

VALUE FOR MONEY IMPLEMENTATION PROGRESS REPORT

Review:	Procurement	Flag	GREEN (Overall)
Report Date	6 September 2018	Report Period	July-September 2018

Status Overview for the Review

Significant progress has been made by Procurement across the council group in regard to the Quick Wins and Recommendations outlined in the Section 17a Procurement review.

Group Source programme and Section 17a review

The Procurement teams within the council group continue to collaborate and work together in line with the Group Source programme. This way of working began through Project Hari Hari in September 2015. The intention of this programme has been to leverage the capability, resources and buying power of all three organisation's procurement teams to deliver significant value to the Auckland Council group and its ratepayers.

Now known as Group Source, this way of working continues to support collaboration across Auckland Council (AC), Auckland Transport (AT) and Watercare procurement teams. AC, AT and Watercare procurement staff share ideas, information and learnings to achieve a better outcome across the group. As the programme matures, collaboration has supported a more strategic approach. This is evident through the increasing number of Group frameworks and policies Group Procurement (AC, AT and Watercare procurement teams) formulate together to ensure Group procurement plans for success and achieve the best outcome for the group.

The Figure below shows the objectives and core principles of the Group Source programme.



The Group Source programme has now been running for nearly three years and has delivered more than \$288 million in procurement benefit across the Auckland Council group.

Benefit Realisation 2018/19

Benefit opportunity \$m	Benefit forecast \$m	Variance to opportunity \$m	Benefit realised \$m	Variance to forecast \$m	Benefit realisation plan developed	RAG
To be confirmed	NPV \$140M – 10 years	To be confirmed	To be confirmed	To be confirmed	To be confirmed	

Commentary

Council Group

In line with the collaborative working style, Procurement management across the group has worked together to both inform the Section 17a review and to address its recommendations. Since the review's release Group Procurement management have worked through the Quick Wins and Recommendation sections as a unified group. Group Procurement management have outlined current state and planned future against each Recommendation.

In addition to addressing the Quick Wins and Recommendations out of the Section 17a Report Group Procurement management will also establish a Group Procurement Strategy that includes mandated group categories.

Definition

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

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

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

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

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

Benefit Forecast (per period)

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2027/28	Total
TBC											

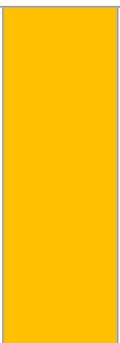
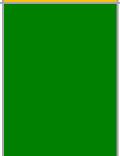
Benefit Realised (per period)

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2027/28	Total
Not yet applicable											

Key Initiatives

Initiative	Start Date	Completion Date	Flag	Work plan achievements
Quick Wins				
A. Complete a high level post-implementation review of SAP Ariba 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.	March 2018	Dec 2018		AC, AT and Watercare Procurement General Managers have set-up a Procurement Digitisation Working Group with representatives from AC, AT and Watercare. The purpose of this working group is to create a Procurement Digital Roadmap across the group. This Roadmap will outline the approach to digitising procurement across the group while recognising individual, organisational requirements where appropriate. As part of the SAP Ariba Project closure process, AC completed a post implementation review which it has shared with AT and Watercare.
B. Develop and implement a plan to proactively engage with Maori business and the Maori business community in procurement opportunities.	Dec 2017	Ongoing		In December 2017, the Group Sustainable Procurement Framework was endorsed by the Group Source Steering Committee. This framework has Te Ao Maori as a focus across all the well-beings (Economic, Environmental, Cultural and Social) and identifies some potential opportunities to proactively engage with Maori businesses through procurement opportunities. Pilot projects, such as the Manukau bus station (AT and The Southern Initiative) have proactively engaged with Maori business and these learnings will be rolled out across the group. The team is currently in the process of developing tools and supporting documents to operationalise the Sustainable Procurement Framework across the Group.

<p>C. Improve the reporting benefits realized 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).</p>	<p>Jul 2018</p>	<p>Sept 2018</p>		<p>Led by AT, the Group is currently developing the reporting in Power BI. This tool is dynamic, live and specific allowing better forecasting. To enhance the benefit of the tool the specific information required for reporting on to provide more accurate forecasting is being identified.</p> <p>AC and AT Programme Leads will also be developing a 'go to green' functionality in Power BI to be used across the group.</p>
<p>D. Implement customer and supplier surveys at Auckland Transport to understand performance and identify improvement opportunities.</p>	<p>Jul 2018</p>	<p>Dec 2018</p>		<p>AC and Watercare have shared their respective surveys with AT. The Group will complete MBIE's Procurement Capability Index (PCI) to get a better understanding of internal capability benchmarked against NZ best practice to complement a 360-degree view of procurement (including supplier / stakeholder feedback). Once completed, the capability model will be adapted to meet the specific needs of Council Procurement.</p> <p>AT is currently in the process of developing updated, external surveys based on PCI principles which they will then distribute and analyse once completed. In future Group Procurement management see an opportunity to align the surveys across the Group.</p>
<p>E. Standardise, where appropriate, data standards, templates, contracts, frameworks across the Group to avoid duplication and reduce supplier cost.</p>	<p>Sept 2015</p>	<p>Ongoing</p>		<p>This recommendation is at the core of the Group Source Programme. Procurement staff at AT, AC and Watercare, have been and continue to, work together to identify and mitigate duplication across the Group. This is done through information sharing and having visibility of the spend as a Group. Procurement staff across the group also aim to provide, as much as possible, a consistent procurement experience for suppliers and customers.</p> <p>This is evident through council's policies, working groups and frameworks across the group including:</p> <ul style="list-style-type: none"> • Group Sustainable Procurement Framework • Group Procurement Policy • Procurement Digitisation working group • Spend Visibility across group (standard category and supplier categorisation in place) • Group Source Programme including agreed methodology for measuring and reporting on benefits. <p>In scope for future work in this area is to review and standardise procurement related processes, documents and templates including contract terms and conditions where possible.</p>
<p>Recommendations</p>				
<p>#1 Design and implement a Group procurement operating model to effectively enable the Group Procurement Policy and participation from the council and all its council-controlled organisations.</p>	<p>Sept 2015</p>	<p>Jun 2019</p>		<p>The General Managers of Procurement (AC, AT and Watercare) have established a group operating model through the Group Source Programme. As mentioned above, Group Procurement increasingly sets direction from a Group perspective rather than an individual organisational one. Group Procurement shares information, pipelines and work programmes</p> <p>To build on this model, management will formulate a Group Procurement Strategy. This approach has been approved by AT, AC and Watercare CFOs. The operationalisation of this strategy will further embed the strategic, collaborative approach across the group. This strategy is due to be completed and implemented by the end of this financial year.</p> <p>In the future, management will continue to build on the Group Source programme and principles to further a group approach. For example, creating Group Category Strategies. To support this, Group Procurement management will agree an approach to develop procurement capability across the group.</p>
<p>#2 Design and implement a consistent, Group-wide Supplier Relationship Management framework for identifying and managing key strategic supplier relationships, and consider assigning ownership of these to the Group's executive teams</p>	<p>Jul 2018</p>	<p>Dec 2018</p>		<p>Category Leads across AC, AT and Watercare are currently developing a Supplier Relationship Management framework to be used across the Group. Increasing Procurement capability across the group will support this. A working group made up of AC, AT and Watercare staff will design a Group-wide Supplier Management framework to assist all categories. This will be drafted by December 2018 and will be implemented in the new calendar year.</p>

<p>#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.</p>	<p>Jul 2018</p>	<p>Dec 2018</p>		<p>General Managers across AC, AT and Watercare Procurement have shared the current procurement risk management frameworks and the enterprise risk management frameworks with each other. The General Managers will create a working group to undertake a review of these to inform the creation of a value and risk matrix for procurements across the group.</p> <p>Where Group Procurement have shared risks across the group a common approach to mitigate these risks will be adopted by December 2018.</p> <p>Group Procurement will also work with Treasury and Finance to align risk appetites.</p>
<p>#4 Require all entities in the Group to establish an annual hard savings target for procurement and include this in the long-term plan budget, to be implemented by 30 June 2018</p>	<p>Jun 2018</p>	<p>End of Sept 2018</p>		<p>Hard savings targets for this financial year will be discussed and agreed by the Group Source Steering Committee in September. This Steering Committee consists of the three Chief Financial Officers across the Group (AC, AT and Watercare). Once agreed, Group Procurement will include these in the next quarterly update.</p>

Flag information

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

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

Red - Due date has or will imminently be missed and this will affect the project critical path or a dependent project, or an issue has arisen that will negatively impact this project or a dependent project.

Commentary:

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

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

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

Risk

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

Issue

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