I hereby give notice that an ordinary meeting of the Governing Body will be held on:

**Date:** Wednesday, 27 June 2018  
**Time:** 9.30am  
**Meeting Room:** Reception Lounge  
**Venue:** Auckland Town Hall  
301-305 Queen Street  
Auckland

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**Tira Kāwana / Governing Body**  
OPEN AGENDA

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**MEMBERSHIP**

- **Mayor**: Hon Phil Goff, CNZM, JP
- **Deputy Mayor**: Cr Bill Cashmore
- **Councillors**: Cr Josephine Bartley, Cr Dr Cathy Casey, Cr Ross Clow, Cr Fa’anana Efeso Collins, Cr Linda Cooper, JP, Cr Chris Darby, Cr Alf Filipaina, Cr Hon Christine Fletcher, QSO, Cr Richard Hills

(Quorum 11 members)

---

Sarndra O’Toole  
Team Leader Governance Advisors  
22 June 2018

Contact Telephone: (09) 890 8152  
Email: sarndra.otoole@aucklandcouncil.govt.nz  
Website: www.aucklandcouncil.govt.nz

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

Those powers which cannot legally be delegated:

(a) the power to make a rate
(b) the power to make a bylaw
(c) the power to borrow money, or purchase or dispose of assets, other than in accordance with the long term plan
(d) the power to adopt a long term plan, annual plan, or annual report
(e) the power to appoint a chief executive
(f) the power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the long-term plan or developed for the purpose of the local governance statement
(g) the power to adopt a remuneration and employment policy.

Additional responsibilities retained by the Governing Body:

(a) approval of long-term plan or annual plan consultation documents, supporting information and consultation process prior to consultation
(b) approval of a draft bylaw prior to consultation
(c) resolutions required to be made by a local authority under the Local Electoral Act 2001, including the appointment of electoral officer
(d) adoption of, and amendment to, the Committee Terms of Reference, Standing Orders and Code of Conduct
(e) relationships with the Independent Māori Statutory Board, including the funding agreement and appointments to committees
(f) approval of the Unitary Plan
(g) overview of the implementation and refresh of the Auckland Plan through setting direction on key strategic projects (e.g. the City Rail Link and the alternative funding mechanisms for transport) and receiving regular reporting on the overall achievement of Auckland Plan priorities and performance measures.
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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### Public Excluded

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1 **Affirmation**

His Worship the Mayor will read the affirmation.

2 **Apologies**

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

3 **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.

4 **Confirmation of Minutes**

That the Governing Body:

a) confirm the ordinary minutes of its meeting, held on Thursday, 24 May 2018, including the confidential section and the extraordinary minutes of its meeting, held on Thursday, 31 May 2018, as a true and correct record.

5 **Petitions**

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

6 **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.

7 **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.
8 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."

9 Notices of Motion

There were no notices of motion.
Te take mō te pūrongo / Purpose of the report
1. To consider the 2018/2019 funding agreement between the Auckland Council and the Independent Māori Statutory Board (IMSB).

Whakarāpopototanga matua / Executive summary
2. For the IMSB board to carry out its purpose, perform its functions and exercise its powers, the Local Government (Auckland Council) Act 2009 (LGACA) requires Auckland Council to meet the reasonable costs of the IMSB board’s operations, secretariat, the establishment of committees, and seeking and obtaining advice (Schedule 2 clause 20, subclause 1, LGACA).
3. The IMSB has drafted its work plan and proposed budget for the 2018/2019 financial year. It includes projects such as informing council’s Māori Economic Development Strategy and Te Tiriti o Waitangi Audit, and other costs of the board’s operations such as salaries and board remuneration.
4. The Governing Body established a working party at its meeting of 23 February 2017 (GB/2017/16) to oversee negotiations with the IMSB and develop a recommended funding agreement, for final approval by the Governing Body.
5. The working party has considered IMSB’s (opex) budget proposal and is satisfied that the proposed total direct funding of $3.003 million (1.6 per cent) for the 2018/2019 financial year is appropriate and falls within the parameters agreed through the Long-term Plan 2018-2028. The working party recommends that the Governing Body approve the proposed funding for the 2018/2019 financial year.
6. It is further recommended that the Governing Body agrees that variations to the funding agreement of no more than $50,000 in the financial year (subject to budget being available to cover the variations) can be agreed by the chief executives of Auckland Council and the IMSB.

Ngā tūtohunga / Recommendation/s
That the Governing Body:

a) approve the 2018/2019 funding agreement between Auckland Council and Independent Māori Statutory Board, which comprises a total direct funding of $3.003 million (opex).

b) approve that variations to the 2018/2019 funding agreement between Auckland Council and the Independent Māori Statutory Board of no more than $50,000 in the financial year can be agreed between the chief executive of the Auckland Council and the chief executive of the Independent Māori Statutory Board, subject to budget being available to cover the variations.

c) note that following approval of the proposed funding by the Governing Body, the 2018/2019 funding agreement between Auckland Council and the Independent Māori Statutory Board will be prepared and signed by the mayor and council’s chief executive and the chair and chief executive of the Independent Māori Statutory Board.
Horopaki / Context

8. The Local Government (Auckland Council) Act 2009 (LGACA) requires Auckland Council to meet the reasonable costs of the IMSB’s board’s operations, secretariat, the establishment of committees, and seeking and obtaining advice (Schedule 2, clause 20, subclause 1, LGACA).

9. The Governing Body established a political working party at its meeting of 23 February 2017 (GB/2017/16) to conduct negotiations with the IMSB and develop a recommended funding agreement, for approval by the Governing Body.

2018/2019 Budget Proposal

10. The key components of the proposed 2018/2019 budget submitted by the IMSB and considered by the working party cover these requirements and are outlined below.

11. The proposed budget covers costs of the IMSB’s board’s operations such as salaries and remuneration, and costs of strategic projects outlined in the work plan, such as monitoring and informing council’s Māori Economic Development Strategy.

12. Details of the budget proposal for both IMSB board’s operations and work plan projects are provided in the two tables below, including comparisons with the 2018/2019 financial year and percentage changes.

Tātaritanga me ngā tohutohu / Analysis and advice

Analysis

13. Overall, there is little change from the budget agreed for the current financial year. The 1.6 per cent increase for the 2018/2019 financial year from 2017/2018 is within the parameters agreed through the 2018-2028 LTP.

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<thead>
<tr>
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<tbody>
<tr>
<td>Total direct funding (opex)</td>
<td>$2.898m</td>
<td>$2.956m</td>
<td>$3.003m</td>
</tr>
<tr>
<td>Percentage increase from previous year</td>
<td>2.42%</td>
<td>2.0%</td>
<td>1.6%</td>
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</table>

Business as Usual expenses

14. The budget prepared by the IMSB proposes funding for its business as usual activities. These are the activities and costs that the IMSB incurs year-on-year, such as staff costs and board member remuneration.

15. As is required by legislation, an independent review of remuneration for the IMSB board members has been conducted by Strategic Pay Limited.

16. The independent reviewer recommends that the IMSB members’ remuneration be set at 68 per cent of elected members’ remuneration, with additional allowances for the chair and deputy chair. If the Remuneration Authority determines an increase for elected members’ remuneration within the next six months, the IMSB members’ remuneration will be adjusted accordingly.
17. Increases in the proposed funding for business as usual activities and costs are broadly in line with expected inflation.

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<thead>
<tr>
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<tbody>
<tr>
<td>Board remuneration and expenses</td>
<td>$824,000</td>
<td>$838,760</td>
<td>$14,760</td>
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<tr>
<td>Secretariat salaries</td>
<td>$1,338,000</td>
<td>$1,365,974</td>
<td>$27,974</td>
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<tr>
<td>Expenses (including audit fees)</td>
<td>$119,000</td>
<td>$119,000</td>
<td>$0</td>
</tr>
<tr>
<td>Professional Services</td>
<td>$110,000</td>
<td>$120,000</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Total Business as Usual</strong></td>
<td>$2,391,000</td>
<td>$2,443,734</td>
<td>$52,734</td>
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</table>

18. The table below details the budget proposal for both business as usual and specific pieces of work identified in the IMSB Work Plan, including comparisons with the 2017/2018 financial year and percentage increases.

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<tr>
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<tbody>
<tr>
<td>Engagement and reporting to Māori and stakeholders</td>
<td>$140,000</td>
<td>$140,000</td>
<td>$0</td>
</tr>
<tr>
<td>Engagement of specialist Māori expertise for IMSB’s input into council projects/plans work program</td>
<td>$110,000</td>
<td>$300,000</td>
<td>$190,000</td>
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<tr>
<td>Te Tiriti o Waitangi Audit</td>
<td>$160,000</td>
<td>$40,000</td>
<td>($120,000)</td>
</tr>
<tr>
<td>Research, management and monitoring of Māori Plan outcomes</td>
<td>$55,000</td>
<td>Nil</td>
<td>($55,000)</td>
</tr>
<tr>
<td>Treaty Audit Assessment of Resource Management Act (RMA) Māori Provisions</td>
<td>Nil</td>
<td>$30,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>Monitoring and information of the council’s Māori Economic Development Strategy</td>
<td>$100,000</td>
<td>$50,000</td>
<td>($50,000)</td>
</tr>
<tr>
<td><strong>Total Work Plan</strong></td>
<td>$565,000</td>
<td>$560,000</td>
<td>($5,000)</td>
</tr>
<tr>
<td><strong>Grand Total (BAU + Work Plan)</strong></td>
<td>$2,956,000</td>
<td>$3,003,734</td>
<td>$47,734</td>
</tr>
<tr>
<td><strong>Overall percentage increase</strong></td>
<td></td>
<td></td>
<td>1.6%</td>
</tr>
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</table>

19. The significant changes to the Work Programme funding are an increase in engaging specialist Māori expertise for IMSB’s input into council projects/plans work programme and a new addition to Te Tiriti o Waitangi Audit covering assessment of RMA Māori Provisions. These increases are offset by reductions in other areas of the work programme.

20. The total proposed funding reflects a 1.6 per cent ($47,734) increase from 2017/2018, which is less than the rates increases proposed through the LTP.
21. The table summarises the total direct opex and capex funding in the 2018/2019 proposed funding agreement, including a comparison with previous years and percentage increase from previous year.

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<thead>
<tr>
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<tbody>
<tr>
<td>Direct opex funding</td>
<td>$2.898.0m</td>
<td>$2.956.0m</td>
<td>$3.003.7m</td>
</tr>
<tr>
<td>Direct capex funding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total direct funding</td>
<td>$2.898.0m</td>
<td>$2.956.0m</td>
<td>$3.003.7m</td>
</tr>
<tr>
<td>Contribution from other council budgets (seconded staff)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Funding Agreement</td>
<td>$2.898.0m</td>
<td>$2.956.0m</td>
<td>$3.003.7m</td>
</tr>
<tr>
<td>percentage increase from previous year</td>
<td>2.4%</td>
<td>2.0%</td>
<td>1.6%</td>
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Other budgetary considerations – funding held in council’s budgets

22. In addition to direct funding, the 2018/2019 proposal also includes information on the amount to be held in council’s budgets for the engagement of expertise for development of Mana Whakahono a rohe agreements.

23. This statutory provision was recently introduced into the RMA where either party (council and/or iwi) can activate discussions to acknowledge mana whenua interests relating to the tribal rohe of iwi and hapū and clarify participation arrangements where there are shared interests.

24. Ngai Tai ki Tāmaki is currently undertaking this process with council.

Service Level Agreement – Third Parties

25. Alongside the Funding Agreement, Auckland Council and the IMSB have a Service Level Agreement (SLA) which records shared services agreed between Auckland Council as a supplier and the IMSB as the customer. This allows council, where possible, to support the IMSB through existing contracts and services, thus reducing the overall cost to the ratepayer.

26. There are no actual payments from the IMSB to council for the services covered in the service level agreement. However, to meet accounting standards, the budget for the support services provided by third parties to the IMSB and paid through council (property, insurance and telecommunications) will be included as a separate line item in the 2018/2019 Service Level Agreement.

Funding Variations

27. The IMSB or council may initiate a review of the funding agreement by giving written or electronic notice to the other party stating the terms of the review (Schedule 20, clause 2, LGACA).

28. For the 2017/2018 Funding Agreement, the Governing Body agreed that variations of the funding agreement of no more than $50,000 in the financial year (subject to budget being available to cover variation) could be agreed by the chief executives of Auckland Council and the IMSB. This process removes the need to formally negotiate an amendment to the agreement as envisaged by LGACA for amounts of no more than $50,000.

29. In addition, $130,000 is held in council’s budgets for the engagement of specialist Māori expertise. This amount is unchanged as in the previous two years.

Advice

30. The legislation notes that the board and the council must negotiate the agreement in good faith, failing agreement either party may initiate a review of the funding agreement by giving a written or electronic notice to the other party stating the terms of the review.
31. As noted above, Auckland Council is required to fund the reasonable cost of the IMSB to support its operations, and the legislation anticipates that agreement is reached by negotiation.

32. The Political Working Party has considered the 2018/2019 draft funding agreement and agree that it is consistent with council budget parameters, and appropriate to meet the reasonable costs of the IMSB. The Working Party recommends that Governing Body approve the funding sought by the IMSB.

33. If the Governing Body considers the funding is not reasonable to meet the IMSB’s operations, it could ask the Political Working Party to continue negotiating. This option is not recommended, as the level of funding sought by the IMSB has not increased significantly from 2017/2018. There is nothing to suggest that the funding sought by the IMSB is unreasonable.

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

34. Local board views have not been sought in relation to this matter as the Governing Body is responsible for negotiating the funding agreement with the IMSB.

35. However, the IMSB work supported by the funding may have outcomes that are relevant to local boards.

 Tauākī whakaaweawe Māori / Māori impact statement

36. The funding provided through the annual funding agreement supports the IMSB to give effect to its statutory purpose of promoting cultural, economic, environmental, and social issues of significance for Māori in Tamaki Makaurau, and ensuring that the council acts in accordance with statutory provisions referring to the Treaty of Waitangi.

Ngā ritenga ā-pūtea / Financial implications

37. The costs of funding the IMSB will be met through existing budgets.

Ngā raru tūpono / Risks

38. Political – if the IMSB’s request is seen as excessive the Governing Body may request staff initiate a review of the funding request from the IMSB. Staff see this as low risk because the funding is required by legislation, and this increase is lower than proposed rates increases.

Ngā koringa ā-muri / Next steps

39. Following approval of the funding by the Governing Body, the 2018/2019 funding agreement between Auckland Council and the IMSB will be signed by the Mayor and the council’s chief executive, and the IMSB chair and chief executive.
Ngā tāpirihanga / Attachments

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<td></td>
<td>Draft IMSB 2018/2019 Funding Agreement</td>
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Ngā kaihaina / Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Josie Meuli - Senior Advisor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Edward Siddle - Principal Advisor</td>
</tr>
<tr>
<td>Authorisers</td>
<td>Alastair Cameron - Manager - CCO Governance &amp; External Partnerships</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
<tr>
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<td>Stephen Town - Chief Executive</td>
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2018-19 Funding Agreement

between

Auckland Council

and

The Independent Māori Statutory Board
1.0 **Signatories and Period of Agreement**

The Funding Agreement covers the period from 1 July 2018 to 30 June 2019.

Agreement for any subsequent annual periods needs to be reached "within a time that enables the Board to continue to carry out its purpose without interruption." This means prior to 30 June in any year but every attempt will be made to align with the Council’s annual planning cycles.

**Signatories to the agreement:**

<table>
<thead>
<tr>
<th>On behalf of:</th>
<th>Name: David Taipari</th>
<th>Name: Brandi Hudson</th>
</tr>
</thead>
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<tr>
<td>Independent Māori Statutory Board:</td>
<td>Title: Chairman</td>
<td>Title: Chief Executive Officer</td>
</tr>
<tr>
<td></td>
<td>Date:</td>
<td>Date:</td>
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<tr>
<th>On behalf of:</th>
<th>Name: Phil Goff</th>
<th>Name: Stephen Town</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland Council:</td>
<td>Title: Mayor</td>
<td>Title: Chief Executive Officer</td>
</tr>
<tr>
<td></td>
<td>Date:</td>
<td>Date:</td>
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2.0 Summary
The purpose of the Board is as follows:

Assist the Auckland Council to make decisions, perform functions and exercise powers by:

(a) Promoting cultural, economic, environmental and social issues of significance for Mana Whenua groups and Mataawaka of Tāmaki Makaurau; and

(b) Ensuring the Council acts in accordance with statutory provisions referring to the Treaty of Waitangi.

The general and specific functions include:

(a) to sit as members on each of the Auckland Council’s committees that deal with the management and stewardship of natural and physical resources;

(b) to keep the Schedule of Issues of Significance to Mana Whenua and Mataawaka of Tāmaki Makaurau up to date;

(c) to advise the Auckland Council on matters affecting Mana Whenua groups and Mataawaka of Tāmaki Makaurau;

(d) to work with the Auckland Council on the design and execution of documents and processes to implement the Council’s statutory responsibilities towards Mana Whenua groups and Mataawaka of Tāmaki Makaurau; and

(e) to meet with the Council to discuss the Board’s performance of its functions.

3.0 Overview of Work Plan

The key tasks to ensure that the Board is able to fulfil its statutory obligations (outlined above) for this period includes the following:

- Annual review of the Board’s remuneration as required by the legislation;
- Engaging and reporting to Mana Whenua and Mataawaka;
- Reviewing and refining processes by which the Secretariat will support the Board, provide information and support to Board members to effectively participate on Council Committees;
- Engaging specialist resources to provide expert advice on the prioritisation and implementation of the Te Tiriti o Waitangi Audit recommendations and the Issues of Significance/Māori Plan;
- Embedding an understanding and use of the Schedule of Issues of Significance/Māori Plan and the Māori Report;
- Providing reports on progress of the Māori Plan’s outcome indicators;
- Engaging specialist resources to provide expert advice on:
Attachment A

Item 10

- Advising on the implementation, use and monitoring of the Māori provisions in the Auckland Unitary Plan and any subsidiary plans;
- Monitoring and advising on the Auckland Plan implementation;
- Monitoring the review and implementation of the Long-term Plan;
- Monitoring other key Council Plans, policies and processes to ensure there are provisions and resourcing to achieve Māori outcomes.

- Monitoring and reviewing Māori outcomes across all key Council policies and plans;
- Monitoring and advising on council’s Māori responsiveness as expressed through Council’s Te Tiriti Audit Response programme 2018-2021 and the Te Toa Takitini portfolio of work;
- Monitoring the development and implementation of the council’s key work streams of Te Toa Takitini;
- Monitoring and reporting on council’s programme of scheduling sites of significance, cultural landscapes and sites of value;
- Monitoring of the CCO’s respective Statements of Intent, plans and their Māori Responsiveness Plans, specifically their obligations with respect to statutory provisions referring to the Treaty of Waitangi and achieving Māori outcomes;
- The maintenance of relationships with Mana Whenua, Mataawaka, the Mayor and his officials, Council Executive and Senior Leadership, CCOs, Local Boards and Central Government Agencies;
- Developing and producing key communication and education resources and tools to assist with effective communication of the Board’s purpose and function;
- Review of the Board’s annual Strategic Work Priorities; and
- Providing corporate and administrative services to the Board and Secretariat.

4.0 Details on the Work Plan

The Auckland Plan, Long-term Plan and Auckland Unitary Plan have high aspirations for achieving Māori outcomes and it is crucial that the Auckland Council family build up the capability and capacity to deliver on "A Māori identity that is Auckland’s point of difference in the world providing opportunities for all."

The Board has a pragmatic and focused interest in Council’s implementation of these plans via Te Toa Takitini including the Te Tiriti Response Programme. It is important that its organisational systems and culture embed good practice in Treaty partnership and adequate resourcing to achieve Māori outcomes that benefit all Aucklanders as a matter of priority.

The Act is specific in requiring the Board to appoint a maximum of two members to each Council Committee that deals with the management and stewardship of natural and physical resources. The Board may appoint members to other Committees as requested by the Council.
The Board, with the Council’s agreement, has appointed members of the Board to participate fully on Council’s Committees of the Whole and 5 other committees. The Chair of the Board is an Ex-officio on the Appointments and Performance Review Committee and the Audit and Risk Committee.

Effective participation by Board members on Council Committees is essential to advance the interests of Māori.

The Board requires advice from both a Māori worldview and mainstream perspective independent of council officials to enable them to make informed decisions on Council committees. The Secretariat’s main role is to support and assist the Board, to provide:

- an overview of the committee’s existing and future work programme and alert the Board members to pending agenda items that are relevant to the issues of significance to Māori? Or Mana Whenua and Mataawaka of Tāmaki Makaurau;
- alert the Board members to critical workshops and provide briefings;
- review specific committee papers and provide a written and or verbal brief on issues of importance to the Board members (referring to the Issues of Significance, Te Tiriti o Waitangi Audit and Māori Plan);
- advice on issues and drafting of alternative positions and recommendations where there is concern with council’s position and recommendation;
- seek further information and clarification from Council officers on behalf of the Board member(s);
- follow-up with Council to ensure that resolutions and actions agreed with Council are implemented; and
- attend committee meetings and panels for specific items as required.

The level and type of resource required will be assessed and monitored through the Board’s ongoing strategic planning process including consultation with its constituency and through an assessment of how the Council is performing against Māori outcomes, implementation of the Te Tiriti o Waitangi Audit recommendations and Schedule of Issues of Significance/ Māori Plan. Where this resource cannot be sourced internally, or independence is required, then it will be sourced externally.

**Engagement and Reporting to Māori Communities**

This part of the work plan covers both the means by which the Council will communicate and engage with Māori and also the way that the Board will engage and report to Māori.

Maintaining direct relationships with the large number of marae, community groups and organisations is a significant task and one that must be done well. This also includes the management of a website, the production of education and training tools explaining the Board’s purpose and functions and regular newsletters.

**Maintenance of Key Relationships**
To be effective, the Board has established a range of relationships. This includes relationships with the Mayor, Councillors, Local Boards, CCOs and central government departments. Meetings with CCOs, Local Board chairs and central government personnel is an on-going priority.

Specialist Advisors

The Board will utilise the input of skilled advisors and will include governance and prudential control responsibilities, and specialist advice that is needed to support the Board in carrying out its purpose and performing its functions, including its membership of Council Committees.

Council’s Performance with respect to the Treaty of Waitangi and Council’s statutory obligations to Māori

One part of the Board’s purpose is to assist the Council by ensuring that the Council acts in accordance with statutory provisions referring to the Treaty. The Board sees this role as one of active monitoring. The Board is also charged with working with the Council on its documents and processes to implement the Council’s statutory responsibilities to Māori.

The third Tūranga Waitangi Audit is scheduled to be finalised in August 2018. The last part of the audit will be undertaken in July-August 2018.

Background
In response to the 2011/12 audit, a monitoring and reporting regime was developed to allow the council and the Board to monitor compliance and progress.

The Treaty Audit Recommendations Implementation programme 2012 guided the Council to make changes to its policies and processes so it can meet its statutory obligations to Māori. However this programme struggled to produce tangible results across many departments of the council and CCOs. The Board recommended that it prioritise this issue by reviewing the implementation programme and making adjustments so that investment into this work programme is effective.

The Council underwent a second comprehensive audit in 2014/15 and only a few of the 42 recommendations from 2012 were closed. A new approach to the monitoring of the Te Tūranga Audit Response Programme was agreed and its progress was slow due to a restructure of Te Waka Angamua.

Although improvement has been made in some departments and CCOs, their continues to be a lack of understanding of legislative responsibilities by a large majority of council and especially CCO staff in respect of the Treaty of Waitangi obligations. This has resulted in inconsistency of policy, planning and processes across the council and inadequate resourcing to achieve Māori outcomes in the LTP. This continues to raise concerns for the Board. Since 2012 the Board has advocated that council give priority to the audit recommendations that council implement a performance management system.

The key steps to be taken by the Council in implementing the recommendations of the Audit in the 2017-18 year that continue to be monitored by the Board are:

- the transformational approach to addressing the Treaty of Waitangi Audit findings across the council with the leadership of the CEO and Executive Leadership Group of Auckland Council family;
the implementation of the agreed actions to address significant and high-risk ratings in collaboration with the Board;

using a register to track closed actions/groups of actions linked to the Treaty Audit recommendations that is monitored by the Waharoa Group (includes the Board secretariat and council’s Head of Internal Audit);

the priorities for policies and processes that relate to Council’s statutory obligations to Māori;

the establishment of a simple performance management systems that includes improvement targets and measurement of performance against these targets;

the reports to account for progress against the actions; and recommendations at governance and management levels.

Council will continue to prepare three reports to the Finance and Performance Committee that outlines performance results, level of expenditure toward Māori outcomes and any improvement opportunities for the Council. There will also be progress reports to meetings of the Governing Body and the Board.

The Board will continue to collaborate with the Council in reviewing and agreeing a programme of action to achieve these improvements. As a necessary continuation of the best practice approach to this auditing exercise, the Board will monitor the recommendations that have been agreed by both parties.

**Independent assessment of Te Toa Takitini projects**

In 2017, PWC were contracted by the Board to complete an independent assessment of Te Toa Takitini projects delivered by ATEED, Auckland Transport and Panuku to achieve Māori outcomes for their respective Financial Year 2015/16; and to assess the quality of their systems, their prioritisation process of projects, project management that includes budgets to meet their respective milestones, statement of intent objectives and KPIs for Māori outcomes.

By way of background, in December 2013, the Board contracted KPMG to conduct an independent assessment of expenditure incurred Auckland Council to achieve Māori outcomes in their Financial Year 2012/13 accounts.

This independent assessment resulted from the Board’s concern that the council had a limited approach to allocate resources to Māori outcomes projects. Furthermore, the consistency of resource allocation and level of reporting at that time made it difficult to measure and report on the projects and activities being undertaken by the council.

This follow-up independent assessment completed in 2017 provided the Board with constructive recommendations to advocate to council and CCOs to improve their systems and processes for identifying transformational interventions to deliver, measure and report on their projects resulting in quality Māori outcomes and prudent use of rate payers funds.

The Board will continue to do on-going monitoring of how the council implements the recommendations from the 2017 report.

**Advocating for Council to Implement the Schedule of Issues of Significance/Māori Plan in Tāmaki Makaurau**

The focus of this work-stream is to continue to use the Schedule of Issues /Māori Plan and the Māori Report as an advocating tool at Council committee level and as a
‘terms of reference’ to identify relevant actions and measure whether positive change actually occurs for Māori via council programmes and projects.

The successful launch of the Māori Report in November 2016 has provided the Board with an excellent platform to continue to analyse statistics and data that generate the truth about Māori in Tāmaki Makaurau. This information is invaluable and essential to inform council and central government agencies’ planning, processes and practices to ensure that rates and tax payers contributions are used prudently to achieve Māori outcomes at an optimal level and are sustainable. The Māori Report has created national and international attention due to the leadership and collaborative approach from the Board, Māori, council and central government agencies.

The Board will produce Māori values reports that will provide data that assists them to understand how well Māori are doing in a Te Ao Māori context.

The high level steps are as follows:

- The Board and the Council will work to align the Issues of Significance actions/Māori Plan indicators with the Council policies and action plans within the Council; and
- The Board and the Council will work on improving the monitoring, and embedding performance management processes for the Council and other agencies on Māori responsiveness, Māori outcomes and actions.
- A budget for specialist advice has been provided to enable the Board to work with council to include a Māori perspective, outcomes and actions into its plans, policies and projects.
- The council will ensure through the implementation of the Long-term Plan and business as usual that relevant managers continue to identify within their project budgets sufficient resources to obtain appropriate expertise to address and deliver Māori outcomes. This appropriately recognises that implementation is primarily the council’s role.

5.0 Work Plan Resourcing by the Secretariat

Based on a functional breakdown, the Board Secretariat is deployed as follows:

<table>
<thead>
<tr>
<th>Function</th>
<th>Description</th>
<th>Resourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and Reporting</td>
<td>To monitor and report on the Council’s performance in meeting its obligations under the Treaty and relevant legislation; Māori outcomes and actions addressing Issues of Significance /Māori Plan indicators</td>
<td>Part of policy team internal resource and external consultancy resources as and when required</td>
</tr>
<tr>
<td>Monitoring and Evaluation of Māori Wellbeing (Māori Plan)</td>
<td>To monitor and report on wellbeing indicators from the Māori Plan</td>
<td>Part of an internal resource, supported by data experts to assess indicators and datasets and assist in producing reports.</td>
</tr>
<tr>
<td>Support to the</td>
<td>To prepare advice and</td>
<td>Part of Policy team internal</td>
</tr>
<tr>
<td>Function</td>
<td>Description</td>
<td>Resourcing</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Board in Committees</strong></td>
<td>briefing; and liaise with council officers as required</td>
<td>resource</td>
</tr>
<tr>
<td><strong>Plans</strong></td>
<td>To provide input to review and implementation of key plans of the Council including Auckland Plan, Long-term Plan, Annual Budgets CCO SOIs, Unitary Plan, Structure Plans and Development Plans</td>
<td>Policy team for these key documents and strategic plans. It is beneficial to get involved at an early stage of their review and implementation and stay involved to ensure knowledge is retained by the council</td>
</tr>
<tr>
<td><strong>Policies</strong></td>
<td>To provide input to key policies of the Council including policies covering infrastructure, services and regulatory and bylaws.</td>
<td>Dedicated policy team internal resources</td>
</tr>
<tr>
<td><strong>Submissions</strong></td>
<td>To provide information to Mana Whenua and Mataawaka in respect of submissions made and/or to be made by the Council to central government, proposed legislation, boards of enquiry and reviews</td>
<td>Utilise one of the dedicated resources noted above where area of expertise overlaps, otherwise contract in external expertise as and when required</td>
</tr>
<tr>
<td><strong>Relationships and public Relations</strong></td>
<td>To develop and maintain relationships with Mana Whenua and Mataawaka, Governing Body, CCOs, Local Boards, and Central Government including state sector</td>
<td>Part of the internal project management resources including the Senior Communications Manager, the Chief Executive Officer supplemented by advisors for specific areas of expertise</td>
</tr>
<tr>
<td><strong>Promotion and Engagement</strong></td>
<td>To promote issues of significance for Māori to the Council and to external agencies</td>
<td>Key part of senior communications manager’s role and supplemented by advisors for specific areas of expertise</td>
</tr>
</tbody>
</table>
### 6.0 Budget 2018/2019:

<table>
<thead>
<tr>
<th></th>
<th>2018/2019</th>
<th>2017/2018</th>
<th>Refer Paragraph</th>
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<tbody>
<tr>
<td><strong>Governance</strong>*</td>
<td>Board remuneration and expenses (Note 1)</td>
<td>838,760 824,000</td>
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<tr>
<td><strong>Secretariat</strong></td>
<td>Salaries</td>
<td>1,365,974</td>
<td>1,338,000</td>
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<tr>
<td><strong>Office</strong></td>
<td>Expenses (including audit fees)</td>
<td>119,000 119,000</td>
<td></td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td>Legal, Planning experts for monitoring Māori Provisions-Unitary Plan</td>
<td>120,000 110,000</td>
<td></td>
</tr>
<tr>
<td><strong>Engagement and Reporting to Māori &amp; Stakeholders</strong></td>
<td>Communications includes website, newsletters, brochures, translations, engagement and reporting to Māori and stakeholders</td>
<td>140,000 140,000</td>
<td></td>
</tr>
<tr>
<td><strong>Engage Māori Expertise for Council Projects/Plans Work Program related to Board’s Strategic Priorities</strong></td>
<td>Housing and Marae Development, Relationship Agreements, Rangatahi, Sites of Significance and Cultural Landscapes, Māori Identity, Data Strategy Implementation</td>
<td>300,000 110,000</td>
<td></td>
</tr>
<tr>
<td><strong>Māori Economic Development Strategy Advocacy</strong></td>
<td>Research and promotion of the Auckland Māori Economy</td>
<td>50,000 100,000</td>
<td></td>
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<tr>
<td><strong>Te Tiriti o Waitangi Audit</strong></td>
<td>Monitoring Te Tiriti o Waitangi Audit Implementation</td>
<td>40,000 160,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Treaty Audit Assessment of RMA Māori Provisions</td>
<td>30,000 55,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL DIRECT OPEX FUNDING</strong></td>
<td></td>
<td>3,003,734</td>
<td>2,956,000</td>
</tr>
</tbody>
</table>

| Expertise for development of Mana Whakahono a rohe agreements | $130,000 | $130,000 |

**Note:** Board remuneration and expenses are subject to remuneration review by Strategic Pay and the Remuneration Authority and travel needs of board members appointed to IMSB for the current three year term.
Te take mō te pūrongo / Purpose of the report
1. To seek retrospective approval of the Auckland Council’s response to the recommendations of the Local Government Commission (LGC) arising from reorganisation proposals for North Rodney and Waiheke.

Whakarāpopototanga matua / Executive summary

3. This provision allows the LGC to make non-binding recommendations to local authorities at the conclusion of a reorganisation process. Despite the recommendations being non-binding, the council is required to report back to the LGC on its response to the recommendations, initially by 22 June 2018, and again by 1 November 2018.

4. The attached report *Enhancing Local Government for Aucklanders: Response to the recommendations of the Local Government Commission* (Attachment B) has been provided to the chair of the LGC by its required deadline of 22 June 2018. It was unable to be approved by the Governing Body prior to it being sent, due to the timing of its June meeting and the need for the Governing Body to prioritise the Long-term Plan 2018-2028 process at its May meetings.

5. There was a presentation to the Local Board Chairs/Governing Body Forum on 28 March and the Local Board Chairs Forum on 14 May 2018 outlining the process for completing the report to the LGC and inviting any questions. This was followed with workshops with the Rodney and Waiheke Local Boards. The draft response was provided to local boards by their Relationship Managers. No issues have been raised. The response was reviewed by the Joint Governance Political Working Party at its meeting on 20 June 2018.

6. There are twelve recommendations to Auckland Council, most of which fall under some key themes of:
   - increasing understanding the respective roles of the different governance arms
   - ongoing commitment to localism, devolution, flexibility
   - active monitoring of council-controlled organisations against governance expectations
   - appropriateness of local board funding policy settings
   - address legacy issues impacting on service level variability across the region
   - tailoring local communications, including raising public awareness of council services and service improvements.

7. There are also some recommendations specific to Waiheke and Rodney Local Boards relating to road sealing budgets, governance over council owned land at Mātiaia (Waiheke Island) and the future location of the Rodney Local Board office.
8. The LGC report also included recommendations to the Minister of Local Government relating to the lack of flexibility for Auckland Council’s electoral arrangements i.e. inability to adjust the number of Governing Body members, or to align ward and local board boundaries.

9. The LGC recommendations are largely consistent with the findings of the Governance Framework Review and many of them have either already been put in place, or are subject to current work programmes. It is proposed that they be adopted, with one exception.

10. The Commission recommends (Recommendation 8) that the current methodology for funding allocation to local boards be reconsidered in light of the strong influence of population numbers on distribution. This recommendation is not supported, as the Local Boards Funding Policy is only applied to a relatively small portion of local board budgets i.e. local discretionary and local capital funding. The details of the rationale are discussed in paragraphs 57-65 (pp 12-14) of the response to the LGC.

11. Auckland Council’s report to the LGC will be made publicly available on the LGC website following consideration by the Commissioners.

Ngā tūtohunga / Recommendation/s
That the Governing Body:
a) approve the response (Attachment B of the agenda report) to the recommendations of the Local Government Commission set out in its report “Enhancing local government for Aucklanders”.

Ngā tāpirihanga / Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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<td>Enhancing Local Government for Aucklanders</td>
<td>27</td>
</tr>
<tr>
<td>B</td>
<td>Response to the recommendations of the Local Government Commission</td>
<td>43</td>
</tr>
</tbody>
</table>

Ngā kaihaina / Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Linda Taylor - Programme Manager Governance Framework Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Phil Wilson - Governance Director</td>
</tr>
<tr>
<td></td>
<td>Stephen Town - Chief Executive</td>
</tr>
</tbody>
</table>
Enhancing local government for Aucklanders

Recommendations to Auckland Council

March 2018
Foreword

Tēnā koutou

In 2015 the Local Government Commission agreed to assess an application for local government reorganisation from the Northern Action Group in North Rodney. An application from Our Waiheke, based on Waiheke Island, followed. Both sought unitary councils separate from Auckland Council for their respective areas.

During the reorganisation process that followed, the Commission heard from different sectors of the community. Many spoke of the benefits that came with being part of a large organisation, and the ability for Council to take a region-wide view. However, others were concerned that the “local” is being lost from local government.

While the Commission determined through the reorganisation process that the status quo was the preferred option for local government in Auckland, this does not mean the Council’s operations and services are optimally aligned for all its diverse communities. The Auckland region has been through a period of major change with the amalgamation of eight councils in 2010. Auckland Council is now in its third term. It is shifting from a phase of consolidation into one of improving services and responsiveness. While the local government structure itself is appropriate, challenges remain. Now is an opportune time to consider how best to meet these challenges.

Armed with the information and feedback received during the reorganisation process we are in a good position to reflect on what can be done to make local government work better for the residents, businesses and communities of Auckland, and in particular in Auckland’s outer areas.

The success of local government in Auckland relies on goodwill, good relationships and people working together. We hope that the recommendations in this report will go some way to strengthening those relationships.

On behalf of the Commission, I would like to thank all those that participated in the reorganisation process. We now ask the Auckland Mayor, councillors and local board members to consider the Commission’s recommendations with a view to making local government work better for all Aucklanders. We look forward to receiving the Council’s response in due course.

Nāku noa

Sir Wira Gardiner
Chair, Local Government Commission
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Recommendations

Recommendations to Auckland Council

As per Section 31(1) of the Local Government Act 2002, the Local Government Commission recommends that Auckland Council:

1. note that good relationships are key to Auckland’s success and rely on all parties understanding how and where they fit into the local government system, mutual respect and clear communication on all sides;
2. continue the work done so far on the Governance Framework Review, and
   2.1. further explore ways to balance regional and local needs without losing the benefits of being part of a large organisation. This could include:
      2.1.1. keeping delegations and/or allocations of functions to local boards under active review; and
      2.1.2. considering where people benefit from service delivery standardisation and where service delivery could be tailored to different areas;
2.2. consider whether to roll out the Waiheke pilot (or aspects of it) elsewhere before the pilot is complete, if it is achieving the desired results;
3. note there is a widespread lack of understanding of council governance arrangements, in particular the role and responsibilities of the governing body and local boards;
4. take steps to improve understanding of the council governance arrangements among the public, council and council-controlled organisation staff, and elected members;
5. continue to monitor the effectiveness of the relationships between council-controlled organisations, local boards and the public, and provide direction to council-controlled organisations where they are not meeting expectations;
6. take steps to build public understanding of the wide range of functions the Council undertakes (including regional council functions);
7. tailor communications for different local areas, in particular highlighting the work the Council is doing and where rates are being spent locally;
8. consider whether the current funding allocation method for locally-driven initiatives, on a largely per-capita basis, is the best way to meet the different needs of local areas;
9. consider ways to deal with different service levels across the region due to decisions of legacy councils; for example, an increase to the road sealing budget in Rodney;
10. continue to look for ways to improve service delivery for customers and communicate those improvements to the public;
11. explore the possibility of the Rodney local board office being physically located in the Rodney Local Board area;
12. with all relevant parties, including the Waiheke Local Board and council-controlled organisations, work towards a solution at Mātiatia on Waiheke Island; and

The Commission requests Auckland Council provide a written response to these recommendations by 22 June 2018 and a progress update by 1 November 2018.
Recommendations to the Minister of Local Government

The Commission recommends that the Minister of Local Government:

1. notes these recommendations to Auckland Council and the timeline for its response and progress update; and

2. considers whether amendments to the Local Government (Auckland Council) Act 2009 and Local Electoral Act 2001 are required to give Auckland Council greater control and flexibility over its representation arrangements.
Context

Creation of Auckland Council

In November 2010, the Auckland Council was established through the amalgamation of one regional council and seven territorial authorities.¹

This followed the completion of the Royal Commission on Auckland Governance in 2009. The Royal Commission had been established by the Government in October 2007 to “respond to growing concerns about the workability of local government arrangements in Auckland.”²

Applications from community groups for de-amalgamation

In 2013, the Commission received a reorganisation application from the Northern Action Group proposing the constitution of a North Rodney Unitary Authority separate from Auckland Council.

In 2015, the Commission agreed to assess the application following the submission of further information to the Commission by the Northern Action Group (following a High Court process).

In 2015, the Commission also received a reorganisation application from Our Waiheke. This application proposed a unitary authority for Waiheke Island, separate from Auckland Council. The Commission determined to treat the Waiheke application as an alternative application within the reorganisation process initiated by the Northern Action Group’s application.

In early 2016 the Commission invited alternative applications as required by the Local Government Act 2002 (the LGA). The Commission received 39 in total.

The Commission undertook a public engagement programme in late 2016. The purpose of the engagement was to hear from the Auckland community, particularly residents and/or ratepayers of Rodney and Waiheke Island about Auckland local government arrangements.

In November 2017, the Commission determined its preferred option for local government in Auckland was the status quo, having analysed various options against the legislative criteria set out in the LGA.

¹ The Auckland Council replaced the Auckland Regional Council, Rodney District Council, North Shore City Council, Waitakere City Council, Auckland City Council, Manukau City Council, Papakura District Council, and Franklin District Council.

Recommendations for Auckland Council’s response

During the reorganisation process the Commission heard from many sectors of the Auckland community about what they want from their local government, what they think is working well under the current structure and what could be improved, including under alternative arrangements. The reorganisation investigation is confined to specific structural options, and is not a general review of Auckland Council’s performance. Therefore much of what we heard was out of scope of that process.

However, Section 31(1) of the Local Government Act 2002 enables the Commission to consider, report on, and make recommendations to the Minister and any relevant local authority on matters relating to a local authority or local government considered appropriate by the Commission.

The following sections of this report detail some of the key issues we heard during the Auckland reorganisation process and the Commission’s recommended actions for Auckland Council. The recommendations are not binding but the legislation states that a local authority that receives such a report or recommendation must consider and respond by a date specified by the Commission. The Minister of Local Government is not required to respond to the recommendations.

Good relationships are key to Auckland’s success

In concluding the recent Auckland reorganisation process, the Commission determined the current structure of local government arrangements in Auckland was the preferred option for local government in the region. However, this does not mean the Council is operating as effectively as it could. The following sections of this report highlight areas where we think improvements can be made.

While improvements can be made to systems and processes within the Auckland Council structure, the overall success of Auckland will rely heavily on good relationships. Some of the most important relationships are between the community and Auckland Council, between the Council and its council-controlled organisations, and between elected members (on both the Governing Body and Local Boards) and Council staff. Many of the things we discuss in this report should help develop and strengthen those relationships.

Good relationships in the local government context rely on:

- all parties understanding how and where they fit in the system;
- mutual respect;
- clear communication; and
- everyone taking responsibility for fostering those relationships.

The following page contains a diagram showing the numerous relationships that the Auckland local government system relies on.
Making the governance arrangements work effectively

Auckland Council has now been in place for more than seven years. However, there appears to be a lack of understanding about the Auckland Council governance arrangements (made up of a governing body and 21 local boards). There is a particular need for clarity around the different roles and responsibilities of the governing body and local boards.

The lack of understanding is widespread throughout the general public, council staff, council-controlled organisations, and elected members. Some examples of how this manifests itself are:

- local board members feeling as though they are treated as stakeholders rather than governors; and
- members of the public going to the local board for answers or help when it is a matter for the governing body (and vice versa).

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3 The governing body consists of the mayor (elected by all Auckland voters) and 20 governing body members (elected by voters from the ward they represent). The governing body focuses on the big picture and on region-wide strategic decisions. The local boards consist of between five and nine members, which are elected by voters from the area they represent. Local boards represent the communities in their area and make decisions on local issues, activities and facilities.
These misunderstandings can and will continue to result in:

- Public dissatisfaction (e.g. when local board members don’t have the power to address something the community expects them to)
- Disempowerment and disillusionment (e.g. for the public in its elected members, and for local board members if their views are not given appropriate weighting and they cannot make meaningful decisions)
- Poor process (e.g. consulting local boards too late in a process)
- Insufficient consultation
- Insufficient governance support for local board members

We heard mixed views about whether the overall level of delegations or allocations to local boards is consistent with their statutory role. We suggest Auckland Council keeps this under active review as the Governance Framework Review is implemented and be open to treating different parts of the region according to their specific needs and circumstances. 4

Following amalgamation and consolidation, the Council is now transitioning into a phase where the focus is on lifting the quality of services and dealing with Auckland’s rapid growth. At this stage it makes sense for the Council to review and make changes to optimise governance arrangements. It is doing so through the Governance Framework Review. We support the Council’s work in this area and are mindful that many of the measures will take time to implement.

We heard some complaints that since the amalgamation Auckland Council has moved towards standardisation of services across the region. Many people were concerned that the Council has moved too far towards regionalisation and as a result a degree of the “local” service has been lost. This could be a symptom of the need to first regionalise and combine the services of eight former councils. However, now the Council is more embedded, Council should consider where the one-size-fits-all model works and where more flexibility could be introduced to represent different areas and different needs. This is likely to be easier for those areas where service delivery and decision-making is not as heavily networked with neighbouring areas. For example, more localised procurement in isolated rural areas could be considered if that would be more effective – including cost-effective – than a metropolitan wide approach. Increasing delegations to local boards in those circumstances could also be considered. The Governance Framework Review is also an important step towards balancing regional and local needs in the governance structure, without losing the benefits of being part of a larger organisation.

An effective Auckland Council is not just dependent on the relationship between the governing body and local boards. A successful Auckland Council also depends on good relationships between the local boards and council-controlled organisations. All parties having a clearer understanding of the role of the local board and local boards exercising their leadership in collaborative ways may help to address local issues. This could assist in situations like that at Mātiatia on Waiheke Island where fragmented governance and management of the area has led to delays over how to develop and manage the space.

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4 The Governance Framework Review is a process for Auckland Council to reflect on the years since the 2010 amalgamation and considers whether the model is working optimally to meet the aims of the 2010 reforms. [https://ourauckland.aucklandcouncil.govt.nz/media/9572/auckland-council-governance-review-released.pdf](https://ourauckland.aucklandcouncil.govt.nz/media/9572/auckland-council-governance-review-released.pdf)
We are aware that the Waiheke Pilot, part of the Governance Framework Review, will trial some extended decision-making delegations or allocations to the Waiheke Local Board. As the pilot progresses we encourage Auckland Council to consider whether the pilot, or aspects of it, could be rolled out to other areas where appropriate.

**Transparency through improved communication**

Throughout the reorganisation process we heard a range of issues related to a lack of, or poorly targeted, communication within and from Auckland Council and its council-controlled organisations.

Issues arising from sub-optimal communications are:

- A lack of understanding of the wide range of functions and services the Auckland Council provides, including the environmental and maritime planning and regulatory functions delivered by regional councils in other parts of the country
- Residents are unclear about what the Council and Local Board are doing in their area and what local projects their rates are funding
- Communications are often generalised and not targeted or specific to local areas making them less meaningful or inappropriate in some cases

Auckland Council should give more consideration to what and how it communicates with its residents and ratepayers. More visibility about what Council is doing, where resources are being allocated, and tailoring its messaging to be meaningful to different areas will improve the relationship between the organisation and the people it is there to serve.

**Putting customers at the centre**

During the Auckland reorganisation process we heard from many people about the difficulty in interacting directly with Auckland Council and some of its council-controlled organisations. For example, people did not know who to contact with their questions or concerns or they felt ignored by Council when they received no response regarding their enquiry or complaint.

These issues were not limited to external customers (e.g. residents and businesses). They were also experienced by internal “customers” (e.g. elected representatives).

Processes designed with the customer at the centre will mean customers can interact with Council more easily and have a positive experience. We understand the Council has already improved some services in this way and continues to make improvements. The *Auckland Council Performance Plan 2017-2019* has ‘Customer-friendly services’ as one of four focus areas. Some improvements have come as a result of customer feedback. Council should continue to look for ways to improve services and communicate those improvements to the public (especially if they occurred as a result of customer feedback). This will provide confidence to the public that the Council is responsive and always looking for ways to improve how it serves its customers.

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Another issue that we heard many times was that often services were designed for those living in urban areas with little consideration given to how that service would be delivered in other circumstances (e.g. to those living in rural areas). Wherever possible, a range of customers should be considered when designing processes for the public (e.g. rural customers, those with limited internet access, those with disabilities, those with English as a second language etc.)

An example of a situation where the Council could put the customer first is the Rodney Local Board office. At present and as a result of legacy arrangements, the Rodney Local Board office is situated outside of the Rodney Local Board area. However, having a Rodney Local Board office physically located in the Rodney Local Board area will make the local board more visible and accessible to many of the residents it represents.

In an effort to make local boards more accessible and visible to the residents they serve Auckland Council could enable local boards in larger areas, like Rodney, to hold meetings in different places throughout the local board area.

Continuously reviewing and making improvements to the way Auckland Council and its council-controlled organisations respond and interact with their customers will strengthen the relationship between the organisation and the people it is there to serve. This approach could result in both short and long-term improvements. However, it should also be considered as part of a wider culture change centred on good customer service.

More nuanced funding allocation methods

We heard during the reorganisation process that there is a sense that the majority of Auckland Council spending is focused on the more densely populated urban areas while the outer areas struggled to advocate for basic levels of service or adequate infrastructure.

A key determinant of how Auckland Council allocates money for some types of activities to each local board is the population of a local board area. For example, Auckland Council allocates funding to local boards, for locally driven initiatives, using a formula that is heavily weighted towards population (90 per cent) compared to deprivation (5 per cent) and land area (5 per cent).\(^6\) While this method may be appropriate in most cases, a heavy weighting for population over other factors means physically smaller but densely populated urban local board areas will receive more money than larger local board areas on the periphery or key tourism locations. Over time, and especially for activities with a strong spatial element, this may result in disparities in service provision.

We recommend the Council, and its council-controlled organisations, consider whether its funding allocation methods have the right weightings or if they need more sophistication. Other important considerations should not be overlooked, for example local needs, seasonal population variation and the use of infrastructure by tourists.

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Addressing legacy inequalities

It is apparent that there are still some disparities in services and local assets that reflect the different levels of investment in different activities made by the pre-amalgamation councils (for example, the much lower level of road sealing undertaken by the former Rodney District Council compared to others such as the Franklin District Council). As a result, if ongoing funding is now allocated evenly over Auckland, these historical disparities will remain embedded.

Auckland Council should consider whether to dedicate some council funds to addressing historical disparities in assets and services. For example, prioritising an increase in the funding allocated to Rodney for road sealing would address historical under-investment in the area regarding transport services.

Auckland’s representation arrangements

Auckland Council has to operate under representation provisions set by legislation. Auckland’s representation arrangements are, in part, covered by the Local Government (Auckland Council) Act 2009 and Local Government Act 2002, rather than solely the Local Electoral Act 2001. This means that the Council has far less discretion than any other council in New Zealand to alter its representation arrangements. It also means that there are two separate processes to change aspects of its representation arrangements.

Key issues with the current legislation are:

- The Council must consider changes to its ward boundaries through the normal representation review process set out in the Local Electoral Act 2001. But if the Council wishes to change the boundaries or number of its local boards, it must apply to the Commission for a formal local government reorganisation using the multi-stage statutory process that is used for investigating council amalgamations (Schedule 3 of the Local Government Act 2002). In contrast, other councils may alter community board boundaries as part of a representation review (although any other councils with local boards would also need to change those through the reorganisation process).

- The membership of the Auckland Council governing body is fixed by the Local Government (Auckland Council) Act 2009 at 20 members plus the Mayor. A change to the legislation would be required to alter the number of members on the governing body. All other councils can change councillor numbers through the representation review process, subject to rules on maximum and minimum number of councillors, with a public right of appeal to the Commission.

It was appropriate that the local government arrangements were locked down for the initial terms of the new Auckland Council, to avoid tinkering before the model had a chance to bed in. However, now that Auckland Council is in its third term, the lack of flexibility creates a growing risk.

The key risks are:

- Auckland Council cannot respond as easily as other councils to patterns of growth and changes to communities of interest.
- Changing representation arrangements (ward and local board boundaries) through two separate processes that use two different sets of criteria may result in two different outcomes.

- Local board boundary changes require a full reorganisation process, which is intensive for both Auckland Council and the Local Government Commission. This could result in ward and local board boundaries getting out of alignment – conceptually, this need not be a problem, given the different roles of local boards and ward councillors on the governing body, but it can create community confusion and administration challenges. Different ward and local board boundaries would increase the cost and complexity of electoral processes.

- We consider that the reorganisation process includes a number of steps not necessary for local board boundary alterations, and which would add significantly to the length of the process. These include the establishment of a transition body, the development of a reorganisation scheme in consultation with the transition body and an Order in Council to implement the scheme.

The Commission’s view is that changes to local boards should be dealt with as part of the representation review process. With Auckland Council now in its third term, it is timely for it to have the same control over its representation requirements as any other council in New Zealand. The Commission would retain its role in a representation review: making the final determination following any appeals or objections to a Council’s proposal. This would ensure decisions were made closer to the affected communities, the Council would have the ability to keep ward and local boundaries better aligned if it wished (which assists public understanding of the governance and representation system), and result in a simpler more integrated process.

It is also important for good local government that the legislative framework does not hamper Auckland Council’s ability to effectively implement the changes it is proposing to the relationship between the governing body and the local boards as a result of its Governance Framework Review.

**Conclusion**

Much of what the Commission has observed in Auckland can be attributed to natural growing pains from the transition out of the biggest and most complex local government reorganisation in New Zealand’s history, and implementation of a governance model (with a governing body and local boards) that is markedly different from the system that preceded it. In our engagement, we heard about many of the benefits of those changes, such as access to world-class library facilities and the greater ease of doing business without multiple sets of rules to comply with.

Auckland is large, fast-growing, super-diverse, and comprises many different types of communities. The Auckland governance arrangements should allow for progress at a regional level to support population and economic growth while also meeting the needs of Auckland’s many local communities. Time and funding constraints will always result in some tension between the two. However, given Auckland Council is now into its third term it is the right time for the Council to make sure that the balance is right and, if not, find ways to move towards an appropriate equilibrium. In doing so, the benefits of the creation of Auckland Council should not be underestimated or lost.
Many of the services Auckland Council and its council-controlled organisations provide are networked (not just roads and water, but things like libraries) and require centralised service delivery, strategies and/or decisions to ensure efficiency and fairness. Some of Auckland’s areas are not so heavily networked for some or all of the services provided, and Auckland Council could consider whether peripheral areas can be managed differently. Local Boards in the peripheral areas could exercise more autonomy without losing the benefits of standardisation. Auckland Council should consider how the principles set out in the Local Government (Auckland Council) Act 2009 play out for the particular circumstances of each Local Board area.

The Commission welcomes the initiative Auckland Council has taken in commissioning the Governance Framework Review, and considers it important to the city’s future that this review be well implemented and refined over time.

The Commission also commends the Council’s work to date to improve service delivery. This should be an ongoing process to make it easier for customers to access and connect with Council for the betterment of the whole region.

While we have heard many complaints and concerns about the Auckland Council there is also much to be commended. Auckland Council should make sure it communicates its progress and achievements. This would enable the public to see all that is being done, particularly in their local area or as a result of their feedback.

The Commission hopes the recommendations contained in this report will support the development and strengthening of relationships in Auckland so that the region can thrive. We look forward to the Council’s response in June and progress update in November.
References


Enhancing local government for Aucklanders

Response to the recommendations of the Local Government Commission

22 June 2018
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Introduction

1. This report responds to recommendations of the Local Government Commission (“the Commission”) made to Auckland Council under Section 31(1) of the Local Government Act 2002. The recommendations were made following the Commission’s consideration of reorganisation proposals arising from an application from the Northern Action Group proposing a separate Unitary Authority for North Rodney.

2. While the recommendations are non-binding, Auckland Council is required to report back to the Commission by 22 June 2018 on its response to the recommendations, and again by 1 November 2018 on progress made against agreed actions.

Background

3. Auckland Council was established on 1 November 2010, following one of the largest local government reorganisations in New Zealand. The reorganisation followed the Royal Commission of Inquiry into Auckland Governance and was implemented through three key pieces of legislation. The drivers of Auckland’s amalgamation were the need for stronger regional decision-making and greater community engagement and decision-making at the local level1.

4. The Royal Commission found that Auckland’s regional council and seven territorial authorities lacked the collective sense of purpose, constitutional ability, and momentum to address issues effectively for the overall good of Auckland. It noted that disputes were regular among councils over urban growth and the development and sharing of key infrastructure, including roads, water and waste facilities, and cultural and sporting amenities.

5. The overarching aim of the reforms was to deliver strong regional decision-making, complemented by local decision-making to meet diverse local needs and interests. Improvements to community engagement were also seen as a key output of the reforms.

6. Eight former councils were disestablished, and Auckland Council became the unitary authority for an area of 4,894 square kilometres stretching from Te Arai in the North to Waiuku in the South. The governance model for Auckland was unique at the time with its two tiered structure of complementary governance arms – the governing body and local boards; a mayor with some executive powers; and a set of substantive council-controlled organisations (CCOs) focussing on effective and efficient delivery of services, balanced with extended accountability provisions.

7. Since Auckland Council’s establishment in 2010, there has been a strong focus on addressing important regional priorities. These have included putting in place the Auckland Plan, the Unitary Plan and consolidated financial and IT systems,

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1 Report of the Royal Commission on Auckland Governance March 2009
transitioning to a single rating system and set of bylaws and addressing challenges in funding infrastructure for growth.

8. While these were all critical issues, a prolonged focus on regional priorities is not consistent with the policy intent of the governance reforms. In addition, it risks the council being perceived as distant from, and not responsive to, the needs of local communities. Local boards have felt marginalised and frustrated and communities have struggled to understand their role and how if differs from that of the governing body.

9. In 2015, Auckland Council commissioned an independent review of its governance framework. The review reflected on the implementation to date of the new governance model and considered whether it was working optimally in terms of meeting the aims of the 2010 reforms. The intent of the review was not to recommend wholesale changes to the governance structure, but to focus on making the existing framework work better for Auckland.

10. The review was provided to the Governing Body in October 2016 and a political working party of local board and governing body members was established to consider its recommendations. The report of that working party, with associated final recommendations, was considered and ratified by the governing body in September 2017, following extensive consultation with local boards.

11. Many of the issues and concerns identified during the Governance Framework Review are similar to those identified by the Commission during its consideration of the Rodney and Waiheke reorganisation proposals. The findings and recommendations of the review are relevant to this response, as noted by the Commission in its report. The Commission has also raised other matters, including making some recommendations specific to the Rodney and Waiheke communities and some recommendations to the Minister of Local Government.

12. Each of the recommendations of the Commission is set out in the body of this report, with council’s response and proposed actions.

**The Auckland context**

13. Auckland is New Zealand’s largest city, with a population of 1.657 million, predicted to reach 2.4 million by 2040. Auckland is home to 37 per cent of New Zealand’s population and is a diverse and international city by any standards.

14. The region is experiencing significant growth within a constrained and challenging geographic footprint. Auckland is bound by coastal waters to the west and east and straddles a narrow isthmus girdled by two harbours. The Waitākere and Hunua ranges provide natural western and eastern boundaries, while hill country provides limited scope for expansion to the north, away from the coastal margins.
15. Despite these constraints, Auckland’s development has been somewhat piecemeal and there are few pockets of real density outside of the CBD. Suburbs developed along arterial routes creating a series of interconnected villages with strong local identities.

16. Further away from the city, small market towns such as Papakura, Waiuku, Pupekohe, Helensville, Wellsford and Warkworth grew up to service the region’s rural hinterland. Over time these towns have become more closely linked to the city’s development through patterns of work, commuting, recreation and ongoing marginal growth, although they still retain a rural feel and distinct local identities.

17. This development pattern has created a region of diverse communities that have differing values and priorities. Responding to these diverse communities is a core challenge for council, and one that it will require it to listen to local, feedback and adjust its approach to reflect local priorities and issues if it is to succeed for all Aucklanders.

Response to amalgamation

18. Both the Royal Commission and Parliament determined that the boundaries of the new Auckland Council should extend to encompass almost all of the previous Auckland Regional Council’s land area, with some minor adjustments to the southern boundaries.

19. During the governance reform process it became apparent that there were concerns from some members of the community in North Rodney about the inclusion of the entire Rodney District in the Auckland boundaries. There was some debate within government about a proposal arising from Select Committee deliberations to move the northern boundary to the south, and incorporate the northern part of Rodney in Kaipara District, but this was not progressed.

20. In 2009, the Northern Action Group was formed, which went on to propose a reorganisation process to form a North Rodney unitary council. As it progressed the process also considered a proposal from One Waiheke, seeking the establishment of a Waiheke unitary council, separated out of Auckland Council.

21. The final determination of the Local Government Commission was that there was insufficient rationale to proceed with the reorganisation proposals and that the status quo was the preferred option for Auckland governance. However, the Commission did elect the option to make recommendations to Auckland Council under Section 31(1) of the Local Government Act 2002.
Recommendations of the Local Government Commission

22. The Commission has made twelve recommendations to Auckland Council and two to the Minister of Local Government. The recommendations to Auckland Council are that council:

1. notes that good relationships are key to Auckland’s success and rely on all parties understanding how and where they fit into the local government system, mutual respect and clear communication on all sides;

2. continues the work done so far on the Governance Framework Review, and

   2.1. further explores ways to balance regional and local needs without losing the benefits of being part of a large organisation. This could include:

       2.1.1. keeping delegations and/or allocations of functions to local boards under active review; and

       2.1.2. considering where people benefit from service delivery standardisation and where service delivery could be tailored to different areas;

2.2. considers whether to roll out the Waiheke pilot (or aspects of it) elsewhere before the pilot is complete, if it is achieving the desired results;

3. notes there is a widespread lack of understanding of council governance arrangements, in particular the role and responsibilities of the governing body and local boards;

4. takes steps to improve understanding of the council governance arrangements among the public, council and council-controlled organisation staff, and elected members;

5. continues to monitor the effectiveness of the relationships between council-controlled organisations, local boards and the public, and provide direction to council-controlled organisations where they are not meeting expectations;

6. takes steps to build public understanding of the wide range of functions the council undertakes (including regional council functions);

7. tailors communications for different local areas, in particular highlighting the work the council is doing and where rates are being spent locally;

8. considers whether the current funding allocation method for locally-driven initiatives, on a largely per-capita basis, is the best way to meet the different needs of local areas;

9. considers ways to deal with different service levels across the region due to decisions of legacy councils; for example, an increase to the road sealing budget in Rodney;

10. continues to look for ways to improve service delivery for customers and communicate those improvements to the public;
11. explores the possibility of the Rodney local board office being physically located in the Rodney Local Board area; and

12. with all relevant parties, including the Waiheke Local Board and council-controlled organisations, works towards a solution at Mātia on Waiheke Island.

23. The Commission requested that Auckland Council provide a written response to these recommendations by 22 June 2018 and a progress update by 1 November 2018. The following section of this report responds to each of these recommendations.

24. The recommendations to the Minister of Local Government were that she:

- notes the recommendations to Auckland Council and the timeline for its response and progress update; and

- considers whether amendments to the Local Government (Auckland Council) Act 2009 (LGACA) and the Local Electoral Act 2001 are required to give Auckland Council greater control and flexibility over its representation arrangements.
Auckland Council response to recommendations

25. We have identified some key themes in the Commission’s report and recommendations and have grouped council’s primary response under these themes. They are:

- relationships, mutual respect, understanding the respective roles of the different governance arms (Recommendations 1, 3 and 4)
- ongoing commitment to localism, devolution, flexibility (Recommendation 2.1)
- active monitoring of council-controlled organisations against governance expectations (Recommendation 5)
- consider appropriateness of local board funding policy settings (Recommendation 8)
- address legacy issues impacting on service level variability across the region (Recommendation 9)
- tailoring local communications, including raising public awareness of council services and service improvements (Recommendations 6, 7 and 10)

26. Other recommendations related more specifically to issues identified in Rodney and Waiheke and are addressed in separate sections of this report. They were:

- considering whether to roll out the Waiheke pilot (or aspects of it) elsewhere, before the pilot is complete (Recommendation 2.2)
- work collaboratively towards a sustainable land use solution at Mātiatia in Waiheke (Recommendation 12)
- explore the possibility of the Rodney Local Board Office being located in the Rodney Local Board area (Recommendation 11)
- consider an increase to the road sealing budget in Rodney (Recommendation 9).
Relationships, mutual respect and role clarity

27. This section responds to recommendations 1, 3 and 4.

28. A key feature of the Auckland governance model is that both the governing body and the local boards are responsible and democratically accountable for Auckland Council’s decision-making under a shared or complementary structure, rather than a hierarchical model.

29. In broad terms the governing body has responsibility for all regional policies, strategies and plans, region wide initiatives, setting rates and oversight of CCOs. Local boards make decisions on, and have oversight of, a broad range of local activities such as local parks, libraries, events, recreational facilities and community activities. Local boards also have a statutory role to provide input into regional decision-making on behalf of their communities.

30. While on one level this sounds straightforward, in practice many activities require both regional and local decisions and there can be actual or perceived overlap in responsibilities. This can also put the relationships between respective governance arms under tension, when local interests and priorities are at odds with regional ones.

31. While the reforms and legislation contemplate shared and complementary decision-making there is, in reality, an overlap between the roles and powers of the two sets of governors. This is compounded by an organisational structure and culture that has been challenged by the task of advising and supporting twenty two different sets of governors.

32. The complexity and uniqueness of the Auckland governance model means that work is still needed to ensure staff and community understanding. The Governance Framework Review identified the lack of a consistent approach to ensure staff members are well prepared when working with elected members. Feedback from staff highlighted that Auckland Council is working under a unique governance model but staff are not required, or invited, to participate in any kind of consistent training on the governance model and what it means for various roles across the organisation.

33. The need for a full governance training programme for staff was identified during the Governance Framework Review. Topics should include how to work with elected members, obligations to Māori, relationship skills, the detail of the governance model and putting that into practice and expectation of roles as public servants and the separation between governance and management.

34. A two day Fundamentals of Governance programme has been developed has been piloted with a view to it becoming a core element of the governance learning and development programme. The pilot course was delivered to over fifty senior staff over two two-day sessions. The programme is being evaluated and preliminary findings indicate a very positive response in terms of its impact on understanding the governance model and how to engage with elected members.
35. The final evaluation will include options for rolling the programme out to more staff and/or it becoming a core component of induction for key staff members.

36. An ongoing programme of elected member development and training, Kura Kāwana has been in place formally since the start of the 2016-2019 term. The vision of this programme is that “all elected members will have the right skills and knowledge to be effective governors”.

37. Elected member role and capability descriptions form the basis of the programme. These are broadly grouped into four domains: decision-making, strategy and policy, personal effectiveness, and relationships and engagement. These four domains form the organising structure for the programme’s development and training modules and activities.

38. To date, the governance model has been specifically covered in the induction programme “Getting to grips with governance”. Attendance is not compulsory, however 105 of the 170 elected members attended this programme and feedback was very positive.

39. Moving forward, the Kura Kāwana programme will continue to include the governance model as a core part of induction deliverables, and work with internal teams to ensure that learnings from internal programmes such as Fundamentals of Governance can be applied to the elected member audience.

40. Currently, public information about the Auckland Council governance structure is limited. Planning has now begun for the 2019 local body elections. As part of the overall programme of work a project is being established under that will focus on improving public understanding of the Auckland governance model with the goal of increased engagement and voter participation. We will provide you with further information on this project in November.

**Ongoing commitment to localism, devolution, flexibility**

41. The Commission has recommended that Auckland Council keep delegations and allocations of functions under active review (recommendation 2.1)

42. Local boards acquire decision making powers through three mechanisms. They are:

- statutory powers provided under section 16 of the Local Government (Auckland Council) Act 2009 (LGACA)
- decision making responsibilities allocated by the governing body under section 17 of the LGACA
- decision making responsibilities delegated to the local board or boards under section 31 of the LGACA.

43. In addition, section 54 allows for Auckland Transport to delegate responsibilities, duties, functions and powers to Auckland Council (including local boards).
44. Statutory tests must be met before decisions are allocated or delegated under sections 17 and 31. The LGACA requires the governing body to allocate decision-making responsibility for non-regulatory activities to either the governing body or local boards. This must be undertaken in accordance with certain legislative principles and after considering the views and preferences of each local board.

45. These principles are based around the concept of subsidiarity, which argues that in political systems, decisions should be devolved to the lowest practical level, i.e. handled by the smallest, lowest, or least centralised authority capable of addressing that matter effectively.

46. The allocations and delegations to local boards were reviewed as part of the Governance Framework Review and the section of the LTP that outlines the allocations and delegations to local boards is being updated as part of the current 10-year budget process.

47. A subsequent review will be included in the Local Board Services team work programme to coincide with each LTP i.e. on a triennial basis, although out of cycle changes could be actioned through Annual Plans if required. The Waiheke Pilot is also actively looking at trialling additional delegations during its three year implementation.

Active monitoring of council-controlled organisations

48. Recommendation 5 focuses on the council’s role in monitoring the effectiveness of relationships between Auckland Council’s council-controlled organisations (CCOs), local boards and the public.

49. Over the last 18 months, Auckland Council has been undertaking an accountability review of CCOs. The objectives of the review are to increase accountability and value for money:
   - by increasing the transparency of CCO decision-making
   - increasing CCO responsiveness to the public and council
   - improving the recognition of ratepayer funding for CCO activity
   - increasing the ability to align CCOs to the direction set by the council.

50. The review has 17 work-streams and is also considering the resource required to ensure effective monitoring of the CCOs. A number of the mechanisms being considered have been developed by council, such as the Governance Manual for Substantive CCOs which describes the enduring expectations by council for CCOs, along with protocols (such as the ‘No Surprises’ protocol) and templates.

51. The work-streams being progressed in the review include the development of a board performance review framework to enhance board effectiveness and performance, developing protocols for councillor to board workshops, improving how the council specifies the outcomes it wants from CCOs and determines whether CCOs are
delivering what the council (representing the public) wants via its strategic planning framework.

52. Work is also being undertaken on improvements to the quarterly report template. This includes making the performance of each CCO clear (including how well it engages with elected members and the community) and making reporting across the council group more consistent.

53. CCOs are required to develop local board engagement plans to set out the principles for how they will build and maintain relationships with local boards. The 2017-18 Letters of Expectation to CCOs have specifically asked CCOs to prioritise working with local boards and to improve working with each other.

54. Greater clarity is being developed with regard to the roles and responsibilities of local boards and Panuku Development Auckland on public realm projects (new facilities, playgrounds, town centre redevelopments), and consideration is now being given to how we could embed this work, for example through the use of Memoranda of Understanding or Terms of Reference, between individual boards and Panuku.

55. As part of the review, the Accountability Policy for substantive CCOs is being reviewed to update the specific expectations for each CCO, and to introduce a set of core expectations which include: building trust and confidence with the public and understanding the roles of both arms of governance within the council. Embedding these into the Accountability Policy, which is part of the Long-term Plan, creates an explicit expectation that each CCO will perform effectively in these areas.

56. By November, Auckland Council will:

- have adopted the Accountability Policy\(^2\) and largely completed the Accountability Review.

- have asked for the final Panuku Statement of Intent to have a timeframe for completion of the work with local boards. This will dictate next steps.

- have local board engagement plans developed between CCOs and local boards.

**Local board funding policy settings**

57. The Commission’s recommendation 8 proposes that council consider reviewing its funding policy for local boards. Funding allocation to local boards is through a range of mechanisms for a range of activities. Budgets for those services and activities that are classified as “local” are currently in the order of $350 million of annual operating costs. This funding is made up of three core components of operational funding, along with two capital funds. The operational funding comprises:

- funding for service delivery in locally governing assets e.g. local parks, community centres, arts facilities, swimming pools, libraries

\(^2\) The revised accountability policy for CCOs was adopted on 31 May 2018
- renewals funding to ensure council assets are maintained appropriately
- local discretionary funding, which local boards can allocate according to their own local priorities e.g. through local grants, projects and events.

58. Of this funding, the first two components are allocated primarily on the basis of the number and nature of assets in a given local board area, legacy funding and levels of service. These components make up over eighty per cent of local board funding.

59. While operational budgets are allocated to each local board, in practice, boards only have full discretion over local discretionary initiative (LDI) funding and it is this funding that is distributed according to the Local Boards Funding Policy.

60. Other funding “ buckets” that are distributed according to the Local Boards Funding Policy are two local capital funds over which boards have discretionary decision making: the local discretionary initiatives capital fund; and the local transport capital fund. Both of these funds enable local boards to exercise their place shaping role by commissioning local capital projects. The LDI capital fund comprises $10.000 million distributed across the 21 boards and the local transport capital fund now totals $20.8 million (this fund was recently increased by 100 per cent as an outcome of the governance framework review).

61. The current Local Boards Funding Policy was developed in 2014, following extensive engagement with local boards. It was formally included in the 2015-25 Long-term Plan. During its development a wide range of options were put forward and considered. Factors that were proposed for inclusion included population, deprivation, geographic isolation, land area, amount of rates collected and growth.

62. The formula recommended by staff was one of 95 per cent of funding allocation based on population, and 5 per cent based on deprivation. This was modified at the Budget Committee to a formula based 90 per cent on population, and five per cent each on deprivation and share of land area, with funding for Great Barrier Island and Waiheke to be agreed each year during the budgeting process.

63. All other local board budgets are allocated based on the number and nature of the assets within a given local board area, legacy funding models and levels of service provided. This creates significant variations based on:

- the number and nature and condition of assets within a local board area e.g. pools, community facilities, parks, libraries
- the underlying service delivery model e.g. in-house, community delivered, or contracted out
- the nature of services delivered locally associated with the various assets e.g. programmes in libraries, community and arts centres, galleries, recreation centres.
64. Our view is that in terms of addressing funding distribution issues across local board areas, a review of service level variability (see paragraphs 66-72) is likely to deliver significantly more impact than reviewing the local board funding policy.

65. The desire to keep rates at a level considered affordable, along with the need to address core infrastructure issues has previously made it challenging to address some of the legacy funding issues for local activities and services. This was, however, identified as one of the key projects coming out of the Governance Framework Review and is addressed in the following section.

**Service level variability across the region**

66. Recommendation 9 relates to service level variability resulting from legacy council decisions, which was one of the key issues the Governance Framework Review considered under it finance and funding workstream.

67. The funding of local boards for operational activities under their governance is still very uneven, however, and primarily based on the funding provided under the legacy councils. The main contributing factors to the uneven funding are:

- the number of assets that each local board has within its boundaries e.g. some have multiple swimming pools, libraries or community centres, others very few
- the mode of delivery of services e.g. some local boards have council owned and operated facilities, while others provide grants to community run facilities
- the level of service provided e.g. some local boards have fully staffed community centres offering a range of programmes, while others are run just as venues for hire.

68. There is wide acceptance that the issue of number of assets is related to previous decisions and will only be changed as new assets are developed and/or older ones disposed of. The mode of delivery is also largely accepted as not a major issue, although, over time, local boards are seeking the ability to change the approach.

69. Currently local boards have little discretion and a large proportion of their budget is locked into asset renewal programmes and operating funding for local services.

70. While it is appropriate that asset management programmes are robust and follow best practice, the lack of flexibility limits the boards’ ability to respond to community preferences.

71. The Governing Body agreed in September 2017 [GB/2017/118] that, in principle, local boards should have increased flexibility in the use of operational funding for local activities, but that the variability of service levels needed to be better understood and potentially addressed first. They directed further work to be undertaken on:

- existing service levels across local board areas
- options for moderating service levels between local boards
options for minimum service levels and to which activities these may apply.
the impacts of organisational support.

72. This work is expected to take twelve months and is currently in the project planning stage. We will provide a progress report to the Commission in November.

**Local communications and awareness of council services**

73. Three recommendations (6, 7 and 10) focus on aspects of communication and engagement with communities about the roles and functions of council, how rates are spent locally and what services are delivered.

74. Auckland Council’s Communications and Engagement Department includes several units tasked with delivering a wide and diverse range of communications, marketing, brand and engagement activities both regionally and locally. The local communications team primarily supports Auckland’s twenty-one local boards and helps ward councillors tell council’s stories at the local level.

75. Ongoing research and insights have underlined the need to make communications content and activity locally relevant wherever possible across the department, with an emphasis on demonstrating how rates are spent locally.

76. Aside from local communications team activity, this may manifest itself in different ways. The following are examples:

- targeted and specific local communications and engagement activities during 10-year budget and other consultations
- local project updates and information to each household with their quarterly rates bills
- Our Auckland magazine, published monthly, with tailored local news and events (all content also shared online)
- Auckland Council Facebook page and twenty-one local board Facebook pages – targeted and paid posting to relevant areas/communities
- localised social media content also shared daily via Auckland Council Twitter and Instagram accounts as well as the community network of Neighbourly.co.nz
- marketing and publicity campaigns targeted to local communities and including strategic engagement through relationships with community partners and their programmes of work.

77. Council measures satisfaction with attendees of local and regional events (two events per local board). Overall satisfaction for local board events last year was at 77 per cent and 87 per cent for regionally-delivered events. Over 60 per cent of attendees at local events said it made them feel more positive towards council.
78. The People’s Panel (a growing online resource of over 30,000 individuals) is used to engage with Aucklanders in a locally targeted way during major consultations and at a hyper-local level for other engagement projects focused on specific communities of interest e.g. the Warkworth Structure Plan.

79. Regular research pieces guide and inform communications and engagement planning, while the Citizen Insights Monitor measures levels of trust and confidence in Auckland Council. Improving those levels is an organisation-wide strategic priority.

80. The results of this monitor show consistent, significant improvement in Aucklanders’ levels of trust and confidence over the last two years, but also identifies that those levels are significantly lower in Rodney. Our business planning for the coming year will examine specific initiatives that could be targeted to this area to improve these results.

81. By 30 June 2018, Auckland Council will have launched a revised communications strategy to increase both the effectiveness and efficiency of engagement with Aucklanders. The three pillars of this strategy are: To Know Aucklanders, Inform and Inspire, and To Meet Aucklanders Where They Are.

82. Business planning will incorporate this strategy at a department and unit level, with further focus placed on supporting local board areas with strong identities and unique challenges, such as Rodney and Waiheke.

83. A number of initiatives are planned for the new financial year:
   - review of current communications channels and fact-finding on gaps and opportunities, particularly in relation to Rodney and Waiheke Local Boards
   - leverage learnings of the Waiheke Pilot programme to enhance communications and investigate new ways of working with Rodney and Waiheke Local Boards
   - activate additional local campaigns to promote benefits and value of regional programmes, activities and initiatives i.e. what your rates dollars deliver locally
   - measure key metrics across print media, online and social media quarterly to assess impacts of and engagement with targeted local communications.

**Waiheke specific recommendations**

**Extension of the Waiheke pilot**

84. The Commission has recommended (recommendation 2.2) that council considers rolling out aspects of the Waiheke Pilot ahead of its completion, if it is showing early signs of achieving results.

85. The Waiheke pilot is an outcome of the Governance Framework Review, initiated by Auckland Council in 2016. One of the key themes of that review was that local boards do not feel sufficiently empowered to fulfil their role as envisioned in the governance reforms.
86. The review also considered whether it would be feasible for some local board areas to have differential decision making powers depending on the extent of the regional impact of specific local decisions. It suggested that, as a case study or pilot, this could be implemented on Waiheke given:

- the more clearly defined community of interest on the island (relative to most other local board areas)
- the separation of the island from the wider Auckland network with respect to services such as roading, stormwater or public transport
- the desires of the local board for greater decision-making autonomy, and a feeling that the regionalisation of services across Auckland has failed to reflect the unique nature of the island.

87. The pilot project is running for a three year period from 1 October 2017 and is being formally evaluated to determine to what extent it has been successful and whether any or all of it activities could be transferable to other local boards.

88. The project is based on the following principles:

- subsidiarity - the principle of decisions being made closest to those affected
- local flexibility, speed and responsiveness
- development of the notion of a resilient community
- recognition of the role of volunteer work in contributing to a strong community.

89. These principles guided the pilot’s design, which includes a range of operational, policy and community issues, which have been drawn from priority areas identified by the local board over time.

90. The pilot project is subject to evaluation, the purpose of this being to:

- document the changes associated with the pilot, in terms of the nature and extent of the board’s decision making power, and the organisational support provided by Auckland Council and CCOs
- identify areas for improvement and any ‘course corrections’ as the pilot progresses
- measure and report on the outcomes and impacts resulting from the pilot
- provide recommendations relating to the continuation of pilot initiatives within the Waiheke Local Board area following the conclusion of the pilot, as well as roll-out to other local board areas across the region.

91. The outcome of the evaluation will be reported towards the end of the pilot, with recommendations as to whether to continue, modify and/or expand the approaches that have been tested.
92. We have actively considered the recommendation regarding extension of some aspects of the pilot to other areas ahead of the final evaluation results, in particular in the Rodney Local Board area, which is also, arguably, disconnected to a large degree from many of the networks that are in place in the city and surrounding areas e.g. public transport, stormwater, large scale water and wastewater and networked community facilities.

93. The Rodney Local Board is actively engaged in the process of working with staff to identify relevant aspects of the pilot that could be implemented locally and which are relevant to Rodney’s critical issues. To date, the local board has identified transport and communication and engagement with local communities as being critical issues.

A sustainable land use solution at Mātiatia

94. Recommendation 12 proposes that a joined up solution be developed in relation to council land holdings at Mātiatia. Since its creation in 2010, the Waiheke Local Board has been seeking resolution of a set of complex land use and development issues at Mātiatia, the gateway to Waiheke. Auckland City Council purchased the bulk of land in the Mātiatia Bay in 2005 to prevent a level of development that was considered excessive.

95. Despite strong and continuous advocacy by the local board, no substantive progress has been made to date. Lack of funding, other council priorities as the new council and its independent arms such as Auckland Transport became established, and the disconnected land management structure, have all contributed to this.

96. In 2016, the Waiheke Local Board engaged Direction Mātiatia Inc. to run a community led process to develop a Mātiatia Strategic Plan. The completion and implementation of this plan has been identified as the board’s priority project for the 2018-28 Long-term Plan.

97. The establishment of the Waiheke Governance Pilot Programme provides the best opportunity since 2005 for the local board to take ownership of Mātiatia decisions and outcomes and a delegation to achieve that is being sought from the Governing Body.

98. Past experience and the history outlined above suggest that development at Mātiatia that doesn't meet the aspirations of the Waiheke community and isn't led by the local board will be difficult to implement. It is considered that to successfully develop, agree, fund and implement a Mātiatia Strategic Plan, the Waiheke Local Board needs to lead on this matter.

99. The Governing Body supported a recommendation to delegate non regulatory land use and development decision-making over public land currently managed by Panuku Development Auckland at Mātiatia on 24 May 2018. Both Panuku and Auckland Transport supported the proposal.
100. This delegation will enable the Waiheke Local Board to lead and make decisions on the future use and development of this land. The delegation will relate to non-regulatory matters only. Planning, funding and development will be implemented by the respective operational arms of the council, under the governance of the Waiheke Local Board. In the case of Auckland Transport managed land, decisions will be made in discussion with the Waiheke Local Board.

101. Implicit in this request is an expectation that Waiheke Local Board leadership will enable outcomes that both the Waiheke community and the Auckland Council group can support and implement, to be advanced. To provide certainty and structure to the delegation, the following current and planned staff led processes are in place.

- a Mātiatia Strategic Plan is currently being developed by community, mana whenua and council representatives that will determine the best development option for this land via a public consultation process.

- an area planning process for Waiheke is about to commence, led by the council’s Plans and Places department, and this will support and direct future land use zoning provisions when the Hauraki Gulf Island District Plan is integrated into the Auckland Unitary Plan.

102. Funding is included in the draft regional land transport plan for the transport components of the Mātiatia redevelopment (improvements to park and ride provision and ferry terminal upgrades) and funding has also been provided to continue the strategic planning process and develop a business case for any additional development costs.

**Rodney specific recommendations**

**Relocating the Rodney Local Board Office**

103. The Commission has recommended (recommendation 11) that council give consideration to providing a Rodney Local Board office located with the Rodney area. It is currently based in Ōrewa, in the Hibiscus and Bays Local Board area.

104. Due to the planned sale of the ex-Rodney District Council premises (where the board is currently based), sufficient funding is available for a new local board office in Rodney. This timing of the relocation project is expected to align with the plans to dispose of the existing Ōrewa premises, projected to be around 2021, although this will be accelerated if possible.

105. Council staff will work proactively with the Rodney Local Board to find a suitable permanent location in the Rodney board area. The board has also expressed a wish to have a permanent meeting space made available in a shorter timeframe within the Kumeu subdivision boundary.
106. While normally council wouldn’t provide two locations for local boards to meet, we recognise the challenges faced by the Rodney Local Board given the size of their board area, and are looking to support them in their desire to hold meetings at both Warkworth and Kumeu.

107. The current options are dependent on investigations into the future viability of the council-owned buildings in Kumeu, particularly the library, which has had weathertightness issues. Once these investigations are complete, we can assess whether we can achieve this request.

**Increasing the road sealing budget in Rodney**

108. The Commission has noted that the budget for road sealing in Rodney is a long standing legacy issue (recommendation 9) that needs to be addressed over time. Auckland Council is taking action on two fronts to address this: a significant increase to the road sealing budget, and a call to reinstate the NZTA subsidy for seal extensions.

109. Auckland has 7,300 kilometres of legal road, of which approximately 868km (12 per cent) is unsealed. 678km (78 per cent) of the unsealed road network is in Rodney and the remaining 190km is located mainly in Franklin, the Hauraki Gulf Islands, and the Waitākere ranges.

110. While Franklin District Council imposed a series of targeted rates to pay for sealing its rural road network, this was not the case in Rodney. When the New Zealand Transport Agency subsidy for road sealing extensions was largely removed in 2009, making the funding of extensions solely a local authority responsibility, the road sealing programme in Rodney effectively ceased.

111. Currently, Auckland Transport prioritises sealing unsealed roads using the criteria including traffic volume, including heavy commercial vehicles, houses and amenities close to the road, safety, road gradient and regional and local priority. Traffic volume is given the highest weighting for prioritisation as vehicle movements are the primary cause of dust.

112. The proposed budget for road sealing extensions in the 2018-28 Long-term Plan was initially $12.000 million over the 10 year period. On 30 April, however, the council agreed to consult on a proposed regional fuel tax of 10 cents per litre (ex GST).

113. As is required by Land Transport Management (Regional Fuel Tax) Amendment Act 2017, the proposal outlined where funding raised through the levy would be allocated. The proposal included an increase of the road sealing budget to $36.000 million over the ten-year period. The majority (if not all) of this funding would be applied in Rodney, given the top twenty roads in Auckland Transport prioritised list for road sealing are within the Rodney Local Board area.

114. In addition, Auckland Transport has made an indicative commitment of an additional $85.000 million over ten years to road sealing extensions across Auckland in its draft
Regional Land Transport Plan, which is currently undergoing public consultation. The majority of this funding is likely to be spent in Rodney.

115. On 31 May, the Governing Body approved the Regional Fuel Tax proposal, which can now be made operative by Order in Council, following consideration by the Ministers of Finance and Transport. The Regional Land Transport Plan was approved by Auckland Transport on 20 June 2018. These decisions will result in the most significant investment in transport infrastructure (outside of motorway extensions) since amalgamation.

116. Concurrently, the government is consulting on its Government Policy Statement (GPS) on Transport. On 1 May 2018, the Auckland Council submission was approved and incorporated the views of both the Rodney and Franklin Local Boards, that the NZTA subsidy for road-sealing and footpath renewals that was removed in 2009 be reinstated. This would effectively provide a fifty per cent cost reduction to council and put these improvements under the same funding regime as other transport infrastructure. The final GPS is expected to be released at the end of June 2018.

Recommendations to the Minister of Local Government

117. The key issues impacting on Auckland Council’s ability to have control over its representation arrangements are:

- the provision in the section 8(1) of the LGACA that the Governing Body will have twenty members

- the requirement for any changes to local board boundaries to be subject to the reorganisation provisions in the Local Government Act 2002, which creates tension with the Local Electoral Act provisions that local board and ward boundaries should align where possible.

118. Auckland Council is currently undertaking a review of its representation arrangements under the Local Electoral Act 2001 and has found its ability to undertake a thorough review to be significantly constrained by the current lack of flexibility. For example, changes are proposed to ward boundaries (in order to meet representation requirements) that will mean that ward and local board boundaries will no longer align, but local board boundaries are unable to be adjusted.

119. Council staff have had initial discussions with the Department of Internal Affairs on progressing these issues and a submission has been made to the Justice Select Committee on the Local Electoral Matters Bill. The report to the Select Committee will take place in November 2018. Auckland Council will continue to advocate strongly for legislative change to enable it to have the same flexibility as is enjoyed by other local authorities.
Conclusion

120. The recommendations of the Local Government Commission are largely consistent with the findings of Governance Framework Review and are welcomed by Auckland Council. As noted in this report, work that will respond to the recommendations is already underway in a number of areas, and more will be picked up and implemented in the coming months. In our next report to the Commission we expect to be able to demonstrate significant progress in delivering on our programme of work.

121. The Governance Framework Review found that:

“A prolonged focus on regional priorities is not consistent with the policy intent of the governance reforms and it may risk the council being perceived as distant from and not responsive to the needs of local communities.”

122. Progress is being made with respect to community engagement, with the most recent Citizen Insights Monitoring report (December 2017) showing increases in overall satisfaction with council and trust in council decision making. There are, however, some significant variations across Auckland with the lowest scores being in the rural areas and the highest scores being in the central and southern areas. This needs to change so that we are delivering a solid and sustainable level of trust and engagement across the Auckland region.

123. The ongoing implementation of the outcomes of the Governance Framework Review, and the uptake of recommendations made by the Commission, indicate an organisation prepared to accept the necessity for change. This will be an ongoing journey as we seek to get the balance between regional strength and consistency, with local voice and community democracy.

124. We look forward to providing you with further progress reports in November this year.
Extension of the Contributions Policy 2015

Te take mō te pūrongo / Purpose of the report
1. To adopt an extension of the Contributions Policy 2015 (Variation A).

Whakarāpopototanga matua / Executive summary
2. The Council consulted on extending the expiry date for the Contributions Policy 2015 (Variation A) from 30 June 2018 until 31 January 2019 or earlier if a new policy is adopted before 31 January 2019.
3. The extension would allow for greater engagement with the community on the formation of the draft Contributions Policy 2018. This would also allow additional time for the council to work through issues raised in previous submissions to ensure these are appropriately reflected in the council’s response and the final policy.
4. Council received 39 submissions on the proposal. All submissions received agreed that extending the Contributions Policy 2015 to allow more time to work on the draft Contributions Policy 2018 was appropriate.

Ngā tūtohunga / Recommendation/s
That the Governing Body:
a) agree to extend the Contributions Policy 2015 until 31 January 2019 or earlier if a new policy is adopted before 31 January 2019.

Horopaki / Context
5. The council consulted on the draft Contributions Policy 2018 in May 2018.
6. Feedback was received from 118 respondents. Key themes in the feedback included:
   - support for additional infrastructure investment and recognition of price impacts but concern that price rises would impact on development viability and housing affordability
   - concerns that the consultation materials did not provide enough detail and that not enough time was available for respondents to provide feedback and for council to consider that feedback
   - support for work to incorporate contributions pricing for greenfields areas.
7. Officers considered that there was value in providing more time for greater engagement with the development community.
8. Council agreed to consult on extending the expiry date for the Contributions Policy 2015 from 30 June 2018 until 31 January 2019 to allow more time to develop the Contributions Policy 2018.

Tātaritanga me ngā tohutohu / Analysis and advice
9. Council consulted on the question:
   “Do you think Auckland Council should extend the Contributions Policy 2015 to allow for more time to revise and consult on an updated draft Contributions Policy 2018?”
10. Consultation took place from 6 to 19 June 2018.

11. A total of 39 submissions were received.

12. All feedback received agreed that Council should extend the Contributions Policy 2015. A few respondents provided feedback asking for more detail to be included in a draft Contributions Policy 2018 and a longer time period for consultation.

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

13. Two local boards provided feedback supporting the extension. The proposed extension of the expiry date for the Contributions Policy 2015 (Variation A) does not impact on local boards.

**Tauākī whakaaweawe Māori / Māori impact statement**

14. Mana Whenua groups who submitted on the Contributions Policy 2018 were contacted in regards to the proposal to extend the 2015 policy. The only feedback received were requests for Mana Whenua to be engaged in the development of the draft Contributions Policy 2018.

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

15. The financial projections in the 10-year Budget assume that the policy will be extended. There are no financial implications from extending the expiry date for the Contributions Policy 2015 (Variation A).

**Ngā raru tūpono / Risks**

16. There are no risks from extending the expiry date for the Contributions Policy 2015 (Variation A).

**Ngā koringa ā-muri / Next steps**

17. A draft Contributions Policy 2018 will be developed and reported to Council to consider and approve consultation in the first quarter of the 2018/2019 financial year. A new policy can come into effect on 31 January or earlier.

**Ngā tāpirihanga / Attachments**

There are no attachments for this report.

**Ngā kaihaina / Signatories**

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Maungauika - transfer of administration

File No.: CP2018/10250

Te take mō te pūrongo / Purpose of the report

1. To seek a decision for Auckland Council to become responsible for the routine management of Maungauika/North Head in the same manner as for other tūpuna maunga administered by the Tūpuna Maunga o Tāmaki Makaurau Authority.

Whakarāpopototanga matua / Executive summary

2. Under Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Act 2014 (the Tāmaki Collective Act) 14 tūpuna maunga (volcanic cones), including Maungauika/North Head (Maungauika), were vested in the Tūpuna Taonga o Tāmaki Makaurau Trust. Unlike other tūpuna maunga, the Department of Conservation (DOC) has continued to administer and manage Maungauika since 2014.

3. Section 38 of the Tāmaki Collective Act sets out a process for the Tūpuna Maunga o Tāmaki Makaurau Authority (Tūpuna Maunga Authority) to become the administering body for Maungauika, if Auckland Council agrees to be responsible for routine management in the same manner as for other tūpuna maunga.

4. To date Auckland Council has supported in principle the transfer of administration of Maungauika to the Tūpuna Maunga Authority, but has been concerned about costs required to remedy deferred maintenance and other asset improvements on the maunga.

5. In 2014 and 2015 discussions took place between council staff and DOC to reach an agreement for the Crown to meet a potential funding gap or otherwise remedy deferred maintenance and other asset improvements on Maungauika. Although an offer was made by DOC agreement was not reached at this time.

6. In April 2018 the General Manager, Parks Sport and Recreation, and the Operations Director for DOC revisited the 2015 offer and negotiated an updated proposal for consideration by Auckland Council.

7. The proposal is that Auckland Council take up routine management of Maungauika on 1 July 2018 (or as close as possible to that date), subject to a one-off financial grant of $409,500 from the Crown to Auckland Council in recognition of deferred asset maintenance costs. In addition, DOC will continue to cover maintenance costs on Maungauika for two years from 1 July 2018 under the direction of the Tūpuna Maunga Authority, at a value of $120,000 per annum of maintenance costs and 1500 hours of staff time. DOC will also be responsible for improvements around the buildings it has a statutory right to occupy.

8. The revised offer is supported by the general manager, parks sport and recreation. The arrangement significantly meets the potential funding gap identified by Council staff.

9. Although the council could decline to take up routine management, and seek to negotiate further with DOC, this is not recommended. DOC has indicated the revised proposal is as good as the department is able to offer. Delaying or declining a transfer of administration poses a potential reputational and relationship risk to Auckland Council with mana whenua.

10. The recommended option is to take up the offer. This would allow the council to recover the costs of works from DOC in a manner that can be directed by the Tūpuna Maunga Authority. Giving effect to the transfer supports the intent of the Tāmaki Collective settlement and enhances the integrated management of the tūpuna maunga across Auckland. It is the strong preference of mana whenua and is supported by the Tūpuna Maunga Authority. Integrated management will also likely be an important aspect of a future application for World Heritage status for the tūpuna maunga.
Ngā tūtohunga / Recommendation/s

That the Governing Body:

a) agree Auckland Council be responsible for the routine management of Maungauika/North Head in the same manner as for other tūpuna maunga administered by the Tūpuna Maunga Authority

b) delegate to the mayor to provide notice in writing to the Minister of Conservation on behalf of Auckland Council to give effect to this resolution.

Horopaki / Context

11. The Tāmaki Collective Act vested 14 tūpuna maunga in the Tūpuna Taonga o Tāmaki Makaurau Trust (the Trust), to hold for the common benefit of Ngā Mana Whenua o Tāmaki Makaurau and the people of Auckland. Among the vested maunga was Maungauika.

12. Through the Tāmaki Collective Act, Auckland Council is responsible for the routine management of 13 tūpuna maunga and must carry out this responsibility under the direction of the Tūpuna Maunga Authority.1

13. Unlike other tūpuna maunga, the Crown through DOC has continued to administer and manage Maungauika since 2014. A map of Maungauika is attached (Attachment A).

14. Under section 38 of the Tāmaki Collective Act, the Governor-General, by Order in Council made on the recommendation of the Minister of Conservation, can make the Tūpuna Maunga Authority the administering body for Maungauika. The Minister of Conservation may recommend making the order if, among other things, Auckland Council agrees to be responsible for the routine management of Maungauika in the same manner as for other tūpuna maunga.

15. In 2015 the Minister of Conservation, Director-General of DOC, 13 mana whenua groups and the Trust entered into a Conservation Relationship Agreement. The agreement is separate from the Tāmaki Collective Act and does not apply to Auckland Council. It nevertheless sets out an intention that, if DOC remains the administrator of Maungauika after five years, the parties will look to broaden the scope of governance issues for Maungauika (the date for this being 31 July 2019). The agreement creates a time-frame on a decision by Auckland Council to take up routine management.

16. Since October 2016, DOC has managed Maungauika in accordance with the Tūpuna Maunga Integrated Management Plan (IMP). The part of the IMP relating to Maungauika was approved by the former Minister of Conservation (Attachment B). DOC also retains all income earned from Maungauika, although this income is modest.

Auckland Council support for administration by Maunga Authority but concern about costs

17. Although Auckland Council has supported in principle the transfer of administration of Maungauika to the Tūpuna Maunga Authority, the council has been concerned about costs required to remedy deferred maintenance and provide asset improvements on the maunga.

18. On 27 October 2011, the Governing Body approved a response to the Minister for Treaty of Waitangi Negotiations on various matters relating to the proposed Tāmaki Collective settlement. This included delaying agreement to transfer Maungauika so cost and funding implications were better understood (GB/2011/202). Provision was subsequently made to allow the Tūpuna Maunga Authority to take up administration of Maungauika at a later date.

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1 Maungauika/North Head and Rarotonga/Mt Smart are Trust-owned lands managed by DoC and Regional Facilities respectively. Mangere Mountain and Maungakiekie/One Tree Hill northern land are Crown-owned lands, but the routine management was transferred to Auckland Council under the direction of Tūpuna Maunga Authority.
19. On 10 September 2013, the Governing Body endorsed a submission to the Māori Affairs Committee on Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Bill. The submission supported the Bill, including “the capacity for Maungauika to be managed by the Maunga Authority if Auckland Council agrees to be responsible for the routine management of Maungauika in the same manner as for other maunga ...” (GB/2013/94).

Discussion between DOC and Auckland Council, 2014-2015

20. In 2014, a visual and structural assessment of assets on Maungauika was commissioned and carried out by council staff. The resulting report largely informed a proposal by staff that DOC either provide a one-off financial grant of $1,100,000 to meet a potential funding gap or otherwise remedy deferred maintenance and other asset improvements (this was later reassessed down to $908,500).

21. On 5 August 2014, the Parks, Recreation and Sport Committee resolved to support the transfer of routine management of Maungauika on the condition remedial work was undertaken or costs otherwise met (PAR/2014/48).

22. DOC disputed the deferred maintenance and other costs identified by the council. They identified assets which would not be part of a transfer, other assets which had or would be addressed through DOC’s maintenance programme, and proposed works which had not been identified as safety issues. DOC also disputed the inclusion of some proposed works which would be outside their national management framework and practice guidelines.

23. On that basis, DOC offered to pay a one-off financial grant of $409,500 to facilitate the transfer of administration, while completing maintenance and repair work as part of their cyclical maintenance programme until transfer of administration.

24. On 6 October 2015, DOC’s offer was reported to council’s Te Tiriti / Treaty of Waitangi Settlement Working Party. The working party suggested council staff undertake further discussions with DOC to seek to increase the Crown’s commitment. DOC later indicated they were unable to improve their offer. Discussions between the council and DOC largely ceased at that time.

Revised DOC offer and management recommendation, 2018

25. On 20 December 2017, the chair of the Planning Committee wrote to the Minister of Conservation suggesting discussions on Maungauika be reinvigorated to enable a transfer of administration to the Tūpuna Maunga Authority (Attachment C).

26. In April 2018, the general Manager, parks sport and recreation, and the operations director for DOC revisited the 2015 offer and negotiated an updated proposal for consideration by Auckland Council.

27. The recommended proposal is that Auckland Council take up routine management of Maungauika on 1 July 2018 (or as close as possible), subject to:

   i) the immediate transfer of a one-off financial grant of $409,500 from the Crown to Auckland Council in recognition of deferred asset maintenance costs;

   ii) DOC continuing to cover maintenance costs on Maungauika for two years from 1 July 2018 under the direction of the Tūpuna Maunga Authority, at a value of:
       • $120,000 per annum of maintenance costs
       • 1500 staff hours per annum. After the first financial year, the Tūpuna Maunga Authority has the option of converting these hours into a simple payment.

   iii) DOC will be responsible for improvements around the buildings it has a statutory right to occupy (Areas C1 and C2 as identified in Attachment A), until DOC provides notice to vacate. This maintenance is in addition to maintenance under the direction of the Tūpuna Maunga Authority.
28. The revised arrangement is supported by the general manager, parks sport and recreation. The arrangement significantly meets the potential funding gap identified by council staff in 2014, including by DOC’s agreement to continue managing the site under the direction of the Tūpuna Maunga Authority for an additional two years.

Consultation with the Tūpuna Maunga Authority

29. Section 38(2)(c) of the Tāmaki Collective Act requires that, before agreeing to be responsible for the routine management of Maungauika, Auckland Council must consult the Tūpuna Maunga Authority. On 18 May 2018 the general manager parks, sports and recreation wrote to the chair of the Tūpuna Maunga Authority outlining the management agreement agreed in principle with DOC for payment and an additional two years of management by DOC, with further contributions to maintenance costs and staff time. The Tūpuna Maunga Authority supports the proposed approach.

Tātaritanga me ngā tohutohu / Analysis and advice

30. Options available are considered to be:

a) decline the management recommendation and direct staff to negotiate further with the Department of Conservation

b) support the management recommendation at a future date

c) support the management recommendation without changes.

31. **Option A is not recommended.** It does not meet the intent of the Treaty settlement legislation in a timely manner. It therefore risks undermining the council’s long-standing position that it supports the Tāmaki Collective settlement and agrees in principle to take up routine management of Maungauika. DOC has indicated the revised proposal is as good as the department can offer.

32. **Option B is not recommended.** It creates more uncertainty and would require agreement from DOC. The closer the transfer date gets to 31 July 2019, the more uncertain the proposed arrangement will likely be. DOC has indicated it is unlikely the one-off financial grant will be available beyond 30 June 2018.

33. **Option C is the recommended option.** It allows the council to recover from DOC the costs of works in a manner that can be directed by the Tūpuna Maunga Authority at the earliest stages. Based current assessments, the one-off financial grant will cover engineering and heritage assessments, plus remaining deferred maintenance, and should significantly contribute to asset improvements to be managed over a longer period in line with Tūpuna Maunga Authority aspirations.

34. Council staff have reviewed DOC’s operational costs at Maungauika over the last four years, which amounts to approximately $160,000 per annum ($80,000 and 1200 staff hours). Work done in this period has addressed a number of the deferred maintenance issues identified in 2014. The proposal for a further two years of work by DOC, including $120,000 per year of costs plus staff time, means DOC will continue to address deferred maintenance costs.

35. Giving effect to the transfer supports the intent of the Tāmaki Collective settlement and enhances the integrated management of the tūpuna maunga across Auckland. It is the strong preference of mana whenua.

36. Integrated management will likely be an important aspect of a future application for World Heritage status for the tūpuna maunga.
Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe / Local impacts and local board views

37. On 15 April 2014, the Devonport-Takapuna Local Board passed resolutions supporting the transfer of routine management of Maungauika to Auckland Council, on the condition that the Crown meets the cost of the council remedying the deferred maintenance and other asset maintenance matters identified by council (DT/2014/89). The local board also requested that the community has input into ensuring the built heritage is recognised and retained on Maungauika.

38. On 19 June 2018, the views of the Devonport-Takapuna Local Board were sought on the management proposal for transfer set out here. Local board resolutions will be tabled on 27 June 2018 when the Governing Body considers this paper.

Tauākī whakaaweawe Māori / Māori impact statement

39. The Tāmaki Collective Act provides mechanisms by which mana whenua groups may exercise mana whenua and kaitiakitanga over the tūpuna maunga. A transfer of administration of Maungauika to the Tūpuna Maunga Authority will help give effect to these Treaty settlement outcomes and enhance the integrated management of the maunga. The Tūpuna Maunga Authority and the Tūpuna Taonga o Tāmaki Makaurau Trust supports the proposed arrangement with DOC to facilitate a transfer of routine management to Auckland Council.

Ngā ritenga ā-pūtea / Financial implications

40. On 28 May 2018, the Tūpuna Maunga Authority met to approve the Authority’s Operational Plan 2018/2019 and the Summary of the Operational Plan 2018/2019. These documents include proposed Maungauika operational long-term plan funding of $200,000 per annum for the 2018-2019 to 2021-2022 financial years with small increases to cover inflation. On 28 June 2018, the Governing Body is set to adopt the Long-term Plan 2018-2028.

41. It is anticipated the Crown’s financial grant of $409,500, plus DOC covering the first two years of operational and maintenance work, will provide a total of around $809,500 for engineering and heritage assessments, asset improvements, and further maintenance work to be undertaken in line with Tūpuna Maunga Authority aspirations.

Ngā raru tūpono / Risks

42. There is a potential reputational risk to Auckland Council of not taking up routine management of Maungauika in a timely manner, insofar as the council’s long-standing position that it supports the Tāmaki Collective settlement would be undermined. This may pose a risk to relationships with mana whenua, who support an integrated approach to the management of the tūpuna maunga as provided under the Treaty settlement legislation.

Ngā koringa ā-muri / Next steps

43. If supported, notice will be given to the Minister of Conservation that Auckland Council has agreed to be responsible for the routine management of Maungauika. A delegation to the mayor to provide notice is sought.

44. Under section 38 of the Tāmaki Collective Act, the Minister of Conservation may recommend to the Governor General the making of an Order in Council for Schedule 6 of the Act to come into force and the Tūpuna Maunga Authority to become the administering body for Maungauika.

45. If administration is transferred to the Tūpuna Maunga Authority, Maungauika will continue to be included within the Hauraki Gulf Marine Park and subject to the Hauraki Gulf Marine Park Act 2000.
Ngā tāpirihanga / Attachments

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<td>Letter Minister of Conservation regarding approval of IMP, 14 October 2016</td>
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<td>C</td>
<td>Letter Chair of Planning Committee to Minister of Conservation, 20 November 2017</td>
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</table>

Ngā kaihaina / Signatories

| Authors | John Hutton - Manager Treaty Settlements  
Mace Ward - General Manager Parks, Sports and Recreation |
|---------|-------------------------------------------------|
| Authorisers | Phil Wilson - Governance Director  
Stephen Town - Chief Executive |
Maungauika - transfer of administration
Mr Paul Majurey 
Chair 
Tūpuna Maunga o Tāmaki Makaurau Authority 
Private Bag 92300 
Victoria Street West 
Auckland 1142 

Tena koe e te Heamana, koutou ko ngā rangatira o te Mana Whakahaere, 

APPROVAL OF THE TŪPUNA MAUNGA INTEGRATED MANAGEMENT PLAN 

I refer to your request for approval of the Tūpuna Maunga Integrated Management Plan with respect to Maungauika. 

I acknowledge the significance of these iconic and unique maunga to Ngā Mana Whenua o Tāmaki Makaurau, to the people of Auckland and indeed, to New Zealand. This Integrated Management Plan outlines a management approach that enables these special places to be regarded and treated as a collective whole and provides that they will forever be valued, restored, protected and managed as the taonga tuku iho that they are. 

I am satisfied that the Integrated Management Plan meets the requirements and intention of the Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Act 2014. Accordingly, I am pleased to approve the part of the plan relating to Maungauika. 

Naku noa, nā 

Honourable Maggie Barry ONZM 
Minister of Conservation
Councillors’ Office

Hon Eugenie Sage
Minister of Conservation
Private Bag 18888
Parliament Buildings
Wellington 6160

20 December 2017

Kia Ora Hon Eugenie Sage

MAUNGAUKA / NORTH HEAD MANAGEMENT

As you will be aware, Maungauika / North Head was transferred to mana whenua following a Treaty of Waitangi settlement with Ngā Mana Whenua o Tāmaki Makaurau in 2012.

Under the settlement legislation, the Department of Conservation (DoC) remains the administering body of Maungauika until Auckland Council agrees to responsibility for routine management (as with other Tūpuna Maunga, with the Tūpuna Maunga o Tāmaki Makaurau Authority as the administering body).

I have previously served a term as an Auckland Council appointee to the Tūpuna Maunga o Tāmaki Makaurau Authority (Authority) and often reflect on this as one of the most productive and enjoyable appointments I have had as an elected member. I value the special voice that the Authority brings to management as a co-governance entity and would like to see integrated management of all Tūpuna Maunga in Auckland.

The Authority’s Integrated Management Plan supports the progress of a bid for World Heritage inscription for the Tūpuna Maunga. For this outcome to be achieved, Maungauika must be included under the Authority’s management.

To date, discussions on Maungauika between DoC and Auckland Council have been protracted, and have stalled over time.

Your appointment as Minister of Conservation provides an ideal opportunity to reinvigorate this conversation and resolve the impasse that discussions have reached. Doing so will facilitate early achievement of the outcomes desired by your office and my council. While the gaps in negotiations are not considerable, the benefits to all of Auckland are.

Ngā mihi mahana,

Chris Darby
Chair I Planning Committee
Councillor I North Shore Ward
p. 021 284 2888
e. Chris.Darby@aucklandcouncil.govt.nz
Te take mō te pūrongo / Purpose of the report
1. To receive the recommendations from the Appointments, Performance Review and Value for Money Committee and approve the Group Procurement Value for Money (s17A) Review 2018 report and its recommendations.

Whakarāpopototanga matua / Executive summary
2. At its meeting on 7 June 2018, the Appointments, Performance Review and Value for Money Committee considered the attached report and resolved as follows:

   That the Appointments, Performance Review and Value for Money Committee:
   c) receive the Group Procurement Value for Money (s17A) Review 2018 report
   d) endorse the recommendations contained in the Group Procurement Value for Money (s17A) Review 2018 report and recommend that the Governing Body approve the report and its recommendations.

3. The original report with Attachment B only are included in Attachment A of this report.

Ngā tūtohunga / Recommendation/s
That the Governing Body:
 a) approve the recommendations contained in the Group Procurement Value for Money (s17A) Review 2018 report included in Attachment A of the agenda report.

Ngā tāpirihanga / Attachments

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Ngā kaihaina / Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Sarndra O'Toole - Team Leader Governance Advisors</th>
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<tr>
<td>Authoriser</td>
<td>Stephen Town - Chief Executive</td>
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Value for Money (s17A) Review programme

File No.: CP2018/05879

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), whahapu (harbour), motu (islands) and kaitakitanga (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 (tauraw 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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<thead>
<tr>
<th>Author</th>
<th>Sally Garrett – Programme Manager</th>
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<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>
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<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
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Group procurement

Value for Money (s17A) Review 2018
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?²

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 metrics\(^2\) 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

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<th>Operating spend 16/17 (Total $3.8b)</th>
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<td>Capital spend 16/17 (Total $1.5b)</td>
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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.

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

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.

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.
Attachment A

Item 14

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 +ve not estimated</td>
</tr>
<tr>
<td>2</td>
<td>SRM              +ve not estimated</td>
</tr>
<tr>
<td>3</td>
<td>Risk management  +ve not estimated</td>
</tr>
<tr>
<td>4</td>
<td>Hard savings target 140</td>
</tr>
<tr>
<td></td>
<td>Total            140</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.

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, manage³.
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.
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?
## Attachment A

### Item 14

**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>Challenge</th>
<th>Context</th>
<th>Negotiate</th>
<th>Work smart</th>
<th>SRM</th>
<th>Racionalisation</th>
<th>Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>Question the need, specific requirements and sourcing strategy.</td>
<td>Procurement must balance political and business requirements with commercial outcomes.</td>
<td>Test the current supply arrangements of a contract renewal by going to market.</td>
<td>May include (but is not limited to) rates, service levels, cost avoidance.</td>
<td>Drive productivity through problem solving to find efficiencies in supply effectiveness.</td>
<td>SRM is in its early stages within the council Group.</td>
<td>Large number of suppliers used. Potential for further optimisation.</td>
<td>Using technology effectively to improve procurement and business efficiency.</td>
</tr>
</tbody>
</table>

**Comment**

- Green indicates good performance.
- Yellow indicates areas for improvement.

---

**Value for Money (s17A) Review programme**
**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 can only benefit customers if it is delivered by customers and suppliers working constructively together with aligned objectives.

Auckland Council Procurement surveys customers annually and only 48% of customers are satisfied with the procurement experience (25% compared 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 work successfully with Procurement.

Value for Money (s17A) Review programme
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 framework4 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>Value chain</th>
<th>Benefits identification</th>
<th>Benefits confirmation</th>
<th>Benefits realisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan</td>
<td>“Identify the value”</td>
<td>“Get the value”</td>
<td>“Keep the value”</td>
</tr>
<tr>
<td>Source</td>
<td></td>
<td>Manage</td>
<td>Operational purchasing</td>
</tr>
<tr>
<td>Who?</td>
<td>Procurement / business unit</td>
<td>Procurement</td>
<td>Procurement / business unit</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 $1.5m (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

**Procurement benefits 2017**

- **Auckland Council**
- **Auckland Transport**
- **Watercare**

**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.
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 it 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 EV 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:

- Accelerate the delivery of procurement benefits
- Transition to a leading practice procurement function

**Objectives**

- **Foundations**
  - Collaborative procurement
  - Core focus on benefit delivery
  - Consistent benefits measurement and reporting

- **Enablers**
  - Enhanced analytics and project management tools

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.

<table>
<thead>
<tr>
<th>healthAlliance</th>
<th>Lessons for Auckland Council from healthAlliance</th>
<th>Council Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>Governance in place with clear accountabilities and responsibilities defined</td>
<td>⭕</td>
</tr>
<tr>
<td></td>
<td>Standardisation of systems and processes underpins successful procurement delivery and consistent customer experience</td>
<td>⭕</td>
</tr>
<tr>
<td></td>
<td>Standardisation of goods and services where practicable with opportunities forgone reported on</td>
<td>⭕</td>
</tr>
<tr>
<td></td>
<td>Procurement becoming the catalyst for change and becoming involved at the strategic assessment of business case opportunities</td>
<td>⭕</td>
</tr>
<tr>
<td></td>
<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.

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.
Attachment A

Item 14

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

Top 30 suppliers across the Auckland Council Group

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
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 1 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 recognize 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.
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 DBM 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\(^2\) (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</td>
<td>Rates</td>
<td>Strategic</td>
<td>• Centre-led or hub-and-spoke operating model.</td>
</tr>
<tr>
<td>(physical works and technical services; operational; and ICT and corporate)</td>
<td>No significant commercial revenues</td>
<td>procurement committee (sub-committee of Finance and Performance committee). Supports the CEO in delivering work programme.</td>
<td>• Procurement team organised around entities operating requirements.</td>
</tr>
<tr>
<td>and procurement excellence &amp; capability build.</td>
<td></td>
<td></td>
<td>• Customer satisfaction 48% - consistent with prior year; outlining opportunity to continue working on consistent customer experience.</td>
</tr>
<tr>
<td>• Direct report to CFO.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Contract administration, transactional purchasing (and accounts payable) managed by other teams.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Contract administration.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Procurement sits in a department organised into three category teams</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.</td>
</tr>
<tr>
<td>(infrastructure; operational and business technology; and corporate)</td>
<td>No significant commercial revenues</td>
<td></td>
<td>• Procurement team organised around entities operating requirements.</td>
</tr>
<tr>
<td>and procurement excellence.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Contract administration part of procurement team but transactional purchasing (and accounts payable) managed by other teams</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Direct report to CFO.</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>
</table>
| • Procurement sits in a department organised with three category leads (infrastructure; service delivery; and corporate and retail) and procurement excellence.  
• Contract administration, transactional purchasing (and accounts payable) managed by other teams.  
• Direct report to CFO. | User charges | Delegation framework with contracts over CEO delegation approved by board. Contracts over $100k reported to board and publicly. | • Centre-led or hub-and-spoke operating model.  
• Small focused team based on operating requirements.  
• Supply chain management crucial for some critical supplies (chemicals).  
• Customer survey planned for November 2017. |
| • Small procurement team.  
• Reports to Manager Finance who reports to CFO. | Rates and commercial revenue | Delegation framework with contracts over CEO delegation approved by board | • Centre-led or hub-and-spoke operating model.  
• Procurement at lower level in organisation than in other council entities.  
• 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.  
• Has moved from SAP financial system to event management system. |
## 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>• 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></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 VIM 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 7

<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</td>
<td>The delegation reviewed case studies across a variety of projects to</td>
<td>A 2015 New Zealand Treasury report suggested that there could be</td>
<td>Opportunity to create a centre of expertise for infrastructure procurement</td>
</tr>
<tr>
<td>Infrastructure New Zealand 2015 delegation to Canada in 2015 and the</td>
<td>assess whether they may be applied to a New Zealand context. Canada</td>
<td>significant improvement across government. Currently, New Zealand</td>
<td>to leverage procurement expertise across the council Group.</td>
</tr>
<tr>
<td>potential implications for Auckland Council.</td>
<td>uses specialist publicly-owned procurement agencies (e.g. Partnerships</td>
<td>Infrastructure procurement (and major programme delivery is</td>
<td></td>
</tr>
<tr>
<td>The delegation considered the Canadian approach to major</td>
<td>British Columbia, Infrastructure Ontario and PPP Canada) to deliver</td>
<td>fragmented across many participants).</td>
<td></td>
</tr>
<tr>
<td>project procurement which involved establishing a number of</td>
<td>procurement for complex major projects. This approach is designed to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>specialised agencies to deliver procurement.</td>
<td>deliver better VfM, achieved through efficiencies for agencies and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canadian infrastructure was viewed as better quality than NZ (World</td>
<td>improvements to the supplier market place as the procurement agencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Forum data) and has made significant progress working with</td>
<td>build expertise by delivering more projects more often.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>the private sector in delivering infrastructure projects.</td>
<td>Infrastructure New Zealand noted that monitoring of conventional</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>project delivery is generally weak outside PPP procurement.</td>
<td></td>
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</tr>
</tbody>
</table>

7: Auckland Council
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.</td>
<td>The review found 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.</td>
<td>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></td>
</tr>
<tr>
<td>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.</td>
<td></td>
<td></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>
</tr>
<tr>
<td>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></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8 Auckland Council
Case study: Facilities Management procurement (Project 17)

Context
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.

Action
- 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.

Results
- 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.

Note: Further information on Project 17 is included in the Parks and Open spaces VFM review
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 requirement.
- 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.
### Assessment

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Aligns with a formal strategic plan</td>
</tr>
<tr>
<td></td>
<td>Supports doing more with less</td>
</tr>
<tr>
<td>Value for money</td>
<td>Improved VFM will be achieved from:</td>
</tr>
<tr>
<td></td>
<td>• central co-ordination with local implementation</td>
</tr>
<tr>
<td></td>
<td>• joint outcomes and aligning each organisation’s focus on consistent</td>
</tr>
<tr>
<td></td>
<td>performance measure(s) and monitoring framework</td>
</tr>
<tr>
<td></td>
<td>• greater consistency, removal of duplication and sharing of resources</td>
</tr>
<tr>
<td></td>
<td>• volume savings through leveraging scale</td>
</tr>
<tr>
<td>Equity</td>
<td>Value from an efficient and effective procurement service benefits all</td>
</tr>
<tr>
<td></td>
<td>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</td>
</tr>
<tr>
<td></td>
<td>duplication, these should be redeployed to higher value procurement</td>
</tr>
<tr>
<td></td>
<td>activity</td>
</tr>
<tr>
<td>Competency</td>
<td>Collective Group strategic planning management resources and capabilities</td>
</tr>
<tr>
<td></td>
<td>are used</td>
</tr>
</tbody>
</table>

### 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#8.
- 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.
### Assessment

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Aligns with a formal strategic plan</td>
</tr>
<tr>
<td></td>
<td>Supports doing more with less</td>
</tr>
<tr>
<td>Value for money</td>
<td>Will increase through early supplier engagement, innovation and reduced transaction costs</td>
</tr>
<tr>
<td>Equitable</td>
<td>Equitable to ratepayers</td>
</tr>
<tr>
<td>Feasibility</td>
<td>Feasible to implement, but needs clear aligned objectives to deliver results</td>
</tr>
<tr>
<td>Affordability</td>
<td>Improves affordability</td>
</tr>
<tr>
<td>Competency</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>

### Results

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.

### 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.
### 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.

<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>

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>Leverage suppliers</th>
<th>Strategic suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Many competitors</td>
<td>• Market leaders</td>
</tr>
<tr>
<td>• Commodity products</td>
<td>• Specific know-how</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leverage products</th>
<th>Strategic products</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Alternative sources of supply</td>
<td>• Dependence on supplier</td>
</tr>
<tr>
<td>• Substitution available</td>
<td>• Long term availability</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Routine products</th>
<th>Bottleneck products</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Large product variety</td>
<td>• Scarcity</td>
</tr>
</tbody>
</table>

Potential operation for Council Group

<table>
<thead>
<tr>
<th>Capital programme (local)</th>
<th>Centre of expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central co-ordination with local implementation</td>
<td>Capital programme (infrastructure)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SAP Ariba</th>
<th>Effective panel management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared services – common processes and systems</td>
<td>Central co-ordination with local implementation</td>
</tr>
</tbody>
</table>

80% of transactions
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.
### Recommendations from the Appointments, Performance Review and Value for Money Committee

**Value for Money (s17A) Review programme**

<table>
<thead>
<tr>
<th>Net estimate</th>
<th>NPV $140m over 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of implementation</td>
<td>Moderate</td>
</tr>
<tr>
<td>Timing</td>
<td>&lt; 6 months</td>
</tr>
<tr>
<td>Overall rating</td>
<td>Must do</td>
</tr>
</tbody>
</table>

#### 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.
<table>
<thead>
<tr>
<th></th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 year total</td>
<td>99</td>
</tr>
<tr>
<td>Cost of procurement</td>
<td></td>
</tr>
<tr>
<td>Current ROI</td>
<td>2</td>
</tr>
<tr>
<td>Forecast benefit at</td>
<td>197</td>
</tr>
<tr>
<td>proposed ROI</td>
<td></td>
</tr>
<tr>
<td>Forecast benefit in</td>
<td>394</td>
</tr>
<tr>
<td>proposed ROI</td>
<td></td>
</tr>
<tr>
<td>Incremental benefit</td>
<td>197</td>
</tr>
<tr>
<td>NPV (6% discount rate)</td>
<td>140</td>
</tr>
</tbody>
</table>
Appendices
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:

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

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

- Stakeholder engagement
- Consultation
- Analysis of service and financial data (official source)
- Check benchmarks, best practice and case studies
- Check customer & stakeholder surveys
- Political, Economic, Social and Technology trends

**Evidence**

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.
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.

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.

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: • clear accountability • transparency • compatible incentives • risk allocation to where best managed • 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>
### 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>ARCDE</td>
<td>Global performance benchmarking company based in USA. Used by consultancy to provide performance comparisons</td>
</tr>
<tr>
<td>ATEDD</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. Infrastructure refers to physical networks, principally transport, water, energy, and communications</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>Local Government Act 2001 (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 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 change 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.
We wish to thank the following people who were either interviewed or participated in discussions relating to this review.
Te take mō te pūrongo / Purpose of the report
1. To receive advice from the Appointments, Performance Review and Value for Money Committee (APRVFM) on the outcome of the chief executive’s employment review.
2. The discussion will be held in the confidential agenda.

Whakarāpopototanga matua / Executive summary
3. The chief executive’s contract expires on 31 December 2018 and the Governing Body can either extend Mr. Town’s contract by up to a further two years or advertise a vacancy. The Local Government Act 2002 requires the council to undertake a formal employment review by 30 June 2018 before it makes its decision.
4. The Governing Body delegated the employment review process to the APRVFM Committee. The APRVFM Committee has completed the employment review and will present its recommendations to the Governing Body in the confidential agenda of today’s meeting.
5. The council has a contractual obligation to review Mr. Town’s remuneration annually. The chief executive’s remuneration was last reviewed in December 2015. The APRVFM Committee will provide advice on the chief executive’s remuneration in the confidential agenda.

Ngā tūtohunga / Recommendation/s
That the Governing Body:

a) note that the Appointments, Performance Review and Value for Money Committee will present its recommendations to the Governing Body on the outcome of the chief executive’s employment review in the confidential agenda of today’s meeting

b) note that subject to the decisions of the Governing Body, in consultation with the chief executive, a public statement will be made as soon as practicable.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe / Local impacts and local board views
6. Local board views were sought to inform the chief executive’s employment review.

Tauākī whakaaweawe Māori / Māori impact statement
7. The chief executive plays a key role in discharging Auckland Council’s Treaty of Waitangi and statutory obligations to Māori. Those obligations are reflected in the chief executive’s current performance objectives which expire on 31 December 2018.
8. The IMSB Chair was consulted during the chief executive employment review.

Ngā ritenga ā-pūtea / Financial implications
9. There are no financial implications associated with the decisions in this paper, other than any changes agreed in the cost of meeting the chief executive’s remuneration.
Ngā raru tūpono / Risks
10. The main risks are timeliness and continuity in senior executive leadership. Mr Town’s contract expires on 31 December 2018 and the Governing Body is encouraged to confirm its decision at this meeting to address any uncertainty, or if required, to commence a recruitment process.

Ngā tāpirihanga / Attachments
There are no attachments for this report.

Ngā kaihaina / Signatories

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Author</td>
<td>Patricia Reade - Director People and Performance</td>
</tr>
<tr>
<td>Authoriser</td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Summary of Governing Body information memos and briefings - 27 June 2018

File No.: CP2018/00242

Te take mō te pūrongo / Purpose of the report
1. To receive a summary and provide a public record of memos or briefing papers that may have been distributed to Governing Body members.

Whakarāpopototanga matua / Executive summary
2. This is a regular information-only report which aims to provide greater visibility of information circulated to Governing Body members via memo-briefing or other means, where no decisions are required.
3. The following workshops/briefings have taken place:
   - 7/6/18 – Briefing Update Councillors on discussions on relocation options for Speedway CONFIDENTIAL (no attachment)
   - 13/6/18 – Representation Review (Attachment A)
4. This document can be found on the Auckland Council website, at the following link:
   - at the top of the page, select meeting “Governing Body” from the drop-down tab and click “View”;
   - under ‘Attachments’, select either the HTML or PDF version of the document entitled ‘Extra Attachments’.
5. Note that, unlike an agenda report, staff will not be present to answer questions about the items referred to in this summary. Governing Body members should direct any questions to the authors.

Ngā tūtohunga / Recommendation/s
That the Governing Body:
a) receive the Summary of Governing Body information memos and briefings – 27 June 2018.

Ngā tāpirihanga / Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Representation Review workshop Minutes - 13/6/18 (Under Separate Cover)</td>
<td></td>
</tr>
</tbody>
</table>

Ngā kaihaina / Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Sarndra O'Toole - Team Leader Governance Advisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authoriser</td>
<td>Stephen Town - Chief Executive</td>
</tr>
</tbody>
</table>
Exclusion of the Public: Local Government Official Information and Meetings Act 1987

That the Governing Body:

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></th>
<th>C1</th>
<th>Acquisition of land for open space - Glen Eden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reason for passing this resolution in relation to each matter</td>
<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></td>
</tr>
</tbody>
</table>
| Particular interest(s) protected (where applicable) | s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.  
  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 report identifies land that council seeks to acquire for open space purposes. |
| Ground(s) under section 48(1) for the passing of this resolution | 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. |

<table>
<thead>
<tr>
<th></th>
<th>C2</th>
<th>Chief Executive's Employment Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reason for passing this resolution in relation to each matter</td>
<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></td>
</tr>
</tbody>
</table>
| Particular interest(s) protected (where applicable) | 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 Governing Body will discuss the performance of the Chief Executive, which may include past performance and future expectations, terms and conditions of employment, remuneration and future performance objectives. |
| Ground(s) under section 48(1) for the passing of this resolution | 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. |