017</td>
<td>June 2019</td>
<td></td>
<td>A report outlining the scope, budget and timeframes of the Auckland’s Waters Strategy will be presented to the Environment and Community Committee for their consideration on 12 June 2018. Incorporating the three waters strategy and policy within Auckland’s Water Strategy will result in operational savings of approximately $1 million, as this can be integrated with existing works programmes within the council family.</td>
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<tr>
<td>Consolidated Capital Planning</td>
<td>November 2017</td>
<td>Ongoing</td>
<td></td>
<td>In addition to Watercare reviewing its Asset Management Plan, opportunities are being explored where investment has been reduced through innovation and process improvement projects. For example, new innovation in treatment technology may remove the need for capacity upgrades to water treatment infrastructure resulting in avoided capital expenditure. The S17A review estimated a benefit opportunity of $121 million savings from both completion of the three water’s strategy and consolidated capital planning. To date $179 million of benefits have been realised.</td>
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</table>
| Joint project delivery and Procurement              | July 2017    | Ongoing         |      | Watercare, Healthy Waters and Auckland Transport have worked together to identify locations where roading, stormwater, wastewater and water supply projects are needed in the same location. These projects have then been jointly procured and delivered. This approach significantly reduces duplicated expenditure on traffic management and reinstatement of road surfaces. These activities typically constitute over 20 per cent of the cost of projects in the road corridor. This ‘dig once’ approach to work in the road corridor also reduces the impact of construction on residents and local businesses. Projects which have been delivered to date using this approach include:  
  - Franklin Road (stormwater separation, watermain renewal and road rehabilitation)  
  - Panorama Road (watermain and footpath upgrade)  
  - Wynyard Quarter (stormwater capacity upgrades and renewals)  
  - Line Road (wastewater and stormwater renewals).  
Further opportunities have been identified, including the following:  
  - Western Isthmus (wastewater and stormwater improvements)  
  - Integrating wastewater works (e.g. branch wastewater pipes and shafts) with the Central Interceptor Project |
<table>
<thead>
<tr>
<th>Joint Operations and Maintenance Activities</th>
<th>March 2018</th>
<th>Ongoing</th>
<th>Further benefits being investigated</th>
</tr>
</thead>
<tbody>
<tr>
<td>A review of Watercare and Healthy Water’s operations and maintenance contracts has identified some activities which can be coordinated across the two organisations and jointly procured. These include the use of closed circuit television to assess pipes, flushing of blocked pipes, cutting back of roots intruding into pipes, and aligning the water quality monitoring programmes.</td>
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<td>A benefit opportunity of $13 million for joint operations and maintenance was forecast in the S17A review. To date $3.6 million of potential benefits have been identified.</td>
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<td>The effect of consequential operational expenditure is high for stormwater treatment assets compared to piped networks and these cost pressures will increase as future urban areas are developed.</td>
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<tr>
<td>The S17A review suggested that stormwater operations and maintenance functions delivered by Auckland Council should be integrated into Watercare to achieving savings. However, initial analysis indicates that there is a larger overlap of customer service requests and maintenance activities between Healthy Waters and Auckland Transport. These suggested savings need further evidence-based investigations to determine where efficiencies can be found.</td>
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<tr>
<td>Further opportunities for integration of operations and maintenance functions between Watercare and Healthy Waters may exist and these will be reviewed. The outcomes of this will be reported back to the relevant committee in December 2018.</td>
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| Options for integration with Veolia | March 2018 | Ongoing | The request for advice on options for integration between Watercare and Veolia for the planning, funding and delivery of water supply and wastewater infrastructure in Papakura has been considered. Veolia has rights and obligations under the historical Franchise Agreement with Watercare in relation to the provision of services in Papakura. The Franchise Agreement allows Veolia to operate these services until 2047. Without renegotiating the arrangement with Veolia there is limited scope for further integration. However, Watercare and Veolia are working to more closely align how water and wastewater infrastructure is delivered in Papakura with particular emphasis on growth infrastructure. As an example, the two organisations are currently involved jointly with developers in designing and constructing water supply lines to service growth at Hingaia. |
### Benefit Forecast ($,000)

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<tr>
<td>Three waters strategy &amp; policy (avoided through development of Auckland’s Waters Strategy)</td>
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<td>Consolidated capital planning (deferred through review of the Asset Management Plan)</td>
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<td>Joint project delivery and procurement</td>
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<td>$8,987</td>
<td>$8,614</td>
<td>$8,809</td>
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</table>

1 Benefits realised upon tender award
2 Preliminary operational efficiencies identified, further analysis to be reported in December

### Benefit Realised (per period)

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**Attachment A**

**Item 9**
## VALUE FOR MONEY IMPLEMENTATION PROGRESS REPORT

### Review
- **Domestic Waste**

### Flag
- GREEN (Overall)

### Report Date
- 15 May 2018

### Report Period
- March – May 2018

### Status Overview for the Review

On 27 February 2018 the Finance and Performance Committee considered the implementation and progress consideration for responding to the S17A – Domestic Waste Review. In response the committee resolved to:

- note that the strategic actions arising from the Domestic Waste: Value for Money (S17A) Review have been included in the draft Waste Management and Minimisation Plan 2018 and will be implemented once the plan is approved (subject to public feedback).
- note that the final Waste Management and Minimisation Plan 2018 will be presented to the Environment and Community Committee for approval by June 2018.
- approve additional budget of up to $150,000 operational expenditure to fund an independent review of the value and options for Auckland Council’s ownership of key waste assets and services.

The strategic actions include:

- Preparing a plan of actions to advance the Zero Waste objective in the growing non-domestic waste segments,
- Developing site waste management plans,
- Developing an economic evidence base to quantify the environmental and other impacts of landfills
- Undertaking market research with households and businesses.

These actions have been included in the draft Waste Management and Minimisation Plan 2018. Consultation on the draft plan finished on 28 March 2018 and the Hearing Panel has met to hear oral submissions. The final plan will be presented to the Environment and Community Committee for adoption on 12 June 2018. If approved, staff will then implement the relevant S17A actions.

As described in the key initiatives sections below, a number of the S17a operational items have already been completed or integrated into business as usual. For example, businesses cases are being developed for all major new waste initiatives and grant applications will be made to the Ministry of the Environment’s Waste Minimisation Fund for any services that are eligible. A grant application has been made to the Ministry of Environment fund in May 2018 for support for the establishment costs for three sites within the Resource Recovery Network.

The scope of the business case to evaluate options for the ownership of non-strategic waste assets has been confirmed and a contractor is now being procured. An update on the outcomes of this will be provided in December 2018 to the relevant committee.

At this time the independent business case will evaluate the ownership of the non-strategic waste assets and the associated service delivery. This evaluation will inform the benefit opportunity both social and monetary, and as a result the monetary benefit is currently to be confirmed.

### Benefit Realisation

<table>
<thead>
<tr>
<th>Benefit opportunity $m</th>
<th>Benefit forecast $m</th>
<th>Variance to opportunity $m</th>
<th>Benefit realised $m</th>
<th>Variance to forecast $m</th>
<th>Benefit realisation plan developed</th>
<th>RAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>TBC</td>
<td>TBC</td>
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</tbody>
</table>

### Commentary

*Work on the Section 17A Value for Money Review is proceeding according to schedule. Adoption of the draft Waste Management and Minimisation Plan in June 2018 will signal a key milestone, enabling many of the Section 17A review recommendations to be implemented. There are no significant issues that need resolving.*
### Key Initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Start Date</th>
<th>Completion Date</th>
<th>Flag</th>
<th>Work plan achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1. Total waste stream focus</td>
<td>Nov 17</td>
<td>Ongoing</td>
<td></td>
<td>A proposal to expand the council’s focus beyond domestic waste to the whole waste stream has been included in the draft Auckland Waste Management and Minimisation Plan 2018. Consultation on the draft plan is now complete and the final plan will be presented to Environment and Community Committee for their adoption on 12 June 2018. This will be implemented from July 2018 if approved through the plan.</td>
</tr>
<tr>
<td>#2. Non-strategic asset review</td>
<td>Feb 18</td>
<td>Dec 18</td>
<td></td>
<td>A scope for the business case to evaluate options for the ownership of non-strategic waste assets has been confirmed and a contractor is now being procured. An update on the findings will be provided to the relevant committee in December 2018.</td>
</tr>
<tr>
<td>#3. Domestic waste funding</td>
<td>Nov 2017</td>
<td>Ongoing</td>
<td>i)</td>
<td>Recommendation to submit new services to central government Waste Minimisation Fund if they are eligible: No new service has been introduced during the update period that qualifies for funding from the Ministry’s grant scheme. However, an application for funding to support establishment of three sites within the Resource Recovery Network will be submitted to the May 2018 round.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>ii)</td>
<td>Recommendation to develop business cases for all new initiatives and carry out benchmarking exercise. Strategic assessments are underway to inform a business case for Radio Frequency Identification tags for refuse bins. Work on the benchmarking exercise has not yet started.</td>
</tr>
<tr>
<td>#4. Review of council’s waste grants scheme</td>
<td>Nov 17</td>
<td>Dec 18</td>
<td></td>
<td>A proposal to continue the council’s Waste Minimisation and Innovation Fund has been included in the draft Auckland Waste Management and Minimisation Plan 2018. This will be implemented from July 2018 if it is approved through the plan. A review of the fund to identify any opportunities for improvements and efficiencies is underway. A report outlining any recommended changes will be provided to Environment and Community Committee by December 2018.</td>
</tr>
<tr>
<td>Item 9</td>
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<tr>
<td>--------------------------------------------</td>
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<td></td>
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<tr>
<td><strong>#5. Promote national waste grants scheme</strong></td>
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</tr>
<tr>
<td>Staff have consulted with Ministry for the Environment staff who have confirmed that this action is not required. Government advice for applicants is already provided on the Ministry for the Environment’s website and creating council resources would duplicate these.</td>
<td></td>
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<tr>
<td><strong>#6. Site waste management plan</strong></td>
<td>July 18 Ongoing</td>
<td></td>
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<tr>
<td>This has been included in the draft Auckland Waste Management and Minimisation Plan, as an action for council and council-controlled organisation’s infrastructure projects. This will be implemented from July 2018 if approved through the plan.</td>
<td></td>
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<tr>
<td><strong>#7. Lift economic discipline</strong></td>
<td></td>
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<tr>
<td>The draft Auckland Waste Management and Minimisation Plan 2018 includes actions to undertake more evidence gathering to assess the evidence base for diverting waste from landfill and carry out household behaviour studies. These will be implemented from July 2018 if approved through the plan.</td>
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<tr>
<td><strong>#8. Landfill levy research</strong></td>
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<tr>
<td>Research on the costs-benefits of increasing the landfill levy has been completed with reports commissioned from SLR and Eunomia. A proposal to continue council advocacy to raise the landfill levy is included in the draft Auckland Waste Management and Minimisation Plan 2018. This will be implemented from July 2018 if approved through the plan.</td>
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<tr>
<td><strong>#9. Outcomes driven waste contracting</strong></td>
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<tr>
<td>Implementing outcome-based contracting will be considered as part of the procurement plan being currently developed for waste collection contracts. This procurement plan has been delayed to incorporate any changes as a result of the 2018 Waste Management and Minimisation Plan and outcomes of the non – strategic assets review. It will be presented to Strategic Procurement committee by the end of 2018.</td>
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</table>

**Flag information**

- **Green** - Work will progress as planned, due date will be met or if the due date has been revised it will not affect the project critical path or a dependent project.
- **Amber** - Due date has or will possibly be missed and this may affect the project critical path or a dependent project, or an issue has arisen that may affect this project or a dependent project.
- **Red** - Due date has or will imminently be missed and this will affect the project critical path or a dependent project, or an issue has arisen that will negatively impact this project or a dependent project.

**Commentary:**

- Project comment is required that briefly describes progress made and any issues that have arisen.
- All milestones due in the next three months require comment that briefly describes progress made and any issues that have arisen.
- If the status is **Amber** or **Red** the comment must include a reason why and what action or suggested action is to be taken.

**Risk**

- An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured by a combination of the probability of a perceived threat or opportunity occurring, and the magnitude of its impact on objectives.

**Issue**

- A relevant event that has happened, was not planned, and requires management action. It can be any concern, query, and request for change, suggestion or off specification raised during a project. Project issues can be about anything to do with the project.
Value for Money (s17A) quarterly progress reports

**Attachment C**

**Item 9**

### VALUE FOR MONEY IMPLEMENTATION PROGRESS REPORT

<table>
<thead>
<tr>
<th>Review:</th>
<th>Communication &amp; Engagement</th>
<th>Flag</th>
<th>GREEN (Overall)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Date</td>
<td>15 May 2018</td>
<td>Report Period</td>
<td>March – May 2018</td>
</tr>
</tbody>
</table>

### Status Overview for the Review

Significant progress has been made by the council Communication and Engagement department (C&E) since the February Update to implement all recommendations.

### Council Parent: Communication & Engagement Department

The council’s communication and engagement department continues to make significant progress to implement all recommendations.

Year one efficiency savings have been identified through reductions to operational budget and FTE numbers, including a reduction in print and distribution costs of at least 10%, an accelerated shift to ‘digital first’ and rationalisation of the Annual Report research. Details will be outlined in the department’s FY18-19 business plan which is currently in draft.

Options for year 2 and 3 savings have also been identified, including through commercial partnerships, expansion of the in-house design studio model, and running fewer low priority marketing campaigns. Some savings will require upfront investment to achieve savings in later years. Funding will be sought from council’s investment group for FY18-19, with business cases to be developed.

A new C&E department strategy has been implemented and enables the department to more effectively determine allocation of parent C&E budget for FY18-19 through clearer objectives, investment logic and linkages back to the organisational strategy and mayoral vision. This includes a new set of KPIs for the department which will be outlined.

A Maori engagement strategy for parent is being developed with supporting work streams.

### Council Group

A cross-council working group is leading development of a formal group strategy and plan. This includes identification of opportunities for further efficiency and procurement savings, effective media and issues management and the shift to digital first. This will be presented to Councillors in July.

Scoping work has also begun to identify further efficiency opportunities for year 2 and 3 group savings through joint procurement. Opportunities being investigated include media monitoring, signage, freelance resource, collective ad buy and expanded use of council’s in-house design studio.

A council-CCO working group is considering a response to recommendations in relation to Maori engagement.

#### Benefit Realisation 2017/18

<table>
<thead>
<tr>
<th>Benefit opportunity</th>
<th>Benefit forecast $m</th>
<th>Variance to opportunity $m</th>
<th>Benefit realised $m</th>
<th>Variance to forecast $m</th>
<th>Benefit realised plan developed</th>
<th>RAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Parent: $16.7m 10-years</td>
<td>Council Parent: $12.2m 10-years</td>
<td>Currently being analysed</td>
<td>$4.3m</td>
<td>From FY19</td>
<td>N/A Underway</td>
<td>GREEN</td>
</tr>
<tr>
<td>Group Procurement: $15m-$30m</td>
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</table>

#### Commentary

[Further detailed commentary is provided here, including specifics on the benefit realization and how it aligns with the overall strategy and objectives.]

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Value for Money (s17A) quarterly progress reports

Page 21
Council Parent

The formal cost-efficiency programme recommended by the S17a Review forecast a 10-year savings target of $16.7m for the council parent. This was dependent on the consolidation of circa $4m of communication and engagement activity sitting outside of the C&E department to enable efficiencies to be fully realised.

Following analysis of the $4m it is concluded that there is minimal opportunity to consolidate this expenditure into the C&E department. The majority of spend is by other parts of the council which for the most part do not cross-over core C&E functions e.g. the printing of Inspection Record Books by Building Control, the printing of dog registration forms by Animal Management Services and the printing of Visitor Experience brochures by PSR. Other spend was on one-off completed projects e.g. the Unitary Plan.

As a result of this analysis, the FY19 efficiency target has been calculated at $0.46m and the 10-year efficiency total at $12.158m.

C&E are on track to deliver to these savings targets.

Definition

Benefit opportunity – this is the benefits identified by the Value for Money review

Benefit forecast – this is the forecast benefit (of approved opportunities) following business unit review of the benefit opportunity. Note that not all benefits were valued as part of VM review so forecast may include additional benefits

Benefit realised – this are benefits that have either been realised or have been included in the Long Term Plan

Benefit realisation plan developed – Y/N – is there a documented plan to realise benefit from VM review

RAG – Green 90%-100% of benefit forecast, Amber 70%- 90% of benefit forecast, Red less than 70% of benefit forecast

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<tbody>
<tr>
<td>$0.464</td>
<td>$0.913</td>
<td>$1.348</td>
<td>$1.348</td>
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<td>$1.348</td>
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<td>$12.158</td>
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<tr>
<td>Not yet applicable</td>
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</table>

Key Initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Start Date</th>
<th>Completion Date</th>
<th>Flag</th>
<th>Work plan achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Develop a formal group strategy and plan</td>
<td>Jan 2018</td>
<td>Jun 2018</td>
<td>Green</td>
<td>A cross-council working group is leading development of a formal group communications framework. At a meeting on March 1st attended by the council parent and CCOs the outline of a group communication framework was agreed to. Following this meeting a smaller group has developed the first draft of this framework which has been now circulated to the wider group for feedback. A working session scheduled for 28 May will discuss feedback, with the purpose of finalising a document to take to senior leadership teams in June.</td>
</tr>
</tbody>
</table>

| #2 Implement cost efficiency plans (parent) | Jan 2018 | Aug 2018 | Green | Work on cost efficiency plans is progressing. Year one efficiency savings will be met through a combination of reduction in FTE (achieved by not filling current vacancies in non-critical roles) |
and reductions in operational budget. Options for reducing core operating expenditure currently being investigated as part of the business planning process for FY18-19 include:

- Accelerating the shift from print to digital - including changes to Our Auckland to achieve savings of at least 10% on Our Auckland print and provide more effective engagement and reach from online and print channels
- More efficient and effective marketing campaigns, including fewer individual campaigns and greater use of cross-promotion and joint or themed campaigns
- Rationalisation of the Annual Report Research Programme while still meeting the statutory Long Term Plan requirements.
- Establishing a group-wide pool of freelancers to reduce contractor numbers

Beyond year one savings, other significant opportunities to improve value for money are being investigated as part of development of the C&E department strategy, including:

- Further expansion of the design studio model - building on the 37% savings in external agency spend since 2014 through in-housing of BAU design - including provision of services for CCOs
- Revenue generation through advertising partnerships for Our Auckland print (with opportunities to expand to digital in the future)
- Use of commercial partnerships to improve reach, revenue and impact for key campaigns

<table>
<thead>
<tr>
<th>#3 Planning process</th>
<th>Jan 2018</th>
<th>Jun 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>A new C&amp;E department strategy has been adopted to drive allocation of the parent’s C&amp;E budget for FY18-19 with clear objectives, investment logic and linkages back to the organisational strategy and Mayoral vision.</td>
<td></td>
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</tr>
</tbody>
</table>

Priority work-streams that will inform budget allocation for FY18-19 include:

**Know Aucklanders** – a review of insights and audience segmentation to inform better targeting and relevance of messages and provide consistent approach to measuring ROI for campaigns

**Inform & Engage Aucklanders** – a single messaging framework to organise and align core messages across council

**Meet Aucklanders where they are** - Development of a single ‘go to market’ strategy for the organisation, to deliver council messages to target audiences in the right place
| Item 9 | #4 Maori engagement | Apr 2018 | April 2019 | Parent: Te Waka Anga Mua ki Uta and C&E have developed a joint strategy and action plan for addressing key Maori engagement challenges within the parent, including setting baseline engagement standards and measures through the Engagement Performance Framework Dec 17. Key supporting work-streams underway include:

- Council-wide implementation of the Engagement Performance Framework
- Development and delivery of a Maori Information Portal, including improved Maori engagement calendar management, contacts and engagement process guides tools and systems
- Establishment of Regional Mana Whenua Kaitiaki Forum, strategic priority setting and funding process underway through 10-year budget
- Mataawaka/Maori communities engagement partnering pilot to improve breadth depth and effectiveness of Maori input into council decision-making

Group: A steering group has been convened to address challenges from a group-wide perspective. Members contributed to a stock-take of our respective programmes for discussion at our 1 May meeting. A meeting is being scheduled for the final week in May to confirm our priority challenges and provide a consolidated view of how we will address them, including initiatives already in progress, and initial scoping for a joint longer-term shared programme. This will be presented to senior leadership in June.
|  | #5 Performance measures | May 2018 | June 2018 | A set of KPIs are being developed as part of the strategy development noted in #3 to measure ROI on campaigns and will be included in the department's FY18-19 business plan.
|  | #6 Joint procurement | May 2018 | Nov 2018 | The C&E department and council procurement have begun to identify opportunities for savings through joint procurement across the group.

Opportunities currently being investigated:
1. Pool of freelance graphic designers. Currently both Auckland Council and Auckland Transports’ design studios experience periods...
of peak workflow where additional resource (over and above the core FTE) may be needed to cope with the workload. During these periods agency contractor resource is used (mostly by Auckland Transport's studio) at significant cost to the organisation due to agency fees. Also there are times when production work needs to be briefed into our creative communication agencies at a much greater cost than what the work could be produced for in-house. Auckland Council's design studio have utilised their own pool of contractors in the past on Auckland Council casual contracts, meaning resource can be used on an as needs basis without repeating onboarding procedures and agency mark up fees.

Auckland Council is currently seeking approval to go to market for a pool of casual contractors that could be utilised across the council group, building capability in working with Council and CCO brands and allowing for flexibility and movement of resource across the group on an as needs basis. This would also result in efficiencies.

2. Media Monitoring
A meeting was held on 3rd May with iSientia, council procurement and CCO representatives to investigate potential efficiencies in media monitoring. Presently the council parent and each of the CCOs have separate contracts in place with iSientia. iSientia are now aware of each entity's media monitoring needs and will respond with a proposal.

3. Public Notices
AT and AC are currently in the early phases of exploring potential for greater value for money through joining up procurement of public notice advertising. Further details will be provided in July.

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**Commentary:**

Project comment is required that briefly describes progress made and any issues that have arisen.

All milestones due in the next three months require comment that briefly describes progress made and any issues that have arisen.

If the status is *Amber* or *Red* the comment must include a reason why and what action or suggested action is to be taken.

**Risk**

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**Issue**

A relevant event that has happened, was not planned, and requires management action. It can be any concern, query, and request for change, suggestion or off specification raised during a project. Project issues can be about anything to do with the project.
VALUE FOR MONEY IMPLEMENTATION PROGRESS REPORT

<table>
<thead>
<tr>
<th>Review:</th>
<th>Investment Attraction &amp; Global Partnerships</th>
<th>Flag</th>
<th>GREEN (Overall)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Date</td>
<td>16 May 2018</td>
<td>Report Period</td>
<td>March 2018 - May 2018</td>
</tr>
</tbody>
</table>

Status Overview for the Review

ATEED has now initiated work on all three elements emerging from the value for money review of investment attraction and global partnership. Initiatives 2 and 3 are on track to be finalised by end of June 2018. Initiative 1 is more significant in scope and will be a key deliverable for ATEED in its’ 2018-19 work programme.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Start Date</th>
<th>Completion Date</th>
<th>Flag</th>
<th>Work plan achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Develop an Auckland investment story</td>
<td>April 2018</td>
<td>June 2019</td>
<td>A</td>
<td>Background research and analysis underway</td>
</tr>
<tr>
<td>#2 Investment attraction service</td>
<td>April 2018</td>
<td>July 2018</td>
<td>G</td>
<td>Review of best practice underway</td>
</tr>
<tr>
<td>#3 Better performance measures</td>
<td>April 2018</td>
<td>July 2018</td>
<td>G</td>
<td>Voice of the customer work underway</td>
</tr>
</tbody>
</table>

**#1 Develop an Auckland Investment Story**

The value for money review identified the need for a consolidated Auckland Investment Story that presents a shared understanding of Auckland’s overarching urban growth and infrastructure development plan to guide investment attraction and financing projects and explains to potential investors the roles of each of the relevant council teams and how they work together. This will be a live environment providing real time investment opportunities to support business attraction to Auckland.

*Amber* - Due date has or will possibly be missed and this may affect the project critical path or a dependent project, or an issue has arisen that may affect this project or a dependent project.

**Commentary:**

The key findings of the review accepted that the delivery of investment attraction and global partnerships activities were necessary in a gateway city such as Auckland, were logically selected, well-targeted and prioritised. The Review noted that efforts had been made to improve co-ordination between Auckland and central government agencies, but that there would be benefits to be realised through the development of a consolidated investment story to guide investment attraction and financing projects. Based upon this, the proposed objectives for this project are as follows:

1. Clarify and codify the respective roles of Auckland agencies involved in investment attraction, resolving any areas of perceived overlap and/or duplication;
2. Consider how the activities of Auckland and national government agencies can be better aligned and integrated to ensure maximum reach and effectiveness;
3. Develop a coordinated Auckland Investment Story which
   a. Clearly articulates Auckland’s investment proposition
   b. Focuses on unlocking maximum potential value from planned investments in transport and housing infrastructure across Auckland
   c. Sets out tangible investment opportunities of interest and relevance to international investors
4. Establish an ongoing governance and reporting framework to track progress and support collective delivery

ATEED is currently undertaking background research to inform the above activities. Moving forward, the delivery of this programme of work will be led by ATEED’s new General Manager, Strategy, which is currently under recruitment.
## Issue
ATEED needs to complete the process of recruiting the new General Manager, Strategy position and then identify an internal project manager before progressing the full programme of work on the Auckland Investment Story.

### #2 Investment attraction service
ATEED is undertaking a feasibility study to analyse the potential introduction of a fees for services model to offset costs. ATEED has undertaken initial desk-based review of models and has commissioned OCO Global to peer review the internal work and offer additional advice and guidance on current best practices in investment attraction activities and delivery models.

**Green** - Work will progress as planned, due date will be met or if the due date has been revised it will not affect the project critical path or a dependent project.

### Commentary
Objectives of the feasibility study:
- Evaluate 2014 policy proposal and redefine scope
- Determine whether business attraction services provided to potential international investors will remain free-of-charge. The baseline assumption here is that they should.
- Explore the adequacy of a fee-for-service model in line with the “inward investment” model implemented by London & Partners, i.e. charging service providers for referrals by ATEED.
- Determine whether in-house “consulting services” provided by ATEED to Auckland companies should have a fee structure attached to them.

Based on the conclusions drawn in the feasibility study, a recommendation will be made whether or to proceed with a fee-for-service model. Should this eventuate, the objectives of the model itself will include:
- Increase non-rates revenue
- A level playing field with private sector
- Efficient allocation of ATEED resources
- Fair allocation of costs

### Risk
Primary risk relates to implementation of findings of the feasibility study and potential impact on a) crowding out private sector advisory services b) negative impact on overall levels of FDI and ATEED’s perceived independence.

### #3 Better performance measures
The introduction of better performance measures will allow Auckland Council and CCO’s to demonstrate that new business and investments attracted to Auckland benefit all Aucklanders. ATEED is currently looking at revising its performance measurement approach to reflect the organisation’s new strategic direction. Consequently, the s17a element is being run in parallel with the wider exercise to ensure efficiencies and integration.

ATEED’s draft SOI proposes 5 new performance indicators have been identified (reduced from 24) providing clarity around the value offered by ATEED to Aucklanders. These will be supported by a number of sub-KPI’s that are still in development:
- Value – GDP
- Jobs created / retained
- No of businesses integrated with
- Visitor Nights
- Customer Satisfaction (Voice of Customer Survey)

**NOTE:** sitting across these measures will be activity related to business attraction.
**Flag information**

**Green** - Work will progress as planned, due date will be met or if the due date has been revised it will not affect the project critical path or a dependent project.

**Commentary:**
ATEED is currently focusing on establishing a Voice of the Customer (VoC) Programme as a key means of gaining customer intelligence to help ATEED to design and refine our services to businesses. It is likely that this will include a Net Promoter Score of customers, partners and stakeholders who have interacted with ATEED. As part of the work, ATEED will work with GPS to ensure that elements relating to investment attraction are consistently captured, aligned and are applicable to activity across ATEED, GPS and the wider Council group. Neillson have been appointed to assist ATEED with this work programme and it is expected that the final model will be in place by 30 July.

**Risk**
Clarity around who is the customer and appropriate mechanism and frequency of engagement.

Ensuring the right sub-KPI’s are developed to support the reporting on the top 5 measures.
Te take mō te pūrongo / Purpose of the report

1. To provide an overview of the findings and recommendations contained in two completed value for money (s17A) review reports:
   - Parks and Open Spaces
   - Group Procurement.

2. To seek endorsement for the two completed reports (contained in Attachment A and Attachment B), to be recommended to the Governing Body for approval.

Whakarāpopototanga matua / Executive summary

3. In March 2017 (resolution number FIN/2017/23) the Finance and Performance Committee endorsed a value for money programme for the Auckland Council Group (the group) and subsequently in September 2017 (resolution number FIN/2017/128) approved the terms of reference for the parks and open spaces and group procurement reviews.

4. Each review is the first step in identifying the key strategic opportunities to improve value for money. The recommendations contained in each report are at a conceptual stage. They require management review and detailed investigation, including feasibility studies, business case development and consultation on potential plans, options, process changes and associated decisions.

5. The Long-term Plan 2018-2028 (LTP) for parks and open spaces allocates $4.2 billion in operating costs for this area and $1.9 billion in capital costs over the next ten years. The parks and open spaces review generally found a clear strategy and policy to support the council’s expenditure, its role, objectives and standards.

6. Most park users are satisfied with their park visits and the majority are satisfied with parks provisioning. Comparisons with other New Zealand cities suggest Auckland is comparatively well-provisioned with parks for its population.

7. The key challenge is to accommodate population growth which makes it difficult to meet changing community expectations and to protect the natural environment.

8. Park land which does not meet the requirements of the Parks Provision Policy (in terms of function, configuration, or location) is currently identified and marked for disposal on an ad-hoc basis. It is then subject to individual consultations with the local boards and their communities. While the policy is robust the application of the policy and the overall disposal process is cumbersome and lacks wide public consultation.

9. The LTP includes a target for divestment of non-service assets. To help meet this target, a plan should be developed. This should be extensively consulted on as part of the LTP and the Annual Budget. The divestment process should be improved with clear accountability for implementation.

10. The review of group procurement services shows that the group spends $2.9 billion annually with suppliers with a significant level of commonality for the top thirty suppliers across the group. Compared to benchmarks procurement is cost-efficient. Given the scale and complexity of the future long-term plan capital programme, the level of investment in procurement capability should be monitored.
11. The review noted that all council organisations have approved the Group Procurement Policy (September 2017) but this has yet to result in the development of a group procurement strategy or changes in the way procurement is undertaken across the group. Procurement functions are currently operated separately across the group. Each entity in the group operates largely independently in managing suppliers, with an emphasis on meeting each entity's own needs. This means that entities can be in the market at the same time for the same products which increases cost.

12. Significant value will be delivered from improving procurement across the group so that scale can be leveraged with key suppliers and duplication eliminated. Progress has been made with the informal collaborative model for group activities but value for money will be achieved with more formality around group procurement strategy and in setting ambitious hard savings targets and tracking performance given the financial pressure facing the group.

13. Some procurement functions are best kept close to the business. Activities like procurement template maintenance spend analysis, procurement improvement programmes, learning and development, supplier management and procurement systems are happening in each entity and could be done once for the group.

**Ngā tūtohunga / Recommendation/s**

That the Appointments, Performance Review and Value for Money Committee:

a) receive the Parks and Open Spaces and Group Procurement Value for Money (s17A) Review 2018 reports.

b) endorse the recommendations contained in the two reports and recommend that the Governing Body approve the reports and their recommendations

c) require that local boards are consulted in the development of the divestment plan noted in the Parks and Open Spaces review.

**Horopaki / Context**

**Background**

14. In March 2017 (resolution number FIN/2017/23) the Finance and Performance Committee endorsed a value for money programme for the Auckland Council Group and subsequently in September 2017 (resolution number FIN/2017/128) approved the terms of reference for the parks and open spaces and group procurement reviews.

15. In March 2018 (resolution number GB/2018/57) the Governing Body approved the terms of reference for the Appointments, Performance Review and Value for Money (APRVFM) Committee. This incorporated the oversight for the value for money (s17A) programme.

16. The two reports (Attachment A and Attachment B) are the latest outputs from the value for money programme, which delivers on the requirement, in s17A of the Local Government Act 2002, to review the cost-effectiveness (or value) of current arrangements for delivering local infrastructure, local public services and regulatory functions.

17. Each review is the first step in identifying the key strategic opportunities to improve value for money. The recommendations contained in each report are at a conceptual stage. They require management review and detailed investigation, including feasibility studies, business case development and consultation on potential plans, options, process changes and associated decisions.
**Review process**

18. The value for money review takes a now well-established strategic and evidence-based approach to the review. It draws on published reports, council data, interviews with management and CCOs, and the input of subject matter experts engaged for each review. Each report contains an overview of the review methodology.

19. The reports were scrutinised by the Independent Review Panel, and council management and CCOs were consulted as part of the review, leading to these two reports.

**Tātaritanga me ngā tohutohu / Analysis and advice**

**Key findings of the parks and open spaces review**

20. The parks and open spaces review found a clear strategy and policy to support the council’s provision of parks and open spaces. The LTP has allocated $4.2 billion in operating costs and $1.9 billion in capital costs over the next ten years.

21. Most park users are satisfied with their park visit and a majority are satisfied with parks provisioning. Comparisons with other New Zealand cities suggest Auckland is comparatively well-provisioned with parks for its population.

22. The key challenge is to accommodate population growth. Given growing demand on space, council needs to be clear if land allocated to parks is used to best community effect. The review’s recommendations are to give greater clarity.

23. A key finding is that the divestment process should be improved. Park land which does not meet the requirements of the Parks Provision Policy (in terms of function, configuration, or location) is currently identified and marked for disposal on an ad-hoc basis. It is then subject to individual consultations with the local boards and their communities. While the policy is robust, the application of the policy and the overall disposal process is cumbersome and lacks wide public consultation.

24. The review recommends that the LTP target for the divestment of non-service assets needs to come with a supporting plan. This should be extensively consulted on as part of the LTP and the Annual Budget and have clear accountability for implementation. Being part of the LTP consultation enables a broader and more transparent discussion with the community on the choices. An improved process is expected to result in a cash flow benefit of between $200-600 million over a ten-year period, net of proceeds already budgeted for and an allowance for replacement acquisitions.

**Key findings of the group procurement review**

25. The group procurement review found the group spends $2.9 billion annually with suppliers. There is a significant level of commonality of the top thirty suppliers across the group. Compared to benchmarks, procurement is cost-efficient.

26. A key finding is that, while all council organisations have approved the Group Procurement Policy (September 2017), this has yet to result in substantial changes in the way procurement is undertaken across the group. Procurement functions are currently operated separately across the group, with an emphasis on meeting each entity’s own needs.

27. The review identifies a $140 million incremental procurement benefit over the next 10 years from improving procurement across the group, so that scale can be leveraged with key suppliers and duplication eliminated. While progress has been made with the informal collaborative model for group activities, value for money will be achieved with more formality, including a group procurement strategy, setting ambitious hard-savings targets, and tracking and reporting against performance, given the financial pressure facing the group.
28. Some procurement functions are best kept close to the business. But activities like procurement template maintenance, spend analysis, procurement improvement programmes, learning and development, supplier management and procurement systems could be done once for the group, rather than duplicated.

**Key Value Opportunities**

29. The two reviews set out a number of focused recommendations aimed at addressing systems, processes and accountabilities to enable improvements over time. These are set out in the attached review reports.

**Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe / Local impacts and local board views**

30. The Governing Body holds the budgets for acquisition of parks and open spaces and divestment decision rights. However local boards hold the budgets for asset improvement arising from regional policy and have a significant interest on behalf of their communities in the parks and open spaces service area.

31. A briefing on the findings from the parks and open spaces review was held with the local board chairs in April 2018 as a key party in the processes associated with the service delivery of parks and open space services.

32. The chairs were generally supportive of the findings in respect to improving public consultation, strengthening visibility of the divestment plans for surplus land not meeting provisioning policy and streamlining the associated divestment process including simplifying accountabilities.

33. Assuming acceptance of the reports it is recommended that engagement with the local boards be deepened as the recommendations of direct relevance to the local boards are designed and implemented and that formal feedback be sought from local boards prior to the adoption of any plan or associated process.

**Tauākī whakaaweawe Māori / Māori impact statement**

34. The Auckland Plan seeks to enable and support mana whenua and mataawaka aspirations in recognising Te Tiriti o Waitangi/The Treaty of Waitangi.

35. The parks and open spaces review in particular recognises that Māori have an active and specific role in Auckland’s open spaces, including the maunga (volcanic cones), wahapu (harbour), motu (islands) and kaitiakitanga (guardianship) of our land and marine resources. Land has a specific role in protecting, enabling and building Māori social and cultural capital.

36. Marae, kohanga reo, and other Māori entities have been established on reserve status land, offering spiritual, cultural, as well as a range of social, educational, health and justice services, and providing a cultural base for urban Māori (taura here).

37. Any review of funding or other arrangements or any analysis on use arising from the two reports must accommodate the perspective and needs of Māori and the impact on Māori of any policy, plans or processes including formal feedback be sought from Māori prior to the adoption of any plan or associated process.

**Ngā ritenga ā-pūtea / Financial implications**

38. Any financial implications arising from the implementation of these review reports will be determined when implementation plans are developed and reported back to this committee. Any resourcing or budget requirements will be requested through the Finance and Performance Committee.
Ngā raru tūpono / Risks
39. The primary risks arising from these recommendations are regarding the implementation. Reputational risk may result if the recommendations within the report are not followed up on. Financial risks may arise should the proposed actions require large levels of resourcing and budget. Both will be addressed through implementation plans and where required business plans.

Ngā koringa ā-muri / Next steps
40. Should the report and their recommendations be endorsed then the next step will be for the reports to be tabled with the Governing Body for adoption.

Ngā tāpirihanga / Attachments

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<th>No.</th>
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<tr>
<td>A</td>
<td>Parks and Open Spaces Value for Money (s17A) Review 2018</td>
<td>37</td>
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<td>B</td>
<td>Group Procurement Value for Money (s17A) Review 2018</td>
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Ngā kaihaina / Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Sally Garrett – Programme Manager</th>
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</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Kevin Ramsay - General Manager Corporate Finance and Property</td>
</tr>
<tr>
<td></td>
<td>Matthew Walker - Acting Group Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
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</tbody>
</table>
Parks and open spaces

Value for Money (s17A) Review 2018
Scope: parks and open spaces used for active or passive recreation

This review covers all parks and open spaces used for active or passive recreation where Auckland Council and CCOs have a role in their governance, funding or service delivery. This includes, but is not limited to, land restricted under the Reserves Act. Any recommendations and findings in this report will be subject to the provisions of the Reserve Act.

Parks and open spaces

The services and assets covered include local parks, sports parks, regional parks, esplanades, holiday parks, botanical gardens, volcanic cones, beaches, Department of Conservation (DoC) land where Auckland Council has joint conservation activity (e.g. Hauraki Gulf Islands), playgrounds, and walkways and cycleways which connect parks.

This review excludes streetscapes and use of streets and private property for recreation purposes. As the city intensifies, these modes become more important, and will be part of the future transport and urban development reviews. It also excludes “blue” spaces including the sea and beaches, and community facilities such as swimming pools which may be operated in parks. These will be part of future review topics.
<table>
<thead>
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<th>Attachment A</th>
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<tr>
<td>Auckland’s parks and open spaces</td>
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<tr>
<td>56,350</td>
</tr>
<tr>
<td>14</td>
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<tr>
<td>FTEs across the council in different departments (including City Parks)</td>
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</table>
These spaces provide a wide range of services to millions of visitors and the community, as well as to the environment.

- More than 175,000 guest nights in holiday places
- More than 221 million hours of volunteer service contributed by the sport and recreation sector
- 64 volunteers daily in regional parks, including Albert Park and Auckland Botanic Gardens
- 89,372 participants in active sports per week across council sports fields
- 6.45 million annual visitors to regional parks
- More than 72% satisfaction with quality and location of local parks
- 96% of public visited local/reserve parks in 2017
- 83% of public used regional parks in 2017
- 72% satisfaction with quality of visit to local parks
- On target
Executive summary

Parks provide value to the community
Parks and open spaces offer a range of important benefits to the community – environmental, recreational, social, educational, aesthetic, cultural and economic. Any assessment of value needs to consider all these dimensions.

Overall, the provision of parks and open spaces is well organised. There is a clear strategy supported by clear investment logic, the Open Space Provision Policy, and supporting activity (e.g. local network plans, asset maintenance). Data and other evidence are used to prioritise capital and operational spend.

Most Aucklanders visit a park at least once a year but we need a way to understand the value of parks and open spaces
Most Aucklanders have good access to parks and open spaces and are satisfied with the quality of their visit. Most Aucklanders live within walking distance of a local park or open space, visiting a park at least once a year and are satisfied with the experience.

There is only limited information on the use and broader benefits of parks and open spaces. Nor is the opportunity cost visible (i.e. the highest alternative value of these assets, if they weren’t parks). This gap needs to be filled in a comprehensive and systematic way. There is an opportunity to build on work underway to identify the economic, environmental, social and cultural benefits of parks. With all the costs and benefits visible, decision-making on buying, selling and getting the best use of parks and open spaces will be improved.

A growing Auckland puts pressure on the cost of providing parks
Parks and open spaces are affected by population growth, explaining rising capital and operating spend. But costs are contained and in line with benchmarks. Recently finished procurement for maintenance services has given certainty on those types of costs. Some transitional issues that impacted service standards are being addressed.

Land management should be a core competency
Managing land and property is a core council competency which affects most of the council’s activities. Despite its strategic value, land management has been devolved to multiple council departments and COOs. The processes involve many people and decision cycles are slow. The approach contrasts with that of other councils that treat land ownership functions as a core competency and land as a strategic asset. Auckland Council should consider if this function is better centralised.

There is a lack of clarity and some duplication in roles and responsibilities related to land ownership functions in the council which is slowing down service delivery. We have identified a number of areas that will benefit from being clarified or realigned.

Acquisition and disposal of land is complex and the process is slow
The factors outlined above – an incomplete facts base on costs and benefits, complex governance, poor processes and dispersed and some misaligned accountabilities for land ownership functions – slow down action on land. This is particularly an issue for the disposal of non-service land that does not meet the parks provisioning policy. The costs of processes and delays can be addressed by better information on costs and benefits, and clear accountability for delivery of an agreed disposal plan.
Executive summary (cont...)

A consistent approach to co-governance arrangements is needed
The involvement of, and engagement with, Māori is a clear part of the approach to the delivery of parks and open spaces. There are a number of co-governance arrangements which are all different. This increases cost and affects effectiveness. Work needs to continue on a consistent, effective, and affordable approach to co-governance.

Align responsibilities, budgets and processes to improve operating performance
The role of Community Facilities (CF) has not yet been fully implemented following a departmental re-organisation. CF could have a clearer and greater involvement in the acquisition and disposal of parks and open spaces.

We also see merit in reviewing whether it would be more effective for CF to manage all leases on parks — including the commercial leases currently managed by Panuku — and to directly brief external parties on the acquisition/disposal of parks. The aim is greater role clarity and a faster decision and implementation lifecycle.

Review of City Parks to ensure it delivers the appropriate benefits to council
City Parks Services is a council department but set up as a standalone business unit (with a separate brand, fleet and systems) to operate competitively. Following the development of a strategy there has been investment in its capabilities so it can become a full facilities management provider (Project 17). It is expected to secure additional non-council customers which will change its risk profile.

The council should undertake a post-implementation review of this investment, including its organisational form, and decide whether to absorb City Parks back into the council or to prepare it for sale. The council should continue to ensure City Parks operates with the appropriate disciplines to deliver the financial returns and faces its full costs, so it is on a level playing field in the marketplace.

A consistent approach to charging users of parks, for transparency, greater equity and improved value
Clubs and other organisations pay peppercorn or below market rents for using parks. This way of giving financial support is not transparent and is not applied consistently. Building on the proposed changes to rates remission (and other work completed as part of the LTP) we encourage further analysis of charging for use for more transparent and equitable funding decisions. Peppercorn rents obscure how much subsidy is being provided and, together with long lease terms, hinders regular assessments of value to the community and equity between groups.

A fairer and more transparent option may be to charge market rents, especially where there is a business element, and to use grants to support organisations. A change in approach will require robust and careful planning and implementation, but should deliver improved value.

Review the council’s role in operating farms and holiday places to achieve better outcomes
The council’s core business is not to run farms or holiday places. Work is underway to improve the financial returns, and environmental and other benefits from these activities. This is welcome, but the council should review if it should be involved as an operator at all, and what alternative models might offer better value to the community.
Recommendations to Appointments, Performance Review and Value for Money Committees

It is recommended that the council’s chief executive collaborate with the chief executives of the CCOs to:

Develop a parks value indicator to better support decision-making

There are no consistent measures of the benefits of parks and open spaces, or the cost of providing them.

A parks value indicator will improve transparency on the value each park provides to the community relative to other uses. It will help with consistent, more disciplined assessments of the relative performance of parks and open spaces (and could be extended to apply to all asset holdings).

A common information base would give decision-makers clear and consistent decision criteria by highlighting trade-offs, to go alongside clear communication of the broader strategic context and plan for land acquisition and disposal. This would help mitigate disputes and delays when the Governing Body, local boards and co-governance partners have different perspectives and priorities on parks and open spaces.

Recommendation
1. Develop a comprehensive parks value indicator framework to give decision-makers visibility of:
   • park use and the direct benefits to the users, and wider environmental, social, cultural and economic benefits
   • the opportunity cost of the asset (including the development and maintenance costs and the market value of land)
   • the ratio of utility/dollar value for each park asset as performance criteria, so those with a low ratio are reviewed for either development or considered for alternative use which should be the responsibility of judgement.

Improve the process for divestment of non-service land

Park land which does not meet the requirements of the Parks Provision Policy is identified and marked for disposal on an ad-hoc basis. It is then subject to individual consultations with the local boards and their communities. While the policy is robust, its application and the overall disposal process is slow and cumbersome and very time-consuming.

The Long-term Plan (LTP) includes a target for divestment of non-service assets. To help meet this target, a complete plan should be developed for parks. This should be consulted on as part of the LTP/Annual Plan and in the context of planned acquisitions. The process should be improved with clear accountability for timely implementation and maximising returns, with regular progress reports. Being part of LTP consultation allows a broader and more transparent discussion of the choices with the community.

Recommendation
2. Develop a three-year rolling divestment plan for park land and open space that are non-service and do not meet provisioning policy and service requirements:
   • to be consulted on and agreed as part of the LTP and Annual Plan processes
   • with clear accountability for implementation of such a plan to contribute to LTP financial targets
   • within the context of desired or planned acquisitions to fund the development of parks in accordance with the provision policy where development contributions do not apply.
Recommendations (cont...)

It is recommended that the council’s chief executive collaborate with the chief executives of the CCOs to:

Consistent approach to charging users of park land for transparency, greater equity and improved value

Clubs and other organisations pay peppercorn or below market rents for using parks. Peppercorn rents obscure how much subsidy is being provided and, together with long lease terms, hinder regular assessments of value to the community and equity between groups.

The council should review the use of peppercorn leases, rates remissions and loans to support users of park land and assess if there is an opportunity to align practices with good public policy principles.

Recommendation

3. Implement a consistent approach to charging users of, and operators in, parks and open spaces, to achieve greater transparency, fairness, and efficiency, and return on assets, with a particular focus on commercial operations and those competing with private providers.

Review of City Parks to ensure it delivers the appropriate benefits to the council

Investment has been made in City Parks to become a full facilities maintenance provider with the objective to compete with private sector providers.

The council should review whether City Parks has the appropriate operating form and disciplines to deliver the financial and non-financial benefits in line with the council objectives and strategy.

Recommendation

4. Review the achievement of investment objectives and appropriate operating form for City Parks Services to ensure it will deliver the appropriate return on investment and other benefits to the council, and has all appropriate overheads priced in so it operates on a level playing field where it competes in the marketplace.
Quick wins

During the review we identified further unvalued tactical improvement opportunities that could be delivered quite quickly as quick wins. We suggest management evaluate these for implementation as part of business-as-usual.

A. Undertake an independent post-implementation rapid review of Project 17 to identify the main benefits delivered for parks and open spaces against the proposed plan and to identify the major lessons for future improvements.

B. Complete the development of the parks service strategy to align with the Parks and Open Spaces strategic action plan.

C. Develop a framework for establishing co-governance arrangements with Māori and other parties, and liaise with central government to find ways to streamline these arrangements to reduce the cost of governance to Aucklanders.

D. Assess land management against the council’s right-sourcing framework to decide whether this should be a treated as a core council competency, and review the respective roles of CF and Panuku in leasing, acquisition and disposal processes.

E. Investigate the use of new data sources and technologies to improve the measuring and monitoring of the use and benefits of parks and open spaces.

F. Of urgency the work on a Māori engagement plan, considering Māori as customer and as a partner.

Continue as a matter
Opportunity impacts and dependencies

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<td>1</td>
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<tr>
<td>2</td>
<td>A comprehensive divestment plan 350</td>
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<td>3</td>
<td>Consistency of charging +ve not estimated</td>
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<tr>
<td>4</td>
<td>Review of City Parks +ve not estimated</td>
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| Total | 140 |

Notes
- Value proposition #1 is a key enabler for value proposition #2 supporting evidence-based decision-making.
- Value proposition #2 has a positive cash benefit over 10 years of between $200m and $600m.
- The estimates are cash releasing benefits. That means the council Group will improve their cash flow from implementing the opportunity.
- Estimates are indicative of the order-of-magnitude of the opportunity, drawing on assumptions from the literature and experiences in other places. Their purpose is to establish the case for progressing options and associated business cases. In some cases, the evidence is strong; in others, the basis for assumptions is speculative.
Parks are an intrinsic part of living in Auckland

The provision of parks and open spaces needs to accommodate a growing city with changing needs. Auckland is not the same city with the same requirements as it was when much of the parks and open spaces were developed.

Questions

- Has the amalgamation of legacy councils into Auckland Council delivered efficiency benefits for parks and open spaces?
- Is the amount of parks and open spaces provided appropriate?
- How does the provision of open space compare to other international cities?
- Are there effective performance measures and what are the trends?
- Does the provision of parks and open spaces effectively support the delivery of the council’s strategic objectives?
- Is open space acquisition and disposal aligned to the Open Space Provision Policy and the Parks and Open Space Acquisition Policy?
- Are parks and open spaces the best use for that land?
- Is the funding for parks and open spaces appropriate?
- Has procurement effectively supported the business in delivering the strategic outcomes?
- Is the governance model effective in supporting the delivery of the strategic objectives?
- Are accountabilities and responsibilities well defined across the parks and open spaces value chain?
- How is service delivery organised and is it efficient and effective?
A wide range of interests are involved in provision of parks

Auckland Plan, Auckland Unitary Plan, and Māori Responsiveness Framework

Governance
- Set policy and strategy
- Planning and target setting
- Invest/divest
- Deliver services
- Maintain assets
- Monitor and evaluate use, quality, costs

Governing Body
- Māori (co-)governance bodies*
- Independent Māori Statutory Board

Governing Body, Independent Māori Statutory Board
- Local boards
- Māori (co-)governance bodies

Chief Planning Office / Community & Social Policy

Community Services

Community Facilities

Panuku

Finance

Service delivery

Involvement of wide range of internal and external parties
- Plans & Places: e.g. placemaking advice and delivering local spatial plans aligned to Unitary Plan
- Community & Social Policy: e.g. advising on parks and recreation, community, affordable housing
- Community Facilities: build, renew and maintain and advise on community facilities and parks and open spaces
- Infrastructure & Environmental Services Development Programme Office: coordinate physical and community infrastructure
- Panuku: urban regeneration and transformation, buy and sell property
- Parks, Sports and Recreation: local and sports parks, regional and specialist parks, active recreation
- City Parks Services (and private providers): maintain streetscapes and public spaces, sports fields and parks
- Tamaki Regeneration Company (urban transformation, co-owned with the government)
- Hobsonville Land Company: HNZ housing development
- Trusts: e.g., Cornwall Park, Highbrook Park
- Tupuna Maunga o Tāmaki Makaurau Authority, Ngāti Whātua Ōrākei Reserves Board, Te Poari o Kaipātiki ki Kaipara
- Office of Treaty Settlement: parks and contiguous land subject to Treaty settlements
- DoC: regional parks administered by Auckland Council
- Ministry of Education: access to school facilities, green fields planning
- Community groups, mana whenua, mataawaka, sports clubs and volunteer organisations who look after parks and open spaces
- Private land owners

* Māori governance and co-governance bodies, including introductions and Treaty settlement entities: Tāttohu Mārama, Hei Whakapūtea Kaupapa Māori
Current state assessment
Rationale for service: quality of life in Auckland

Parks and open spaces make a major contribution towards Aucklanders’ quality of life. They are integral to achieving the vision and strategy of the Auckland Plan and connects to all seven Auckland Plan outcomes. Parks and open spaces can, and are, provided privately. But given the community-wide benefits — environmental, recreational, social, educational, aesthetic, cultural and economic — council is involved to ensure sufficient and coordinated provision for the benefit of current and future Aucklanders, particularly in light of urban growth.

The chart, taken from the Auckland Plan³, summarises the benefits being sought from parks and open spaces. These benefits, often provided simultaneously, are difficult to observe or quantify. But they should form the basis of performance metrics of the utility of different parks and open spaces.

It would be useful to have metrics alongside data on how much the community values these less tangible benefits. This would fit with efforts to have wider measures of social progress, along the lines of approaches like the Treasury’s living standards framework, which suggests tracking broader wellbeing and sustainability via four capitals (see appendix for more detail).

Increasingly it is also being recognised that parks and open spaces can provide resilience in case of civil defence emergency, as Christchurch found following their earthquake.
Parks policy drivers

The policy landscape is influenced by a range of council and non-council strategies, planning documents and legislation that determine how we plan, develop and manage parks and open spaces network.

Attachment A

Value for Money (s17A) Review programme
Has the amalgamation of legacy councils into Auckland Council delivered efficiency benefits for parks and open spaces?
Value has been delivered since amalgamation

The quantity of parks and space compares well to other cities and public satisfaction measures are good.

A before/after amalgamation assessment is difficult because legacy councils differed in approaches to investment in parks, ways of accounting for future plans, levels of service (particularly sports parks) and priorities and approaches in meeting local demand.

Since amalgamation, costs have risen. This reflects growth of the city and the alignment of parks acquisition provisioning across the city. As a share of total council spending, costs have trended down.

Detailed assessment

- There is a clear strategy and policy for parks and open spaces which establishes the council role and its objectives.
- The allocation of responsibilities between local boards and Governing Body has been established.
- An Open Space Provision Policy has been developed to define open space standards.
- Service level measures have been aligned across the city from legacy council measures.
- 96% of users are satisfied with their park visit and 72% are satisfied with parks provisioning.
- A new unit has been established in CF to identify non-rates revenue opportunities and improve value for money.
- Costs have increased modestly, reflecting growth in service provision.
- Work has begun on better understanding asset performance, and their benefits, to drive future value.
- Procurement processes are generally robust. Project 17 changed the approach to create outcome-based contracts that aim to deliver additional value but there have been some transition issues with some new contractors.
- A Memorandum of Understanding has been formed with DoC to collaborate in protecting natural and historic environments.
<table>
<thead>
<tr>
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<th>Answer</th>
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<td></td>
</tr>
<tr>
<td>How does the provision of open space compare to other cities?</td>
<td></td>
</tr>
<tr>
<td>Are there effective performance measures and what are the trends?</td>
<td></td>
</tr>
</tbody>
</table>
Provisioning of parks is in line with international practice

Auckland Council has a clear policy on how much open space should be provided, with clear service access standards and functions. The provisioning policy is being applied in greenfield development and areas where there is significant intensification.

The approach to determining access reflects international practice and that of world-class cities. This approach has moved away from an area/population measure, focusing instead on a more meaningful range of attributes that it seeks from the parks and open space network.

A walking distance of 500-800m from a park is a key feature of world-class cities with provisioning varying dependent on factors unique to that location. In general, provisioning across the network seeks to achieve the following.

<table>
<thead>
<tr>
<th>Neighbourhood park</th>
<th>Walking distance</th>
<th>Radial distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>high &amp; medium density</td>
<td>400m</td>
<td>300m</td>
</tr>
<tr>
<td>low density</td>
<td>600m</td>
<td>450m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Suburban park</th>
<th>Walking distance</th>
<th>Radial distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>high &amp; medium density</td>
<td>1000m</td>
<td>750m</td>
</tr>
<tr>
<td>low density</td>
<td>15000m</td>
<td>1125m</td>
</tr>
</tbody>
</table>

The Open Space Provision Policy is forward-looking only. This means provisioning in established neighbourhoods is “as is”, and generally will only be increased if there is significant intensification or connection of existing parks.

However, to ensure value for money, the policy should be applied to all neighbourhoods, and potential acquisitions and disposals of parks identified in relevant strategies and plans subject to budget.

Parks are managed as a network across the region. Local board plans are being developed for parks and open spaces in their areas. A challenge is to ensure the network and connectivity across local board boundaries is recognised.

The council open space network is complemented by landholdings managed by DoC, trusts, schools, Māori freehold land, and areas of private land and facilities that provide recreational and conservation outcomes.

This complicates measures of access and benefit but also provides opportunities to deliver benefits in a way other than buying and owning land.
Access is good compared to other places\(^5\)

Our review of selected New Zealand and overseas literature provided the following key insights:

- Auckland practice is in line with the international trend, away from providing on the basis of hectare of space per 1000 population and towards a much better needs-based approach focused on relevance and quality of open space.
- New Zealand cities seem to have relatively more council-owned parks and open space than other countries.
- There is increased recognition of multi-functional values of open space.

There is no best measure of the appropriate amount of space.

- Open space area as a share of total city area does not account for physical features, e.g. volcanic peaks, housing type, population density, quality, and access.
- Hectares of open space per household or population is a common metric, but has similar weaknesses.
- Distance to open space (walking distance, car travel time) gives a better sense of access, and can be varied to reflect population density, but provides no sense of utilisation or congestion.
- There is very limited robust measurement of quality, utilisation, and value to community.

The NZ Productivity Commission says urban NZers have good access to green space, and the Quality of Life Survey reports our major cities have high levels of access to green space.\(^5\)

Comparisons with other NZ cities suggest Auckland is well-provisioned overall, e.g. 8.5ha of local parks/1000 population is higher than Melbourne.

KPMG’s *Benchmarking City Services* (2017)\(^5\) reports the percent of residents within walking distance (800m) of parks for a select number of (unidentified) cities. It was above 90% for the majority of those who responded (so potentially is a biased sample). Auckland falls in this group.

International benchmarking suffers from definitional and measurement issues, but by way of context:

- South American cities: 25.5ha per 1000 population
- Asian cities: 3.95ha per 1000 population
- Australian cities:
  - Melbourne - 5.5ha per 1000 population
  - Brisbane – 4ha per 1000 population
- Europe – northern European cities have more open space than those in the south
- North America – provisioning comparisons were difficult.
Parks perform well against basic measures, but deeper measures of use and benefit are lacking

There are good metrics on parks provision, customer satisfaction and number of residents who have visited parks at least once in the past year. Results are obtained from surveys and range from satisfactory to very good, are steady over time, and are close to annual plan targets.

But these measures don’t show very much. They do not provide data on the frequency and timing of visits, nor are there measures of the contribution to social, environmental, cultural wellbeing (incl. the value people get from the park when driving past or knowing it exists). This means we don’t know if a park or open space is used to its capacity, or what its utility is to users and the community. (Regional parks, holiday places and sports fields have better information on volumes and times of visits through bookings data and entry counters.)

KPMG in Benchmarking City Services found “most cities boast excellent park coverage (walking distance) to meet resident needs, but few cities know the extent of park usage. This makes it very difficult in a cash constrained environment to justify expenditures on this very important amenity.”
Opportunity to use new technology to understand utilisation

New data sources and analytical techniques can help to get a better understanding of the use of parks and open spaces.

Traditionally, getting good data on the users of parks and open spaces requires costly surveys which are ad hoc and infrequent. But GPS location data captured from smartphones or fitness trackers and other techniques provide alternative data sources.\(^7\)

As an example, Google maps shows quite detailed information on use and experience for many parks. Financial transactions and social media data may similarly give insight into what customers do, when, and who they are. An app is currently being developed for parks to allow the community to find information and log service calls on a park, and this could become another data source.
Does the provision of parks and open spaces effectively support the delivery of the council’s strategic objectives?

Is open space acquisition and disposal aligned to the Open Space Provision Policy and Open Space Acquisition Policy?

Are parks and open spaces the best use for that land?
Council does have some of the tools to optimise asset service performance

The council is well positioned to get the best use from the parks and open space assets across the parks network. There is a clear investment logic that links problems and outcomes sought to investment objectives.

The Open Space Provision Policy is used to evaluate the effectiveness of current land, or offers of land, for parks and open spaces, and which land is not fit for purpose and should be disposed of. The policy outlines features of good open space – how open space should be located and configured in relation to the social, built and natural environment, and the amount, type and distribution of open space.

There are examples where the council has acquired additional land to re-configure or connect the park, or arranged to swap land with developers for more suitable park provision. This approach should be encouraged where the consequential operating costs are affordable.

Assessing the effectiveness of asset performance

- There is a clear policy framework and investment logic, which support good decision-making.
- Cost benefit analysis is used to inform investment and optimisation decisions.
- Some work on measuring benefits has been started.
- There is an in-house Measuring Asset Performance tool.

Working with others to optimise asset performance

- The council has exchanged land with HNZ, Tamaki Regeneration Company, HLC, iwi and private developers.
- The council collaborates with schools on community access to sports fields and courts in green field developments to get most value from the resources.

Case study – asset optimisation

Ngāti Whātua Ōrākei Whai Rawa Limited (Whai Rawa) proposes to develop a 8.4ha site commonly known as the Hillary Block to build approximately 300 new dwellings in the Devonport-Takapuna Local Board area.

Whai Rawa is seeking to exchange 1802m² of Northboro Reserve with 3510m² of private land held within the Hillary Block to make the most efficient use of their land. The community has been consulted on the proposed exchange which will provide more open space and the access to this space.
But a service strategy is needed so that everyone is clear about the service benefits sought from the assets

There is currently no service strategy, though we understand some work has begun on developing one. This is one of the critical documents required. It should identify what parks services are needed to deliver the Auckland Plan outcomes.

These outcomes include benefits from use (such as for recreation) as well as broader social, environmental, cultural and economic benefits, including the enjoyment people get from seeing the park, and knowing a park exists and is available to future generations.

Taking a “service first” or “benefits first” approach, rather than an “asset first” approach, will provide the basis for the council to identify which parks and open spaces perform, what assets are needed and where, and this will help to target further investment for the optimisation of parks.

In addition to providing parks (including playgrounds and sports fields), the council provides a number of services on parks and enables others to use parks. From the Parks and Open Space Strategic Action Plan, we identified the following services being provided, by theme:

**Parks and open space strategic action plan**

<table>
<thead>
<tr>
<th>Connect</th>
<th>Enjoy</th>
<th>Treasure</th>
<th>Utilise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset focused creating a green network to enable the other themes</td>
<td>Films in Parks – over 30,000 attend</td>
<td>Volunteer programmes – more than 64 volunteers daily</td>
<td>Enable use of parks for:</td>
</tr>
<tr>
<td></td>
<td>Music in Parks and concerts</td>
<td>Park rangers service</td>
<td>sports and recreation</td>
</tr>
<tr>
<td></td>
<td>Festivals, e.g. Diwali, Christmas in the Park, Britomart block party</td>
<td>Conservation programmes</td>
<td>leisure</td>
</tr>
<tr>
<td></td>
<td>Guided walks</td>
<td>Education programmes</td>
<td>walking/tramping tracks</td>
</tr>
<tr>
<td></td>
<td>Markets</td>
<td>Support community groups</td>
<td>cycleways</td>
</tr>
<tr>
<td></td>
<td>Arts – sculpture walks</td>
<td>Support mana whenua</td>
<td>mountain bike tracks</td>
</tr>
<tr>
<td></td>
<td>Out and about free park events</td>
<td>Support sports clubs</td>
<td>horse riding trails</td>
</tr>
<tr>
<td></td>
<td>School holiday events</td>
<td></td>
<td>holiday places.</td>
</tr>
</tbody>
</table>
A robust parks value indicator set is needed to support decision-making on parks with facts on benefits and costs

Making trade-off decisions is difficult with incomplete information

There is no absolute amount of parks and open spaces that is “right”. Private spaces and services (e.g. gyms, bowling clubs, gardens) act as substitutes, and there are always trade-offs with competing uses for the land and space – for housing, commerce, transport, infrastructure, etc.

These competing demands make it crucial that the council is satisfied that parks and open spaces deliver good value. If they do not, they should be disposed of.

Making such assessments requires robust information on the use and the utility (to users, and in wider social, economic, environmental, and cultural terms), and the opportunity cost, of parks and open spaces. But such information is not routinely available which is an issue as the city and competing land use demands grow.

More information is required

There is a gap in knowledge on the actual use of parks and the benefits the parks and open spaces provide. Annual visitor measures are too high level as a measure, and park exit surveys on use are ad-hoc.

This means the council does not have a clear picture of how much Aucklanders use or benefit from the different parks, or for what reason. Similarly, there are no systematic measures of the wider social, economic, environmental and cultural utility of parks and open spaces in terms of the wellbeing of current and future Aucklanders.8

The opportunity cost of the land is also not readily available to decision-makers. The book value of park and open space assets is based on the rural undeveloped market rate for land, with some location-specific adjustment. This may suit accounting purposes, but it is a poor proxy for the market value of land.

A 2015 Review of Alternative Sources of Financing9 noted that inner city parks are commonly valued at around $20 m², whereas the land under surrounding houses was at that time valued at around $1000 m². Land that does not generate sufficient utility could be disposed to free up resources for alternative uses, with the proceeds used to improve access to parks and open spaces elsewhere, fund other council service priorities, or reduce debt.

This lack of visibility of tangible and less tangible benefits and costs means it is hard to know if the investment is right and whether best use is made of the land.
Attachment A

Item 10

Is the funding for parks and open spaces appropriate?
Capital expenditure is growing as Auckland grows

The Parks and Open Spaces Provision Policy sets clear service type and access level expectations. Parks and open spaces have been mapped, showing where the gaps are, in line with the Auckland and Unitary Plans and council strategies. This sets the direction for local boards and focuses new acquisition in future growth areas.

![Graph: Actual and budget (Asset Management Plan 2015)]

**Growth in capital spend as Auckland grows**

Capital expenditure covers provision for growth, levels of service, and renewals in roughly equal proportions.

The step change in planned capital spending – from an average of $118m a year in the last four years to $165m a year in 2025 – is explained by the greater clarity on the level of service and making provision for a growing city.

The growth in capital expenditure will flow through operating expenditure.

![Graph: Renewals programme needs to ensure assets do not deteriorate below targeted standards]

**Renewals lower than depreciation – monitor service levels**

Renewals spend has lagged depreciation but this does not necessarily mean service levels are deteriorating.

Also, customer satisfaction ratings do not indicate a systemic issue. However:
- adequate condition assessment is required to inform maintenance and renewals work
- levels of reactive maintenance should be monitored.
Operating costs rise as assets and service levels grow

Modest growth in actual operating expenses reflects growth in capital spend and service levels

<table>
<thead>
<tr>
<th>Millions</th>
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</thead>
<tbody>
<tr>
<td>$50</td>
</tr>
<tr>
<td>$100</td>
</tr>
<tr>
<td>$150</td>
</tr>
<tr>
<td>$200</td>
</tr>
<tr>
<td>$250</td>
</tr>
</tbody>
</table>

- actual
- projected

Operating costs

Operating costs (excluding corporate overheads) have grown modestly – 9% between 2013 and 2017 including depreciation. Excluding depreciation, spending in 2017 was at similar levels as in 2013.

The growth in operating costs reflects increased capital expenditure as discussed on the previous page. Some further growth is projected, but spending is under control.

Parks’ controllable costs* are falling as a share of total Auckland Council operating costs

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>12%</td>
<td>10%</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
</tr>
</tbody>
</table>

* Controllable costs excludes corporate overheads

Proportion of parks cost to total council cost declining

Excluding corporate overheads (to indicate costs directly attributed to parks and open spaces), spending as a share of total Auckland Council operating costs has been falling.
Operating costs seem in line with other places

Operating costs for parks and opens spaces in NZ

A comparison of Auckland’s operating costs to those of other NZ cities suggests our costs are in line with those of Wellington, Invercargill and Christchurch Councils.

However, comparisons are difficult, as land area and cost data are rarely provided on an equal footing.

For example, Auckland’s data includes regional parks which are far lower cost to maintain per hectare than sport parks or botanical gardens. By contrast, we understand that Hamilton and Tauranga data do not include regional parks, thus lifting their average cost per hectare.

Source: councils’ long-term plans, annual plans and other official publications

International comparisons (operating + capital spend)

KPMG, in its 2017 Benchmarking city services, finds the combined operating and capital spend in cities surveyed was on average US$12,730 per hectare of parkland. The equivalent number for Auckland is US$6,000.

As regional park land accounts for 75% of Auckland’s parks and open spaces, with much of it in the form of native bush or farmland, a better comparison may be to exclude that land and their costs. This which would result in a cost per hectare of US$14,700.

The appropriate number for comparison is likely to lie between these two points. Based on this range, it suggests Auckland Council costs are about average, and possibly a bit below average.

Source: KMPG Benchmarking city services
Item 10

Attachment A

Development contributions fund new assets in growth areas, but other sources are needed for new parks in established areas.

A range of funding tools are used:

- Development contributions
- Debt
- Rates
- User charges

Efficient and equitable mix to fund ongoing delivery.

The council identifies opportunities for the community to use open spaces and sport/recreational assets being provided by others such as schools.

There may be merit in buying earlier in the development lifecycle.

Development contributions fund almost all parks acquisition for the future growth areas.

Approximately 300 parcels of land have been identified for parks use in these future development areas.

One way to manage the cost is to buy as early as possible in the development cycle. Some open space such as neighbourhood parks cannot be acquired until later in the development cycle when more details are known. Holding costs must be considered, and the development cost constraint.

Buying later limits the purchasing power of the parks capital budget, given the uplift in the value of land once infrastructure is installed.

There is currently no budget provision for acquiring new regional parks. Any increase in the amount or levels of service in established urban areas relies on other funding sources, including the disposal of land that does not meet the provisioning policy.

Value of land (mid-points) rises during the development process:

- $500 per m²
- $600
- $700
- $800
- $900
- $1000

Rates are the primary way of funding ongoing use by the community

84% of operating cost is rates funded

Fees and other charges are just 16% of operating expenses for parks and open spaces. This is broadly in line with other councils such as Wellington, Christchurch, Hamilton, and Dunedin, though comparisons are fraught.

It is common for organisations leasing park land to be charged peppercorn rents ($1 per year), often with the council retaining maintenance responsibility. This is not a very transparent way to subsidise community services.\(^{10}\)

Age of current community leases (as at end February 2018)

Long term leases limit options

Leases are long-term and limit the council ability to change the use of the asset. The average age of current community leases is 15 years. Long leases may make sense for some uses (e.g. marae, the 98-year lease for the Auckland War Memorial Museum), but less so for others where fashions and community demands will change.

Some peppercorn leases are for organisations which are businesses or quasi-businesses and compete with the private market, which may not be equitable.

There may be more transparent, efficient and equitable ways to provide the same amount of support to community organisations but in a different way.

The Environment and Community Committee has agreed that Parks and Recreation consult on alternative revenue streams, including user charges, commercially-based management and fee models. We support this work.
Some land uses do not fit well with the council’s role

Taking a business approach to farming

The council operates 18 farms, most on regional parks although there are some on other council land.

During the past year, CF reviewed the farming business and developed a farming strategy to optimise the social, cultural, environmental and economic outcomes of operating a farm.

The strategy is aimed at making the farming business fit for purpose, consistent across the region with quality pasture, healthy animals and sustainable products. Financially, by taking a business approach the non-rates revenue is forecast to rise 167% over the next four years ($0.6m to $1.6m per annum). We understand that Panuku and Watercare also lease land for grazing rights and there may be an opportunity for all farm activity to be managed by the one team.

As long as the council is involved in operating farms (to graze grass on parkland) it makes sense to progress with strategies that maximise the economic and environmental returns for Aucklanders. But farming is not core business, and other approaches should be explored to deliver the desired outcomes that do not involve the council operating farms itself.

Holiday places as a business

The council provides holiday places which are generally located or associated with parks. These include 44 campgrounds, 31 baches, a backpackers (Waiheke), and three holiday parks.

Within Auckland, there are 20 holiday parks. The council is involved in eight, with three owner/operator, and five owned but leased.

The land may not have a particularly high alternative use value, and reserve management plans have commitments to provide some accommodation. But the council should review why it is involved as an operator at all, and what alternative models might offer better value to the Auckland community.

Work has begun to develop a holiday places strategy to maximise the use and value for money of these facilities. Holiday places currently generate a surplus, with the strategy set to increase this surplus. If the council continues to own/operate holiday places, it must be mindful of ensuring that these operations face their full costs, so that the expected return is appropriate, and they compete on a level playing field with the private sector.
Land use trade-offs should be considered

The council is an owner and operator of golf courses which occupy parkland and open spaces. These are essentially business activities that compete with private provision.

The high value of the land requires the council to assess whether this use is achieving best value for Aucklanders, as rents are often well below market rates.

Finance is currently investigating the extent of subsidisation of operators and users of golf courses and holiday parks as part of the LTP considerations.

Golf courses

- The council owns 13 out of 23 Auckland golf courses with many of the golf operators only paying a peppercorn rent per year and the rest below market rates.

- Aucklanders receive varying degrees of benefit from these high value assets. Some communities are said to benefit greatly from the open space and highly accessible golf courses, yet others are not afforded such privileges, but through rates still contribute to their cost.

- In other words, communities across Auckland are subsidising the golf played by a selection of Aucklanders.

- Over half the leases are due to expire between 2021 and 2026, so an opportunity has arisen to re-evaluate the merits of golf course ownership. There are leases, e.g. Remuera, Muriwai and Pupuke, that are very long-term or have clauses that allow long-term renewals.

- The significant alternative use value of many of these sites means that even those with very long leases should work towards mutually beneficial outcomes for the benefit of all Aucklanders.
Has Procurement effectively supported the business in delivering the strategic outcomes?
Procurement of maintenance has provided cost certainty

Procurement practices provide confidence about cost and effectiveness. Project 17 introduced a new way of contracting for the council. It led to full facilities maintenance contracts across five geographic areas. There was active engagement with local boards throughout the process.

This resulted in contracting for increased levels of service within the same funding envelope of $28m. A whole-of-life pricing model provides budget certainty although the suppliers will have factored risk elements into their pricing.

As a result, new suppliers were introduced into the Auckland market. There have been transitioning challenges and adverse publicity on the standard of maintenance of parks in recent months and it is important to understand what can be learned from this process.

Previous maintenance model
- 23 contracts across the region
- Delivered by 17 suppliers, each responsible for a number of functions
- Contracts were prescriptive/schedule-based (schedule of works, number of times per week)
- Model was inflexible in responding to unplanned maintenance, creating budget uncertainty

Project 17 model
- Region divided into five service areas aligned with local board boundaries and similar levels of annual spend.
- Supplier “owns” the entire service area (mowing, cleaning, edging, parks and street litter bins).
- One point of contact to address local maintenance issues.
- Suppliers must meet standard outcomes (as opposed to following a schedule of works).
- Contracts have KPIs on quality and timeliness, and social and environmental targets reflecting some local boards’ preferences.
- Adherence to outcome statements is monitored and audited by an internal team.
- Contract structure creates budget certainty.

There are four providers over the five geographic areas. Two providers are new to providing full facilities services in Auckland. While it was a wet winter, affecting grass cutting and the appearance of parks over the winter and spring, there have been performance issues with one service provider in particular. These are being managed through the contract framework.

We recommend a full post-implementation review to understand what lessons (good and bad) can be learned from this process and whether there was a robust risk assessment in respect of introducing the level of change.

Attachment A

Item 10
Ensure City Parks has the appropriate discipline to deliver forecast surplus

One of the providers of maintenance services is City Parks Services, a standalone business unit of Auckland Council. On amalgamation, City Parks was made part of the Finance function. We understand this was to bring commercial oversight and potentially expand the services to other councils.

Following a review in 2015, City Parks became part of the Operations division and there was a strategy and supporting investment (people, process and technology) to support its transition from an open space service provider to a full facilities maintenance service (one of the Project 17 contractors). It now also supplies services to the council’s Healthy Waters and Waste Management departments.

City Parks demonstrates a number of characteristics of being standalone (separate financial systems, brand) but also some of being part of the council (use of HR, procurement and finance shared services). The council should review City Parks against the right sourcing criteria and decide whether to absorb it back into the council or to prepare it for sale.

- **Key facts**
  - More than 300 FTEs
  - 88% People satisfied with park conditions: 2020 target >90%
  - 4% Current return (though its costs do not include all council overheads)
  - 8% target return by 2020

- **City Parks revenue**
  - The majority of City Parks revenue arises for services provided to the council.
  - It has one significant non-council contract, with Auckland Airport, which it has recently successfully retained following an open market process.

- **City Parks operating surplus**
  - As part of the investment into City Parks there has been an increased focus on their performance.
  - Duplication of systems exist, largely due to historic reasons and the standalone operating model, which could result in some future savings.
  - The City Parks budget for the Project 17 contract has been set at the mid-point pricing of external market participants.
  - City Parks is expected to deliver a 4% surplus, increasing to 8% by 2020.
  - However, this overstates performance expectations, as its costs do not cover its full share of council overheads. Full costs should be charged to ensure competitor neutrality in the marketplace.
Assess City Parks against the council's right sourcing criteria

The services City Parks provides are similar to those of the other Project 17 service providers. The success of the operating model and ongoing rationale for it to remain a council business unit should be evaluated in line with a post-implementation review of the strategy to expand into facilities management services.

As City Parks aims to provide services to other external customers, thereby changing its risk profile, the operating model should be reviewed to provide the appropriate oversight. It is also important for competitive neutrality that City Parks is allocated its full share of costs.

City Parks’ Statement of Intent states an objective to deliver strategically important services, and to do so efficiently and effectively to maximise the value to the council, with the council being 95% of its revenue.

There is an objective to increase the external revenue sources to $10m, with an 80:20 internal/external revenue split compared to the current 89:11 split. If City Parks provide more services beyond the council, it will change its risk profile. That should initiate a review of its operating model and oversight.

The governance and ownership structure needs to ensure the appropriate disciplines to deliver value for money.

Given City Park’s change to a full facilities maintenance service, it seems appropriate to let those changes bed in, and to schedule a full review of its operation against the council’s right sourcing operating framework by September 2018.
Is the governance model effective in supporting the delivery of the strategic objectives?

Are accountabilities and responsibilities well defined across the parks and open spaces value chain?

Is service delivery organised efficiently and effective?
Split governance relies on clear policy and delegations

Roles and responsibilities are split between the Governing Body and local boards. This creates a tension between local and regional objectives, with each body facing different priorities and incentives.

The governance model, delegations and policy framework are clear, and the model can work effectively. But when interests conflict it can complicate and significantly slow down the decision and implementation process. This is particularly the case with disposal of land that does not meet the provisioning policy (e.g. non-service land), is underused or in the wrong place. See case studies pages 47–50 of this report.

### Decision making responsibility

<table>
<thead>
<tr>
<th>Policy</th>
<th>Governing Body</th>
<th>Local Board</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>POLICY</strong></td>
<td>Acquisition Policy</td>
<td>Consulted on policy, budget setting and levels of provision</td>
</tr>
<tr>
<td></td>
<td>Acquisition Budget (LTP/Annual Plan)</td>
<td>Local preferences and priorities to inform local plans</td>
</tr>
<tr>
<td></td>
<td>Levels of provision (Unitary Plan/performance measures)</td>
<td></td>
</tr>
<tr>
<td><strong>PLANNING</strong></td>
<td>Unitary Plan</td>
<td>Local board open space network plans</td>
</tr>
<tr>
<td></td>
<td>Regional open space network plan</td>
<td>Local park acquisition plans, within budget parameters</td>
</tr>
<tr>
<td></td>
<td>Regional park acquisition plan and reserve management</td>
<td>Consulted on regional plans</td>
</tr>
<tr>
<td><strong>ASSET ACQUISITION, MAINTENANCE, AND DISPOSAL</strong></td>
<td>Decide the number and general location of all new parks and prioritisation of major upgrades to existing parks</td>
<td>Specific location of new local parks, and local park improvements</td>
</tr>
<tr>
<td></td>
<td>Decide the relative priorities and phasing for all open space acquisitions and disposals</td>
<td>Makes recommendations to Governing Body on acquisition/disposal</td>
</tr>
<tr>
<td></td>
<td>Maintain asset capacity and integrity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Procurement of major, Auckland-wide maintenance contract</td>
<td>Input into service specifications for maintenance services contracts</td>
</tr>
<tr>
<td><strong>SERVICES</strong></td>
<td>Use of and activities within regional parks</td>
<td>Use of local facilities and activities, incl. community events</td>
</tr>
<tr>
<td></td>
<td>Coordination on the use of sports fields on regional basis</td>
<td>Naming of local parks</td>
</tr>
</tbody>
</table>
Opportunities in roles and responsibilities

**Governance**

The recent Governance Framework Review led to the delegation of final decisions on local asset disposal and reinvestment to local boards, providing all policy criteria have been met, and gave local boards flexibility to re-allocate their renewals programme across all local asset categories.

Local boards have the opportunity to influence the policy position of the Governing Body but once policy is approved by the Governing Body then the role of the local board is to implement that policy in a local context.

However, ongoing risks include:

- local board decisions not taking sufficient account of the wider goal of creating a connected network of parks and open spaces, or of the availability of assets in neighbouring local boards
- local boards not facing the total cost of holding the asset, obscuring the true trade-off between different uses of parkland.

We are aware of local boards, for example, resolving not to dispose of land despite Governing Body decisions.

**Operational**

Roles and responsibilities appear clear and logical. However, we were told that in practice there can be different views on who is responsible for what between different teams. This is more than normal boundary issues between functions.

The process for acquisitions and disposals is long and slow and lacks role clarity. For example, Parks and Recreation Policy identifies land for acquisition and disposal; it is then assessed by CF which briefs Panuku to execute the plan; Panuku then briefs external parties to assist. The assets, budget, and decisions all sit in different places.

In terms of leases on parkland, there can be both commercial and community leases on the same park implemented by Panuku or CF respectively. One of the risks is that there is inconsistent consideration of the wider use of or intentions for the park in the management of these leases.

Our assessment is that the role of CF has not been fully mobilised following departmental reorganisation and that it should have greater involvement in its role as “owner and guardian” of the council’s assets (including parks and their facilities).

We also question the role of Panuku in the parks value chain and whether it would be more effective for CF to manage all leases on parks and to directly brief external parties for the acquisition/disposal of parkland.

We recommend an assessment as to whether these changes would provide greater clarity, improve decision approval lifecycle, improve economic outcomes for parks and open spaces, and do not expose Panuku to new risk.
Accountability for land ownership functions is dispersed, affecting acquisition and disposal decisions and processes

Land management as a core competence

Land (including parks and open spaces) is the council’s most strategic and enduring asset. Decisions last for decades, are hard to reverse and have significant consequential operating cost implications.

Land ownership is treated in most councils as a core competency with clear accountabilities, usually governed as a corporate function.

Auckland Council has a decentralised model, where accountability and associated competencies for land ownership have been devolved to multiple council departments (mainly CF and the Development Programme Office) and the CCOs (mainly Auckland Transport, and Panuku). Property specialists and advisors sit at the fourth organisational tier and below.

Each organisation dealing with land ownership has a different agenda, e.g. urban development and transformation, enabling community services, asset management. There are also a more than a dozen delegated financial authorities operating over a typical parks and open space land ownership decision across multiple entities and governance groups in addition to people who need to be informed or formally consulted.

As a result, accountability for decisions is unclear and we have been advised that frequently the Legal Department has made commercial calls by default.

Centralisation and clarity of accountabilities will improve the decision making and focus on the acquisition and disposal of land.

Disposal of non-service land is more difficult than it should be

When parkland is assessed as not meeting the objectives and principles of the provision policy, it is identified and marked for disposal. This is an ad-hoc process.

The split in governance and the dispersed accountability for land ownership decisions add further complication to the process.

As a result, the process and decision-making to dispose of non-service assets creates scope for disagreement and long delays.

Costs of delay include ongoing holding costs, not meeting financial plans, and resources not being available for better uses.

More comprehensive and systematic information on the performance of parks and open spaces – the ratio of utility and value of land – will help the quality of advice and the decision process.

In addition, a complete strategic land divestment plan should be developed, consulted on as part of the LTP/annual budget, and accountability for the timely implementation assigned and monitored.
Current roles & responsibilities

**Set policy and strategy**
- Parks and Recreation Policy (part of Social and Community Policy)
  - Develop policy
  - Develop strategy
  - Identify and assess land for acquisition
  - Identify and assess land for disposal

**Planning and targets setting**

**Invest/ divest**

**Deliver services**
- Parks, sport and recreation (part of Community Services Group)
  - Activate park
  - Enable outcomes
  - Define customers
  - Shape service delivery

**Maintain assets**
- Community Facilities
  - Build and renew assets
  - Maintain assets
  - Manage contracts (including community leases)

**Who?**
- GB – approve strategy, approve policy, own assets and approve all acquisition and disposal
- LB – approve local open space plans, consulted on acquisition and disposal, location of local parks

**Governance**
- Panuku supports the acquisition and disposal of park land with consultation and sale/acquisition process. It also manages commercial leases on parks
- Leasing enables the use of a park
- Responsibility and budget not in same area

**Support services**
- Finance (70 FTE $8m opex), IT, HR, governance support, Procurement

**Budget**
- 17 FTE  Opex $2m
- 183 FTE  Opex $36m Capex $2m
- 250 FTE (CF)  Opex $161m, Capex $143m
Potential future state

Parks and Recreation Policy (part of Social and Community Policy)
- Develop policy
- Develop strategy

Who?

Governance
- Governing Body – approve strategy, approve policy (including use of parks), own assets and approve all acquisition and disposal
- Local boards – approve local open space plans, consulted on acquisition and disposal, location of local parks

Parks, sport and recreation (part of Community Services Group)
- Activate park
- Enable outcomes
- Define customers
- Shape service delivery

Deliver services

Invest/ divest

Maintain assets

Community Facilities
- Identify and assess land for acquisition
- Identify and assess land for disposal
- Build and renew assets
- Maintain assets
- Manage contracts (including all commercial and community leases)

City Parks Services

City Parks Services
Responsiveness to Māori

Statistics NZ projected the number of Māori in the Auckland region to increase by 50% from 169,800 in 2013 to 270,900 in 2038, making Māori 12% of Auckland’s population.\(^\text{12}\)

Parks and open spaces provide one way to protect, enable, and build the social and cultural capital of Māori.

The growth in the number and diversity of Māori presents a challenge in effective engagement, co-governance and cost. We understand some of the complexity is driven by different pieces of legislation developed at different times, and there may be scope to develop a more effective, inclusive and affordable approach to co-governance.

- Māori have an active and specific role in Auckland’s open spaces, including the maunga (volcanic cones), wahapu (harbour), motu (islands) and kaitiakitanga (guardianship) of our land and marine resources. Land has a specific role in protecting, enabling and building Māori social and cultural capital.

- Māori values, such as kaitiakitanga, are embedded in the stewardship of park service provision. Māori are a key partner and are engaged to influence and support programme delivery.

- We understand that the co-management with Māori is best portrayed as good beginnings, but needing further attention, with some partnerships working well (e.g. Ōrākei Reserve), but others less well.

- The growth in the number and diversity of Māori well beyond the mana whenua of the Tamaki Collective present challenges in terms of effective engagement and accommodating their needs alongside those of other community groups.

- Over the years, marae, kohanga reo, and other Māori entities have been established on reserve status land, offering spiritual, cultural, as well as a range of social, educational, health and justice services, and providing a cultural base for urban Māori (taura here).

- These arrangements are supported by long-term leases at peppercorn rates, providing long-term secure access. A review of how best to fund the ongoing use of assets needs to consider the impact on Māori and the wider community, and how best to continue to protect, enable and support their use.

- Work has begun on a Māori engagement plan which should continue as matter of urgency. The plan should consider Māori as a customer of the parks service as well as outlining the approach to meeting the legislative obligations that exist.
## Challenges and issues in realising further value

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid population growth makes it challenging to meet changing community expectations and to protect the natural environment.</td>
<td>Capital requirements are significantly greater than anticipated in legacy councils’ LTPs, putting pressure on future budgets.</td>
</tr>
<tr>
<td>A more diverse community creates increased and new requirements for parks and open spaces, which need to change with community need.</td>
<td>A lack of information on use, benefits, and opportunity cost of parks and open spaces present barriers to repurposing them.</td>
</tr>
<tr>
<td>Increasing intensification puts additional pressure on parks in established areas.</td>
<td>A lack of comprehensive data on parks use is a barrier to knowing which assets have reached, or are over, their capacity, or are underused by the community.</td>
</tr>
<tr>
<td>While demand for land is growing, it is not clear if land allocated to parks is used to best effect.</td>
<td>Without clarity on the total benefit and cost of holding and running parks and open spaces, the amount provided in certain places may be too little or too high, or in the wrong place.</td>
</tr>
<tr>
<td>Council policy considers parks and open spaces as a network but local boards are naturally focused on their own geographic area.</td>
<td>As governance is split, the Governing Body needs to ensure that roles and responsibilities and strategies and policies are clear and unambiguous, with the local board role being to implement them.</td>
</tr>
<tr>
<td>The operating model for parks operations is clear, but in practice the processes and roles of the teams do not yet reflect that model, and this results in duplication and frustration.</td>
<td>The new operating model needs to be supported by a refinement of processes and roles.</td>
</tr>
<tr>
<td>Despite clear policy objectives, divestment of “non-service” or underused land is slow because there are multiple interested parties involved, each with their own priorities and incentives.</td>
<td>Financial targets are in place for disposing non-service land, but a slow or ineffective process impacts the council’s cash position.</td>
</tr>
<tr>
<td>Acquisition of land for greenfield areas needs to happen as early as possible in the development cycle.</td>
<td>While areas for sports parks can be identified and acquired quickly in the development cycle, once land is zoned future urban, it is harder with neighbourhood parks without developers’ plans for an area.</td>
</tr>
<tr>
<td>Development contributions are the main funding source to establish new parks to accommodate growth, but ongoing costs and redevelopment and expansion of existing spaces are generally funded by rates.</td>
<td>Operations or services where community benefits are small should pay market rents for leasing park land, instead of peppercorn rents, while supporting provision in line with a parks service strategy.</td>
</tr>
</tbody>
</table>
## Case study: Colin Maiden Park

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Situation</th>
<th>Complication</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>This case study illustrates the impact of differing priorities, incentives and information across the Governing Body and the local board. In this case, these factors resulted in delay and additional cost, holding up the disposal of the land.</td>
<td>In 2013, the council acquired Colin Maiden Park for $62m. This was unbudgeted, so to help fund the acquisition three nearby sites valued at $36.2m were identified for disposal. These sites did not meet the provisioning policy: (i) one was a poorly designed and configured reserve in proximity to Colin Maiden Park; (ii) land next to Colin Maiden Park was being held for an innovation precinct which was no longer required given the relocation of the university (other than retaining Purchas Hill – one of Auckland’s volcanoes), and (iii) a portion of the council-owned Remuera golf course was not being used by the golf course and, after stormwater works, would be surplus.</td>
<td>There have been various complexities in achieving the sales, including rezoning and contamination issues. The Ōrākei Local Board opposed the sales. At its February 2018 meeting, the board said it needed “to retain all present open spaces in the Ōrākei Local Board area, including Merton Reserve and the whole Purchas Hill site, because of the anticipated population growth resulting from the Council’s Unitary Plan, the Tāmaki regeneration area and the residential development proposed for part of Point England Reserve which will further reduce the amount of open space”.</td>
<td>The case study shows what happens when the policy, in terms of the different roles and responsibilities of local boards and the Governing Body, is not applied correctly. Local boards can inform and influence decisions on land acquisition and disposal questions – in line with the provisioning policy. Opposition to such decisions, once made slows progress. Delays have affected value for money by slowing the delivery of alternative use of the land, affecting the council’s cash flow, and requiring officers’ time.</td>
</tr>
</tbody>
</table>
Case Study on Chamberlain Park removed – judicial review proceedings in high court.
## Case study: Department of Conservation revenue

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>This case study illustrates the approach taken by DoC in providing activities on conservation land.</td>
<td>DoC sets fees for the provision of protected areas facilities and services, for concessions, permits and other consents. DoC retains all revenues raised from sources other than central government, creating a strong incentive to maximise revenue generating activities and cost recovery. Legally, concession fees may be set at fair market values and are applied to individuals and business to conduct commercial activities such as tourism, agriculture, horticulture, telecommunications and filming on DoC land. DoC maintains over 1000 back country huts and 250 campsites and since the early 1990s, it has charged fees on a scale based on the type of facility. DoC raises around $24 million per year from market-based concession fees, hut and campsite charges and other external sources of revenue. This represents about 15% of its total budget. Much of this income is used to maintain high-quality facilities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Complication</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>While there was some initial resistance, most DoC users now accept fees charged and these lessons could be applied to Auckland Council.</td>
<td>Where private benefit exists there is no reason why the council should have sole or direct responsibility for funding and managing parks, facilities and services. For Great Walk tracks like the Routeburn and Milford, fees are set to ensure the costs of providing hut facilities are fully recovered from the user.</td>
</tr>
</tbody>
</table>
Case study: Co-governance of Tūpuna Maunga

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Situation</th>
<th>Complication</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>This case study illustrates a co-governance arrangement with Ngā Mana Whenua.</td>
<td>The Tūpuna Maunga Authority is a Treaty-based partnership between Ngā Mana Whenua and Auckland Council. It is a vehicle through which the mana whenua world view and historical, cultural and spiritual connections with the maunga will be given visibility and guide decision-making for the health and wellbeing of these important taonga.</td>
<td>The council is responsible for managing the Tūpuna Maunga under the direction of the Maunga Authority with the Authority required to prepare an annual operational plan for the council to deliver.</td>
<td>Parks are a network across the city and it is important the decisions on use considers regional and local implications.</td>
</tr>
<tr>
<td>The Maunga Authority is comprised of equal representatives from Ngā Mana Whenua o Tāmaki Makaurau and Auckland Council, together with Crown (non-voting) representation.</td>
<td>The Maunga Authority has been established and we understand it is operating effectively.</td>
<td>This is an example of co-governance in operation, however, each co-governance arrangement the council enters into has a different operating model. For example, arrangements with DoC, Ngāti Whāau Ōrākei Reserves Board and the Maunga Authority are all different with the council supporting each arrangement.</td>
<td></td>
</tr>
</tbody>
</table>
Value proposition #1: A comprehensive and robust parks value indicator to support advice and decision-making

IF ... we develop and implement a comprehensive and robust valuation system, that gives full visibility of the total costs, use, and benefits of holding and using the assets (or the benefits of disposing them if they are not meeting performance requirements) ...

By

- Constructing and maintaining a register with the market value of all park land, and measures of maintenance and other holding costs, in total and m².
- Over time, supplementing this database with indicators of the environmental, social, cultural, and economic benefits each plot provides.
- Developing methodologies to measure:
  - the ongoing utilisation of parks, drawing for example on smartphone data
  - the value people attach to the other benefits that parks and open spaces provide
- Using this information to develop utility/cost ratios to allow comparisons of which parks and open spaces perform well, and which are candidates for review:
  - using visitor and cost data to derive a use per dollar ratio (as a basic cost-effectiveness measure)
  - supplementing this with wider utility ratings to calculate a utility per dollar value ratio
  - flagging for automatic review any parks and open spaces with a low ratio, below a certain threshold.

Then we will achieve

- Improved understanding of the actual investment and how this investment is used.
- Transparency on the opportunity cost of holding land for parks and open spaces.
- Comparable data on relative performance which will support advice and decision-making on investment and divestment.
- More effective and timely implementation of land acquisition, use and disposition plans and decisions.
Attachment A

Item 10

### Assessment

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Supports good decisions to achieve Auckland Plan quality of life objectives</td>
</tr>
<tr>
<td>Value for money</td>
<td>Supports increased transparency on benefits and costs</td>
</tr>
<tr>
<td>Equity</td>
<td>Will help highlight areas in Auckland and specific communities are under- and over-served and ensures decision-making considers local and regional aspects</td>
</tr>
<tr>
<td>Feasibility</td>
<td>Able to build on current efforts, and start with relatively simple data sources and approaches, increasing sophistication over time</td>
</tr>
<tr>
<td>Affordability</td>
<td>A business-as-usual activity. May require some data purchases and external expertise</td>
</tr>
<tr>
<td>Competency</td>
<td>Builds on current thinking and planning tools. Set up may need some external advisory support</td>
</tr>
</tbody>
</table>

### Results

#### Summary of financial costs and benefits

**Costs**
- Some costs for data purchases, choice or willingness to pay modelling, and advice.
- Cost unknown, and would need further investigation. Assume budget of $250k to set up. May be able to avoid other survey costs.
- Ongoing staff costs, to build up and maintain evidence base on costs and benefits, assumed to be a refocusing of business-as-usual functions

**Benefits**
- Given the opportunity cost of land, small improvements in use can generate significant value.
- Consistent decision criteria and method improves transparency of and basis for assessing trade-offs and decision-making.
- This is a tool to improve decision-making processes and as such its value is difficult to define, but by way of examples of the value at stake:
  - Cameron Partners estimated that divesting 5% of the park area could realise $2.25bn (to be invested elsewhere, or used to pay off debt and avoid interest payments and operating costs)
  - Current book value of assets is $5bn, and even very small improvements in annual decisions on use, acquisition and disposal would generate significant value (noting value goes beyond financial or economic impacts, to social, environmental and cultural benefits).
Key risks and constraints

- Method needs to recognise that some land allocated to parks and open spaces may not, for practical purposes, have an alternative use.
- Estimated “shadow values” of land are not to replace or amend valuation for rating or accounting purposes.
- Lack of a single measure of benefit or value could hinder valuation – pilot some choice modelling

Key assumptions

- Team has capability to manage extension of its planning tools.
- Build up and maintenance of evidence base over time (e.g. commissioning summaries of the literature, methodically working through the parks and open spaces in each of the local boards).
- Following set-up, the valuation approach can be maintained and improved by existing resources as it should be a business-as-usual function.
How could this work and help in practice?

There is no easy and consistent way to establish which parks and open spaces are providing value and which are not. Combined with different objectives and incentives faced by parties involved, this creates scope for disagreement, slowing progress.

The proposal is to create a common indicator of the value of each park, and of its cost. This needs a single method to measure use of parks, the wider community utility or benefits, and land market value and holding costs.

Consistent information supports better quality advice and removes one area of potential disagreement between the Governing Body, local boards and other parties.

This can be used for identifying poorly used park land for disposal, as well as for business cases to acquire park land. Combine with clear and single accountability for a disposal plan, and reinforcing incentives (e.g. a share of proceeds reinvested).

Key Steps

1. For each park establish a measure of:
   - park use and the direct benefits to the users
   - the wider environmental, social, cultural and economic benefits
   - the opportunity cost of the asset (including the development and maintenance costs and the market value of land).

2. Turn this into a ratio of utility/dollar value for each park asset, and make database publicly available
   - use as a performance criteria; those with a low ratio would be automatically flagged for in-depth review
   - rank parks within each local board and across the region for prioritisation of effort and consistent treatment across local boards
   - land that does not meet provision policy and has a low ratio is prioritised for disposal.

3. Develop and consult on a comprehensive disposal plan (as part of LTP and/or Annual Plan process), for approval by the Governing Body.

4. Regularly update indicators and review status

Note: builds on work underway:
- Parks and Recreation Policy has commissioned a cost: benefit analysis study which will be applied to golf courses.
- The council’s Chief Economist is investigating developing a database of common assumptions for the council, like the Treasury’s CBAx tool, which provides common assumptions for government agencies to use when developing business cases for the annual budgets.
Value proposition #2: Improve process for divestment of non-service land

IF ... if we reviewed parkland across the city to identify land which is non-service and would not meet the current provision policy to form part of a comprehensive divestment plan...

By

- Creating a single accountability for decisions on land as a strategic asset, which recognise that management of land assets is a core competency for the council.
- Using the park value indicator tool proposed in value proposition #1 to assess the utility and financial cost and benefit of parks.
- Completing the open space network plans with local boards around getting best use of the network of park assets.
- Consulting with the community on a comprehensive divestment plan, consisting of the complete list of identified non-service land, as part the LTP/Annual Budget process.
- Disposing of the non-service park land, as a regular and planned operational activity using competitive market processes. This could include advertising all non-service land on the council website for developers and others to acquire, which may reduce the cost of disposal.

Then we will achieve

- Reduced decision-making time around identifying, consulting and implementing non-service land disposal decisions.
- Reduced operating costs associated with the non-service land.
- Cash proceeds which can be used for higher priority activity, including to fund more appropriate park land that meets the provisioning policy and parks service strategy.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>The council has approved policies in relation to parks provision and optimisation of assets and this value proposition is aligned to these policies</td>
</tr>
<tr>
<td>Value for money</td>
<td>Identifying and disposing of poorly performing assets will allow resources to be used for higher value uses</td>
</tr>
<tr>
<td>Equity</td>
<td>Cash released by divesting from poorly performing assets creates opportunities to address equity issues</td>
</tr>
<tr>
<td>Feasibility</td>
<td>Implementation is feasible. It will require the Governing Body and local boards to work together with each having different decision-making responsibility</td>
</tr>
<tr>
<td>Affordability</td>
<td>Aim is to free up resource tied up in relatively underperforming assets and their upkeep (net of cost of disposal)</td>
</tr>
<tr>
<td>Competency</td>
<td>Competence exists within the council to develop and plan. Real estate agents are generally engaged to support the sales process</td>
</tr>
</tbody>
</table>

The council’s land assets are a strategic asset, yet its management is dispersed without a single accountability and overview. The Provision Policy is applied prospectively to new development, but not retrospectively. Addressing these gaps could clarify and speed up decision-making. A more systematic and planned approach to identifying and managing non-service land will make the overall management of the parks assets more effective, and free up resources for higher value use, including development of parks and open spaces that is in line with the Provision Policy.

### Results

#### Summary of financial costs and benefits

**Costs**
- Developing the plan should be funded from existing budgets, although it may be beneficial to assign additional resource to provide speed and emphasis to the opportunity.
- Normal costs of acquisition and disposal will exist including real estate agents commission, legal costs and valuation costs.

**Benefits**
- Non-service land will be disposed of, or disposed of quicker, reducing operating costs.
- Cash flow positive from the sale.
- This will also generate a “profit and loss statement” benefit as land is currently not valued at market rates.
Broad estimate of potential proceeds otherwise not achieved

The Review of Alternative Sources of Financing by Cameron & Partners included a high-level assessment of the potential value in alternative use of parkland. They suggested that market value of the land could be 10 times higher, and that 5% of park land could release $2.25bn.

We tested this on two local board areas which identified around 5% of open space area as not meeting the provisioning policy.

We adjusted for the following factors:
- some land would not be disposed of for environmental, cultural or other reasons
- some disposals would need to be replaced with purchases in better locations (see case studies)
- proceeds from non-service land sales already budgeted in the LTP, although a plan would increase the probability that budget is met.

<table>
<thead>
<tr>
<th>Area not in line with provision policy (m²)</th>
<th>Less reserves and other encumbered areas (25%)</th>
<th>Assuming 50% replaced, net disposals (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area 1</td>
<td>199,250</td>
<td>74,719</td>
</tr>
<tr>
<td>Area 2</td>
<td>162,453</td>
<td>60,920</td>
</tr>
<tr>
<td>Scaled to Auckland</td>
<td>1,4m m²</td>
<td></td>
</tr>
</tbody>
</table>

Sale value @ $540 per m² (sensitivity +/- 50%), and ex LTP budget

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Low</th>
<th>Mid</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal value</td>
<td>$290m</td>
<td>$522m</td>
<td>$887m</td>
</tr>
<tr>
<td>Present value</td>
<td>$200m</td>
<td>$350m</td>
<td>$6000m</td>
</tr>
</tbody>
</table>

Area sensitivity (+/- 30%), PV: 125m-$827m

Key assumptions:

- All assumptions need to be tested. The purpose of the estimates is to offer broad orders of magnitude of the opportunity.
- The two selected areas are reasonably representative of the overall opportunity.
- 25% of parkland identified top-down as not meeting provisioning policy would not be disposed of because of environmental, cultural or other reasons.
- 50% of remaining land for disposal would be replaced with more suitable park land, according to the provisioning policy and parks services strategy.
- Average market rate for urban land: $700m² less an allowance for infrastructure costs = $540. Scenarios +/- 50% of sale price reflect uncertainty (e.g. some areas land $1600).
- Present value based on phasing over 10 years, and discount rate of 6%.
- Adjusts for value of land sales already budgeted for in LTP: $265 ($200m present value).
Key risks and constraints

- Risk of opposition from local boards and communities who view parkland as specific to their area, rather than one element in a network.
- Risk that the council cannot acquire capability to deliver the result.
- Normal commercial risks, e.g. uncertainty around sale price.
- Risk results will not eventuate because accountability for developing the divestment plan is currently unclear.
- Designated reserve land has prescribed processes to follow.

Key assumptions

- Disposal of non-service land will be managed as a project with appropriate focus and discipline.
- Governing Body approves the approach, noting that this is implementing an existing, previously-approved policy.
- Local boards will positively engage in the process and understand the trade-offs between local needs and interests and regional wide needs and interests.
Value proposition #3: Consistent approach to charging users of parkland for transparency, greater equity and improved value

IF ... we applied more consistent and principled charges to users of parkland and open space, in particular where these are used primarily for private benefit (with limited community benefits) ...

By

- Continuing the work underway on identifying and expanding non rates revenue funding options. These include user charges, rents and commercial activities.
- Applying good public policy principles to the design and targeting of user charges and subsidies for the use of parks and open spaces, considering for example:
  - exclusive, private use and benefits vs public benefits
  - transparency in charging fees and providing subsidies
  - administrative and compliance costs
  - equity in the treatment of different groups
  - the true cost of providing access to parks and open spaces.
- Clarifying when it is more transparent, efficient and fair to use (multi-year) grants to subsidise the use of parks and open spaces for different activities, or to use short-term lease agreements, rather than long-term peppercorn or heavily subsidised leases.
- Assessing whether the council should continue to provide services where there is effective private sector provision.

Then we will achieve

- A fairer and more transparent approach to managing access to and use of parks and open spaces for private benefit.
- The council will focus on providing services where there are no or insufficient private market (or central government) alternatives.
- An alternative source of funding to meet the ongoing cost of providing parks and open spaces that is more in line with other councils and good public policy principles.
### Attachment A
### Item 10

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net estimate</td>
<td>+ve (not quantified)</td>
</tr>
<tr>
<td>Ease of implementation</td>
<td>Medium</td>
</tr>
<tr>
<td>Timing</td>
<td>1 year</td>
</tr>
<tr>
<td>Overall rating</td>
<td>Must do</td>
</tr>
</tbody>
</table>

#### Assessment

- **Strategic fit**: Provides alternative source of funds to provide desired level of parks and open spaces.
- **Value for money**: Should improve transparency in the level of support provided to users, and allocate costs where use of park assets primarily generate exclusive private benefits.
- **Equity**: Provides a more consistent approach to enabling the use of community assets.
- **Feasibility**: Extension and modification of current practices.
- **Affordability**: Should assist in developing an alternative funding source, more in line with other councils.
- **Competency**: Not a barrier.

#### Results

**Summary of financial costs and benefits**

**Costs**
- Cost of analytic and advisory effort and decision-making time.
- Unknown administrative costs to collect charges.

**Benefits**
- Community leases – no overall change as it is assumed that increased rent would be offset by increased grants until services are reviewed against the policy and service strategy.
- Commercial leases – opportunities exist to increase revenue streams. Work completed on farming and holiday places should continue. Targets should be established for these areas.
- Golf courses – we assessed an alternative rental value for land occupied by golf courses (based on an assumed 6% rental on rateable value) to illustrate in broad terms the value opportunity that may exist annually.

<table>
<thead>
<tr>
<th>Current</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golf course area (Ha)</td>
<td>534</td>
</tr>
<tr>
<td>Ratable value $m</td>
<td>$138</td>
</tr>
<tr>
<td>Book value $ per sqm</td>
<td>$26 Ave Akld farmland $41 (range $21-$9800)</td>
</tr>
<tr>
<td>Rent charged $m</td>
<td>$0.21</td>
</tr>
<tr>
<td>Rent potential $m</td>
<td>$8.28</td>
</tr>
<tr>
<td>Implicit subsidy $m</td>
<td>$8.07</td>
</tr>
<tr>
<td>Park value indicator</td>
<td>? Utilisation, existence value, other impacts</td>
</tr>
<tr>
<td>Park value per $ subsidy</td>
<td>?</td>
</tr>
</tbody>
</table>

* Feb 18, 3 months, www.interest.co.nz/rural/resources/farm-sales
** Net of development cost (see WP2)
Key risks and constraints

- There may be resistance to changing charges.
- A number of organisations may not have an income stream to support leases based on market rents, even with equivalent support via grant funding or other options.
- It may not be possible to amend leases in the short-term.
- Creation of an “industry” to administer leases and grants.

Key assumptions

- Changes to community leases will proceed with caution, prioritising changes predominantly toward commercial operations, or services that do not align well with parks services strategy.
- Community organisations and marae established on park and reserve land, and who may not be able to generate the income stream to support market rents for leases, will be supported by multi-year community grants where they meet the council’s policy.
- That there are administratively effective and efficient arrangements to administer and fund the grants process.
**Value proposition #4: Review of City Parks to ensure it delivers the appropriate benefits to the council**

**IF**  
... we determine the ongoing purpose and appropriate operating form for City Parks to ensure it delivers the appropriate financial and non-financial benefits to the council, or in preparation to divest the business unit ...

**By**

- Assessing City Parks performance – particularly its costs and performance indicators (within the next 12 months and ongoing) to assess its market competitiveness and sustainability, performance risks, and how these are managed, and ensuring it pays full overhead costs for competitive neutrality.
- Clarifying the ongoing purpose of City Parks and test this against the council right-sourcing framework to determine if it continues to contribute towards to the council’s strategic and operational performance, and then:
  - determine the appropriate organisational form (business unit, standalone business unit, CCO)
  - implement the appropriate governance structures
  - increase the revenue base (both the council Group and, if this fits with the purpose and risk profile, external sources).
- If the right sourcing criteria determine City Parks operation is no longer strategically or operationally important, deciding if the business can be sold, and then prepare for sale.

**Then we will achieve**

- A fit for purpose operating mode which will reduce risks, costs and improve service over time.
- Continued insight, at least in the interim, into how council decisions impact on their suppliers by having inside knowledge of how service are affected.
- If divested, release of capital, and reduced council exposure to management and ownership risks, allowing it to focus on promoting policy outcomes.
- Maintenance of a level playing field (competitive neutrality) with private sector providers when bidding on non-council business opportunities.
The purpose of City Parks Services needs to be clarified. It is unclear if it needs to operate as a council business unit or standalone business and whether it continues to provide strategic and operational performance benefits to the council while maintaining competitive neutrality with the private sector.

### Results

#### Summary of financial costs and benefits

**Costs**
- Can be completed internally with external support as required.

**Benefits**
- Further analysis required for quantitative benefits but costs can be benchmarked against other external providers to the council.
- City Parks provide a number of qualitative benefits which the review should test. These include:
  - benchmarking of price (though the market was recently tested)
  - industry insight (e.g. understanding input costs or performance challenges).
- Appropriate organisation form to provide appropriate oversight and risk management.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic fit</strong></td>
<td>• All council-owned services should be assessed against the council’s right sourcing principles</td>
</tr>
</tbody>
</table>
| **Value for money** | • Unable to assess at this stage but likely to be positive  
|                   | • Modelling of opportunities should be completed to assess impact on cash flow |
| **Equity**        | • Improvements in value will benefit all ratepayers                      |
| **Feasibility**   | • No barriers to constructing a deal. Requires valuation                   |
| **Affordability** | • Unable to assess at this stage                                          |
| **Competency**    | • External support may be required to assess options                      |
Key risks and constraints

- Risk of financial loss if there is an increase in non-council customers without protection of a separate legal entity.
- Risk of key staff leaving due to uncertainty.

Key assumptions

- The council can provide services to the private sector while maintaining competitive neutrality.
- The appropriate operating form will be established to manage risks should City Parks acquire additional private sector customers.
- If divestment is chosen, there is an effective market for the business.
- Other providers can provide the services which City Parks provides and there will be no adverse effect on price to Aucklanders and quality of services.
Approach to value for money

This review delivers on the section 17A of the Local Government Act 2002 requirement, to:

“... review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions ...

... consider options for the governance, funding, and delivery of infrastructure, services, and regulatory functions...”

These reviews must be undertaken at least every six years.

The purpose of this internal strategic review is to identify strategic opportunities to improve value for money (VfM).

The value propositions developed in this report indicate the potential value from undertaking certain actions. It provides orders-of-magnitude estimates of this value. The propositions do not explicitly include the costs of implementation. The value propositions have been designed to inform council decisions whether to invest in more detailed investigation, including business case development and consultation on options.

VfM, or cost-effectiveness, considers both the cost and the effectiveness (a measure of value) of local government services.

The Office of the Auditor-General, in its 2008 Procurement guidance for public entities publication, defined VfM as:

“... using resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve. In addition, the principle of value for money when procuring goods or services does not necessarily mean selecting the lowest price but rather the best possible outcome for the total cost of ownership (or whole-of-life cost).”

We define value from the viewpoint of the customers of the services. Depending on the service, customers might be specific groups of individuals, households or businesses, or they might be the Auckland public in general.

When we consider VfM, we also look at the public policy reason for the council’s current role and whether that role will continue to be appropriate in the future, given changes in factors like technology, customer expectations, the environment, legal framework, etc.
Our methodology uses a fact-based approach

The review involves testing current service arrangements, as well as asking if the rationale is still sound and fit for the future. We focused on specific challenges, issues and opportunities that we found most relevant for service delivery in the future.

Questions

<table>
<thead>
<tr>
<th>What</th>
<th>Why</th>
<th>Performance</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>What is the service and how big is it?</td>
<td>What are the cost and value drivers?</td>
<td>Does current performance indicate good VfM?</td>
</tr>
<tr>
<td></td>
<td>How is it delivered, funded, governed, regulated?</td>
<td>Cost: economy [cost of inputs] and efficiency [service delivery]</td>
<td>Do incentives/controls give confidence about achieving future value?</td>
</tr>
<tr>
<td></td>
<td>What is its place in the value chain?</td>
<td>Effectiveness: economic, environmental, social impacts</td>
<td>What are the areas of risk and uncertainty affecting VfM?</td>
</tr>
<tr>
<td></td>
<td>What is the current and future context?</td>
<td>Cost-effectiveness</td>
<td>Continued relevance in light of likely changes in context?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Equity</td>
<td>What funding, governance, delivery options for improvement?</td>
</tr>
</tbody>
</table>

Continued relevance

Equity

Rationale

Effectiveness (value/cost)

Economy (cost/input)

Efficiency (out/input)
Approach to current state assessment

We undertake VFM reviews in three parts, starting with a current statement assessment.

As part of our evidence-based approach we draw on a range of sources:

- Stakeholder & expert interviews & consultation
- Analysis of service and financial data (official docs)
- Check-benchmarks, best practice, and case studies
- Draw on international literature and reviews of international practices
- Test the intervention logic
- Test our thinking with subject matter experts and other agencies involved in investment attraction and international relations

What we do:

- Engage with relevant staff for their operational and strategic knowledge, and access to data and expert reports
- Review business plans, financial reports and selected literature
- Test the intervention logic
- Draw on international literature and reviews of international practices

The current state assessment effort leads to a list of challenges, issues and opportunities for further testing during the second part of the review.

We use a clear methodology seeking to understand the current operating approach and framework.

We assess the current drivers of value, and the issues and the challenges in delivering the services to identify and document value delivered and any improvement opportunities.
Approach to options analysis

In the second stage of the review we identify and evaluate improvement opportunities. Findings follow feedback on the assessment and options.

- **1. Current State**
- **2. Options**
- **3. Findings**

### Our critical success factors draw on the Better Business Case framework

<table>
<thead>
<tr>
<th>Strategic fit (strategic case)</th>
<th>Does the option progress the outcomes the council is pursuing, and fit with the council’s role?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value for money (economic case)</td>
<td>Do benefits to Aucklanders exceed costs? Does the option provide:</td>
</tr>
<tr>
<td></td>
<td>• clear accountability</td>
</tr>
<tr>
<td></td>
<td>• transparency</td>
</tr>
<tr>
<td></td>
<td>• compatible incentives</td>
</tr>
<tr>
<td></td>
<td>• risk allocation to where best managed</td>
</tr>
<tr>
<td></td>
<td>• proportional admin and compliance costs</td>
</tr>
<tr>
<td>Equity (social case)</td>
<td>Does the option promote a strong inclusive and equitable society, and share costs appropriately?</td>
</tr>
<tr>
<td>Feasibility (commercial case)</td>
<td>Can the option be commercially viable?</td>
</tr>
<tr>
<td>Affordability (financial case)</td>
<td>Do options fit Auckland Council’s financial objectives and constraints?</td>
</tr>
<tr>
<td>Competency (management case)</td>
<td>Has the council the competencies to execute?</td>
</tr>
</tbody>
</table>

In the second part of the review, we analyse opportunities to improve value for money.

We evaluate the ongoing relevance of governance, funding and service delivery arrangements and alternative options.

We outline the action required to deliver value, and provide orders-of-magnitude estimates of the potential future value.
## Glossary of terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Budget</td>
<td>Sets out key projects, service levels, financial policies and priorities for the next year.</td>
</tr>
<tr>
<td>Auckland Council Group/Group</td>
<td>The council, council-controlled organisations (CCOs), subsidiaries, associates and joint ventures.</td>
</tr>
<tr>
<td>Council-controlled organisations (CCOs)</td>
<td>(CCOs) look after specific council assets, infrastructure or activities on behalf of the council. They operate independently and are managed by an independent board of directors or trustees, but with accountability to the council. The council appoints all voting directors/trustees on the boards of its six substantive CCOs as it is the 100 per cent owner.</td>
</tr>
<tr>
<td>Divestment Plan</td>
<td>A document that sets out all assets that are tagged for disposal, including timeframes.</td>
</tr>
<tr>
<td>Independent Māori Statutory Board</td>
<td>An independent body corporate with specific responsibilities and powers to promote important Māori issues to Auckland Council.</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>The fixed, long-lived structures that facilitate the production of goods and services and underpin many aspects of quality of life. Infrastructure refers to physical networks, principally transport, water, energy, and communications.</td>
</tr>
<tr>
<td>Long-term Plan/LTP (also known as the 10-year Budget)</td>
<td>This document sets out the council’s vision, activities, projects, policies, and budgets for a 10-year period. Also commonly referred to as the LTP, the 10-year budget.</td>
</tr>
<tr>
<td>Local boards</td>
<td>There are 21 local boards which share responsibility for decision-making with the governing body. They represent their local communities and make decisions on local issues, activities and facilities.</td>
</tr>
<tr>
<td>Māori Responsiveness Framework</td>
<td>Auckland Council’s commitment to enabling Te Tiriti o Waitangi, Māori outcomes, fulfilling statutory obligations and valuing Te Ao Māori.</td>
</tr>
</tbody>
</table>
## Glossary of terms (cont.)

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tūpuna Maunga</td>
<td>Auckland’s ancestral mountains which hold a paramount place in the historical, spiritual, ancestral and cultural identity of the 13 iwi and hapū of Ngā Mana Whenua o Tāmaki Makaurau (the mana whenua tribes of Auckland)</td>
</tr>
<tr>
<td>Non-service assets</td>
<td>Property that is not infrastructure or used to deliver services (as defined in the Local Government (Tamaki Makaurau Reorganisation) Council-controlled Organisations Vesting Order 2010)</td>
</tr>
<tr>
<td>Panuku (Panuku Development Auckland)</td>
<td>A CCO focused on development through urban rejuvenation.</td>
</tr>
<tr>
<td>Parks value indicator</td>
<td>A method of capturing benefits to users and the wider community, along with opportunity costs.</td>
</tr>
<tr>
<td>Peppercorn rental</td>
<td>A nominal rental sum for property, land or buildings, often a token amount e.g. $1 per annum.</td>
</tr>
<tr>
<td>Value for Money (VFM)</td>
<td>Using resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve.</td>
</tr>
</tbody>
</table>
Footnotes

1. p2: Terms of Reference: Value for money review (s17a): parks and Open Spaces Service Management, August 2017
2. p3: sourced from annual reports, financial statements, special data requests
3. p14: 2012 Auckland Plan, Ch12 Auckland’s Physical & Social Infrastructure
4. p19: Open Space Provision Policy, 2013
5. p20: Benchmarking City Services, KPMG, 2017, The Green City Index, Economist Intelligence Unit
8. p26: Auckland Council is required to set out in its spatial plan a strategy to achieve its social, economic, environmental, and cultural well-being objectives for the current and future wellbeing of communities. Note the broad parallels with the Treasury’s four capitals set out in its living standards framework
10. p32: Options to expand revenue streams for sport facilities investment, Auckland Council Environment and community committee, August 2017
11. p38: Auckland Council, February 2017, Mahi Tahi: Rightsourcing and Shared Services Future State Commentary
13. p49: Emerton L et al, 2006, Sustainable Financing of Protected Areas: A global review of challenges and options, World Commission on Protected Areas, Best Practice Protected Area Guidelines Series 13, iucn.org
The Living Standards Framework - Four capitals

The Treasury’s living standards framework is a still-developing approach to define and monitor current wellbeing and its sustainability (intergenerational wellbeing). It currently considers four capitals:

- natural capital: the state of all aspects of the natural environment
- social capital: the state of norms and values, e.g. trust, cultural identity, rule of law, relationships
- human capital: skills, knowledge, physical and mental health
- physical & financial capital: infrastructure and financial assets.

Frameworks like these seek to address the criticism that statistics like GDP are imperfect measures of current and future living standards and resilience. The idea is simple enough: the wellbeing of future generations depends on the resources passed onto them.

But there are some significant, unresolved challenges for these type of frameworks: what capitals should be measured, what indicators should be used to measure these capitals, and how could indicators be made commensurable, ordered and weighted? Given this, the Treasury notes its framework is best regarded as a dashboard, and most useful for strategic trade-offs.

This conclusion follows that of Stiglitz, Sen & Fitoussi in their 2009 report on the measurement of economic performance and social progress. They also recommend efforts to put monetary values on different outcomes where reasonable valuation techniques exist, as those are more understandable to people and facilitate comparisons of different outcomes. Tipping points and irreversible outcomes should also be identified.

The debate continues. Minister of Finance Grant Robertson announced on 1 February 2018 that NZ would host an international symposium to progress the thinking on the framework and its use.

How could the council apply this type of thinking? One way ahead is as follows:

- The council is already required to set out in its spatial plan a strategy to achieve its social, economic, environmental, and cultural wellbeing objectives. There are parallels with the Treasury’s four capitals.
- The LTP is the place to set the wellbeing objectives and articulate the causal links between strategies and activities and the wellbeing of current and future communities.
- Policy and service choices can then be assessed on how they rate against these objectives, using familiar cost: benefit analysis. This can test the specific trade-offs – monetising outcomes where possible and reporting qualitatively on the impacts on other objectives.

In terms of advice on policy or delivery for parks and open spaces, one would expect analysis to assess changes in:

- natural capital: source of environmental services, e.g. objectives related to air and water quality, flora and fauna
- social capital: objectives related to community and cultural activities, heritage
- human capital: objectives related to physical and mental health, e.g. through leisure and sport, and knowledge
- financial and physical capital: objectives related to financial performance and the value of land in alternative uses.
Resources

- Auckland Council – Alternative Sources of Financing Nov 2015
- Auckland Council: Auckland Plan 2012, Chapter 12
- Auckland Council Budget 2017
- Auckland Council MoU DoC
- Auckland Council Contributions Policy 2015
- Auckland Council Parks sports and recreation infographics
- Auckland Council: Golf facilities investment plan discussion document March 2016
- Auckland Council: Open Space Strategic Asset Management Plan 2015 - 2025
- Auckland Council: Auckland future urban land supply strategy July 2017
- Auckland Sports Sector: Facility Priorities Plan 2017
- Benchmarking City Services, KPMG 2017
- Challenges and Strategies for urban green-space planning in cities undergoing densification: A review
- Community Facilities Parks Sports and Recreation “Strengthening our Delivery”
- Economic Impact of Golf in Auckland - Final Report 2016 Martin Jenkins:
- Governing body minutes - Governance framework review
- Greenfields land valuation modelling project, CBRE, 2015
- How do Aucklanders’ Value their parks. A hedonic analysis of the impact of proximity to open space on residential property values. Auckland Council 2016
- Investment Summary AELB Chamberlain Park
- Open Space Provision Policy 2016
Acknowledgements

We wish to thank the following people who were either interviewed or participated in discussions relating to this review.

<table>
<thead>
<tr>
<th>Contacts</th>
<th></th>
</tr>
</thead>
<tbody>
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<td>Head of Operations Services Procurement</td>
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<td>Principal Business Growth &amp; Infrastructure Advisor, Auckland Council CPO</td>
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<td><strong>Catherine Murray</strong></td>
<td>Researcher, Research and Evaluation Unit, RIMU</td>
</tr>
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<td>Chief Operating Officer, Strategy &amp; Operations, Panuku</td>
</tr>
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<td><strong>Eva McLaren</strong></td>
<td>Manager Research &amp; Evaluation, Rimu</td>
</tr>
<tr>
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<td>Service and Asset Planning Specialist</td>
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</tr>
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<td><strong>Ian Maxwell</strong></td>
<td>Director, Community Services</td>
</tr>
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<td>People and capability, Strategy &amp; Partnership</td>
</tr>
<tr>
<td><strong>Katarina Maki</strong></td>
<td>General Manager, Community &amp; Social Policy</td>
</tr>
<tr>
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<td>Executive Officer, Auckland Council Governance</td>
</tr>
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<td>Head of Service Strategy and Integration, Community Services</td>
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</tr>
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<td>Planning Lead - Local Board, Corporate Finance and Property</td>
</tr>
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<td><strong>Paul Marriott-Lloyd</strong></td>
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</tr>
<tr>
<td><strong>Peter Cunningham</strong></td>
<td>Head of Physical Works &amp; Technical Services Procurement</td>
</tr>
<tr>
<td><strong>Rob Cairns</strong></td>
<td>Head of Investigation &amp; Design, Community Facilities</td>
</tr>
<tr>
<td><strong>Robert Irvine</strong></td>
<td>Head of Group Financial Planning, Finance</td>
</tr>
<tr>
<td><strong>Rod Sheridan</strong></td>
<td>General Manager, Community Facilities</td>
</tr>
<tr>
<td><strong>Taryn Crew</strong></td>
<td>Business &amp; Finance Manager - Community Facilities</td>
</tr>
<tr>
<td><strong>William Brydon</strong></td>
<td>Principal Policy Analyst, Parks and Recreation Policy</td>
</tr>
</tbody>
</table>
Group procurement

Value for Money (s17A) Review 2018

15 May 2018
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Scope: procurement covers the processes for buying goods and services to deliver on the council’s objectives

This review covers all entities in the Auckland Council Group (the Group) and checks whether the provision and delivery of procurement is cost-effective, and contributes toward the Group’s mutual long-term goals.

What is procurement?¹

Procurement covers all the business processes associated with buying the goods/services/works used to run the Auckland Council business and deliver its organisational objectives.

Procurement involves identifying needs, planning the best way to meet them, sourcing, managing the contract, and winding up the contract or assets at the end of their life. It includes the relationship management of suppliers.

The approach should be tailored to the value, complexity and risks involved. It should align with the council’s Procurement Policy.

This review does not include operational purchasing on contracts negotiated by procurement or accounts payable which will be subject to future reviews.

The Group Procurement Policy is a principles-based policy and has been adopted by all group entities.

The procurement principles take a wider value perspective than the NZ government procurement principles.
Council invests $8.1m annually to procure $2.9bn of goods and services

The following metrics² provide context of procurement at Auckland Council Group

- **$2.9bn**
  - Annual value procured

- **10k**
  - Number of suppliers

- **80/20**
  - 20% (2k) of suppliers = 80% spend

- **92%**
  - Suppliers satisfied
  
  Auckland Council parent

- **77 FTEs**
  - Staff engaged in procurement

- **$110m**
  - Total benefits delivered in 16/17 by Group

- **$12.5m**
  - Cash benefits

Auckland Transport winner of the Sustainability Project of the Year (CRL) with Auckland Council finalists in other awards at New Zealand Procurement Excellence Awards 2017

---

**Procurement in context of the Group**

- **Operating spend 16/17**
  - (Total $3.8b) $8.1M

- **Capital spend 16/17**
  - (Total $1.5b) $0M

**Rates-funded share**

- ($0.80 for every $100 of total rates) 94%
**Executive summary**

**Procurement capability and outcomes are improving**
There has been a significant shift from traditional transactional procurement to more strategically-focused activity. This is encouraging. For procurement to be effective, the procurement staff, council and CCO department staff and suppliers must work cohesively and share common objectives.

**Group procurement occurs but the results are inconsistent**
The Group Procurement Policy advocates a collaborative approach and the Group is well-placed to aggregate spend across the Group and leverage the collective capacity, capability and scale. However, it needs a strategy and a requirement to use to enable success.

**Standardise where practical to remove duplication and achieve greater efficiency while maintaining the effectiveness**
Auckland Council (parent) provides procurement services for its departments, ATEED and Panuku. Auckland Transport, Watercare and RFA all have their own procurement teams.

While the cost of, and number of FTEs in, procurement is reasonable compared to benchmarks, there are opportunities for rationalisation. There is some duplication in procurement support functions which standardisation of processes may reduce.

The council can do more to leverage its size, but should take care to maintain procurement effectiveness and proximity to their customers.

**Procurement is cost-efficient but are we investing enough**
Compared to benchmarks procurement is cost-efficient. Given the scale and complexity of the future Long-term Plan (LTP) capital programme, the level of investment in procurement capability should be monitored. In order to deliver the outcomes required different contracting approaches are required.

**Benefit delivery can be better**
Benefit delivery is a key measure of procurement effectiveness, particularly hard budgetary savings. Benefits are measured, but we observed (particularly with the parent) that cost savings were not routinely pursued. For example, we observed good practices as part of the Project 17 procurement for parks and facilities maintenance. However, the commercial outcome was to deliver increased levels of service for the same cost, rather than same levels of service for reduced cost.

The council parent has the target for the Group Source activities in its performance dashboard and updates are reported to the Strategic Procurement Committee. At the end of Q2, only $32m of a targeted $70m of benefit had been achieved and there was no forecast position to the end of the financial year.

For any metrics that are off-target, a "go to green" plan should be developed identifying what actions need to be taken, when they will be completed and by whom, to get the activity back on target. If the target is not going to be achieved, a forecast position at the end of the year should be reported. This concept could be applied wider than procurement.
Executive summary

**Different technologies are a barrier to efficiency**
Different technologies are used across the Group. The future alignment of technologies with the same data standards will improve the customer and supplier experiences, and improve procurement effectiveness as better data will highlight spend consolidation opportunities.

**Procurement is reliant on good data**
Spend analysis for Group activity is provided by an analysis tool developed by a consultancy. There are a number of known challenges with data accuracy and the council parent is planning to use SAP Ariba for future requirements.

Effectiveness will be improved if it includes all the Group’s data (future and historic). It is important to have a single source of the truth if the mutual benefit is to be identified.

**Focus on customer experience**
Procurement has been working on providing a consistent customer experience which should continue. However, customer satisfaction could be improved, for Auckland Council in particular.

Auckland Transport doesn’t currently measure customer satisfaction, and should do this in the future.

**Manage risk effectively**
We have seen a “belt and braces” contracting approach being used with large and small suppliers alike, regardless of risk. This includes transferring most of the risk to the supplier. This increases the cost to the supplier and therefore the cost to the council. Procurement is often engaged too late in the process to be effective.

Risks should be managed by the organisation best positioned to do so.

**Proactively work with suppliers**
A productive working relationship with suppliers can create a win-win for both the council and supplier. This happens when the parties better understand each other’s business and values.

Supplier Relationship Management (SRM) is at its infancy for the Group, with each entity managing their own suppliers.

The council needs to remain aware of market dynamics such as maintaining competition, sustainability, and where and by whom risks are best managed.

**Cost of doing business is an issue for suppliers**
Suppliers are generally happy dealing with the Group but find the cost of doing business high due to complex administrative processes and controls.

The council recently implemented SAP Ariba, a supporting technology that should improve the supplier and user experience and reduce complexity in processes. Auckland Transport is planning to implement it, and Watercare is considering whether to implement.

It is desirable, as part of the Group policy, that tools like SAP Ariba are implemented across the Group to deliver a consistent customer and supplier experience (and to facilitate analysis to drive future value). However, this does rely on tools performing.

We received mixed feedback from users on the performance of SAP Ariba and the lack of involvement of the CCOs in the decision to select SAP Ariba.
Recommendations to Appointments, Performance Review and Value for Money Committees

It is recommended that the council’s chief executive collaborate with the chief executives of the CCOs to:

Consolidate spend to deliver benefits to the Group

Develop a Group strategy to outline which activities will be Group activities and which should be the responsibility of each individual organisation.

This would then inform the annual procurement work programme. This can help eliminate wasteful duplication and deliver improved value.

Recommendations

1. Design and implement a procurement operating model to effectively enable the Group Procurement Policy and participation from the council and all its CCOs. It is anticipated that this will include:
   • key guiding principles
   • mandate to participate and use
   • consideration of appropriate operating models including centres of expertise and other shared arrangements
   • an agreed position on what procurement activities and spend categories should be collaborative Group procurement and which should be the responsibility of each entity
   • an agreed approach to develop procurement capability across the Group
   • an assessment of the most effective way to procure infrastructure
   • a plan for optimising duplicated functions such as contract management, spend analysis, reporting, technology, learning and development
   • a standard approach to monitoring, measuring and reporting.

Lift SRM capability to mutually lower the cost of supply

Build effective and productive working relationship with suppliers that create a win-win for both the council and supplier.

A consistent SRM framework across the Group for the key suppliers (who supply multiple entities) will create the opportunity for innovation and unlock further value and benefit.

Recommendations

2. Design and implement a consistent, Group-wide SRM framework for identifying and managing key strategic supplier relationships, and consider assigning ownership of these to the Group’s executive teams.
Recommendations (cont...)

A more effective assessment of risk is required

Develop a consistent methodology for measuring and managing risk across the Group (noting that each entity will have different risk tolerances).

Forward planning and business units engaging Procurement earlier, will enable better risk assessment. The best risk management approach can be determined given the project, supplier market and contracting approach.

Recommendations

3. Design and implement a consistent, Group-wide procurement risk management framework for identifying, assessing and treating risks to allow the most appropriate procurement and financing approach to be adopted. This would acknowledge each entity’s differing risk profiles and governance structures.

Hold Procurement and departments to account on delivering hard savings to contribute to efficiency targets in the LTP

The levels of soft and hard benefits achieved (and realised) should be a key measure of procurement success, but a clear focus on setting ambitious hard savings and tracking performance to plan is especially important given the financial pressure facing the Group.

Recommendations

4. Require all entities in the Group to establish an annual hard savings target for procurement and include this in the LTP budget, to be implemented by 30 June 2018 including:

• requiring Procurement to deliver this target, with a minimum of 4:1 return on the level of investment in procurement
• developing an annual Group sourcing plan
• implement a Group procurement strategy and operating model
• regularly reporting on progress.
Quick wins

During the review we identified further unvalued tactical improvement opportunities that could be delivered quickly (less than six months to complete) as quick-wins. We suggest management evaluate these for implementation as part of business as usual.

A. Complete a high level post-implementation review of the SAP Ariba implementation at the council parent, including engagement with CCOs, prior to any further deployment or investment. All entities should be involved and a future Group technology road map developed.

B. Develop and implement a plan to proactively engage with Māori business and the Māori business community in procurement opportunities.

C. Improve the reporting of benefits realised to include year end forecast position. When a metric is not on track (red), require a “go to green” plan detailing the actions to be taken, by whom and when for the metric to return to green (on track).

D. Implement customer and supplier surveys at Auckland Transport to understand performance and identify improvement opportunities.

E. Standardise, where appropriate, data standards, templates, contracts, frameworks across the Group to avoid duplication, and reduce supplier cost.
Summary of potential value and dependencies

<table>
<thead>
<tr>
<th>Key</th>
<th>NPV (10 years) $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Group procurement operating model</td>
</tr>
<tr>
<td>2</td>
<td>SRM</td>
</tr>
<tr>
<td>3</td>
<td>Risk management</td>
</tr>
<tr>
<td>4</td>
<td>Hard savings target</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
</tbody>
</table>

Notes
- Value propositions #1, #2 and #3 are key enablers for achieving the savings target in #4.
- Value proposition #4 is incremental procurement benefit over 10 years and not total procurement savings target. Making the target visible and reported against will improve procurement effectiveness.
- The estimates are cash releasing benefits. That means the council Group will improve their cash flow from implementing the opportunity.
- Estimates are indicative of the order-of-magnitude of the opportunity, drawing on assumptions from the literature and experiences in other places. Their purpose is to establish the case for progressing options and associated business cases. In some cases, the evidence is strong; in others, the basis for assumptions is speculative.
Procurement supports delivery of council objectives

Procurement is one means to an end – delivery of the council’s objectives. Good outcomes depend on good procurement – properly planned and effectively executed. We identified a number of value drivers for procurement.

<table>
<thead>
<tr>
<th>Enabler of change</th>
<th>Total cost of ownership</th>
<th>Balance</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moving procurement up the value chain from tactical to strategic</td>
<td>Managing total lifecycle costs to improve VFM</td>
<td>Balancing commercial arrangements with the outcomes sought by Council</td>
<td>Managing risk, probity and controls recognising one size does not fit all</td>
</tr>
</tbody>
</table>

**Key value questions**

- Do the objectives of the Procurement service effectively support the delivery of Auckland Council strategic objectives?
- Are procurement processes operated in an efficient and effective manner (consistent, timely, minimising risk, and maximising impact)?
- Does Procurement understand the demands of the council businesses and their requirements for goods and services?
- Does Procurement have a good understanding of the marketplace and does it manage suppliers effectively?
- Are sustainable business practices considered in procurement?

- Are procurements made in accordance with the principles of the Group procurement policy?
- Is Procurement viewed by its customers as a strategic business partner who supports the delivery of their outcomes?
- Are procurement processes agile enough to meet customer requirements and facilitate supplier innovation?
- How is the council using its scale to deliver good procurement outcomes?
- Is Procurement adopting appropriate practices to effectively manage risk?
Value chain shows resources are not aligned to the potential value drivers

The Group leverages the NZ Government procurement lifecycle – plan, source, manage⁴.

---

**Diagram:**

1. Initiate project
2. Identify needs, assess risk and analyse market
3. Specify requirements
4. Plan approach to market and evaluation
5. Approach market and select supplier
6. Negotiate and award contract
7. Manage contract and relationships
8. Review

**Graph:**

- **Plan:**
  - Resources allocated: 20%
  - Potential Value delivered: 30%

- **Source:**
  - Resources allocated: 30%
  - Potential Value delivered: 70%

- **Manage:**
  - Resources allocated: 10%
  - Potential Value delivered: 30%
Current state assessment
What is leading effective procurement practice and where is the Group currently?

The traditional approach to procurement is to view it as an administrative function. The strategic approach to procurement emphasises its role in understanding and achieving organisational outcomes while delivering overall Value for Money (VfM).

The council procurement function is increasingly involved in strategic conversations at an early stage and in providing commercial expertise to the business to secure the best suppliers and business outcomes.

**Effectiveness is improving**

Procurement is on the right track but the current capability (e.g. staff, processes, templates, technology) is spread across the Group.

This Group capability should be shared and further developed for procurement to become an effective strategic lever.
Item 10

**Are procurement processes operated in an efficient and effective manner?**

**Does Procurement understand the demands of council businesses and their requirements for good and services?**

**Is Procurement viewed by its customers as a strategic business partner who supports the delivery of their outcomes?**
### Procurement has seven key levers to deliver benefits. All are being used to some extent

<table>
<thead>
<tr>
<th>Value lever</th>
<th>Description</th>
<th>Assessment</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenge</td>
<td>Question the need, specific requirements and sourcing strategy.</td>
<td>![ ][ ]</td>
<td>Procurement must balance political and business requirements with commercial outcomes.</td>
</tr>
<tr>
<td>Contest</td>
<td>Test the current supply arrangements of a contract renewal by going to market.</td>
<td>![ ][ ]</td>
<td></td>
</tr>
<tr>
<td>Negotiate</td>
<td>May include (but is not limited to) rates, service levels, cost avoidance.</td>
<td>![ ][ ]</td>
<td></td>
</tr>
<tr>
<td>Work smart</td>
<td>Drive productivity through problem solving to find efficiencies in supply effectiveness.</td>
<td>![ ][ ]</td>
<td>There have been initiatives to improve procurement efficiency. Opportunities exist for standardisation.</td>
</tr>
<tr>
<td>SRM</td>
<td>Proactively manage ongoing arrangements to develop mutual benefit.</td>
<td>![ ][ ]</td>
<td>SRM is in its early stages within the council Group.</td>
</tr>
<tr>
<td>Rationalisation</td>
<td>Supplier and product consolidation.</td>
<td>![ ][ ]</td>
<td>Large number of suppliers used. Potential for further optimisation.</td>
</tr>
<tr>
<td>Technology</td>
<td>Using technology effectively to improve procurement and business efficiency.</td>
<td>![ ][ ]</td>
<td>Different technology in use across Group.</td>
</tr>
</tbody>
</table>
Procurement costs compare well to external benchmarks

**Efficient compared to benchmarks**

Overall, the Group is performing well compared to the NZ Government cost (BASS benchmark) when comparing the cost of the service to the total spend managed by Procurement.

The BASS benchmark report notes that compared to international benchmarks, the NZ government has underinvested in procurement and the council result could suggest that further investment is required.

**FTEs under benchmark**

To provide a like-for-like comparison, we extrapolated Procurement FTE numbers to the same basis - FTE per $1bn of managed spend.

All performed well against this benchmark (APQC benchmark data).

RFA only have 2.5 FTE who also perform other functions.
Are we spending enough on procurement?

Procurement is cost-efficient when compared to benchmarks but are we investing enough?

Auckland Council, Auckland Transport and RFA have increased investment in the procurement service over the last three years. During this same period, the cost of the Watercare service has only increased to meet inflationary cost pressure.

In 2014, RFA established its own procurement team to provide greater focus on its needs and improve risk management. This service was previously being provided under the shared services agreement with Auckland Council. Procurement is involved in wider commercial activity, in particular revenue contracts for the RFA business.

The VfM review did not assess the capabilities of the procurement teams. However, as procurement moves “up the value chain” and becomes more strategic, the skill mix of these teams will need to adapt. Over the next 10 years there will be $30bn of capital expenditure and a range of contracting approaches will be required.

MBIE believes there has to be increased investment in developing procurement capability in NZ and it is encouraging that the council supports the MBIE graduate programme.

The Group should continue to work together and share procurement resource and consider with appropriate business case justification further investment to develop its procurement capability as a group.
Inconsistent measurement makes it difficult to assess effectiveness from a customer perspective

There is an inconsistent approach across the Group to measuring customer, supplier and staff satisfaction. Only the council and Watercare measure all three consistently. Good procurement outcomes can only be achieved by having procurement staff, (internal) customers, and suppliers working constructively together with aligned objectives.

Auckland Council Procurement surveys customers annually and only 48% of customers are satisfied with its performance (consistent with the prior year). Only 26% of customers thought Procurement was adding value.

A current focus area is to provide a consistent procurement experience to help suppliers and customers understand how to work successfully with Procurement.
Realising the benefits and keeping the value

Procurement creates the benefit opportunity but the business units realise the benefit through their use of the contract. The Group has developed a benefit identification and quantification framework aligned to the MBIE approach to benefits management. The current benefit framework does not include post-contract benefit realisation monitoring. This is essential for effective cost management. This is an improvement opportunity with responsibility sitting with council departments which have day-to-day contract management responsibility.

<table>
<thead>
<tr>
<th>Benefits identification</th>
<th>Benefits confirmation</th>
<th>Benefits realisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Identify the value”</td>
<td>“Get the value”</td>
<td>“Keep the value”</td>
</tr>
<tr>
<td>Plan</td>
<td>Source</td>
<td>Manage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Operational purchasing</td>
</tr>
</tbody>
</table>

Benefits

- Budgetary benefits (hard savings), such as price reductions or capital savings, which generate cash or an underspend that can be re-allocated.
- Non budgetary benefits (soft savings), such as improved service levels, which don't release cash or budget for reallocation.

The council parent has a benefit target of $75m in the 2017/18 financial year with a $15m (20%) hard savings target. We support this approach which if achieved would provide an ROI of over 3:1.

Auckland Transport has a target of $33.5m (but no hard savings target) and Watercare has a hard savings target of $10m which if achieved would be an ROI of 12.5:1.

Benchmarking benefit performance is difficult with different circumstances affecting the market conditions and the maturity of the procurement function that each procurement service operates in.

Industry good practice suggests procurement typically generates a ROI of 3-4 times the cost of the procurement service in respect of hard savings on operating costs, and at least seven times the cost for capital procurement. We reviewed a number of benchmarks which ranged from 3-9 times' return.
We expected a greater focus on delivering hard savings which is a core expectation of procurement

Benefit Delivery
- Benefit delivery is a key procurement effectiveness measure.
- While recognising the value of broader outcomes, particularly the management of risk, that procurement provides, we expected a greater focus on budgetary or hard cost savings impacts with targets included in the LTP budget and future Statements of Intent.
- Watercare is the only organisation with a consistent focus on achieving hard savings and this focus should be extended across the Group.
Attachment B

Item 10

How is Auckland Council using its scale to deliver good procurement outcomes?
Group activity is evident, but results have been mixed

The Group procurement model was first introduced in 2015 via project Hari Hari which reported delivering $105m of benefits during its 18-month duration. Prior to that, entities largely focused on their own needs.

Group Source is a collaborative arrangement and is a positive first step to the Group working more together.

While Procurement has made significant improvements over the past three years, we question whether the rate of change has been quick enough, without a clear strategy and operating model for Group Source procurement.

Project Hari Hari

This was initiated in September 2015 as a three-year change programme between the council, Auckland Transport and Watercare with EY providing support. It was designed to leverage the Group’s capability, resources and buying power to deliver value to the council and ratepayers. The approach was a collaborative model which we are advised had mixed success.

Hari Hari introduced new ways of working in terms of reporting, KPIs, planning, spend analytics and delivered significant benefits. Successes included recruitment ($1.6m benefits) across all CCOs, engineering professional services ($4m benefits) across the council, Auckland Transport and Watercare, and mobile ($150k benefits) across council and Auckland Transport.

However, during our review we also found examples where CCOs were engaged in a procurement process but then withdrew their participation later in the process. It appeared that contracting objectives and requirements were not aligned between all entities which is critical in successfully implementing any operating model to support Group procurement.

Group Source procurement

The Group Source programme is currently focused on

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Transition to a leading-practice procurement function</th>
</tr>
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<tbody>
<tr>
<td>Accelerate the delivery of procurement benefits</td>
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<tr>
<td>Core focus on benefit delivery</td>
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<tr>
<td>Consistent benefit measurement and reporting</td>
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<tr>
<td>Pre-council governance &amp; reporting</td>
<td></td>
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<tr>
<td>Strategic customer relationships</td>
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<tr>
<td>Strategic planning and pipeline build</td>
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</table>

<table>
<thead>
<tr>
<th>Foundations</th>
<th>Enablers</th>
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</thead>
<tbody>
<tr>
<td>Collaborative council procurement</td>
<td>Enhanced analytics and project management tools</td>
</tr>
<tr>
<td>Core focus on delivery</td>
<td></td>
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<tr>
<td>Consistent benefit measurement and reporting</td>
<td></td>
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<tr>
<td>Pre-council governance &amp; reporting</td>
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<tr>
<td>Strategic customer relationships</td>
<td></td>
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<tr>
<td>Strategic planning and pipeline build</td>
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</table>

Auckland Council, Auckland Transport and Watercare participate.

Governed by a steering group of CFOs and Procurement Managers of Group entities.

All entities have adopted the Group Procurement Policy and consistent reporting will be adopted by the Group Source participants in the 2017/18 financial year.
We identified some collaborative lessons that could be applied

There are various grouping approaches in procurement, with the primary focus on aggregating buying power, including collaborative buying groups (e.g. LASS), shared services (such as MBIE) and organisational group procurement.

We expected a greater maturity of the council’s Group procurement function, given it is seven years since amalgamation. The council, Auckland Transport, RFA and Watercare all have their own procurement functions. ATEED and Panuku currently receive procurement services from the council under a shared services arrangement.

Case studies from the health sector can help with understanding greater Group co-ordination. Pharmac, the government’s drug buying agency, procures on behalf of all district health boards (DHBs) and has delivered savings and efficiencies over the past 20 years. healthAlliance provides shared services to the northern region DHBs.

**healthAlliance**

healthAlliance is jointly owned by the four northern region DHBs and provides shared services to its owners and other DHBs. Each shareholder can appoint a director to the healthAlliance board which provides a clear mandate to operate.

The DHBs use the same instance of Oracle financial system which supports procurement and other shared services.

Operational oversight provided by the DHB CFOs and roles and responsibilities are clearly defined.

The operating model for procurement is hub-and-spoke where planning, systems, process development, analytics and benefit measurement are centralised along with the majority of the sourcing function, with the balance of that team located near to their customers.

While this model has had some challenges, procurement has continued to deliver budgetary (hard) savings at a ROI exceeding 4:1 (excluding capital savings) against annual costs of the service.

<table>
<thead>
<tr>
<th>Lessons for Auckland Council from healthAlliance</th>
<th>Council Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance in place with clear accountabilities and responsibilities defined</td>
<td>✗</td>
</tr>
<tr>
<td>Standardisation of systems and processes underpins successful procurement delivery and consistent customer experience</td>
<td>✗</td>
</tr>
<tr>
<td>Standardisation of goods and services where practicable with opportunities forgone reported on</td>
<td>✗</td>
</tr>
<tr>
<td>Procurement becoming the catalyst for change and becoming involved at the strategic assessment of business case opportunities</td>
<td>✗</td>
</tr>
<tr>
<td>Focus on benefit delivery</td>
<td>✗</td>
</tr>
</tbody>
</table>
“All of Government” procurement arrangements are used, but there may be further opportunities

The Government formed the Government Procurement Centre of Excellence (CoE) in 2012 with the CEO of MBIE responsible for developing the procurement framework. Local government is encouraged to participate in All of Government (AoG) procurement which includes panel contracts, tools and templates. This provides the opportunity to use All of Government (AoG) contracts when it makes commercial sense to do so.

Council Group organisations have adopted a number of AoG contracts arrangements. The commercial terms generally improve with each refresh of the AoG panels, and the Group should assess which to participate in.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Advertising media</th>
<th>Advertising Services</th>
<th>Air travel</th>
<th>Banking Services</th>
<th>Consultancy Services</th>
<th>Transactional Banking</th>
<th>Design Services</th>
<th>Electricity</th>
<th>External Legal Services</th>
<th>External Recruitment</th>
</tr>
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<tbody>
<tr>
<td>Auckland Council</td>
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<td>Auckland Transport</td>
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<tr>
<td>Watercare</td>
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<table>
<thead>
<tr>
<th>Organisation</th>
<th>IT Hardware</th>
<th>Mobile voice and Data</th>
<th>Motor Vehicles</th>
<th>Office supplies</th>
<th>Print Devices</th>
<th>Print Technology</th>
<th>Rental Vehicles</th>
<th>Reticulated Gas</th>
<th>Risk Financing and Insurance</th>
<th>Travel Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland Council</td>
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<tr>
<td>Auckland Transport</td>
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<tr>
<td>Watercare</td>
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</tbody>
</table>

Group entities participate in AoG contracts where it makes commercial sense to do so. There are also opportunities to participate in syndicated procurement agreements put in place by other public sector organisations and technology contracts arranged by the Department of Internal Affairs as lead agency.

Participation in AoG contracts is encouraged but only if the total cost of ownership is less than what the Auckland Council Group could achieve. In areas where there is low cost of change, a more frequent contract cycle may be appropriate, to support innovation.
Technologies are duplicated across the Group

Investment in technology can support procurement by streamlining and automating repetitive tasks such as contract management and running market processes. This in turn frees up resources to focus on activities that deliver the greatest value. Technology also supports compliance and benefit realisation by controlling buyer behaviour.

Different technologies are used by each Group entity. Auckland Council, Auckland Transport and Watercare all use SAP, but being different versions of the same product there is wasteful duplication (and cost).

Group collaboration will operate most successfully where there is “one system, one process”, i.e. standardisation is a key driver in reducing future operating costs.

<table>
<thead>
<tr>
<th>Entity</th>
<th>Core Finance system</th>
<th>Procurement support system</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland Council</td>
<td>SAP</td>
<td>SAP Ariba</td>
<td>Panuku and ATEED use same versions as the council</td>
</tr>
<tr>
<td>Auckland Transport</td>
<td>SAP</td>
<td></td>
<td>Plan to implement SAP Ariba subject to business case.</td>
</tr>
<tr>
<td>Watercare</td>
<td>SAP</td>
<td></td>
<td>To undertake a review of SAP Ariba’s fit with business requirements</td>
</tr>
<tr>
<td>RFA</td>
<td>Ungerboeck</td>
<td></td>
<td>No current plans to implement SAP Ariba</td>
</tr>
<tr>
<td>ATEED</td>
<td>SAP</td>
<td>SAP Ariba</td>
<td>Council version, Ariba being rolled out</td>
</tr>
<tr>
<td>Panuku</td>
<td>SAP</td>
<td></td>
<td>Council version</td>
</tr>
</tbody>
</table>

Implementing SAP Ariba

The council implemented SAP Ariba in July 2017 to support procurement.

A key aspect of the business case was to “keep the value” of benefits previously delivered through improving buying behaviours and contract management practices. Contract management is distributed in business units and Audit New Zealand reported in 2016 that improvements were required in this area.

The supplier survey finds that suppliers are generally happy dealing with the Group but that the cost of doing business is high. SAP Ariba should assist in improving the supplier experience, the internal control environment, and in keeping the value of procurement benefits.

Only the council has implemented SAP Ariba. Uptake by the rest of the Group is desired, but we have heard mixed feedback on performance and that there was no Group approach to selecting SAP Ariba as the preferred solution.

This risks undermining procurement benefits, buy-in on Group-wide initiatives, and supplier experience. We recommend a post-implementation review be completed prior to any further investment.
Accurate data is key to procurement effectiveness

There are consistency and accuracy issues with the historical spend data. Our review highlighted different data standards and inconsistent application across the Group.

As part of Project Hari Hari, EY developed a “spend cube” to consolidate all Group procurement data. While this provides an indication of spend, there are known accuracy issues.

Auckland Council is planning to use SAP Ariba as the future spend analysis tool but it will only be effective from a Group perspective if it includes all Group spend data and addresses some of the known limitations of the current spend cube.

For effective Group procurement, a single source of the truth is required.
Does Procurement have a good understanding of the market place and does it manage suppliers effectively?

- Are procurement processes agile enough to meet customer requirements and facilitate innovation?
The Group uses 10,000 suppliers, but 80% of procured value is from 20% of suppliers

Potential consolidation of suppliers

Spend is fragmented with multiple suppliers supplying the same product or service, suppliers having multiple contracts (with each council entity) and multiple invoice processes.

Overall, the value of spend under contract is encouraging with a reasonable benchmark of having 80% of spend contracted which is largely being achieved by the larger entities.

There is an administrative burden to managing all these contracts and relationships which can be assisted by the effective use of technology.
There is value in taking a Group approach to managing suppliers

Supplier Relationship Management (SRM)

SRM is emerging in the council Group with evidence of “partnering” meetings with key suppliers. An effective SRM framework – where the focus is on creating value and opportunity for both the supplier and the council – can deliver significant additional value and encourage innovation.

We reviewed the top 100 suppliers by spend and while most have a single Group relationship, a Group-wide SRM approach may still deliver future value by encouraging joined up conversations with suppliers.

This would require Group executive management sponsorship and would be a new way of working compared to today.

Source: Procurement spend cube to June 2017
Are sustainable business practices considered in procurement?

Are procurements made in accordance with the principles of the Group procurement policy?
Sustainability is reflected in supplier arrangements

The Local Government Act 2002 requires local authorities to take a sustainable approach when procuring goods, services and capital works. The Group Procurement Policy aligns with the act and we identified examples of sustainable procurement practices.

A framework has been developed for sustainable (Smart) procurement which has positive environmental, community and economic impacts on a whole-of-life basis and creates value.

We are positive about the approach being taken, but encourage procurement teams to remain aware of the costs and trade-offs of selecting one solution over another.

### Examples of sustainable procurement

**Auckland Council**
- Working with Te Waka Angamaua to deliver a pilot on engaging small/medium Māori enterprises in our procurement.
- Uses sustainability performance measures to evaluate suppliers, e.g. Project 17 contracts measures environmental standards, employment and diversity.
- The fleet contract is linked to emissions targets.

**Auckland Transport**
- Has adopted CO₂ emission reduction targets which are being embedded into the procurement assessment process.
- City Rail Link is requiring suppliers to commit to a zero waste objective.

**RFA**
- Procurement supports the sustainability programme of Auckland Zoo. To date it has implemented palm oil-free across the business including its supplier contracts, and Procurement is actively supporting the goal of being carbon neutral.

**Watercare**
- At the Mangere and Rosedale wastewater treatment plants, Procurement supported achieving energy efficiency gains of 8 GWh by end of 2018 and energy neutrality at by end of 2025.
- Introduction of electric vehicles into the vehicle fleet.
More needs to be done in applying the Te Ao Māori principle from the Procurement Policy

Value Te Ao Māori is a principle of the Procurement Policy but the council also has legislative obligations to contribute to Māori capacity, enable and promote Māori wellbeing, and recognise Māori cultural values, amongst others.

Procurement must consider:
- potential to engage and enable Māori
- delivering Māori customer-friendly services
- making our size work for, and with, Māori
- where appropriate, working with Māori-focused organisations.

While there are examples of social procurement that generates social benefits beyond the goods and services required, there is no consistency around proactive engagement with Māori in procurement.

Case study – Auckland Transport and The Southern Initiative

The Southern Initiative (TSI) is a place-based regeneration programme established in the Auckland Plan. Auckland Transport and TSI worked together tendering for the Manukau bus station and introduced both economic and social outcome criteria. Tenderers were required to submit a targeted recruitment and development plan that would provide employment opportunities to south Auckland candidates.

TSI helped trainees prepare for employment, resulting in employment opportunities helping some employees into apprenticeships.
Item 10

Attachment B

Is Procurement adopting appropriate practices to effectively manage risk?
A number of contracting options exist depending on the risk profile of a project

Each procurement has a different risk profile and is assessed to determine the procurement approach.

Most contracting approaches are conventional in nature, although no data is kept of approach. Early contractor involvement, including Alliances, are used and the council is party to BOOT contracts, generally from legacy arrangements.

Conventional procurement should be used where there is less risk, or where risks are known.

Where there are high risks, or where risks are unknown, more collaborative contracts are used e.g. early contractor involvement. For example, the outcomes-based contracts for Project 17 uses a risk-sharing approach.

The DMB and BOOT options include aspects of PPP or AFV arrangements.

DBM: Design Build Maintain. Can also include Operate and Finance
BOOT: Build Own Operate Transfer
PPP: Public Private Partnership
AFV: Alternative Financing Vehicle

Source: EY\(^1\) (modified)
Successful procurement helps the council manage risk

Each entity has its own governance structures (Governing Body, local boards) and must determine its individual risk appetite. However, we believe there is value in establishing a common view in how risk is determined and shared with the private sector.

The LTP forecast debt position is within the council’s treasury policy guidelines. However, Public Private Partnerships (PPP) or Alternative Financing Vehicles (AFV) could help the council deliver needed growth infrastructure and assist in sharing and managing risk. We understand the government is considering how Crown Infrastructure Partners may help the council in this respect.

**Risk assessment**

In assessing procurement risk, a number of aspects are considered:

- business continuity
- impact the public directly
- are a rare or one-off purchase for the organisation
- are likely to have high media or political interest
- may have probity or conflict of interest concerns
- may have a high risk of failing
- delivered by only one supplier
- the party in the best position.

For Group procurement to be successful, we need a consistent approach to risk assessment to manage risk.

**Contracting approach**

A number of standard contracts have been agreed with the private sector for conventional procurement, particularly for professional services and physical works.

These contracts are being used where applicable.
Procurement operating model
The current operating model has some sharing of services but most are locally focused.
Each organisation has a procurement function to meet their own needs, foregoing benefits from grouping

<table>
<thead>
<tr>
<th>How is service delivery organised?</th>
<th>How is it funded?</th>
<th>How is it governed?</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Procurement sits in a department organised into three category teams (physical works and technical services; operational; and ICT and corporate) and procurement excellence &amp; capability build. • Direct report to CFO. • Contract administration, transactional purchasing (and accounts payable) managed by other teams. • Contract administration.</td>
<td>Rates</td>
<td>Strategic procurement committee (sub-committee of Finance and Performance committee). Supports the CEO in delivering work programme.</td>
<td>Centre-led or hub-and-spoke operating model. Procurement team organised around entities operating requirements. Customer satisfaction 48% - consistent with prior year; outlining opportunity to continue working on consistent customer experience.</td>
</tr>
<tr>
<td>• Procurement sits in a department organised into three category teams (infrastructure; operational and business technology; and corporate) and procurement excellence. • Contract administration part of procurement team but transactional purchasing (and accounts payable) managed by other teams • Direct report to CFO.</td>
<td>Rates, user charges and NZTA levy</td>
<td>Delegation framework with contracts over CEO delegation approved by board.</td>
<td>Centre-led or hub-and-spoke operating model. Procurement team organised around entities operating requirements.</td>
</tr>
<tr>
<td>Auckland Council</td>
<td>No significant commercial revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auckland Transport</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Procurement services (cont’d)

<table>
<thead>
<tr>
<th>How is service delivery organised?</th>
<th>How is it funded?</th>
<th>How is it governed?</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement sits in a department organised with three category leads (infrastructure; service delivery; and corporate and retail) and procurement excellence.</td>
<td>User charges</td>
<td>Delegation framework with contracts over CEO delegation approved by board. Contracts over $100k reported to board and publicly.</td>
<td>• Centre-led or hub-and-spoke operating model.</td>
</tr>
<tr>
<td>Contract administration, transactional purchasing (and accounts payable) managed by other teams.</td>
<td></td>
<td></td>
<td>• Small focused team based on operating requirements.</td>
</tr>
<tr>
<td>Direct report to CFO.</td>
<td></td>
<td></td>
<td>• Supply chain management crucial for some critical supplies (chemicals).</td>
</tr>
<tr>
<td>Small procurement team.</td>
<td>Rates and commercial revenue</td>
<td>Delegation framework with contracts over CEO delegation approved by board</td>
<td>• Customer survey planned for November 2017.</td>
</tr>
<tr>
<td>Reports to Manager Finance who reports to CFO.</td>
<td></td>
<td></td>
<td>• Centre-led or hub-and-spoke operating model.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Procurement at lower level in organisation than in other council entities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Small team established in past two years in response to not receiving appropriate services from the council (as shared service) and managing control environment effectively.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Has moved from SAP financial system to event management system.</td>
</tr>
</tbody>
</table>
# Procurement services (cont’d)

<table>
<thead>
<tr>
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<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Receives procurement services as shared service from Auckland Council.</td>
<td>Rates and commercial revenue</td>
<td>Delegation framework with contracts over CEO delegation approved by board.</td>
<td>• Operates within shared service environment but at times requires a higher level of service and more active participation from Auckland Council procurement team.</td>
</tr>
<tr>
<td>• CFO responsible for maintaining shared service relationship.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Receives procurement services as shared service from Auckland Council.</td>
<td>User charges</td>
<td>Delegation framework with contracts over CEO delegation approved by board.</td>
<td>• Operates within shared service environment but at times requires a higher level of service and more active participation from Auckland Council procurement team.</td>
</tr>
<tr>
<td>• CFO responsible for maintaining shared service relationship.</td>
<td></td>
<td></td>
<td>• Undertakes some specialised procurement (outsourcing) which potentially could be leverages across the council Group.</td>
</tr>
</tbody>
</table>
Challenges and issues in realising further value

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>All organisations have approved the Group Procurement Policy (September 2017) but this has yet to be enabled across the Group</td>
<td>Entities take an individual entity rather than a Group perspective to procurement</td>
</tr>
<tr>
<td>Collaboration is the mode of operation to manage common expenditure across the Group which can create difficulties if consistency is needed or if risk needs to be managed on a Group basis</td>
<td>The collaborative model has had mixed results in terms of engagement, participation and results</td>
</tr>
<tr>
<td>Each entity in the Group operates largely independently in managing suppliers, with an emphasis on meeting each entity’s own needs and having entity procurement decision rights</td>
<td>Council organisations can be in the market at the same time for the same products which increases cost</td>
</tr>
<tr>
<td>Having separate procurement functions (decentralised in each organisation) may result in higher operating costs than if there was an alternative operating model (e.g. centralised, centre led)</td>
<td>Potential to deliver the same outcomes with a reduced level of investment in procurement if it were a single service</td>
</tr>
<tr>
<td>The procurement functions and the businesses they support may be at different levels of procurement capability</td>
<td>Procurement may not be seen as a business partner and resigned to a more traditional transactional focus</td>
</tr>
<tr>
<td>Council under pressure to deliver greater VfM increases pressure on Procurement to deliver more procurement savings</td>
<td>Benefit targets including budgetary (hard savings) and non-budgetary (soft savings) must be established, supported by a pipeline of procurement activity focused on delivering a positive ROI</td>
</tr>
<tr>
<td>Different procurement processes are in operation across the Group resulting in a different procurement experience for suppliers who supply across the Group</td>
<td>Suppliers have different processes to follow depending on the council organisation they are supplying, making it harder to do business</td>
</tr>
<tr>
<td>Procurement has to balance competing demands of delivering value, being agile and meeting probity and control requirements</td>
<td>Too much focus on any single area can result in Procurement not delivering sufficient value to the business units they support</td>
</tr>
</tbody>
</table>
Case studies
## Case study: Council for Infrastructure New Zealand delegation to Canada

<table>
<thead>
<tr>
<th>Context</th>
<th>Action</th>
<th>Results</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>This case study provides an overview of the council for the Infrastructure New Zealand 2015 delegation to Canada in 2015 and the potential implications for Auckland Council.</td>
<td>The delegation reviewed case studies across a variety of projects to assess whether they may be applied to a New Zealand context. Canada uses specialist publicly-owned procurement agencies (e.g. Partnerships British Columbia, Infrastructure Ontario and PPP Canada) to deliver procurement for complex major projects. This approach is designed to deliver better VfM, achieved through efficiencies for agencies and improvements to the supplier market place as the procurement agencies build expertise by delivering more projects more often.</td>
<td>A 2015 New Zealand Treasury report suggested that there could be significant improvement across government. Currently, New Zealand Infrastructure procurement (and major programme delivery is fragmented across many participants).</td>
<td>Opportunity to create a centre of expertise for infrastructure procurement to leverage procurement expertise across the council Group.</td>
</tr>
<tr>
<td>The delegation considered the Canadian approach to major project procurement which involved establishing a number of specialised agencies to deliver procurement.</td>
<td>Infrastructure New Zealand concluded that specialised public procurement (in much the same way as the Canadian model) could add significant value to our public sector.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canadian infrastructure was viewed as better quality than NZ (World Economic Forum data) and has made significant progress working with the private sector in delivering infrastructure projects.</td>
<td>There could be an opportunity for Auckland Council to create a centre of expertise for infrastructure procurement to leverage procurement expertise across the Group.</td>
<td></td>
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</tbody>
</table>
Case study: Economic benefit of improved procurement practices in Australia

<table>
<thead>
<tr>
<th>Context</th>
<th>Action</th>
<th>Results</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 2015, Deloitte Access Economics considered the “Economic benefits of better procurement practices”. This review focused on the professional services component of infrastructure projects. Australian investment in infrastructure is around A$43bn per annum and generates significant economic activity. Professional services (architects, engineers, consultants, etc.) is approximately 10% of the infrastructure spend. Auckland Council Group has a similar proportion of professional services. Approximately $150m is spent annually on professional services out of a total annual infrastructure spend of NZ$1.5bn.</td>
<td>The review found the some elements of the current government procurement practices were inefficient and added unnecessary cost to infrastructure projects. It highlighted examples of unclear project objectives, failure to guarantee accuracy of information provided, inefficient risk management and disproportionate liability clauses. Deloitte estimates inefficient procurement practices added almost 6% to the cost of the professional services associate with infrastructure. The report recommended seven key steps to shift the direction of procurement: 1. Establishing procurement teams with the right mix of skills. 2. Reallocating resources to better focus on project objectives. 3. Removing contract clauses that do not stack up. 4. Developing and applying limited liability guidelines. 5. Verification of brief information provided to suppliers. 6. Streamlining compliance processes. 7. Evaluating and adapting procurement frameworks to encourage innovation.</td>
<td>Auckland Council spends $150m per annum on infrastructure-related professional services. Based on the findings of the study there could be up to $9m per annum additional cost to infrastructure procurement.</td>
<td></td>
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</tbody>
</table>
Case study: Facilities Management procurement (Project 17)

<table>
<thead>
<tr>
<th>Context</th>
<th>Action</th>
<th>Results</th>
</tr>
</thead>
</table>
| There were 23 open space and facilities maintenance contracts across the city with different contract terms. Project 17 introduced a new way of contracting for the council and led to full facilities maintenance contracts across five geographic areas. | • Procurement managed a two-stage procurement process to identify and select suppliers.  
• Standard service levels were established across the city.  
• Procurement encouraged participation from suppliers not currently operating in Auckland and there were new entrants to the market. | • Good procurement practices included good engagement with the customer (the council and local boards) to understand requirements, with a two-stage competitive market process. A key objective was to reduce the number of suppliers providing facilities maintenance services and to move from a prescriptive contracting model to outcome-focused contracts.  
• The result was a contract for increased levels of service within the same funding envelope of $28m. A whole-of-life pricing model provides budget certainty for the council, although the suppliers will have factored risk into their pricing.  
• We understand that local boards were a key driver of increased service levels, so this outcome reflects responsiveness to local boards.  
• But it is not clear how the choice between hard savings (for the same service level) and no hard savings (but increased service levels) was made. This lack of transparency can weaken procurement performance. |

Implication

New entrants were introduced into the Auckland market to replace incumbent suppliers. There have been contractor performance issues but these are being managed. There are lessons for the future on how to manage a change in suppliers.

The targeting and realisation of benefits requires having clear objectives and procurement approach. A clearer decision-making and prioritisation process set out in a tendering strategy would provide clear direction on the benefit identification and transparency on trade-off decisions.
Options analysis
Value proposition #1: Consolidate spend to deliver shared benefits across the Group

**IF** ... we have an effective group procurement operating model to achieve collaborative procurement in accordance with the Group Procurement Policy ... 

By

- Developing, building on the collaborative approach in the Group Procurement Policy to implement:
  - a procurement strategy balancing customer needs and procurement category expertise with the benefits of collaboration
  - the appropriate operating model to deliver efficient and effective procurement services which support both the Group Procurement Policy and individual business unit requirements.
- Including as a minimum in the strategy:
  - key guiding principles such as contestability, sustainability, innovation and risk management
  - an agreed list of mandatory spend categories for Group activity and which are best left to each entity to manage
  - a plan to develop procurement capability across the Group
  - assessing the most effective way to procure infrastructure
  - a plan for optimising duplicated functions such as contract management, spend analysis, reporting, enabling technologies, and procurement learning and development
  - a standard approach to reporting, measuring and monitoring
  - developing a consistent customer and supplier experience
- Establishing the appropriate governance and providing a mandate to implement the operating model in future CCO Statements of Intent and in council policies

**Then we will achieve**

- A coordinated, consistent and joined-up approach to procurement which delivers service in accordance with Group Procurement Policy.
- Combining procurement competencies so they can be focused on higher value activity across the Group.
- A consistent procurement experience for customers and suppliers.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Aligns with a formal strategic plan&lt;br&gt;Supports doing more with less</td>
</tr>
<tr>
<td>Value for money</td>
<td>Improved VFM will be achieved from:&lt;br&gt;• central co-ordination with local&lt;br&gt;implementation&lt;br&gt;• joint outcomes and aligning each&lt;br&gt;organisation’s focus on consistent&lt;br&gt;performance measure(s) and monitoring&lt;br&gt;framework&lt;br&gt;• greater consistency, removal of duplication&lt;br&gt;and sharing of resources&lt;br&gt;• volume savings through leveraging scale</td>
</tr>
<tr>
<td>Equity</td>
<td>Value from an efficient and effective procurement service benefits all ratepayers</td>
</tr>
<tr>
<td>Feasibility</td>
<td>No barriers</td>
</tr>
<tr>
<td>Affordability</td>
<td>Funded from current budgets. Should savings be made through removing duplication, these should be redeployed to higher value procurement activity</td>
</tr>
<tr>
<td>Competency</td>
<td>Collective Group strategic planning management resources and capabilities are used</td>
</tr>
</tbody>
</table>

Value will be delivered from improved alignment of procurement across the Group so that scale can be leveraged and duplication eliminated. In the short-term (first three years) any cost savings should be reinvested into higher value procurement activity, assuming that every $1 invested in procurement activity continues to deliver $4 in benefit.

**Results**

**Summary of financial costs and benefits**

**Costs**
- External assistance may facilitate development of the procurement strategy and approach to operating model development.

**Benefits**
- Key enabler of the quantitative benefits included as part of VP#3.
- Unquantified qualitative benefits include:
  - aligned approach that supports the delivery of procurement services – central co-ordination, local implementation
  - consistent measurement and reporting framework across the group
  - improved benefit realisation through leveraging group scale
  - consistent user experience
  - resources can be redeployed to higher value procurement activity. Currently, there are 30 FTE across the Group performing procurement enabling activities, some of which could be reduced over time.
  - Lessons from the Canadian case study show benefits can be made in infrastructure procurement by creating centres of expertise.
Key risks and constraints

- One size does not fit all and local implementation is crucial to success.
- Depends on having a formal arrangement as collaborative or voluntary models unlikely to deliver outcomes.
- Risk of value being lost if there is no requirement to use collaborative procurement services.
- Risk of talent loss through change process and that appropriately skilled staff cannot be found.
- Risk of resistance to change or later rogue behaviour can erode benefits.
- Watercare’s efficient and effective operations obligation means that, when assessing proposals for co-ordination and integration of procurement, the proposal must assist (or at least be neutral) in keeping the costs of water supply and wastewater services to customers at efficient and effective levels.
- The role of Procurement in achieving good procurement outcomes must be balanced with the governance responsibilities of Auckland Council and each CCO board.

Key assumptions

- The operating model will be jointly developed by Procurement leadership, supported, if required, by external resource and be jointly beneficial to each participating organisation.
- The Group CFO will sponsor the work and each organisation’s CFO will be part of the procurement governance arrangements.
- There are some limited and clearly defined opt-out clauses, e.g. to meet legal obligations (such as Watercare being able to opt out where doing so would lower the cost of water supply and wastewater services to consumers).
- The appropriate operating model is established to attract and retain appropriate talent, a customer-centric focus and benefit targets. A change in skill mix may be required.
- The approach is flexible enough to allow the right procurement approach to be selected – one size does not necessarily fit all.
- The procurement approach will operate under the principle “central co-ordination, local implementation.”
Value proposition #2: Lift SRM capability to mutually lower the cost of supply

IF ... we introduced a consistent SRM framework across the Group for identifying and managing key strategic relationships ... 

By
- Developing a group approach for managing the supplier market covering:
  - how suppliers are identified across the group to be subject to SRM approach
  - the lead agency in the relationship
  - outcomes sought by the council (wider outcomes, beyond procurement objectives).
- Assigning ownership of each supplier relationship to members of the Group’s executive teams.
- Gathering intelligence on key supplier markets.
- Using the relationships to encourage innovation, new ideas and increased value to both the council and the supplier.

Then we will achieve
- An opportunity to encouraging supplier innovation.
- Reduced transaction costs for suppliers and the council.
- Improved project specification through engaging with key suppliers earlier in the project lifecycle.
- A consistent Group perspective in managing the supplier relationship, rather than this being driven by individual entity perspective.
- Group management of supply side risks (concentration, service or provider failure, capacity and capability) to avoid adverse impact to the council’s services.
- Reduce costs to suppliers and, therefore, to the council.
## Attachment B

### Item 10

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic fit</strong></td>
<td>Aligns with a formal strategic plan</td>
</tr>
<tr>
<td></td>
<td>Supports doing more with less</td>
</tr>
<tr>
<td><strong>Value for money</strong></td>
<td>Will increase through early supplier engagement, innovation and reduced transaction costs</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>Equitable to ratepayers</td>
</tr>
<tr>
<td><strong>Feasibility</strong></td>
<td>Feasible to implement, but needs clear aligned objectives to deliver results</td>
</tr>
<tr>
<td><strong>Affordability</strong></td>
<td>Improves affordability</td>
</tr>
<tr>
<td><strong>Competency</strong></td>
<td>May require external support to develop framework and undertake initial partnering with suppliers. Expertise should be developed in council teams</td>
</tr>
</tbody>
</table>

**Net estimate**  
+ ve (not estimated), see VP#4

**Ease of implementation**  
Moderate

**Timing**  
<1 year

**Overall rating**  
Must do

---

Supplier relationship management is a comprehensive approach to managing interactions with suppliers of goods and services. By focusing on the key (not necessarily the largest) suppliers, further value opportunities can be achieved.

### Results

#### Summary of financial costs and benefits

**Costs**
- External consultancy may be required to develop the framework and help with initial partnering with suppliers. This should be funded by re-prioritising existing budgets.

**Benefits**
- Quantitative benefits included as part of value proposition #4.
- Qualitative benefits include:
  - aligned objectives with key suppliers
  - improved risk management
  - a better understanding of how each supplier operates their business and the impact (cost implications) that the council’s actions have on suppliers’ businesses
  - encouragement of innovation.
Key risks and constraints

- One size does not fit all and local implementation is crucial to success.
- Depends on having a formal arrangement as collaborative or voluntary models unlikely to deliver outcomes.
- Risk that key suppliers do not wish to support the initiative.
- Watercare’s efficient and effective operations obligation means that, when assessing proposals for co-ordination and integration of procurement, the proposal must assist (or at least be neutral) in keeping the costs of water supply and wastewater services to customers at efficient and effective levels.
- The role of Procurement in achieving good procurement outcomes must be balanced with the governance responsibilities of Auckland Council and each CCO board.

Key assumptions

- The approach will be jointly developed by Procurement leadership, supported, if required, by external resource and be jointly beneficial to each participating organisation.
- The Group CFO will sponsor the work and each organisation’s CFO will be part of the procurement governance arrangements.
- There are some limited and clearly defined opt-out clauses, e.g. to meet legal obligations (such as Watercare being able to opt out where doing so would lower the cost of water supply and wastewater services to consumers).
- The approach is flexible enough to allow the right procurement approach to be selected – one size does not necessarily fit all.
Value proposition #3: A more effective assessment of risk

**IF**

... we developed a common and consistent framework for the assessment of risk...

**By**

- Developing a group approach for managing risks in the supply of goods and services:
  - testing current risk tolerances applied to projects and programmes of work
  - developing risk assessment criteria
  - apply Kraljic Matrix to supply categories and suppliers (assessment of supply risk and financial implications)
  - noting that each entity has own governance structures and therefore accountability for risk management.
- Improving planning and scoping of projects to understand the aspects that most contribute to the suppliers’ risk and early engagement of Procurement in the process.
- Assess projects against risk criteria and determining appropriate procurement/financing approaches to share risk with suppliers.

**Then we will achieve**

- Increased confidence that supply risk is appropriately managed across the Group.
- The ability to accept more risk or for the supplier to accept more risk and clearly understanding the cost implications of that risk.
- A better understanding of the cost implications from different risk management approaches.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Aligns with council risk management approach</td>
</tr>
<tr>
<td>Value for money</td>
<td>Allows for better understanding of the pricing of risk from suppliers</td>
</tr>
<tr>
<td>Equity</td>
<td>Equitable to ratepayers</td>
</tr>
<tr>
<td>Feasibility</td>
<td>Feasible to implement, but needs clear aligned objectives to deliver results. Governance structures and each entity’s risk appetite need to be considered</td>
</tr>
<tr>
<td>Affordability</td>
<td>Improves affordability</td>
</tr>
<tr>
<td>Competency</td>
<td>External support may be required to develop framework. Expertise should be developed in council teams</td>
</tr>
</tbody>
</table>

### Results

#### Summary of financial costs and benefits

**Costs**
- External consultancy may be required to develop the framework. This should be funded by re-prioritising existing budgets.

**Benefits**
- Quantitative benefits included as part of value proposition #4.
- Qualitative benefits include:
  - aligned objectives with suppliers
  - improved risk management
  - better understanding of supplier and impact the council’s actions have on suppliers and, therefore, cost
  - improves ease of doing business with the council.

There are risks associated with every activity the Council undertakes and by understanding the supply risk the Council has the opportunity to either accept more risk or transfer that risk to the supplier while fully understanding the cost implications.
Key risks and constraints

- Each entity has their own governance structures, risk appetite and risk framework which must be considered.
- One size does not fit all and the council must manage its supply base sustainably.
- Implications of insurance on procurement approach (and cost).
- Watercare’s efficient and effective operations obligation means that when assessing opportunities, the proposal must help (or at least be neutral) in keeping the costs of water supply and wastewater services to customers at efficient and effective levels.

Key assumptions

- The council has the necessary capability or can acquire the capability to develop the risk framework, training and assessments.
- An assessment of the implications on council insurance cover (and assessment of total cost of insurance).
- The council understands their suppliers and the markets within which they operate.
- The council maintains a competitive market place.
Kraljic Matrix in the council context

The Kraljic Matrix is an effective approach to assess suppliers and categories and determine the most appropriate procurement solution.

### Categorising products and suppliers

<table>
<thead>
<tr>
<th>High</th>
<th>Leverage suppliers</th>
<th>Strategic suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Many competitors</td>
<td>• Market leaders</td>
</tr>
<tr>
<td></td>
<td>• Commodity products</td>
<td>• Specific know-how</td>
</tr>
<tr>
<td>Low</td>
<td>• Alternative sources of supply</td>
<td>• Dependence on supplier</td>
</tr>
<tr>
<td></td>
<td>• Substitution available</td>
<td>• Long term availability</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low</th>
<th>Routine suppliers</th>
<th>Bottleneck suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Large supply</td>
<td>• Technology leaders</td>
</tr>
<tr>
<td></td>
<td>• Many suppliers with dependent position</td>
<td>• Barriers to entry</td>
</tr>
<tr>
<td>High</td>
<td>• Large product variety</td>
<td>• Bottleneck products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Scarcity</td>
</tr>
</tbody>
</table>

### Potential operation for Council Group

<table>
<thead>
<tr>
<th>High</th>
<th>Capital programme (local)</th>
<th>Centre of expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Central co-ordination with local implementation</td>
<td>• Capital programme (infrastructure)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>80% of operating spend</td>
</tr>
<tr>
<td>Low</td>
<td>SAP Ariba</td>
<td>• Central management with local</td>
</tr>
<tr>
<td></td>
<td>• Shared services – common processes and systems</td>
<td>implementation</td>
</tr>
<tr>
<td></td>
<td>• 80% of transactions</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low</th>
<th>Effective panel management</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Central co-ordination with local implementation</td>
<td></td>
</tr>
</tbody>
</table>

---

56
Value proposition #4: Hold Procurement and departments to account on delivering hard savings to contribute to efficiency targets in the LTP

IF

... we introduced a requirement that all entities establish an annual hard savings target for procurement which is included in the LTP budget, and challenge procurement to deliver this target we will improve performance and deliver increased value ...

By

• Requiring the procurement function to target hard savings and deliver a minimum of a 4:1 ROI in procurement.
• Developing an annual Group sourcing plan which includes:
  • details of procurement opportunity
  • procurement approach and timetable
  • range of potential benefits expected to be achieved
  • sensitivity as to likelihood of achieving benefit.
• Implementing the other identified improvement opportunities in the VfM review:
  • Group procurement strategy and operating model
  • supplier relationship management framework across the Group.
• Regularly reporting progress against achieving the benefits target.

Then we will achieve

• Incremental hard savings of $197m (net present value $140m) over next 10 years.
• Consistent approach to assessing future and potential additional investment in procurement service.
• Improved focus on procurement being an enabler of cost efficiency for the council Group.
### Net estimate
NPV $140m over 10 years

### Ease of implementation
Moderate

### Timing
< 6 months

### Overall rating
Must do

---

#### Assessment

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Aligns with Group Procurement Policy</td>
</tr>
<tr>
<td>Value for money</td>
<td>Will assist in the demonstration of the council delivering VfM</td>
</tr>
<tr>
<td>Equity</td>
<td>Should deliver best value by having efficient and effective procurement service</td>
</tr>
<tr>
<td>Feasibility</td>
<td>Feasible to implement with existing strategic planning resources</td>
</tr>
<tr>
<td>Affordability</td>
<td>Funded from current budget</td>
</tr>
<tr>
<td>Competency</td>
<td>Resources and expertise exist. External support required</td>
</tr>
</tbody>
</table>

---

#### Results

**Summary of financial costs and benefits**

**Costs**
- Cost included in existing resources.
- Resource may need to be redeployed from lower value activity.

**Benefits**
- Net estimate reflects the additional benefit (over 2017 levels) by assuming a 4:1 return. This is an achievable target given the total expenditure over the next 10 years. Caution is needed to avoid double counting from other VfM reviews.
- The collaborative approach and supplier relationship management framework are key enablers to delivering increased benefit.
- Hard savings targets were set for 2017 and the 10-year target includes these numbers:
  - Auckland Council ($15m) 4:1 return
  - Watercare ($10m) 12.5:1
  - Auckland Transport – none set
  - RFA – none set.
Key risks and constraints

- Tension between procurement savings objectives and business unit service level objectives.
- Insufficient procurement capability to realise additional benefits.
- Risk that customer satisfaction decreases due to the changed focus.

Key assumptions

- Work programme is developed to identify annual savings opportunities and operationalised in accordance with VP#1.
- Capability exists (or can be developed) within procurement function to achieve the required level of benefits.
- Support will be provided to procurement by Group CFO and entity CFOs in determining trade-off decisions where the business unit objective and procurement objective are not aligned e.g. procurement savings v level of service increase.
- There is sufficient capacity in the Group cost base that savings in the required magnitude can be achieved, at least in the short-term.
- Procurement savings will become a key performance indicator for all entities.
## Benefit ROI calculation

<table>
<thead>
<tr>
<th>10 year total</th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of procurement</td>
<td>99</td>
</tr>
<tr>
<td>Current ROI</td>
<td>2 : 1</td>
</tr>
<tr>
<td>Forecast benefit at current ROI</td>
<td>197</td>
</tr>
<tr>
<td>Proposed ROI</td>
<td>4 : 1</td>
</tr>
<tr>
<td>Forecast benefit in proposed ROI</td>
<td>394</td>
</tr>
<tr>
<td><strong>Incremental benefit</strong></td>
<td>197</td>
</tr>
<tr>
<td><strong>NPV (6% discount rate)</strong></td>
<td>140</td>
</tr>
</tbody>
</table>
Value for money

This review delivers on the section 17A of the Local Government Act 2002 requirement, to:

"... review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions ...

... consider options for the governance, funding, and delivery of infrastructure, services, and regulatory functions..."

These reviews must be undertaken at least every six years.

The purpose of this internal strategic review is to identify strategic opportunities to improve value for money (VfM).

The value propositions developed in this report indicate the potential value from undertaking certain actions. It provides orders-of-magnitude estimates of this value. The propositions do not explicitly include the costs of implementation. The value propositions have been designed to inform council decisions whether to invest in more detailed investigation, including business case development and consultation on options.

VfM, or cost-effectiveness, considers both the cost and the effectiveness (a measure of value) of local government services.

The Office of the Auditor-General, in its 2008 Procurement guidance for public entities publication, defined VfM as:

"... using resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve. In addition, the principle of value for money when procuring goods or services does not necessarily mean selecting the lowest price but rather the best possible outcome for the total cost of ownership (or whole-of-life cost)."

We define value from the viewpoint of the customers of the services. Depending on the service, customers might be specific groups of individuals, households or businesses, or they might be the Auckland public in general.

When we consider VfM, we also look at the public policy reason for the council’s current role and whether that role will continue to be appropriate in the future, given changes in factors like technology, customer expectations, the environment, legal framework, etc.
Our methodology uses a fact-based approach

The review involves testing current service arrangements, as well as asking if the rationale is still sound and fit for the future. We focused on specific challenges, issues and opportunities that we found most relevant for service delivery in the future.

Questions

- **What**
  - What is the service and how big is it?
  - How is it delivered, funded, governed, regulated?
  - What is its place in the value chain?
  - What is the current and future context?

- **Why**
  - What is the service trying to achieve?
  - What are its strategic or statutory drivers?
  - What is the public policy rationale for local government role?

- **Performance**
  - What are the cost and value drivers?
  - Cost: economy (cost of inputs) and efficiency (service delivery)
  - Effectiveness: economic, environmental, social impacts
  - Cost-effectiveness
  - Equity

- **Implications**
  - Does current performance indicate good VfM?
  - Do incentives/controls give confidence about achieving future value?
  - What are the areas of risk and uncertainty affecting VfM?
  - Continued relevance in light of likely changes in context?
  - What funding, governance, delivery options for improvement?
Approach to current state assessment

We undertake VFM reviews in three parts, starting with a current statement assessment:

As part of our evidence-based approach we draw on a range of sources:

What we do:

- Engage with relevant staff for their operational and strategic knowledge, and access to data and expert reports
- Review business plans, financial reports and selected literature
- Test the intervention logic
- Draw on international literature and reviews of international practices
- Test our thinking with subject matter experts and other agencies involved in investment attraction and international relations

The current state assessment effort leads to a list of challenges, issues and opportunities for further testing during the second part of the review.

We use a clear methodology seeking to understand the current operating approach and framework.

We assess the current drivers of value, and the issues and the challenges in delivering the services to identify and document value delivered and any improvement opportunities.
Approach to options analysis

In the second stage of the review we identify and evaluate improvement opportunities. Findings follow feedback on the assessment and options.

<table>
<thead>
<tr>
<th>Our critical success factors draw on the Better Business Case framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit (strategic case)</td>
</tr>
</tbody>
</table>
| Value for money (economic case) | Do benefits to Aucklanders exceed costs? Does the option provide:  
  - clear accountability  
  - transparency  
  - compatible incentives  
  - risk allocation to where best managed  
  - proportional admin and compliance costs |
| Equity (social case) | Does the option promote a strong inclusive and equitable society, and share costs appropriately? |
| Feasibility (commercial case) | Can the option be commercially viable? |
| Affordability (financial case) | Do options fit Auckland Council’s financial objectives and constraints? |
| Competency (management case) | Has the council the competencies to execute? |

In the second part of the review, we analyse opportunities to improve value for money.

We evaluate the ongoing relevance of governance, funding and service delivery arrangements and alternative options.

We outline the action required to deliver value, and provide orders-of-magnitude estimates of the potential future value.
## Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alliances</td>
<td>An agreement between 2 or more entities outlining how they will work together to achieve a common goal</td>
</tr>
<tr>
<td>Alternative Financing Vehicle (AFV)</td>
<td>A type of Private Public Partnership where private sector finance is used to fund infrastructure rather than public sector finance</td>
</tr>
<tr>
<td>APQC</td>
<td>Global performance benchmarking company based in USA. Used by consultancies to provide performance comparisons</td>
</tr>
<tr>
<td>ATEED</td>
<td>Auckland Tourism, Events and Economic Development</td>
</tr>
<tr>
<td>Auckland Council (the council)</td>
<td>Auckland Council</td>
</tr>
<tr>
<td>BASS</td>
<td>A Treasury publication of benchmarking administration and support services</td>
</tr>
<tr>
<td>Gross operating expenditure</td>
<td>Total without deductions for depreciation and finance costs</td>
</tr>
<tr>
<td>Group Procurement Plan</td>
<td>Collective plan to manage or co-source third party suppliers</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>The fixed, long-lived structures that facilitate the production of goods and services and underpin many aspects of quality of life.</td>
</tr>
<tr>
<td>Local boards</td>
<td>There are 21 local boards which share responsibility for decision-making with the governing body. They represent their local communities</td>
</tr>
<tr>
<td>Local Government Act 2002 (LGA 2002)</td>
<td>Legislation that defines the powers and responsibilities of territorial local authorities such as Auckland Council</td>
</tr>
<tr>
<td>Long-term plan (LTP)</td>
<td>This document sets out the council’s vision, activities, projects, policies, and budgets for a 10-year period. Also commonly referred to as</td>
</tr>
<tr>
<td></td>
<td>the LTP/ the 10-year budget</td>
</tr>
<tr>
<td>Panuku Development Auckland (Panuku)</td>
<td>A new CCO combining Waterfront Auckland and ACPL to work as a single outward facing entity in the development of the region</td>
</tr>
<tr>
<td>Public Private Partnership (PPP)</td>
<td>A co-operative arrangement between two or more public and private entities, typically long term</td>
</tr>
<tr>
<td>Rates</td>
<td>A charge against the property to help fund services and assets the council provides</td>
</tr>
<tr>
<td>ROI (Return on investment)</td>
<td>Measures the gain or loss generated on an investment relative to the amount of money invested. ROI enables a comparison of the efficiency of different investments</td>
</tr>
<tr>
<td>RFA</td>
<td>Regional Facilities Auckland</td>
</tr>
<tr>
<td>Targeted rates</td>
<td>A targeted rate is a rate set to fund activities where greater transparency in funding is desired or where the council considers the cost should be met by particular groups of ratepayers, as they will be the prime beneficiaries of the activity</td>
</tr>
<tr>
<td>Value for Money (VFM)</td>
<td>Using resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve</td>
</tr>
<tr>
<td>Watercare</td>
<td>Watercare Services Limited</td>
</tr>
</tbody>
</table>
Footnotes

1. P2, P31: Group Procurement Policy, Auckland Council, 2017
2. P3: Key facts are derived from a number of sources provided during the review. Caution must be exercised with all spend data. Spend data is correct in total but individual classification is known to include errors. The spend analysis tool is being migrated to SAP Ariba
7. P43: Best Practice Project Procurement: Findings from an NZCID delegation to Canada, New Zealand Infrastructure, 2015
Reference material

References

- Auckland Council 2015. LTP 2015-2025
- Auckland Council Annual Report, 2017
- Supplier Relationship Management: How key suppliers drive your company’s competitive advantage, PwC, 2013
- Best Practice Project Procurement: Findings from an NZCID delegation to Canada, New Zealand Infrastructure, 2015
- Procurement budget and spend benchmark, CEB, 2016
- Economic benefits of better procurement practices, Deloitte Access Economics, 2015
- Five Imperatives for creating greater procurement agility, The Hackett Group, 2016
- Getting the basics right in procurement, EY, 2017
- Mayoral position paper on Public Private Partnerships, EY, 2013
- Optimising procurements efficiency and effectiveness, Infosys Portland, 2014
- Guide to Government procurement, MBIE, 2015
- Benefit identification and quantification framework, 2017
- Auckland Council procurement effectiveness review, Arc Blue, 2013
- Purchasing must become supply management, Peter Kraljic, HBR, 1983
- PCI Framework, MBIE, 2017
- Procurement business plan, Auckland Council, 2017
- Procurement strategy, Auckland Transport, 2015
- Procurement strategy, Auckland Council, 2015
- Group Procurement Policy, 2017
- Government Rules of Sourcing, MBIE, 2016

The review also used a variety of internal documentation, some of which is commercially sensitive. These include:

- procurement category plans
- evaluation frameworks
- decision to appoint vendors.
Acknowledgements

We wish to thank the following people who were either interviewed or participated in discussions relating to this review.

**Watercare**
- Stuart Bird: Procurement Manager
- Brian Monk: Chief Financial Officer
- Emma McBride: Governance and Change Manager

**Auckland Council**
- Jazz Singh: General Manager Procurement
- Peter Cunningham: Head of Physical Works & Technical Services Procurement
- Alan McDonnel: Head of operations procurement
- Aaron Donaldson: Head of ICT and corporate procurement
- Daniel Mayo-Turner: Procurement Systems Lead
- Julia Khoo: Head of Procurement Excellence
- Josie Robinson: Procurement Communications s & Support Advisor
- Sarah Minotti: Procurement Programme & Compliance
- Sara Hay: Head of Finance Transformation
- Barry Potter: Director Infrastructure & Environmental Services

**Auckland Transport**
- Jeff Parsons: Head of procurement
- Richard Morris: Chief Financial Officer

**Regional Facilities**
- Simon Tran: Chief Financial Officer
- Hennie Cloete: Procurement manager
- Panuku

**ATEED**
- Carl Gosbee: Director, Corporate Services
- Garry Miller: Managing corporate support

**EY**
- Joy Buckingham: Chief Financial officer
- Scott Blackwood: Partner
Value for Money (s17A) forward work programme

File No.: CP2018/05878

Te take mō te pūrongo / Purpose of the report
1. To seek approval of the Value for Money (S17A) forward work programme.

Whakarāpopototanga matua / Executive summary
2. At its March 2017 meeting the Finance and Performance Committee approved the Value for Money (s17A) programme (FIN/2017/23). The covering report incorporated an indicative programme timetable for the reviews including the original reasoning for sequencing based on long-term planning budget groupings (Attachment A).

3. The purpose of the Value for Money (s17A) programme is to review all services delivered by the Auckland Council group and identify opportunities to improve value for money. The programme also delivers on the requirement on local government, in s17A of the Local Government Act 2002, to “review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.”

4. In March 2018 the indicative programme was revised (Attachment B). The original prioritisation criteria remains unchanged. Subsequent revisions to sequencing and the timetable have been made to meet organisational requirements.

5. The revisions have been made given the following considerations:
   - The group organisational support strategy work is underway. The seven Value for Money (s17A) governance and organisational support reviews compliment the development of the strategy by reviewing areas within this category of the long-term planning expenditure that have high levels of potential duplication. The governance and operational support ten-year budget grouping represents a group spend of $4.2 billion in operating expenditure and $1.3 billion in capital expenditure.
   - Two reviews are currently underway, Group Customer Services and Group Information and Communication Technology, within the organisational support category. These reviews build on two completed organisational support reviews (communication and engagement and group procurement) and have importance within a group organisational support strategy.
   - We have rescheduled the three transport reviews that were planned. Auckland Transport is currently undertaking a major re-organisation and business improvement exercise that is expected to take some time to bed in.
   - Based on executive feedback, the programme is undertaking two reviews at the same time rather than the three originally anticipated. This is to ensure the organisation has the ongoing capacity to implement each of the review’s recommendations. This extends the programme by a further 24 months with completion scheduled for December 2021.

Ngā tūtohunga / Recommendation/s
That the Appointments, Performance Review and Value for Money Committee:

a) approve the revised Value for Money (s17A) forward work programme.
Ngā tāpirihanga / Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Value for Money (s17A) March 2017 indicative work programme</td>
<td>187</td>
</tr>
<tr>
<td>B</td>
<td>Value for Money (s17A) Revised indicative timetable May 2018</td>
<td>189</td>
</tr>
</tbody>
</table>

Ngā kaihaina / Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Authorisers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sally Garrett –</td>
<td>Kevin Ramsay - General Manager Corporate Finance and Property</td>
</tr>
<tr>
<td>Programme Manager</td>
<td>Matthew Walker - Acting Group Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
s17A “Value for Money” Group Reviews: Indicative 3 Year Programme

Group Budget Areas
- Water Supply, Wastewater, Stormwater
- Economic Growth & Visitor Economy
- Solid Waste & Environmental Services
- Organisational Support
- Regional Facilities
- Regional & Local Community Services
- Public Transport & Travel Demand Management
- Property & Waterfront Development
- Regulation
- Regional & Local Parks, Sport & Recreation
- Roads & Footpaths
- Regional & Local Governance
- Regional & Local Planning & Development

Review 1: Fresh Waters
Review 2: Refuse
Review 3: Communications & Engagement
Review 4: Economic Development
Review 5: Property & Financial Planning
Review 6: Procurement, Legal & Payroll
Strategic Advice, Community & Social Policy
Inorganics
Organics
Information Systems
Customer Services
Corporate Property
Conventions & Events
Stadiums & Facilities
Regional Community Services
Off Street Parks
Bus, Rail, Ferry
On Street Parks & Enforcement
Commercial Property & Investments
Urban development
Regulation
Regional Parks, Sport & Recreation
Local Parks, Sport & Recreation
Regional Governance
Local Governance

2018 Long Term Plan
Final Draft
Adoption of 2018 Long Term Plan
2019-2020 Annual Budget
2019-2020 Annual Budget

Attachment A
Item 11
1arch 2017 prioritisation of budget areas, ranked by scope for potential efficiency savings

Method for initial ranking:
Attached a numerical value to high (3), medium, (2) low (1) rating, to estimate average priority score.
Apply a theoretical % cost efficiency potential to the combined opex and capex budget (low = 2%, medium 7.5% and high = 15%).
Multiply this top down $ potential by average priority score, and rank
Margins indicate work completed (4 reviews, green) and started (2 reviews, purple)

<table>
<thead>
<tr>
<th>Area</th>
<th>Ave annual opex $m</th>
<th>Ave annual capex $m</th>
<th>Combined cost efficiency potential</th>
<th>Top down $ potential</th>
<th>Contribution to urban devp / infrastructure</th>
<th>Public policy importance</th>
<th>Importance to 2018 LTP outcomes</th>
<th>Level of effort</th>
<th>Priority score across criteria</th>
<th>AVE score x top down potential</th>
<th>Indicator (score)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three waters</td>
<td>751</td>
<td>552</td>
<td>1305</td>
<td>H</td>
<td>155</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>3.0</td>
<td>586</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public transport, parking and enforcement</td>
<td>904</td>
<td>305</td>
<td>1209</td>
<td>H</td>
<td>181</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>3.0</td>
<td>544</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roads and footpaths</td>
<td>536</td>
<td>485</td>
<td>1024</td>
<td>H</td>
<td>164</td>
<td>H</td>
<td>H</td>
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Attachment B

Value for Money (s17A) Forward Work Programme

Item 11

2020

- Three waters
- Economic growth & visitor economy
- Solid waste & environment services
- Organisational support
- Regional facilities
- Regional & local community service
- Transport & parking
- Property & waterfront development
- Regulation
- Parks, sport and recreation
- Regional & local governance
- Planning & development

Corporate property
Community Services
- Roads & footpaths
- Bus, Rail, Ferry
- Parking & enforcement

2021

- Urban development
- Stadiums & facilities
- Regional/governance support
- Sport & rec

Complete
Underway
Indicative
Te take mō te pūrongo / Purpose of the report

1. To approve the development and pilot of a board performance review framework for council’s substantive council-controlled organisations (CCOs).

Whakarāpopototanga matua / Executive summary

2. The Governing Body at its 23 February 2017 meeting approved (GB/2017/17) the recommended programme of work to improve the strategic alignment, accountability and responsiveness of CCOs. This included considering the best way of assessing and assuring the performance of the CCO boards, including a shareholder-led independent CCO board performance review.

3. Board performance reviews can be a constructive mechanism for improving board effectiveness, maximising strengths, and identifying and addressing gaps and issues. Staff have reviewed best practice for board evaluations, reviewed current CCO board practices, developed a draft board performance framework and analysed four options for implementing the framework.

4. The review found that all boards were undertaking board performance reviews but that the objectives for these reviews, the methodology adopted, the reporting and monitoring of performance improvements all differed. Initial feedback from CCOs found support for developing a framework to help guide CCOs in their board performance reviews.

5. With three new chairs being appointed to CCOs this year, there is an opportunity to embed a culture of improvement. It is recommended that the draft board performance review framework is further refined with CCOs. The chair of the Auckland Transport board has indicated that they are due to commence a review within the next few months and would be keen to work with the council to develop and pilot the framework.

6. All CCO board directors will be made aware of the approach being developed and what will be involved. It is recommended that an information paper is provided to CCO boards.

Ngā tūtohunga / Recommendation/s

That the Appointments, Performance Review and Value for Money Committee:

a) approve the development of a board performance review framework

b) approve, in principle, the following elements of a board performance review framework, those being that the reviews:

i) be held on a biennial basis, with monitoring of agreed performance improvement initiatives

ii) be undertaken by an independent, external reviewer

iii) be based on a methodology that includes qualitative, quantitative and observational approaches

iv) include relevant assessment criteria that relate to the board’s governance role, practices and responsibilities, including strategy, risk and compliance, performance and board culture

v) assess the board as-a-whole, the individual board members and the chair of the board
vi) seek feedback from senior management as well as individual board members
vii) allow for input from the shareholder into the themes or topic areas evaluated
viii) provide a written report to the CCO board summarising findings and suggesting
areas for improvement
ix) provide council with a high-level feedback report addressing theme areas and
areas of focus for improvement
c) approve that the board performance review process will be board-led
d) approve that the chairs of the CCO boards be required on at least an annual basis to
discuss with the mayor, the relevant chair of the committee and the manager, CCO
governance and external partnerships, the progress the board is making in
addressing any areas of improvements
e) agree that the substantive CCO boards are provided with an information report on
the proposed framework for feedback
f) agree that the Appointments, Performance Review and Value for Money Committee
agree to workshop the shareholder questions to be included in board performance
reviews
g) agree that the recommended board performance review framework is piloted with
Auckland Transport in 2018
h) agree that the board performance review framework is included in the Governance
Manual for substantive CCOs.

Horopaki / Context

7. At its 1 February 2017 meeting the Appointments and Performance Review Committee
recommended (APP/2017/4) to the Governing Body a programme of work to improve the
strategic alignment, accountability and responsiveness of CCOs. The objectives of the
review are to:

1. increase the transparency of council-controlled organisation decision-making
2. increase the responsiveness of council-controlled organisations to the public and
council
3. improve the recognition of ratepayer funding for council-controlled organisation activity
4. increase the ability to align council-controlled organisations to the direction set by the
council

8. The Governing Body at its 23 February 2017 meeting approved (GB/2017/17) the
recommended work programme. The programme includes a work-stream that assessed
current board performance reviews, including considering the benefits of a shareholder-led
independent CCO board performance review.

9. The Governance Manual for substantive CCOs, due to be updated later this year, currently
states that:

‘A board-led review of board performance is to be undertaken at least once every triennium. The
board chair will advise the CCO Governance and Monitoring Committee that the review has been
completed and discuss any areas of concern with that committee’ (page 18).
10. Board performance reviews can be a constructive mechanism for improving board performance. Well conducted board evaluations can help establish the individual and collective responsibilities of directors and identify where directors need to enhance their performance. Corporate governance guidelines, that set out principles of good corporate governance, are becoming more common and typically recommend that boards regularly undertake rigorous reviews of the performance of the board as a whole, individual directors and committees of the board.

11. In terms of improving accountability, a board evaluation can help focus the board’s attention on its duties to its shareholder and stakeholders to and being responsive to them.

12. There is an opportunity with three new chairs being appointed to the Auckland Tourism, Events and Economic Development Limited, Regional Facilities Auckland and Panuku Development Auckland Limited boards this year to embed a culture of improvement and to create a benchmark for each CCOs board performance, from which they can work to improve.

Tātaritanga me ngā tohutohu / Analysis and advice

13. In undertaking the analysis, consideration has been given to:
   • whether a board performance review framework is needed to provide stronger guidance to CCOs on conducting board reviews
   • the proposed content of a board performance review framework
   • who would lead board performance reviews.

Need for a board performance review framework

14. A workshop was held in April with the CCOs’ board secretaries to inform CCOs of the review, and to:
   • collect information on current practices
   • identify what is working well
   • identify areas for improvement
   • determine support for the development of a board review framework to guide future reviews.

15. After the workshop, follow up conversations were also held with the chair of Auckland Transport and the board secretaries. The views collected do not represent formal feedback from the CCO boards.

16. The review of current practice, identified that all CCOs recognised the value in board performance reviews and were undertaking reviews. However, there are differences in frequency, methodology, documenting and reporting on reviews, as well as monitoring and follow up.

17. In general, CCO staff spoken to were supportive of the development of board performance review framework, where the purpose of the reviews was made clear and with the aim of creating a continuous culture of improvement.

18. Some concerns were expressed around the need for sensitivity around the disclosure of performance material and the impact this could have on board buy-in.

19. Those spoken to felt that to ensure transparent and productive outcomes, independent reviewer(s), rather than in-house, should be considered.
What is the purpose and proposed framework methodology

20. The overall purpose of a board performance review framework for Auckland’s substantive CCOs is to guide and focus CCO board reviews to achieve better outcomes for all of Auckland, and to create a culture of improvement.

21. The proposed framework would provide guidance to CCOs on:
   - the methodology of the reviews, including how and when the performance reviews should be undertaken
   - what the performance reviews should address
   - the feedback process for reporting back to the board(s) and the council.

22. The expected benefits of developing a framework are to:
   - align and standardise the purpose and goals of board evaluations and reviews
   - create a more coordinated, transparent appraisal process
   - ensure the quality and frequency of board reviews by:
     - identifying opportunities for the board as-a-whole and individual board members to improve governance performance over time
     - reviewing the effectiveness of the board’s strategic thinking and decision-making
     - identifying areas for improvement, which are followed up on
     - reviewing board and committee composition and assessing the balance of skills, knowledge and experience on the board
   - assist in the appointment and reappointment of directors
   - provide an opportunity for the shareholder to assess how well the boards understand shareholder expectations and goals.

What is the proposed methodology

23. The most commonly referenced elements of successful board performance reviews are set out in the table below.

Table 1: Key elements of a successful board performance review

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. A clear purpose and objectives</td>
<td>Being clear about the purpose of a review and what it is intended to achieve. The benefit of this clarity is that it: • ensures that the review is more likely to deliver tangible outcomes and benefits • sets the framework for the scope of the review and approach or methodology; ensuring that the review is tailored to meet objectives</td>
</tr>
<tr>
<td>2. Buy-in and commitment from the board</td>
<td>Buy-in and commitment from individual directors and the board as-a-whole to the review purpose, scope, process and to implementing the findings of the review is critical. Board reviews that are motivated by compliance are unlikely to produce the kind of insights that drive real change. Anonymity is essential.</td>
</tr>
<tr>
<td>3. Assessment against agreed objective criteria</td>
<td>Board performance reviews should relate to the board’s governance role, responsibilities, sphere of influence and should be customised or tailored to reflect the context and nature of the company. For example, its objectives, corporate structure, the stage of the company’s lifecycle, legislative and regulatory frameworks and governance context.</td>
</tr>
</tbody>
</table>
Commonly assessed areas of board effectiveness include:

- strategy and direction setting
- monitoring, oversight and reporting
- risk management and internal controls
- board dynamics, leadership and culture
- board composition, skills, knowledge and expertise
- governance processes, including committee structures, board agendas and minutes, quality of reports, frequency of board meetings, etc

### 4. Follow up

The review process should identify and formulate action items to address opportunities and areas for improvement that emerge from the review.

24. In line with best practice, the reviews should embrace an inclusive approach by collecting information from a broader sample of key stakeholders, including senior management and the company secretary, as well as shareholders.

25. The methodology of board performance reviews should include a combination of techniques, such as:

- performance survey(s) - questionnaires can be tailored to specific types of organisation, are simple to set up, easy to use and impartial
- interviews with directors and management
- board meeting observation
- board papers and agenda reviews.

26. Given the potential sensitivities in undertaking the reviews and to ensure transparency and objectivity, it is recommended that a comprehensive review is undertaken by an external party(s).

27. External board-led board performance reviews should be held on a biennial basis to provide a basis for improvement.

**What the board performance review should address**

28. At a minimum, the review should consider:

- the key functions of the board and whether these functions are being properly performed (refer table 1, element 3 for function criteria)
- the key objectives of the shareholder and board, and where these objectives are being achieved
- room for improvement in the board’s administrative and operating arrangements (governance processes, including committee structure, board agendas and minutes)
- board skills and expertise

29. The board and the shareholder need to agree any specific issues the shareholder is interested in. For example, the council might want to consider the inclusion of questions that relate to the core principles of governance as outlined in the Governance Manual for substantive CCOs, e.g.

- leadership
- valuing Te Ao Māori
- ensuring value for money for all Aucklanders
- accountability and collaboration
- adherence to the Statement of Intent
- knowledge of the council’s strategic direction.
30. It is recommended the Appointments, Performance Review and Value for Money Committee have a workshop to finalise the questions they wish to include in any CCO board performance review.

How should board performance reviews feedback be provided

31. The reviewer(s) should:
   - provide a high-level performance report to the board that does not compromise the anonymity of the information collected
   - provide the board chairs with the full results of the evaluations
   - provide each director on the board with their full results
   - undertake facilitated discussions on findings with the board.

32. The board chair should:
   - have a formal post-evaluation meeting with mayor, the relevant committee chair and the manager of the CCO governance and external partnerships department to share insights on board performance, key considerations for the future board composition, and to help the shareholder support board development
   - following feedback and input from the CCO board, provide council with a high-level feedback report on key findings at a thematic level, overall board performance and key focus areas for ongoing development.

Who would lead board performance reviews?

33. Four options have been considered to undertake the proposed board performance reviews. These are summarised in the table below:

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Status quo</strong></td>
<td>A board-led review is taken at least once every triennium, with the board chair informing the committee that review has been completed and discussing any areas of importance.</td>
</tr>
<tr>
<td>2. <strong>Board-led performance review with input from the shareholder (recommended option)</strong></td>
<td>Performance reviews continue to be board-led but council provides increased direction to boards on expectations through the proposed board performance framework.</td>
</tr>
<tr>
<td>3. <strong>Shareholder-led internal review of board performance</strong></td>
<td>Council staff lead review of board performance by applying the proposed board performance framework and using internal resources.</td>
</tr>
<tr>
<td>4. <strong>Shareholder-led external reviews of board performance</strong></td>
<td>Council contracts an independent external party or parties to undertake a review of the performance of the board of each substantive CCO; according to a planned review schedule and the proposed framework.</td>
</tr>
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</table>
34. These options were assessed against criteria selected to reflect the accountability review objectives, best practice and cost to council and CCOs. Table 3 provides a summary of the assessment (refer Attachment One for detailed analysis of options).

Table 3: Summary of option assessment

<table>
<thead>
<tr>
<th>Options</th>
<th>Transparency</th>
<th>Board buy-in and commitment</th>
<th>Assessment against agreed criteria/ Focus areas</th>
<th>Ability for Shareholder input -</th>
<th>Cost / Resource to CCO</th>
<th>Cost / Resource to Council</th>
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</thead>
<tbody>
<tr>
<td>1. Status Quo</td>
<td>Green</td>
<td>Green</td>
<td>Red</td>
<td>Red</td>
<td>Green</td>
<td>Yellow</td>
</tr>
<tr>
<td>2. Board-led perf. review with increased input from council</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
<td>Yellow</td>
<td>Yellow</td>
</tr>
<tr>
<td>3. Shareholder-led internal review</td>
<td>Green</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
<td>Yellow</td>
</tr>
<tr>
<td>4. Shareholder-led external review</td>
<td>Green</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Yellow</td>
<td>Yellow</td>
</tr>
</tbody>
</table>

Key: Green = positive outcome, yellow = neutral, red = negative outcome

35. Based on the above analysis, option two is the recommended option.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe / Local impacts and local board views

36. Board performance matters for region-wide entities are the role of the Governing Body. Therefore, the views of local boards have not been sought.

Tauākī whakaaweawe Māori / Māori impact statement

37. The operation of CCOs has been noted by the previous Independent Māori Statutory Board as lacking transparency and not fully cognisant of the needs of Māori. The recommendations made in this report do not directly impact on the way in which CCOs aim to deliver outcomes for Māori, they do seek to improve:

• the ability to align CCOs to the direction set by council
• transparency and accountability of the appointment of board members of council organisations.

38. Council could require CCO boards, through their performance reviews, to consider what actions they are taking to demonstrate how they value Te Ao Māori and are helping to achieve outcomes for Māori in line with council policies. These issues should be considered when council determines what topics it requires CCOs to consider as part of their board reviews.

Ngā ritenga ā-pūtea / Financial implications

39. CCOs should be budgeting for board performance reviews in their programmed work. For some CCOs the proposed approach to contract an external reviewer may have a higher cost than what is currently budgeted. It is estimated that the cost of the proposed approach should be approximately $30,000 per CCO every two years.
Ngā raru tūpono / Risks

40. The key risks associated with this report are gaining CCO board agreement and buy-in to the proposed board performance review framework and its implementation. CCO boards may also feel that the extra cost and extra time involved with board reviews do not outweigh the benefits. Staff will work with board chairs to mitigate this.

41. There is also a risk that if the framework becomes too prescriptive there is a danger that the differences in size, context and function of the CCO boards is lost resulting in CCO boards believing they are being unfairly judged and compared to other CCOs. The piloting of the framework with Auckland Transport will help determine the cost and benefit of the proposed framework.

42. There is a risk that while CCO boards agree with the concept of board performance reviews and continuous improvement, they are sensitive to the results of such reviews being made available outside of their organisations. Without the visibility of the results, the council does not currently have any objective assessment of how boards are performing. This risk is mitigated by seeking a high-level performance report to the board, mayor and manager, CCO governance and external partnerships that does not compromise the confidentiality of the information collected.

Ngā koringa ā-muri / Next steps

43. Staff will produce an information report for CCO boards and work with the chair of Auckland Transport to pilot the recommended framework.

44. The Appointments, Performance Review and Value for Money Committee workshop the shareholder questions/themes to be included in board performance reviews.

Ngā tāpirihanga / Attachments

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Ngā kaihaina / Signatories

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<th>Author</th>
<th>Claire Gomas - Principal Advisor</th>
</tr>
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<tr>
<td>Authorisers</td>
<td>Alastair Cameron - Manager - CCO Governance &amp; External Partnerships</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
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## Attachment One: Options Analysis

### Option one: Status quo

**Advantages:**
- Has the potential to promote and encourage a board culture of constructive self-reflection, where regular performance reviews are seen as necessary to promote and deliver best practice and ongoing improvement.
- Aligns with expected practice for crown entities and listed companies internationally and in New Zealand.
- No impact on cost or resource requirements for CCOs or council.

**Disadvantages:**
- Lacks transparency for council as the shareholder around key review findings and how identified opportunities for improvement are addressed.
- Provides little opportunity for council to have input in relation to focus areas and criteria against which board performance is reviewed.

### Option two: Board-led performance reviews – with increased shareholder direction and input (recommended option)

**Advantages:**
- Has the potential to promote and encourage a board culture of constructive self-reflection, where regular performance reviews are seen as necessary to promote and deliver best practice and ongoing improvement.
- Increased alignment with expected practice for crown entities and listed companies internationally and in New Zealand, e.g.:
  - Recommended practice is to undertake annual board performance reviews.
  - Boards are typically directed to periodically undertake an external review.
- Allows council increased ability to provide direction and input.
- Improves transparency for council around key review findings, key focus areas for ongoing development and how review findings will be addressed.

**Disadvantages:**
- May have resource implications for CCOs boards due to the increased frequency of reviews.
- Likely to result in increased cost for CCOs due the requirement that reviews are periodically undertaken by an independent external party.

### Option three: Shareholder-led internal reviews of board performance

**Advantages:**
- Council has an increased sense of transparency around the process.
- Increased level of shareholder scrutiny may result in boards seeking to improve performance.

**Disadvantages:**
- Unlikely to promote and encourage a board culture of constructive self-reflection, where regular performance reviews are seen as necessary to promote and deliver best practice and ongoing improvement.
- Challenging for council as shareholder to undertake an objective performance review and the findings are likely to be perceived as lacking objectivity.
- Unlikely to secure buy-in from the board, which is seen as a key determinant of a successful board performance review.
- Likely to result in a compliance based response to the review, which is unlikely to result in real and on-going change.
### Option one: Status quo
- More likely to measure the performance of the organisation and infer performance of the board than to directly measure the performance of the board.
- Some elements of board performance are likely to be difficult for council staff to observe; meaning that the review is unlikely to gain real insight on the less tangible behavioural and cultural elements of board effectiveness.
- Board members are likely to be reluctant to raise sensitive issues with council staff.
- Depending on the review methods, the review may be perceived, by board members as impacting on business as usual.
- Would require the development of a comprehensive board performance framework, including, measures and is likely to require the collection of new information.
- Council may not currently have capacity or the expertise to undertake shareholder-led board performance reviews.
- Likely to have an impact on internal council resourcing; and as it is unlikely that this option could be managed within existing resource there would be cost implications.

### Option four: Shareholder-led external reviews of board performance

#### Advantages:
- An external reviewer may be able to provide insight and comparative analysis based on sector expertise.
- The use of an independent external party is likely to improve the perception of objectivity and may increase buy-in from the boards.
- Increased level of shareholder scrutiny may result in boards seeking to improve performance.

#### Disadvantages:
- Unlikely to promote and encourage a board culture of constructive self-reflection, where regular performance reviews are seen as necessary to promote and deliver best practice and ongoing improvement.
- May not have full buy-in from the board, which is a key determinant of a successful board performance review.
- Board members may be reluctant to raise sensitive issues.
- May result in a compliance based response to the review; which is unlikely to result in real and on-going change.
- Some elements of board performance are likely to be difficult for an external party to observe and evaluate.
- Depending on the review methods, the review may be perceived, by board members as impacting on business as usual.
### Overview of likely resource and cost implications

<table>
<thead>
<tr>
<th>Implications</th>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
<th>Option 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resource</strong></td>
<td>• No resource implications</td>
<td>• Some increase in resource may be required due to increased frequency of reviews</td>
<td>• Some increase in resource may be required to facilitate share-holder led internal review</td>
<td>• Some increase in resource may be required to facilitate share-holder led external reviews</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>• No cost implications</td>
<td>• Will have cost implications to contract independent external reviewer(s)</td>
<td>• No significant cost implications</td>
<td>• No significant cost implications</td>
</tr>
<tr>
<td><strong>Council</strong></td>
<td>• No resource implications</td>
<td>• Some impact on internal resources to manage input to review and increased reporting requirements</td>
<td>• Increase in internal resource required to undertake shareholder led reviews</td>
<td>• Some increase in internal resource to facilitate and manage the external review process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Likely that this option could be managed within existing resource</td>
<td>• Unlikely that this option could be managed within existing resource</td>
<td>• Likely that this option could be managed within existing resource</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>• No cost implications</td>
<td>• No significant cost implications</td>
<td>• Will have cost implications; to increase internal resource</td>
<td>• Will have cost implications to contract independent external reviewer(s)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Unlikely that this option could be managed within existing budgets</td>
<td>• This option could be managed within existing budgets</td>
</tr>
</tbody>
</table>
Exclusion of the Public: Local Government Official Information and Meetings Act 1987

That the Appointments, Performance Review and Value for Money 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:

<table>
<thead>
<tr>
<th>C1</th>
<th>Approve the council-appointed board member to the Auckland Regional Amenities Funding Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reason for passing this resolution in relation to each matter</td>
<td>Particular interest(s) protected (where applicable)</td>
</tr>
<tr>
<td>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.</td>
<td>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. In particular, the report contains private information regarding the candidates who have applied for the three board member vacancies on the Auckland Regional Amenities Funding Board.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C2</th>
<th>Shortlist candidates for chair vacancies on Auckland Council's Council Controlled Organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reason for passing this resolution in relation to each matter</td>
<td>Particular interest(s) protected (where applicable)</td>
</tr>
<tr>
<td>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.</td>
<td>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. In particular, the report contains private information regarding the candidates who have applied for the three chair vacancies on the CCOs.</td>
</tr>
</tbody>
</table>

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.
### C3  Chief Executive's Employment Review: Part Two

<table>
<thead>
<tr>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Particular interest(s) protected (where applicable)</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
</tr>
</thead>
</table>
| 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)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.  

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).  

In particular, the committee will discuss the performance of the chief executive, which may include past and present performance, terms and conditions of employment, remuneration and future employment conditions. | 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. |