Terms of reference

Value for Money (s17A) Review:

Group Human Resource Management Services

February 2019

[Sentient ID #XXXXXX]

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Auckland
Council
Te Kaunihera 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
0.1	15 November 2018	S Garrett	Draft
1.0	23 January 2019	R Chirnside	Draft for management feedback

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 Appointments, 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 is of Human Resource Management Services (HRMS) across the Auckland Council group and is part of the organisational support services activity.

11. Given the size of the Group and that people are its most significant resource HRMS is an important organisational support service. The Auckland Council Group is one of Auckland's largest employers with over 10,000 full time equivalent employees representing $860m in annual staff costs.

12. HRMS ensures that the organisation has the people it needs when it needs them and that they are qualified for and motivated to do their jobs well in a safe environment. It creates and manages guidelines for recruiting, selecting and training new employees, compensating and rewarding employees, for disciplining and terminating them if necessary, and for providing for retirement and resignation.

13. Public sector HRMS ensures that employees are treated fairly and equitably, that diversity within the organisation reflects the diverse populations in the society at large, and that public service positions are open to all qualified citizens.

14. The HRMS within the scope of this review include:

    i. Human resource management including policy development, workforce planning, talent management, performance management and the employee's separation from the organisation including resignation, retirement or redundancy

    ii. Employee remuneration and payroll and benefits administration

    iii. Employee relations include employment contracts and union relations, working environment, health and safety, conflict management, quality of work life, employee wellness and assistance programs, counselling for occupational stress.

    iv. Recruitment & selection

    v. Training & development

15. As the review takes a 'value chain' approach, the review's scope will cover the overall management of HRMS 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.

16. Opportunities that may be enabled by technology systems may be acknowledged or noted as part of this review.

17. 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, Auckland Council CEO performance objectives and Statements of Intent and performance plans) will form the baseline for the review.

3.2. Objectives & Lines of Inquiry

18.   The objective of the review is to:

- evaluate the value-for-money of managing and delivering HRMS in the Auckland Council group

- consider the relative merits of governance, funding and service delivery options that could improve value for money in support of the council's objectives and outcomes.

19.   The review will be inquiring whether:

- the current and planned investment in and delivery of HRMS across the council group contributes to achieving the council's objectives

- the funding and the cost of delivering HRMS 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.

- 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

20.   Each value for money review is undertaken using the same evidence-based value for money methodology and drawing on a range of data sources.

21.   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."

22.   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.

23.   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.

24.   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
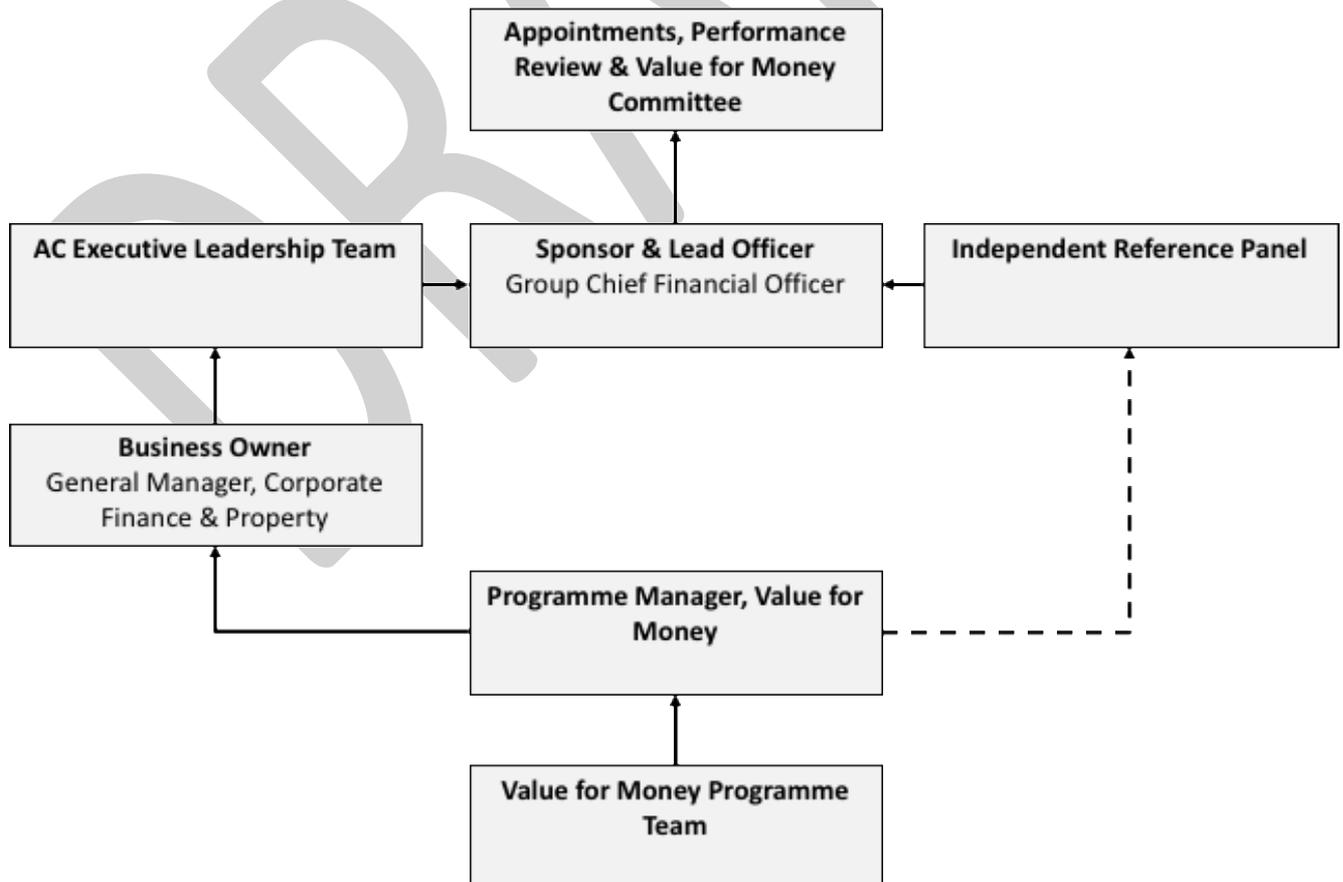
improving value, through changes to the level or mix of services provided, to business practice, or to organisational arrangements.

- **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.

25. 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.

26. The review team will **consult** with relevant parties in the council in developing the assessment.

27. 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

28. 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	• Programme sponsor who champions the group value for money programme and has accountability for the programme overall • 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	• 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	• 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	• Primary programme customer who will approve the terms of reference, receive the draft reports and findings and make recommendations to the Governing Body • 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
Approval and adoption of recommendations	Governing Body	• On the recommendation of the APRVFM Committee consider the terms of reference and review reports for adoption
Independent Advice & Quality Review	Independent Reference Panel	• 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 • Panel members will be asked to: • 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 requested by the project team, which may include: • 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	• 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 & analysis	Programme Lead	• 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 • 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	As required	• Define and develop the value for money modelling approach and value-based data requirements for each review including key value drivers and public policy/outcomes

		for each review • Supervise the collection of the data requirements needed for evidence-based value for money reviews from council and CCOs to support the programme's value-based methodology • Analyse records and plans, reports relating to past and planned expenditure, revenues and social, economic, environmental and cultural outcomes to distil relevant performance-related trends, issues, opportunities • Oversee 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 form this work
Financial Analyst		• Collect the data requirements needed for evidence-based value for money reviews from council and CCOs to support the programme methodology • 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		• 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

5.2. Interested Parties

Governance	Management
Auckland Council	
Mayor Phil Goff	Stephen Town, CEO
Deputy Mayor Bill Cashmore	Matthew Walker, CFO
Christine Fletcher - Deputy Chairperson-APRVFM Committee	Patricia Reade, Director People and Performance
Ross Clow – APRVFM committee	Auckland Council Executive Leadership team
Desley Simpson – APRVFM committee	
Penny Hulse – APRVFM committee	David Wood – Director Finance and Policy, Mayoral Office
Chris Darby – APRVFM committee	David Wood – Director Finance and Policy, Mayoral Office
David Taipari – Chair, Independent Maori Statutory Board	Kelvin Norgrove – Policy Project Manager, Independent Maori Statutory Board
Local Board chairs	Public Service Association
Auckland Transport	
Lester Levy, Chair	Shane Ellison, CEO
	Mark Laing, CFO
Watercare	
Margaret Devlin - Chair	Raveen Jaduram, CEO
	Marlon Bridge, CFO
ATEED	
Mark Franklin, Chair	Nick Hill, CEO
	Jacky Hollingsworth, CFO
Regional Facilities Auckland	
Andrew Barnes, Chair	Chris Brooks, CEO
	Simon Tran, CFO
Panuku	
Adrienne Young-Cooper, Chair	Roger MacDonald, CEO
	Carl Gosbee, Director corporate services

5.3. Dependencies

20.   There are no dependencies for this review.

5.4. Schedule

Milestones	Due dates	Committee dates
1 Terms of Reference Endorsed/Approved	March 2019	March 2019
2. Project commences	April 2019	
3 Current State Assessment Completed	May 2019	
4 Options Assessment Complete	July 2019	
5 Final Report: Findings & Recommendations	August 2019	