

Terms of reference

Value for Money (s17A) Review:
Legal & Risk Management Services

October 2018

[Sentient ID #XXXXXX]

BE THE HOW.
WHAKAMAUA KIA TINA!

Auckland
Council

Te Kaurihera o Tāmaki Makaurau



1. Document control

1.1. Document purpose

1. This Terms of Reference (ToR) outlines the purpose of the review, the way it will be structured, governed and how it will be executed.

1.2. Document history

Version	Date	Update by	Update details
1	8 October 2018	S Garrett	Draft
2	15 October 2018	S Garrett	Incorporating changes requested by CFO

1.3. Document approval

Authorised by	Title	Date

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2. Introduction

2.1. Programme approval

2. At its meeting on 21 March 2017, the Finance and Performance Committee approved a programme to review the effectiveness and value-for-money across the major activity and service lines of Auckland Council group under section 17A of the Local Government Act 2002 (LGA02).
3. In March 2018 oversight for the value for money (S17A) programme was moved to the Appointment, Performance Review and Value for Money (APRVFM) Committee.
4. The aim of the review programme is to ensure council services continue to best meet Auckland's needs for good-quality infrastructure, local public services and performance of regulatory functions into the future.

2.2. Statutory requirements

5. The programme meets Auckland Council's statutory obligations under section 17A of the Local Government Act 2002 (LGA02). Under s17A, Auckland Council:
"must 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."
6. Local infrastructure, local public services and performance of regulatory functions include essentially all of council's functions.
7. Section 10 of the LGA02 defines good quality to mean infrastructure, public services, and performance that are efficient, effective and appropriate to present and anticipated future circumstances. The Auditor-General has defined cost-effectiveness to mean "the relationship between the levels of resources used (cost) and progress towards a predetermined outcome".
8. s17A requires that reviews are conducted every 6 years, or when:
 - council is considering a significant change to relevant service levels
 - a council contract or binding agreement in relation to delivery of infrastructure, service or regulatory function is expiring within the next 2 years.
9. There are exceptions to the review requirements where:
 - the delivery of that infrastructure, service or regulatory function is governed by legislation, contract or binding agreement such that it cannot reasonably be altered within the following 2 years
 - Auckland Council is satisfied that the potential benefits of undertaking a review in relation to that infrastructure, service or regulatory function do not justify the costs of a review.

3. Scope

3.1. Services covered

10. This review will cover two organisational support services across the Auckland Council group:
 - a. legal services
 - b. risk management and assurance services.
11. The scope of the Group legal advisory services includes:
 - i. public law
 - ii. regulatory and civil litigation
 - iii. commercial, property and insurance matters
12. There a range of operating models for the provision of legal advisory services operating across the Group including in-house and externally provided, both of which are including within the review's scope.
13. The scope of risk management services includes the risk frameworks, policies, processes and plans used across the organisation including risk identification, monitoring, reporting and risk assurance (the latter including the internal auditing and controls environment). The review will evaluate the service consistent with the international standard for risk management:ISO31000.
14. As the review takes a 'value chain' approach, the review's scope will cover the overall management of the legal and risk management services and associated processes from the development of policies and strategies to their delivery, the cost and resource use, and the effectiveness of these services in Auckland Council and its Council Controlled Organisations.
15. Related opportunities linked to enabling systems may be acknowledged or noted as part of this review.
16. The relevant outcomes, levels of service, and performance targets set out in key accountability documents (e.g. Auckland Plan, Long Term Plan, Annual Plans and budgets and Statements of Intent) and council and council group strategies (e.g. the right-sourcing criteria) will form the baseline for the review.

3.2. Objectives & Lines of Inquiry

17. The objective of the review is to:
 - evaluate the value-for-money of managing and delivering legal and risk services in Auckland Council group
 - consider the relative merits of governance, funding and delivery options that could improve value for money in support of the council's objectives and outcomes.
18. The review will be inquiring whether:

- the current and planned investment in and delivery of legal and risk services across the council group contributes to achieving the council's objectives, considering:
 - sharing and collaboration in the delivery of back-office functions
 - enabling technology and systems
 - relevant performance targets
- the funding and the cost of delivering legal and risk management services across the council group are in line with relevant New Zealand and international benchmarks, and strategies and approaches are in place to get best value.
- users are satisfied with the standard and value of services, in terms of usability, accuracy, timeliness, accessibility, data security, risk management, and relevant information.
- services are designed and operated in a way that enables continuous improvement, and keeping pace with opportunities provided by technological change, and associated changes in user expectations.
- there are improvement opportunities in the activities associated with the planning, funding, delivery or governance to deliver better value.

4. Approach to the review

19. Each value for money review is undertaken using the same evidence-based value for money methodology and drawing on a range of data sources.
20. The method will meet the S17A requirement to “review the cost-effectiveness of current arrangements for meeting the needs ... for good quality local infrastructure, local public services, and performance of regulatory functions.”
21. The review will be undertaken by a specialist project team within Finance, supported by specialist subject matter expertise and an external Independent Reference Panel (with expertise in public finance, public policy/public management and local government operations), under the direction of a governance structure as set out in the next section.
22. The review takes a "time-boxed" approach. It aims to complete each assessment part of the review in eight to ten weeks, with the review completed within three months to enable distribution.
23. The review is undertaken in four parts:
 - **Terms of Reference:** approval of the review's service and organisational scope, its objectives, the general lines of inquiry and governance structure.
 - **Current State Assessment:** review of the current operating approach and framework, the current drivers of value, issues and challenges, and value delivered. The resulting current state report will include high level opportunities for improving value, through changes to the level or mix of services provided, to business practice, or to organisational arrangements.
 - **Options Assessment:** analysis of the relative merit of the opportunities and alternative arrangements for governance, funding or delivery of those services in supporting Auckland Council group's objectives and desired outcomes. The report

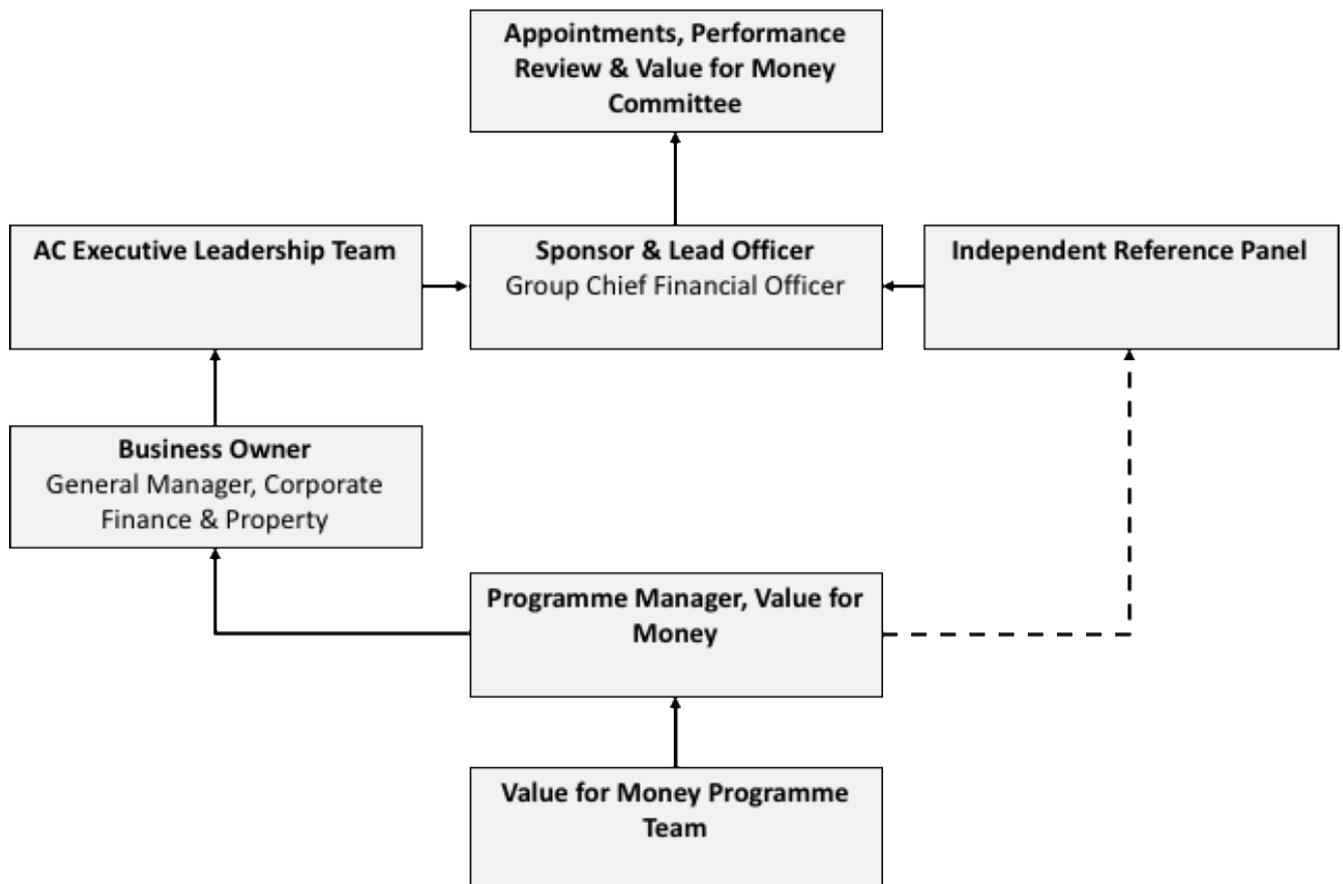
will identify actions needed to deliver the most significant improvement opportunities, with orders-of-magnitude value estimates.

- **Final report:** summary of findings and recommendations on the next steps required to deliver the value identified by the review.
24. The review team prepares **progress reports** on each part of the review for consideration by the independent reference panel, and on key milestones to the Appointments, Performance Review and Value for Money Committee.
 25. The review team will **consult** with relevant parties in the council in developing the assessment.
 26. The review team will consult with council and the Independent Maori Statutory Board in respect to relevant matters in preparing the final report.

5. Governance and roles

5.1. Governance

27. The governance structure for the review is set out in the chart:



5.2. Roles

Programme/ review roles	Responsible	Purpose & responsibilities
Programme Sponsor/Lead Officer	Group Chief Financial Officer	<ul style="list-style-type: none"> • Programme sponsor who champions the group value for money programme and has

		<p>accountability for the programme overall</p> <ul style="list-style-type: none"> • Authorises (and recommends to the Appointments, Performance Review and Value for Money Committee) key programme reports
Programme Business Owner	General Manager Corporate Finance and Property	<ul style="list-style-type: none"> • Business owner who ensures the programme is adequately resourced to deliver on its objectives • Authorises (and recommends to the Sponsor) key programme reports • Resolves issues and manages risks escalated by the Programme Manager • Briefs the Programme Sponsor and the Steering Group • Engages stakeholders to assist with timely responses to information requests and socialisation of deliverables • Ensures the participation and co-operation of business resources
Programme Supporter	Director Finance and Policy, Mayoral Office	<ul style="list-style-type: none"> • Responsible for communications to the Chairs of the CCOs • Resolves CCO-related issues escalated by the Sponsor or Business Owner • Supports the group value for money programme
Programme Review & Oversight	Appointments, Performance Review and Value for Money Committee	<ul style="list-style-type: none"> • Primary programme customer who will approve the terms of reference, receive the draft reports and findings and make recommendations to the Governing Body
Programme Review	Appointments, Performance Review and Value for Money Committee	<ul style="list-style-type: none"> • Provides political oversight to monitor progress of the programme at key milestone points • Receive and consider proposals and recommendations for value for money review proposals and the final reports from value for money reviews
Review Reports Approval	Governing Body	<ul style="list-style-type: none"> • On the recommendation of the APRVFM Committee consider the terms of reference and review reports for adoption
Independent Advice & Quality Review	Independent Reference Panel	<ul style="list-style-type: none"> • A core panel of three members with expertise in public finance, infrastructure, public policy, economics and /or local government governance experience supplemented by subject matter experts for particular reviews as required • Reporting to the Lead Officer • Panel members will be asked to: <ul style="list-style-type: none"> • Provide input (which may be by way of comment, suggestion or recommendation) as appropriate on objectives, lines of inquiry, issues, options and recommendations for the Programme • Review and comment on documentation as

		<p>requested by the project team, which may include:</p> <ul style="list-style-type: none"> • That the research, analysis and evaluation undertaken is appropriate to support the objectives, lines of inquiry, options and recommendations for consideration; appropriate consistency across the Programme; coherent drafting, reasoning and content. • Help promote confidence in the Programme
Independent Specialist with Industry Knowledge (SME)	Expert - TBD	<ul style="list-style-type: none"> • Advising the expert panel, provide independent expert advice and commentary on the assessment and evaluation of opportunities as they arise based on industry experience with similar undertakings
Programme management	Programme Manager - Value for Money	<ul style="list-style-type: none"> • Co-ordinates, recruits and manages programme office resources and approach and is responsible for the delivery of the agreed programme plan to schedule and budget • Develops the programme plan, review methodology and the production of the associated deliverables for authorisation by the Business Owner, the Sponsor, the Steering Group and Appointments, Performance Review and Value for Money Committee • Develops and manages the programme calendar and associated engagement requirements including steering group management and the supply of documentation to the independent review panel • Briefs the Programme Business Owner and Sponsors regarding project status, risks/issues and decisions required
Senior Financial Analyst		<ul style="list-style-type: none"> • Defines and supervises the collection of the data requirements needed for evidence-based value for money reviews from council and CCOs to support the programme methodology • Analyse financial and non-financial records and plans, reports relating to past and planned expenditures and revenues including relevant reviews and benchmarking to distil relevant performance-related trends, issues, opportunities • Work on the application of the public service value for money analytics and modelling between expenditure, inputs, outputs and outcomes
Senior Economist		<p>As required:</p> <ul style="list-style-type: none"> • Oversees the application of the public service value for money analytics including the relational modelling between expenditure, inputs, outputs and outcomes and draw conclusions and insights from this work on public policy matters
Financial Analyst		<ul style="list-style-type: none"> • Support the senior financial analyst, collect the data requirements needed for evidence-based value for money reviews from council and CCOs to support the

		<p>programme methodology</p> <ul style="list-style-type: none"> Assist with the analysis including modelling of financial and non-financial records and plans, reports relating to expenditures and revenues including past reviews and benchmarking to distil relevant trends, issues, and opportunities
Advisor-Te Ao Maori		<ul style="list-style-type: none"> Provide the reviewers with advice to assist the review to take account of Māori perspectives including tikanga Māori, the Tiriti o Waitangi/Treaty of Waitangi, and cultural, social, economic and environmental Māori aspirations relevant to the review Assist with the development opportunities and options that will improve the knowledge, understanding of Māori in relation to the review's findings and recommendations

5.3. Involved Parties

- Mayor Phil Goff
- Deputy Mayor Bill Cashmore
- Christine Fletcher - Deputy Chairperson- APRVFM Committee
- Chairperson Ross Clow – Finance and Performance Committee
- Deputy Chairperson Desley Simpson – Finance and Performance Committee
- Chairperson Penny Hulse – Environment and Community Committee
- Chairperson Chris Darby – Planning Committee
- Chairperson David Taipari – Independent Maori Statutory Board
- Kelvin Norgrove – Policy Project Manager, Independent Maori Statutory Board
- Nirupa George – Chief of Staff, Mayoral Office
- David Wood – Director Finance and Policy, Mayoral Office
- Margaret Devlin – Chair Watercare Services
- Dr Lester Levy – Chair Auckland Transport
- David McConnell – Chair Auckland Tourism, Events and Economic Development
- Rt Hon Sir Don McKinnon – Chair Regional Facilities Auckland
- Richard Aitken – Chair Panuku
- Stephen Town – Chief Executive Auckland Council
- Auckland Council Executive leadership team, comprising: Dean Kimpton - Chief Operating Officer, Matthew Walker – Group Chief Financial Officer, Jim Quinn – Chief of Strategy, Phil Wilson – Governance Director, Patricia Reade – Director People & Performance, Ian Maxwell – Director Community Services, Penny Pirrit – Director Regulatory Services, Barry Potter – Director Infrastructure and Environmental Services together with James Hassall - General Counsel

- Shane Ellison – Chief Executive Auckland Transport
- Mark Laing – Chief Financial Officer Auckland Transport
- Roger MacDonald – Chief Executive Panuku
- Carl Gosbee – Director Corporate Services Panuku
- Chris Brooks – Chief Executive Regional Facilities Auckland
- Simon Tran – Chief Financial Officer Regional Facilities Auckland
- Nick Hill – Chief Executive Auckland Tourism, Events and Economic Development
- Jackie Hollingsworth - Chief Financial Officer Auckland Tourism, Events and Economic Development
- Raveen Jaduram – Chief Executive Watercare Services
- Marlon Bridge – Chief Financial Officer Watercare Services
- Local Board Chairs
- Appointments, Performance Review & Value for Money Committee
- National Secretary, PSA

5.4. Dependencies

20. There are no dependencies for this review.

5.5. Schedule

Milestones	Due dates	Committee dates
1 Terms of Reference Endorsed/Approved	November 2018	1 November (Endorsed) 13 December (GB Approval)
2. Project commences	January 2019	
3 Current State Assessment Completed	March 2019	
4 Options Assessment Complete	April 2019	
5 Final Report: Findings & Recommendations	May 2019	