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

**Date:** Thursday, 6 June 2019  
**Time:** 9.30am  
**Meeting Room:** Room 1, Level 26  
**Venue:** 135 Albert St  
Auckland

Komiti Tohu me te Arotake Tūranga Mahi, me te Rite o te Whiwhi ki Tā Tērā i Utu Ai / Appointments, Performance Review and Value for Money Committee

OPEN AGENDA

**MEMBERSHIP**

**Chairperson**
Hon Phil Goff, CNZM, JP

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

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

(Quorum 4 members)

Sandra Gordon  
Senior Governance Advisor

29 May 2019  

Contact Telephone: (09) 890 8150  
Email sandra.gordon@aucklandcouncil.govt.nz  
Website: www.aucklandcouncil.govt.nz

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

Responsibilities

The Appointments and Performance Review Committee is established to:

1. Review the chief executive’s performance and to recommend to the Governing Body the terms and conditions of the CE’s employment including any performance agreement measures and annual remuneration.
2. Make appointments to Council-Controlled Organisations (CCOs), Council Organisations (COs) and exempt CCOs and COs.
3. Approve policies relating to the appointment of directors and trustees to CCOs and COs.

Powers

All powers necessary to perform the committee’s responsibilities.

Except:

(a) powers that the Governing Body cannot delegate or has retained to itself (section 2)
(b) where the committee’s responsibility is limited to making a recommendation only
(c) the power to establish sub-committees
Exclusion of the public – who needs to leave the meeting

Members of the public

All members of the public must leave the meeting when the public are excluded unless a resolution is passed permitting a person to remain because their knowledge will assist the meeting.

Those who are not members of the public

General principles

- Access to confidential information is managed on a “need to know” basis where access to the information is required in order for a person to perform their role.
- Those who are not members of the meeting (see list below) must leave unless it is necessary for them to remain and hear the debate in order to perform their role.
- Those who need to be present for one confidential item can remain only for that item and must leave the room for any other confidential items.
- In any case of doubt, the ruling of the chairperson is final.

Members of the meeting

- The members of the meeting remain (all Governing Body members if the meeting is a Governing Body meeting; all members of the committee if the meeting is a committee meeting).
- However, standing orders require that a councillor who has a pecuniary conflict of interest leave the room.
- All councillors have the right to attend any meeting of a committee and councillors who are not members of a committee may remain, subject to any limitations in standing orders.

Independent Māori Statutory Board

- Members of the Independent Māori Statutory Board who are appointed members of the committee remain.
- Independent Māori Statutory Board members and staff remain if this is necessary in order for them to perform their role.

Staff

- All staff supporting the meeting (administrative, senior management) remain.
- Other staff who need to because of their role may remain.

Local Board members

- Local Board members who need to hear the matter being discussed in order to perform their role may remain. This will usually be if the matter affects, or is relevant to, a particular Local Board area.

Council Controlled Organisations

- Representatives of a Council Controlled Organisation can remain only if required to for discussion of a matter relevant to the Council Controlled Organisation.
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<td>CONFIDENTIAL: Completion report: Three Waters Value for Money review</td>
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</table>
1 **Apologies**

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

2 **Declaration of Interest**

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

3 **Confirmation of Minutes**

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

a) confirm the ordinary minutes of its meeting, held on Wednesday, 1 May 2019, including the confidential section, as a true and correct record.

4 **Petitions**

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

5 **Public Input**

Standing Order 7.7 provides for Public Input. Applications to speak must be made to the Governance Advisor, in writing, no later than one (1) clear working day prior to the meeting and must include the subject matter. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders. A maximum of thirty (30) minutes is allocated to the period for public input with five (5) minutes speaking time for each speaker.

At the close of the agenda no requests for public input had been received.

6 **Local Board Input**

Standing Order 6.2 provides for Local Board Input. The Chairperson (or nominee of that Chairperson) is entitled to speak for up to five (5) minutes during this time. The Chairperson of the Local Board (or nominee of that Chairperson) shall wherever practical, give one (1) day's notice of their wish to speak. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders.

This right is in addition to the right under Standing Order 6.1 to speak to matters on the agenda.

At the close of the agenda no requests for local board input had been received.
7 Extraordinary Business

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

(a) The local authority by resolution so decides; and

(b) The presiding member explains at the meeting, at a time when it is open to the public,-

(i) The reason why the item is not on the agenda; and

(ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting,-

(a) That item may be discussed at that meeting if-

(i) That item is a minor matter relating to the general business of the local authority; and

(ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but

(b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”
Te take mō te pūrongo
Purpose of the report
1. To provide an overview of the findings and recommendations contained in the value for money (s17A) review report of Group Financial Services (Finance).
2. To seek endorsement for the completed report (contained in Attachment A), to be recommended to the Governing Body for approval.

Whakarāpopototanga matua
Executive summary
3. Finance is the latest review to be completed by the Value for Money Programme.
4. In each review the first step is identifying the key strategic opportunities to improve value for money. The recommendations contained in this report are at a conceptual stage. They require management review and detailed investigation, including business case development and consultation on potential plans, options, process changes and associated decisions.
5. The review of Finance found:
   - Finance has delivered on key investment challenges
   - borrowing is within prudent levels
   - capital delivery is key to Long-term Plan (LTP) objectives
   - costs are reasonable compared to benchmarks but there are efficiency opportunities
   - good examples of shared services are operating but more potential exists
   - Finance has a number of roles and overall is effective
   - new technologies are starting to be used to automate repeatable transactions, with further opportunities identified
   - Group Finance is a mature function but needs to be ready for future challenges.
6. The review of Finance recommends that the chief executive of Auckland Council collaborate with the chief executives of the council-controlled organisations (CCOs) to:
   - develop a shared services strategy and operating model for all back-office services
   - design and implement a strategy for the management of Group financial information
   - simplify the planning and reporting process.
7. All recommendations provide efficiency opportunities. Simplifying the planning and reporting process has been estimated to provide a saving of $18 million over the next ten years. Work has commenced on implementing this recommendation and some savings have already been made.
Ngā tūtohunga
Recommendation/s

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

a) receive the Finance Value for Money Review 2019 report

b) agree to recommend to the Governing Body that the council’s chief executive collaborates with the chief executives of the council-controlled organisations to:

i) develop and implement a shared services strategy and operating model for all back-office services including:

A) key guiding principles
B) the appropriate operating model to deliver efficient and effective shared services
C) establishing the appropriate shared service governance structure and decision-making principles with appropriate sponsorship and representation from all Group organisations
D) establishing a mandate to use in future Council Controlled Organisations Statements of Intent and in council policies
E) assess the potential future efficiency and productivity benefits that increased use of robotics and AI and how the Group may collectively leverage these benefits

ii) design and implement a strategy for the management of Group financial information:

A) determining the key information that is required in the Group plan to report cycle, for each Long-term Plan as part of a three-year planning calendar
B) including principles for how the information is collected, accessed and used
C) establishing appropriate data governance and controls
D) develop a business case for implementing the strategy including the selection of appropriate technology solutions and roadmap for future improvements
E) determine the appropriate analytical tools for self-service capability for staff

iii) simplify planning and reporting process by:

A) introducing a new planning and reporting framework aligned to Long-term Plan, annual budgeting and planning cycles and corporate strategy
B) ensuring all business performance reporting is driven on an exception basis by eliminating duplicated reporting effort
C) moving corporate reporting requirements to quarterly and on an exception basis
D) creating an embedded, enterprise wide Commercial and Finance team servicing the business through a single channel
E) simplifying the chart of accounts and controls around future changes.
Horopaki
Context

8. In March 2017 the Finance and Performance Committee endorsed a value for money programme for the Auckland Council group (resolution number FIN/2017/23).

9. In March 2018 the Governing Body approved the terms of reference for the Appointments, Performance Review and Value for Money Committee. This incorporated the oversight for the value for money programme required by section 17A of the Local Government Act 2002 (resolution number GB/2018/57).

10. The report (Attachment A) is the latest output from the value for money programme, which delivers on the requirements of the Act, to review the cost-effectiveness (or value) of current arrangements for delivering local infrastructure, local public services and regulatory functions.

11. 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.

12. The value for money review uses a well-established strategic and evidence-based approach. It draws on published reports, council data, interviews and engagement with management and CCOs. Each report contains an overview of the review methodology.

13. The report is reviewed by the Independent Reference Panel and council management. CCOs were consulted as part of the review leading to this report.

14. A focused summary of the review has been developed which is attached (Attachment B) together with the full review report.

Tātaritanga me ngā tohutohu
Analysis and advice

15. Finance is part of the organisational support group of activities.

16. Finance is responsible for developing and implementing a long term sustainable financial strategy for the Group. Finance advises on the optimal way to invest in Auckland’s infrastructure while managing debt levels and maintaining confidence that financial management is robust.

17. Finance also manage council’s monies. This includes money received from ratepayers and customers, the money paid to staff and suppliers and maintaining controls so that only appropriate transactions are made. Finance is centred around the management of money.

18. Finance provides information both to meet statutory requirements but also to support council decision making.

19. All recommendations provide efficiency opportunities. Simplifying the planning and reporting process has been estimated to provide a saving of $18 million over the next ten years. Work has commenced on implementing this recommendation and some savings have already been made.

20. A summary of the key findings of the review:

| Finance has delivered on key investment challenges | • Financial objectives of LTP achieved  |
| Borrowing is within prudent levels | • Clear financial strategy to move to a sustainable financial position |
| | • AA credit rating maintained |
| | • Effective risk management |
| Capital delivery key to LTP objectives | • Step change in capital expenditure and associated borrowing  
• Greater role for finance to support capital forecasting |
|---|---|
| Costs are reasonable compared to benchmarks but there are efficiency opportunities | • 1 per cent of operating cost is spent on Finance which is higher than public sector benchmarks but local government has additional compliance requirements  
• Efficiency opportunities exist at Auckland Council to improve the plan to report processes |
| Good examples of shared services operating but more potential | • Shared services are successfully used. Auckland Council provides treasury across the Group and they also provide transactional Finance services to RFA, Panuku and ATEED  
• The Mayor has requested a shared services strategy for the Group. The business case for further shared service opportunities should be for all back-office services (not just Finance) |
| Finance has a number or roles. Overall is effective | • Finance performs well across its varied roles: strategy – planning and policy advisor; catalyst for change; steward of public money; financial operator  
• No significant internal control issues identified by auditors |
| New technologies are being used to automate repeatable transactions | • Finance teams have started to implement robotic process automation to reduce cost and errors. Further opportunities exist  
• Finance also manage changing accounting and tax requirements |

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views
21. The review considered all substantive organisations in the group who have been consulted with in the development of the final review report.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views
22. The decision to endorse this report has no direct implications for local boards.

Tauākī whakaaweawe Māori Māori impact statement
23. The decision to endorse this report has no direct implications for Māori.

Ngā ritenga ā-pūtea Financial implications
24. 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.
Ngā raru tūpono me ngā whakamaurutanga  
Risks and mitigations

25. The primary risks arising from these recommendations are regarding their implementation which will be addressed through implementation plans and where required business cases.

Ngā koringa ā-muri  
Next steps

26. 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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Ngā kaihaina  
Signatories

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<tr>
<th>Author</th>
<th>Ross Chirnside – Programme Lead – Value For Money</th>
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<tr>
<td>Authorisers</td>
<td>Kevin Ramsay - General Manager Corporate Finance and Property</td>
</tr>
<tr>
<td></td>
<td>Matthew Walker - Group Chief Financial Officer</td>
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<td>Phil Wilson - Governance Director</td>
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Executive Summary – key findings

- Finance faced and addressed a number of challenges on amalgamation. It produced consolidated accounts and met complex financial planning, reporting and audit requirements.
- The financial objectives of the Long-term plans have been met or exceeded. For example, average rates increases have been at projected levels and efficiency targets achieved.
- There is a clear financial strategy and plan for the next 10 years to move the Group to a sustainable financial position. This strategy includes diversifying revenue streams (e.g. fuel tax), managing debt at prudent levels and working with Government and others to identify new approaches to funding growth infrastructure.

- Council borrows money to Finance capital investment with Group borrowing forecast to increase to be $13.1bn in 2028.
- The Group has maintained a AA credit rating. The credit rating signals the risk of lending money to the Group and a higher credit rating results in reduced interest costs. It also signals that an external agency has high confidence in the Group financial strategy.
- Management of borrowing (and the associated interest cost) represents a risk to the Group and there are robust management practices to manage these risks including review by independent experts.

- Capital expenditure is the driver of borrowing and it is used to spread the cost of long-live assets across multiple generations.
- The Group is facing a big challenge to deliver on its large capital investment plan ($26bn over 10 years) against a history of under spend.
- External factors such as oil price, interest rates, labour shortages all impact delivering the capital programme within budget parameters.
- Finance has an increased role and opportunity to support capital delivery and drive improved forecasting of capital works expenditure so that borrowing remains within agreed limits.
Executive Summary – key findings

- The Group spends $43m on Finance which represents 1% of the Group operating cost. This is above public sector Finance benchmarks of 0.8%. Local Government has more financial compliance requirements (public consultation, development contributions, treasury, bond market listing rules, specific audit requirements) than Government and Auckland Council with the Group structure adds further complexity.

- Auckland Transport and Watercare Finance costs are at or below the benchmark, ATEED, Panuku and RFA are slightly higher than benchmark and has relatively small Finance expenditure reflecting the size of their organisations.

- Finance costs has increased over the last 5 years in Auckland Council with the increase in reporting and insight to improve performance. Some of the increase is due to consolidating staff into the Finance division which were previously in non-Finance departments. The cost of processing transactions has decreased.

- Finance teams collaborate well across the Group. There is an established CFO forum and another for financial managers who meet regularly to discuss items of common interest.

- Shared services are successfully used. Auckland Council provides treasury, tax and technical accounting across the Group and they also provide transactional Finance services to RFA, Panuku and ATEED. Auckland Transport and Watercare has their own transactional Finance teams.

- Duplication also exists. Some of this is necessary duplication reflecting the strategic importance and complexity of Finance to each organization. Some duplication may be able to be removed with further shared services.

- As part of the LTP the Mayor requested a shared services strategy for the Group and this should be progressed. The business case for further shared service opportunities should be tested against the significant benefits that robotic process automation provides without structural change.
Executive Summary

- Finance performs well across its varied roles: strategy – planner and policy advisor; catalyst for change; steward of public money; financial operator.
- Globally, Finance's role is changing to monitoring overall business performance. The Group Finance teams already has this role as the key performance monitoring function.
- Where measured, customer satisfaction is generally good.
- Finance also maintain an effective internal control environment and has developed the appropriate financial stewardship culture. The Auditor-General has not identified any significant management control issues or concerns over expenditure of public money.

- As a key enabler, Finance has to adapt to the global shift to digitisation. Global research shows leaders in Finance digitisation are achieving significant cost savings.
- Finance teams has started to implement robotic process automation on some processes to reduce costs and errors. There are further efficiency and quality improvement opportunities through the use of robotics.
- Finance must also keep up with changing legislative (including tax) and accounting standards and there is a coordinated Group approach to the adoption of and the training of staff on these changes.

- The Group requires a clear strategy and sound execution to achieve the LTP outcomes. A robust financial strategy is in place and Finance is effective in their role as steward of the Group Finances.
- The challenges of funding infrastructure is becoming more complex and Finance must ensure it continues to have the appropriate skills.
The recommendations are as follows:

1. **Shared services strategy for all back office services**
   - Design and implement a strategy for the management of Group financial information:
     - Determining the key information that is required in the Group plan to report cycle, for each LTP as part of a three-year planning calendar.
     - Principles for how the information is collected, accessed, and used.
     - Establishing appropriate data governance and controls.
   - Develop a business case for implementing the strategy including the selection of appropriate technology solutions and roadmap for future improvements.
   - Determine the appropriate analytical tools for self-service capability for staff.
   - An agreed strategy and operating principles around how the Group will collaborate to improve efficiency and effectiveness.
   - Opportunities to reduce the cost of organisational support services through removing duplication, productivity improvements and scale efficiencies.
   - Opportunity to create knowledge-based centres of expertise allowing the Group to insource more activity.
   - A framework to expand shared services to other local government organisations.

2. **Group Financial Information Strategy**
   - Building on current services to develop a shared services strategy and operating model including:
     - Key guiding principles:
       - Establish the appropriate shared service governance structure and decision-making principles with appropriate sponsorship and representation from all Group organisations.
       - Establish a mandate to use in future CCO Statements of Intent and in council policies.
       - Assess the potential future efficiency and productivity benefits that increased use of robotics and AI and how the Group may collectively leverage these benefits.
   - A single source of truth for all information required for the long-term plans, annual plans, financial policies and annual report.
   - Reduce the number of requests to provide the same information by multiple people, generally from Auckland Council to CCOs.
   - Increased efficiency in the Finance teams across the Group.
   - Clarity in the definitions of data resulting in consistency of reporting.
   - Improved data quality.
   - Improved quality of information to support decision-making.
Recommendations to Appointments, Performance Review and Value for Money Committee (cont.)

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

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<th>Benefits</th>
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| 3. Simplify planning and reporting process (Auckland Council focus) | • Introducing a new planning and reporting framework aligned to LTP, annual budgeting and planning cycles and corporate strategy  
• All business performance reporting driven on an exception basis by eliminating duplicated reporting effort  
• Corporate reporting requirements move to quarterly and on an exception basis.  
• Creating an embedded, enterprise wide Commercial & Finance team reporting servicing the business through a single channel  
• Simplifying the chart of accounts and controls around future changes | • Reduced, standardised and simplified corporate reporting demands decreasing the effort across the organisation  
• Finance activity focussed on value adding activities improving customer experience and service delivery  
• Improved alignment of business planning with budgets/forecasts with carry overs, phasing and detailed budget changes eliminated  
• Improved quality of service delivery by creation of clear accountability and channels of engagement for customers |
Summary of potential value and dependencies

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<th>Value propositions</th>
<th>NPV (10 years) $m</th>
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<td>1 Group shared services strategy</td>
<td>+ve not estimated</td>
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<tr>
<td>2 Group financial information strategy</td>
<td>+ve not estimated</td>
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<tr>
<td>3 Simplify planning and reporting (Auckland Council focus but Group benefit)</td>
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<td><strong>Total</strong></td>
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**Note**
- The financial estimates are cash releasing benefits. That means the Group will improve its 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.
## Value was assessed by considering these key questions

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<th>Key question</th>
<th>Confidence that VfM achieved and planned</th>
<th>VfM review conclusions</th>
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<td>1. What has been the benefits from consolidating Financial Services from amalgamation, and key initiatives since then?</td>
<td>• Significant progress has been made in standardising Finance processes and controls from amalgamation</td>
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<td>2. Cost: is the cost of Finance reasonable compared to benchmarks?</td>
<td>• Compared to benchmarks and reflecting the scale and complexity of the Group Finance, in general, is cost-efficient</td>
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<td>3. Cost: does the Group co-ordinate and co-operate on Finance solutions to minimise duplication, reduce cost, and improve effectiveness?</td>
<td>• Good collaboration across the Group with established forum’s shared services exist across Finance with Treasury (all CCOs) and some transactional services provided shared services strategy needed to determine if further opportunities (finance technology)</td>
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<tr>
<td>4. Effectiveness: is Finance delivering its services to the desired performance standards?</td>
<td>• How about: Finance is generally effective across its varied roles – strategist, catalyst, steward and operator. There are no material internal control issues highlighted by the Auditor-General</td>
<td></td>
</tr>
<tr>
<td>5. Effectiveness: is Finance’s customers and stakeholders satisfied with the financial services?</td>
<td>• Where measured satisfaction is generally good Lower levels are recorded for the Commercial and Finance team (part of Auckland Council operations). We are advised the survey followed a re-organisation of the team</td>
<td></td>
</tr>
<tr>
<td>6. Funding: does Finance enable the Group to effectively manage its funding and financing, i.e. rates, revenue, user-pays, debt and alternative sources?</td>
<td>• The Group is expanding the range of funding mechanisms to reduce the burden on ratepayers A treasury shared service operates and a AA credit rating has been maintained reflecting prudent financial management</td>
<td></td>
</tr>
<tr>
<td>7. Ongoing effectiveness and efficiencies: Are the financial plans, policies and processes supporting the Group’s long term strategic objectives and key risks?</td>
<td>• The council has a clear financial strategy with supporting objectives There is opportunity for Finance to play a greater role in capital planning and forecasting to improve capital expenditure plans Debt management will be critical to achieving financial objectives</td>
<td></td>
</tr>
<tr>
<td>8. Ongoing effectiveness: are Finance services improving in line with changing practices, technologies and customer expectations?</td>
<td>• Digitisation is changing Finance and the use of robotic process automation is being implemented across the Group</td>
<td></td>
</tr>
</tbody>
</table>

---

**Attachment A**

**Item 8**
Understanding the legislative context and the building blocks of a Finance function
Scope: Finance sets financial strategy and manages the council’s money

This review* covers all entities in the Auckland Council Group (the Group) and assesses whether the provision and delivery of Financial Services (Finance) is cost-effective, and supports the Group in its role to deliver on the Auckland Plan’s outcomes. Auckland Council refers to the council parent organisation and the Group being Auckland Council and CCOs.

What is Financial Services?*

Finance is responsible for developing and implementing a long-term sustainable financial strategy for the Group to deliver the LTP. Finance advises on the optimal way to invest in Auckland’s infrastructure while managing debt levels and maintaining confidence that the Group financial management is robust. Effective financial management is critical to the Group achieving its objectives.

Finance also manages the council’s moneys. This includes money received from ratepayers and customers, the money paid to staff and suppliers and maintaining controls so that only appropriate transactions are made. Finance is centred around the management of money.

Finance provides information both to meet statutory requirements but also to support council decision-making.

The financial challenge for Auckland Council Group

Delivering the financial strategy contained in the 2018-2028 Long-term Plan requiring the balance of investment in assets with
• acceptable costs to the community
• prudent management of debt and sustainable financial management.

*This review report should be read in conjunction with the review’s terms of reference

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<table>
<thead>
<tr>
<th>Key Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy, planning and policy</strong></td>
</tr>
<tr>
<td>Determining how the Group funds its activities including planning capital investment and how much ratepayers and customers will pay</td>
</tr>
<tr>
<td><strong>Transactions</strong></td>
</tr>
<tr>
<td>Managing the billing and collection of charges and the payments made to suppliers</td>
</tr>
<tr>
<td><strong>Accounting</strong></td>
</tr>
<tr>
<td>Recording financial information in accordance with statutory and accounting standards ensuring that only appropriate financial transactions occur</td>
</tr>
<tr>
<td><strong>Reporting</strong></td>
</tr>
<tr>
<td>Providing information to meet statutory requirements and to support the delivery of council services</td>
</tr>
<tr>
<td><strong>Decision support</strong></td>
</tr>
<tr>
<td>Interpreting and analysing information to support the effective delivery of the LTP</td>
</tr>
<tr>
<td><strong>Treasury</strong></td>
</tr>
<tr>
<td>Managing cash (and risk) so the Group can meet its obligations, and maintain external confidence in the Group’s financial management</td>
</tr>
</tbody>
</table>
Some key facts

- $43m: In Group annual expenditure for audit and risk management services
- $8.8bn: Borrowing increasing to $13.1bn in 2028
- 335: Finance staff represent 3% of total staff
- $4.5bn: Revenue invoiced and collected
- $26bn: Capital expenditure over next 10 years
- $51bn: Of assets growing to $77bn in 2028

Finance in context of the Group

<table>
<thead>
<tr>
<th>Operating spend 17/18 (Total $3.9b)</th>
<th>$43M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital spend 17/18 (Total $1.5b)</td>
<td>$0M</td>
</tr>
</tbody>
</table>

Rates-funded share ($1.32 for every $100 of total rates)

Auckland Council

Attachment A Item 8
The Value chain helps us understand the key processes that deliver Financial Services

**Value drivers**

- **Public accountability and Finance constraints**
  - Finance provides tools to help the council achieve objectives

- **Financial stewardship**
  - Finance provides confidence that there is an effective control environment and that resources are used appropriately

- **Commercial services**
  - Finance provides commercial management services to support the delivery of the LTP

- **Turning data into insight**
  - Trusted data is turned into useful, advanced insights on business performance, risks and opportunities

- **Finance and customer expectations**
  - Routine Finance processes are automated, self-service enabled, and Finance staff focused on specialist advice

**Value chain**

- **Strategy and plan**
  - Manage: financial policy, financial planning, capital planning, budgeting and forecasting

- **Transact**
  - Manage: requisition to pay, order to cash

- **Account**
  - Manage: general accounting, tax, Internal control, compliance

- **Report**
  - Manage: financial reporting, management & performance reporting

- **Manage**
  - Manage: decision support (management accounting), treasury (inc. funds management), financial systems (inc. support)

- **Review**
  - Review and improve
Complex financial stewardship obligations exist which require robust planning, budgeting, forecasting and reporting systems

- Council is required to achieve prudent stewardship and efficient and effective use of its resources and each year projected operating revenues are set at a level to meet operating expenses (i.e. a balanced budget)
- Auckland Transport is required to operate in a financially responsible manner...that seeks value for money and its revenue and expenditure are accounted for in a transparent manner
- Watercare is required to manage its operations efficiently with a view to keep overall costs of water supply and waste-water services to its customers at minimum levels consistent with the effective conduct of its undertaking and the maintenance of the long-term integrity of its assets

- The council is required to adopt certain prescribed long-term and annual financial and funding plans, strategies and polices. The frequency, timing, public consultation and required content for each is largely prescribed by legislation.
- Funding sources are also prescribed by legislation and include rating, fuel taxation, user fees and charges, development and financial contributions.
- The council and CCOs are subject to obligations and restrictions on how borrowing and financing may occur
- The council has bonds listed on the stock exchange and must comply with their rules

- CCOs must complete annual Statements of Intent including forecast financial information
- All Group financial statements and accounts must be prepared in a prescribed form and be audited by the Auditor-General
- Auckland Council must publish half yearly and annual reports with information provided by each group organization
- The council is required to disclose its forecast and actual performance in relation to certain benchmarks in its annual plan, annual report and its LTP
Understanding the building blocks of a successful Finance function

Best in class Finance functions flip the triangle investing most of their time in improving business performance. Good process design, data standards and automation reduce the cost in operations and reporting and control.

Financial performance → Business analysis at strategic level
Financial reporting and control → Financial statements and management information
Financial operations → The “basics” (foundation)

Performance

Auckland Council Group

Best in class
1. What has been the benefits from consolidating Financial Services from amalgamation, and key initiatives since then?
Financial policies, plans & systems has rapidly developed since amalgamation

- Eight councils consolidated into one – interim group financial plan & budget produced
- Uniform rating system designed
- Six new CCOs created which had inconsistent financial processes and standards

- Consolidation of systems commences – over $100 million spent on new financial, asset management, procurement and payroll systems over three years

- Approval of second LTP 2012-2025 which outlines the Group financial plan and targeting of significant efficiency savings

- Housing infrastructure funding secured from Government
- Weather tightness claims quantified ($296m)


- 2012-2022 Long-term Plan approved, including the outline Group financial plan
- Council provides shared transactional services to the smaller CCOs
- Single rates bill for all properties
- Single water bill

- Developed and adopted the 30-year Auckland Plan, giving Auckland a unified strategic direction

- Auckland Transport Alignment Funding Project government funding secured for Auckland Transport

- Third LTP - 2018-2028 - approved with major step-up in infrastructure investment of $26bn over 10 years
- Treasury expands shared services to all Group organisations
- Funding sources diversified with new targeted rates, regional fuel tax and and consulting on revised development contribution
2. Is the cost of Finance reasonable compared to benchmarks?
$43m is annually spent on Finance mainly in staff costs. Auckland Council is 65% of total.

Auckland Council has the highest costs as expected
- 83% of Finance cost relates to staff costs with the balance being billing (valuations, invoicing and external collection), consulting support
- Auckland Council provides transactional shared services to ATEED, Panuku and RFA at no cost
- Auckland Transport and Watercare do their own transactional processing

Group costs are higher than the government benchmark
- Benchmarks can provide a comparative indication of efficiency. However, every organisation is different with their own unique challenges requiring financial support
- Auckland Council provides shared treasury and transactional services to CCOs at no cost. Any adjustment for this would not have a material impact on the analysis
- The Central Government BASS median is 0.8% of operating cost. No reliable comparative Local Government benchmarks were identified
- PWC global Finance Effectiveness Benchmarking study found Finance functions had a median of 0.86% and top quartile are 0.55%

Data Source: AC and CCO Finance cost provided

Data Source: AC and CCO annual report data, BASS survey, PWC Financial effectiveness 2017, VFM analysis
Overall costs are reasonable compared to benchmark. A further review of Council parent is needed as it represents the largest cost

Finance represents 3.5% of all Group staff
- As 83% of Finance cost is staff costs, we reviewed the proportion of Finance FTEs to see if there are any outliers and found:
  - While RFA Finance costs are the highest in proportion to operating expenses the proportion of FTE is lower than the with the rest of the Group and reasonable compared to the PWC attractions benchmark
  - Auckland Council, Panuku and ATEED costs and proportion of FTEs appear reasonable given the size of both organisations

Trend for Auckland Transport and Watercare reflect growth in business
- Auckland Transport has grown significantly over the past five years but Finance costs has remained relatively constant. This demonstrates efficiency gains are being achieved year on year
- Watercare’s Finance costs has managed to absorb growth in the business and is achieving similar efficiencies to Auckland Transport
- There is a reasonable balance of teams delivering transactional vs. value-add activities

Data Sources: AG and CCD Finance FTE provided & annual report data

Data Source: Provided by Auckland Transport and Watercare
Auckland Council’s parent costs increased with additional investment in higher value-add activities

40% increase in AC’s Finance costs over last 5 years

Costs has increased from $20m in 2013 to $29m in 2018

- The majority of the increase is the investment made in decision support which is the interpretation and analysis of information provide insights on business performance.
- In 2013 the Finance team was split and costs increased as an operations division commercial Finance team was established to provide commercial and financial support to operations. A number of positions previously in operating departments were moved to Finance which accounts for part of the cost increase.
- As a result of this split is the CFO is accountable for but does not have the control of all Finance activity in the council.

The cost of processing transactions is reducing as decision support and reporting costs increase

Efficiencies being achieved in transactional processing

- Year on year, the council has been able to absorb growth in transactional volumes and reduce the total cost of Finance transactions.
- The increase in costs is in activity which has higher business value such as providing insights to improve performance.
The complexity of Auckland Council’s financial ledger is creating significant inefficiency. Management reporting is improving.

80% of cost objects has less than $10k pa budget

Cost objects are unique identifiers within the financial ledger (Finance records)
- Complexity in the financial ledger drives increases in cost. In addition to the 22,000 cost objects, there are 1,000 cost centres.
- Community Facilities has 80% of the cost objects. This is being driven by asset management requirements without a consideration of the knock-on finance costs.
- This level of detail generates work for the Finance team and is seeking a level of precision and accuracy which cannot be cost-effectively achieved in practice.
- The financial ledger is being used to manage the council assets when the information required may be better held in an asset management system.

Reporting at Auckland Council is maturing and improving despite financial ledger complexity

There has been recent improvements in both the internal management reporting within Auckland Council

- Key improvements that have been made
  - Quarterly reporting on the council performance has been reduced in size (it was over 200 pages) with a greater focus on consistent presentation across the Group and a move to only reporting on exceptions. These changes will help councillors to get better insight into performance and understand more effectively monitor Council’s performance.
  - Monthly management performance reporting has also moved to an exception reporting basis. The monthly reporting is now available to managers via online dashboards.

However, while improvement has been made there management reports that are duplicated where:
- the purpose and audience are unclear
- they are produced from different data sources
- there are uncommon service or key performance measures
- the paper-based reporting information is readily available to the system user online

To have effective performance reporting it is crucial that a “single version of truth” is used so everyone is working from the same information and where key performance indicators align with the strategic plans.

Data Source: Provided by AC, VIM review analysis
3. Does the group co-ordinate and co-operate on Finance solutions to minimise duplication, reduce cost, and improve effectiveness?
Some shared services exist, with each organisation also having a Finance team. Much of this duplication is necessary to the organisations meeting their objectives.

<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>• Finance teams (reporting to Group CFO) covering strategy, planning and policy, transactions, accounting, reporting, treasury and decision support</td>
<td>Rates</td>
<td>• Group CFO reports to CEO</td>
<td>• Provides treasury shared services to all Group organisations</td>
</tr>
<tr>
<td></td>
<td>User charges</td>
<td>• CFO responsibilities also include ICT, procurement and corporate property</td>
<td>• Provides technical accounting and tax advice to all Group organisations</td>
</tr>
<tr>
<td>Auckland Council</td>
<td>Auckland Council grant (rates funded) User charges NZTA levy</td>
<td>Executive GM Finance reports to CEO Executive GM Finance responsibilities also include procurement</td>
<td>• Provides transactional shared services to ATEED, Panuku and some for RFA</td>
</tr>
<tr>
<td>Auckland Transport</td>
<td>User charges</td>
<td>CFO reports to CEO CFO responsibilities also include supply chain, property, internal audit and risk</td>
<td>Billing, receipting and debt collection are part of the retail operations team rather than Finance</td>
</tr>
<tr>
<td>Watercare</td>
<td>User charges</td>
<td>CFO reports to CEO CFO responsibilities also include supply chain, property, internal audit and risk</td>
<td>Billing, receiving and debt collection are part of the retail operations team rather than Finance</td>
</tr>
</tbody>
</table>
## Financial 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>• Finance team responsible for strategy and planning, transactions, accounting, reporting and decision support</td>
<td>Auckland Council grant (rates funded)</td>
<td>• CFO reports to CEO</td>
<td>• Ungerboeck is the system of financial record</td>
</tr>
<tr>
<td></td>
<td>User charges</td>
<td>• CFO responsibilities also include ICT, procurement, health and safety, risk and assurance, visitor security and maintaining shared services relationship</td>
<td>• Some transactional shared services from Auckland Council</td>
</tr>
<tr>
<td>• Finance team responsible for strategy and planning, accounting, reporting and decision support</td>
<td>Auckland Council grant (rates funded)</td>
<td>• Chief Financial Officer reports to CEO</td>
<td>• Transactional shared services from Auckland Council</td>
</tr>
<tr>
<td></td>
<td>User charges</td>
<td>• CFO responsibilities also include risk and maintaining shared services relationship</td>
<td></td>
</tr>
<tr>
<td>• Finance team responsible for strategy and planning, accounting, reporting and decision support</td>
<td>User charges</td>
<td>• Director Corporate Services reports to CEO</td>
<td>• Transactional shared services from Auckland Council</td>
</tr>
<tr>
<td></td>
<td>Auckland Council grant (rates funded)</td>
<td>• Director Corporate Services responsibilities includes procurement, risk and maintaining shared services relationship</td>
<td></td>
</tr>
</tbody>
</table>
Treasury and some transactions are shared services; there may be some further opportunities in transactions and reporting

<table>
<thead>
<tr>
<th>Description</th>
<th>Sharing actual</th>
<th>Sharing potential</th>
<th>Comments on sharing and value opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy, planning and Policy</td>
<td>![icon]</td>
<td>![icon]</td>
<td>• Group approach is required for overall strategy. Each CFO should be determining how each organisation implements the financial strategy</td>
</tr>
<tr>
<td>Transactions</td>
<td>![icon]</td>
<td>![icon]</td>
<td>• Some shared services exist. Further opportunities could be in billing (including maintenance of property and customer information), debt collection and accounts payable.</td>
</tr>
<tr>
<td>Accounting</td>
<td>![icon]</td>
<td>![icon]</td>
<td>• Some shared services exist with technical accounting and tax. Further opportunities could be the production of six-monthly and annual financial statements.</td>
</tr>
<tr>
<td>Reporting</td>
<td>![icon]</td>
<td>![icon]</td>
<td>• Some shared services exist where the a number of similar SAP financial systems are used across the Group. Further opportunities could be on a common data repository/management reporting portal.</td>
</tr>
<tr>
<td>Decision support</td>
<td>![icon]</td>
<td>![icon]</td>
<td>• Analysis and insight is unique to the organisation or service being analysed. Opportunities for resource pooling and common approach to financial management of infrastructure development.</td>
</tr>
<tr>
<td>Treasury</td>
<td>![icon]</td>
<td>![icon]</td>
<td>• Shared service for all Group organisations operating for treasury (except Ports of Auckland (POAL))</td>
</tr>
</tbody>
</table>

Attachment A  
Item 8
Different processes and systems may be a barrier to future Finance sharing; robotics may be the new opportunity to achieve scale–based efficiencies

Treasury shared service has delivered benefits

- Auckland Council manage the treasury function on behalf of the Group with a single treasury policy approved by each organisation. This is a good example where a Group approach has been successfully adopted
- POAL do not currently participate. This could be a future opportunity. Noting that POAL only represents approx. 5% of the Group debt
- The following benefits has been realised from having a single treasury function
  - Lower cost to serve as only two staff to manage debt across the Group rather than in each organisation
  - Improved internal control and risks managed on a Group basis
  - No surprises on debt levels as there is a single view for the Group
  - Lower cost of debt e.g. it is estimated Watercare will save $6m per annum by using the treasury shared service

Group shared services strategy

- In the mayoral proposal for the LTP there was an expectation of reduced costs in back office functions delivered via shared services
- Some work has been completed but an overall road map is needed for this strategy and how duplication will be removed
- In March 2018, CFOs of organisations in the Group agreed there was benefit from further shared services. Since then, four of six CFOs have changed, delaying the development of the overall strategy
- Detailed work is required to assess what value can be delivered from a shared services approach against the cost of change
- Assessment of new automation technologies such as robotics is also needed.
- To be most successful, shared services work on “one system, one process”. Detailed work may show new automation technologies may be able to deliver some of the shared services benefits without making any structural changes
- A key first step would be the establishment of a governance group with representation across the Group and a dedicated resource to develop a strategy and then business case to evaluate potential future options

Data Source: LTP 2018-2028
4. Is Finance delivering its services to the desired performance standards?

5. Is Finance's customers and stakeholders satisfied with the financial services?
## Finance wears a number of hats but generally is effective in each role

<table>
<thead>
<tr>
<th>Role of Finance</th>
<th>Observations on effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance as a strategist</td>
<td>- LTP has a clear financial strategy (discussed later at question 6)</td>
</tr>
<tr>
<td></td>
<td>- Debt levels managed at prudent levels, maintaining credit rating</td>
</tr>
<tr>
<td>Finance as a catalyst</td>
<td>- Finance actively monitors, measures and supports improvement in the Group business performance</td>
</tr>
<tr>
<td></td>
<td>- Where measured, in general, high levels of internal customer satisfaction</td>
</tr>
<tr>
<td></td>
<td>- Financial elements of business cases could be improved, particularly benefit realisation</td>
</tr>
<tr>
<td>Finance as a steward</td>
<td>- Auditor-General has issued unqualified audit reports each year. There are currently no material management control or other issues</td>
</tr>
<tr>
<td></td>
<td>- No material internal audit issues identified and unresolved</td>
</tr>
<tr>
<td>Finance as an operator</td>
<td>- Accounts payable operating effectively with suppliers paid accordance with payment terms</td>
</tr>
<tr>
<td></td>
<td>- Debt collection could be improved. Issues at Auckland Council with regulatory billing, receipting and subsequent slow collection</td>
</tr>
</tbody>
</table>
Finance maintains an effective control environment as part of its complex financial stewardship obligations

Internal controls – doing things right

- Finance is responsible for maintaining an effective control environment so that only those authorised can be involved in financial transactions
- Generally, controls part of the financial technology solution (SAP) but other controls are manual such as review of the monthly management accounts
- The Auditor-General is the auditor of the Group annual report (including financial statements). There is also a requirement that the Auditor-General undertakes regular performance auditing
- In addition to an audit opinion, the Auditor-General also reports on the effectiveness of the control environment and identifies areas for improvement
- Overall, neither the Auditor-General nor internal audit reviews have highlighted any material elements in Finance that require improvement
- Since amalgamation, there has been no significant or material breaches of the internal control environment
- Overall, Finance is maintaining an effective management control environment

Finance as the gatekeeper – doing the right things

Plan to report process

- Finance is responsible for the LTP, annual plans, quarterly performance reporting to the Council and Annual report. This includes public consultation
- Reporting of results to the Council has recently been revised with the new format
  - Focused on year-to-date results (both financial and non-financial)
  - Focused on material items
  - Risks to achieving targets
  - Use of graphs and colour to make reports easily understood

Chartered Accountant ethical standards

- Members of Chartered Accountants Australia and New Zealand and other professional accounting bodies has ethical obligations to the accounting profession
- Professional members also has obligations for continuing professional education
- Approximately 20% of the Finance staff are members of professional accounting bodies
Benchmarking shows most Finance operations are effective with improvement opportunity for reporting at Auckland Council

**Attachment A**  
**Item 8**

### Reporting and decision support
- **Percentage Finance time spent analysing information vs accessing and preparing**
  - AC: 35%
  - PWC: 42%
  - Watercare: AT 52%

### Days to close and report financial results
- Watercare: 3 days
- AT: 6 days
- PWC: 9 days
- AC: 12 days

### Accounts payable
- **Number of invoices per AP FTE**
  - AT: 6k
  - RFA: 9k
  - Watercare: 11k
  - Hackett: 12k
  - AC: 14k

Most invoices are for services rather than goods. Greater efficiency can be achieved in organisations buying goods. Investigation at Auckland Transport shows many complex invoices with multiple lines, NZTA compliance, PCI compliance (credit card regulations). However, management has also identified areas for improvement.

### Accounts receivable
- **Number of days for invoices to be paid**
  - AC & AT: 20 days
  - Watercare: 20 days
  - APQC: 35 days

A number of customers pay rates in one instalment and pay consents in advance positively impacting council results. Auckland Council provide credit control for RFA, ATTEED and Panuku.

### Benchmarks
- PWC Benchmark – PWC Global benchmark study, median benchmark
- APQC – top quartile benchmark
- Hackett Benchmark median benchmark

### Application of benchmarks
- Auckland Transport – no debtors days as majority of revenue cash or from funders
- Deloitte 2018 Finance Lab Report
6. Does Finance enable the Group to effectively manage its funding and financing, i.e. rates, revenue, user-pays, debt and alternative sources?

7. Are the financial processes supporting Council’s long-term strategic objectives?
A clear financial strategy exists to effectively fund the LTP and meet Local Government Act requirements

<table>
<thead>
<tr>
<th>Local Government Act requires prudent financial management</th>
<th>Long term financial strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Group must ensure that each year’s projected operating revenues are set at a level sufficient to meet that year’s projected operating expenses*</td>
<td>• The 2018-2028 LTP has a clear strategy to manage Auckland’s rapid growth which is driving demand for new and improved infrastructure, to manage historic under-investment and to manage community expectations</td>
</tr>
<tr>
<td>• The Group must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community*</td>
<td>• In summary, the financial strategy balances the need for investment with</td>
</tr>
<tr>
<td>• Prudent financial management is required over the next 10 years to deliver the largest ever infrastructure programme for Auckland while operating within level of debt that can be borrowed</td>
<td>• acceptable costs to the community</td>
</tr>
<tr>
<td>• While Finance does not deliver services to the community, it needs to work closely with management across the Group to accurately plan, report and forecast performance</td>
<td>• prudent management of debt and sustainable financial management</td>
</tr>
<tr>
<td></td>
<td>• To deliver on its financial strategy, the council will</td>
</tr>
<tr>
<td></td>
<td>• set revenue that reflect acceptable levels of increase</td>
</tr>
<tr>
<td></td>
<td>• maximise the value of revenue received</td>
</tr>
<tr>
<td></td>
<td>• manage our investments to optimise returns</td>
</tr>
<tr>
<td></td>
<td>• Finance has a small team looking at alternative funding mechanisms including working with central government and the private sector</td>
</tr>
</tbody>
</table>

* S100, S101, Local Government Act 2002
Productivity Commission is benchmarking local government funding and financing – the Group is meeting the benchmarks

Productivity Commission – LG funding and financing

- Government has asked the Commission to review the cost of services provided by local government and how they are paid for. This will include an assessment of the current local government funding and financing frameworks.
- Local government has a range of tools to fund the services they provide and has financial benchmarks that they must achieve.
- Financing is the way the cost of services or projects are paid for at the time they are provided. Local government has a choice to pay-as-you-go (paid through current revenue) or borrowing.
- The Group uses borrowing to spread the cost of infrastructure investment, so cost is spread over generations, rather than just current users.
- The council will engage with the Commission over submissions on its issues paper which it is due to report back to government on in November 2019.

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>Benchmark requirements</th>
<th>Auckland Council 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates affordability</td>
<td>Actual or planned rates is ≤ to the limit on rates increases (3.5%) and total rates as included in the financial strategy</td>
<td>2.3%</td>
</tr>
<tr>
<td>Debt affordability</td>
<td>Actual or planned borrowing is ≤ to the limit on borrowing included in the financial strategy (27.5%)</td>
<td>19.6%</td>
</tr>
<tr>
<td>Balanced budget</td>
<td>Revenue for the year exceeds operating expenditure</td>
<td>99%</td>
</tr>
<tr>
<td>Essential services</td>
<td>Capital expenditure is ≥ depreciation</td>
<td>189%</td>
</tr>
<tr>
<td>Debt servicing</td>
<td>Yearly borrowing costs ≤ 15% of its revenue</td>
<td>13%</td>
</tr>
<tr>
<td>Debt control</td>
<td>Actual net debt at the end of the year ≤ planned net debt</td>
<td>98%</td>
</tr>
<tr>
<td>Operations control</td>
<td>Actual net cashflow from operations ≥ planned net cashflow from operations</td>
<td>103%</td>
</tr>
</tbody>
</table>
Auckland Council is diversifying revenue sources resulting in less reliance on revenues from ratepayers

**Change in revenue sources over time**

- Rates decreased from 48% of revenue in 2012 to 38% in 2018
  - The growth in development contributions and vested assets from 4% in 2012 to 17% today is a significant change in the funding mix
  - This reflects Auckland’s growth with Finance providing the council tools to allow recovery of costs related to that growth

**Rates comparison to Local Government average**

- The council’s rates proportion is lower than the local government average
  - The council relies less on rates than other local authorities (see comment about development)
  - The council has started to introduce more targeted rates e.g. accommodation provider, water quality and natural environment. These will reduce reliance on general rates and focus on specific areas where the community has asked for improvement

**Annual growth in rates per capita City Councils 1996 - 2017**

- Rates increases are lower than most other city councils
  - Both Auckland Council and its legacy Councils has maintained rates increases significantly lower than other City Councils.

Data Source: Provided by Auckland Council Annual report, VFM review analysis and NZ Productivity Commission November 2018
The 24% increase in the capital budget over the next year presents both a challenge and opportunity for the Group.

**$26bn investment over next 10 years**
- Delivery of the capital budget on time and on budget is considered a key strategic risk
- The LTP has a significant capital development programme over the next 10 years. This represents a very large step change above the current level of investment
- The programme must not only be planned and delivered at speed but also phased effectively to manage within the Group’s debt cap which is a growing constraint. This is particularly in the first three years of the LTP.
- Delivering an effective step change in the size of the capital programme expenditure will benefit from state-of-the-art capital planning, forecasting and reporting systems.

**Growing capital gap between actual and budget over last five years**
- Capital underspend is a systemic problem for the Group, with 17% cumulative underspend over the last five years. No organisation is consistently meeting their capital targets.
- The LTP assumes that the cash required in the first three years will be less than the actual programme i.e. an underspend which has been the historic pattern.
- Finance has an opportunity to effectively support, challenge and forecast the capital programme delivery.

Data Source: Provided by AC, ViFM review analysis
8. Are Finance Services improving in line with changing practices, technologies and customer expectations?
Finance is the performance monitor for the Group and needs to keep current with changing expectations, digitisation and external standards

The changing role of the CFO

- A number of accounting consultancies has written about the changing role of Finance. Organisations are seeking increased value from their Finance teams and want the CFO to be the Chief Performance Officer.

- The evolution of the role is driven by five forces
  - increased expectations
  - pace of change
  - pressure to grow (or constrain cost)
  - power of data
  - expanded control and legislative expectation

- Group CFOs already has this role. Public sector organisations have both financial and non-financial reporting requirements which are managed by Finance teams.

- Finance is responsible for the LTP, annual report and reporting to both the council and CCO boards which covers the plan to report cycle.

- Finance has an opportunity to ask “So what?” and use this to drive future performance improvement.

Legislative and accounting standard changes

- The Group is required to comply with legislation (including tax legislation) and changes to accounting standards.

- In New Zealand, accounting standards are set by the External Reporting Board (XRB), an independent crown entity. The Group use accounting standards for public benefit entities.

- The Group Financial Controller at the council is responsible for establishing Group accounting policies and how these are aligned to changes in accounting standards so that Group financial statements are prepared on a consistent basis.

- The Group Financial Control team arrange training for financial staff across the Group in both changes to accounting standards and tax updates.
Robotics are being used to automate processes, improving effectiveness and efficiency

- Group organisations has used the software UiPath for successful Robotic Process Automation (RPA) initiatives. Each organisation has leveraged the others' knowledge and experience to establish their own RPA. Watercare and POAL are good examples of such reciprocal collaboration.
- While there has been good collaboration to date, a centre of excellence hasn’t been considered to further leverage experience and expenditure on UiPath software, reducing duplication.

<table>
<thead>
<tr>
<th></th>
<th>Sept 2017</th>
<th>February 2018</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Watercare</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auckland Council</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auckland Transport</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- RPA has now been successfully utilised to automate four high volume business processes.
- To date, a reduction of five FTEs, achieved through natural attrition, can be directly attributed to the RPA project.
- The RPA project was a finalist in CEO financial innovation project of the year 2018.

- RPA has been used to automate a number of processes including managing consultation responses to the LTP, supporting dog registration, and accounts payable.
- Opportunity with RFA underway for Ungerboeck payables system.
- RPA project was one of six ICT projects in local government to be nominated for the Excellence in Innovation Award.

* The Hackitt Group. The three hallmarks of a world-class finance organisation.
Digital leaders are achieving significant efficiency and offer further opportunities for the Group

**Benefits of digital Finance (including RPA)**

- Cost reduction
- Process standardisation
- High accuracy and quality
- Eliminating repetitive process
- Faster processing
- Enhancing the quality of work for staff

**Digital leaders’ finance costs are 43% lower**

- Hackett Group* found that digitally led finance teams reduce:
  - FTE by 45%
  - errors by 37%
  - time to collect and compile data by 15%

**Benefits from Auckland Council RPA (2018)**

- **Cost avoidance**
- **Cost reduction**

$800k of savings from automating processes

- RPA was introduced at the council in February 2018
- A number of processes has been automated including the tracking of feedback received from the consultation on the LTP
- The transactions continuous improvement team of four are focused on automating processes

Data Source: Provided by AC, VIM review analysis

* The Hackett group: The three hallmarks of a world class Finance organisation

Attachment A  Item 8
Challenges and issues in realising further value, and value opportunities
## Challenges and issues in realising further value

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing performance expectations and the pace of change is changing the requirements of Finance teams</td>
<td>Further process improvement and automation required so staff can focus on more value added activity rather than transacting and reporting</td>
</tr>
<tr>
<td>Duplication exists across the Group’s Finance teams, some of which is necessary</td>
<td>Each CCO Statement of Intent addresses the LTP’s mayoral proposal requesting a shared service approach but limited progress has been made, other than Treasury</td>
</tr>
<tr>
<td>Each Group organisation has their own Finance technology solutions</td>
<td>Achieving group efficiencies through transactional shared services is most effective with “one system, one process”</td>
</tr>
<tr>
<td>Auckland is growing rapidly, requiring additional funding to invest in the appropriate infrastructure and there is little debt capacity</td>
<td>Accurate financial forecasts are required to plan the debt requirements and improvement is needed in the maturity of forecasts</td>
</tr>
</tbody>
</table>
Value proposition #1: Group Shared Services Strategy

IF

... building on the successful Group shared services already in place develop a business case to determine whether more services could be provided as a shared service in alignment with the mayoral proposal request...

By

- Developing, building on the shared services currently operating, a shared services strategy and operating model including
  - key guiding principles
  - the appropriate operating model to deliver efficient and effective shared services
- Establishing the appropriate shared service governance structure and decision-making principles with appropriate sponsorship and senior representation from all Group organisations
- Establishing a mandate to use in future CCO Statements of Intent and in council policies
- Assess the potential future efficiency and productivity benefits that increased use of robotics and AI and how the Group may collectively leverage these benefits

Then we will achieve

- An agreed strategy and operating principles around how the Group will collaborate to improve efficiency and effectiveness
- Opportunities to reduce overall cost of organisational support services by removing duplication, productivity improvements and scale efficiencies
- Opportunity to create knowledge-based centres of expertise allowing the Group to insource more activity
- A framework to expand shared services to other local government organisations

Note: The proposed scope of the Group Shared Services Strategy is broader than Finance and covers all organisational support services. Organisational Support services include Finance, ICT, Procurement, Customer Services, and Human Resources
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Aligns with mayoral proposal and CCO Statements of Intent</td>
</tr>
<tr>
<td>Value for money</td>
<td>Improved VFM will be achieved by:</td>
</tr>
<tr>
<td></td>
<td>• reducing duplication</td>
</tr>
<tr>
<td></td>
<td>• improving operating efficiencies</td>
</tr>
<tr>
<td>Equity</td>
<td>Value from an efficient and effective back office benefits all ratepayers</td>
</tr>
<tr>
<td>Feasibility</td>
<td>No barriers</td>
</tr>
<tr>
<td>Affordability</td>
<td>Business case funded from existing budgets</td>
</tr>
<tr>
<td>Competency</td>
<td>Development of business case funded from existing budgets</td>
</tr>
</tbody>
</table>

Results

Summary of financial costs and benefits

Costs
- No additional costs anticipated for development of business case

Benefits
- Quantitative benefits:
  - reduced cost by removing of duplication
  - increased efficiency and productivity
  - allow the council to complete more work internally rather than outsourcing

Development and implementation of a Group Shared Services Strategy will support CCO Statement of Intent obligations to pursue Group shared activity where it makes sense to do so. It will also demonstrate that value is being maximised from back office support functions.
Key risks and constraints

- One size does not fit all and to maintain effectiveness certain services are core to each organisation achieving their objectives and are not good candidates for shared services.
- Risk of value being lost if there is no requirement to use, participate in, and contribute to, a Group shared services approach.
- 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, 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.

Key assumptions

- The shared services strategy will be jointly developed by, and for, each organisation in the Group and be jointly beneficial to each participating organisation.
- The council or CEO of a CCO will sponsor the development and implementation of the shared services strategy, supported by senior executives.
- All Group organisations will participate in alignment with the commitments contained in Statements of Intent for organisations to work together.
- 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 approach and to encourage innovation, but still achieve the benefits of collaboration.
Auckland Council currently provide some shared services to CCOs

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual</th>
<th>Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services</td>
<td>![Icon]</td>
<td>![Icon]</td>
</tr>
<tr>
<td>ICT</td>
<td>![Icon]</td>
<td>![Icon]</td>
</tr>
<tr>
<td>Customer</td>
<td>![Icon]</td>
<td>![Icon]</td>
</tr>
<tr>
<td>Procurement</td>
<td>![Icon]</td>
<td>![Icon]</td>
</tr>
<tr>
<td>Human Resources</td>
<td>![Icon]</td>
<td>![Icon]</td>
</tr>
</tbody>
</table>

Load organisation varies for each procurement

No shared service elements, opportunity may exist

Limited shared service opportunity

Group shared service

Some shared service elements, more opportunity may exist

VFM review of Human Resources has not yet occurred. Assumptions would be validated as part of this review.
Value proposition #2: Group Financial Information Strategy

IF ... develop a strategy for the collection, storage and retrieval of financial information required across the Group (for Group matters) ...

By

- Designing and implementing a strategy for managing Group financial information:
  - Determining the key information that is required in the Group plan to report cycle for each LTP as part of an three-year planning calendar
  - Principles for how the information is collected, accessed and used
  - Definitions for key data sets
  - Establishing appropriate data governance and controls
- Developing a business case for implementing the strategy including the selection of appropriate technology solutions and roadmap for future improvements
- Determine the appropriate analytical tools that can be used to allow self-service capability

Then we will achieve

- A single source of truth for all information required for the LTP, annual plans, financial policies and annual report
- Reduce the number of requests from multiple people for the same information; generally from the council to CCOs
- Increased efficiency in the Finance teams across the Group
- Clarity in the definitions of data resulting in consistency of reporting
- Improved data quality
- Improved quality of information to support decision-making
### Attachment A

#### Item 8

**Assessment**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Supports the efficient discharge of statutory obligations</td>
</tr>
<tr>
<td>Value for money</td>
<td>Improved VfM will be achieved by having a single source of truth and more finance time available to analyse information and provide improvement insights</td>
</tr>
<tr>
<td>Equity</td>
<td>Overall benefits expected to exceed costs</td>
</tr>
<tr>
<td>Feasibility</td>
<td>No barriers</td>
</tr>
<tr>
<td>Affordability</td>
<td>Funded from existing budgets</td>
</tr>
<tr>
<td>Competency</td>
<td>Some external support may be required to develop a fit for purpose strategy. Business case will identify future requirements</td>
</tr>
</tbody>
</table>

**Results**

**Summary of financial costs and benefits**

The strategy will provide clarity on what information is required, when and for what purpose. Following development of a strategy a business case should be developed to determine costs and benefits.

**Costs**
- There will be a cost of change which should be quantified and assessed against the future benefits of the change.

**Benefits**
- Quantitative benefits
  - Reduced time required to collate information allowing focus on analysis
  - Single source of truth
- Unquantified qualitative benefits include:
  - Greater clarity of reporting information to enable better decision-making and reduced risk of errors

There are multiple requests for the same information across the Group, generally from the council to CCOs. These requests are not approached strategically. Information is stored in spreadsheets, creating inefficiency with the risk of using incorrect information.

Value will be delivered from having a single source of truth.
Key risks and constraints

- Risk of value being lost if future data sets are not actively managed
- Risk of resistance to change or later rogue behaviour can erode benefits
- Risk of loss of talent during any change process
- Watercare’s efficient and effective operations obligation means that, when assessing proposals for co-ordination, 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

Key assumptions

- The Group Financial Information Strategy is jointly developed by and for each organisation in the Group and is jointly beneficial to each participating organisation
- The approach is flexible enough to accommodate and answer all the different questions required of financial information at a Group level
- The council or CEO of a CCO will sponsor the development and implementation of the Group Financial Information Strategy with the Group CFO and CCO CFOs (or equivalent) forming the project steering committee
- Appropriate investment will be made to enable success
- All Group organisations will participate in alignment with the commitments contained in Statements of Intent for organisations to work together
- 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 approach and to encourage innovation but still achieve the benefits of having a single source of truth
Value proposition #3: Simplify planning and reporting process at Auckland Council to deliver Group benefits

**IF**

... we simplified the planning and reporting process so that it is more effective and efficient by ...

**By**

- Introducing a new planning and reporting framework aligned to LTP, annual budgeting and planning cycles and corporate strategy
- Implement a leaner annual report process with greater business ownership of the performance story
- All business performance reporting driven on an exception basis by commercial and Finance team eliminating duplicated reporting effort
- Corporate reporting requirements move to quarterly and on an exception basis.
- Creating an embedded, enterprise wide Commercial & Finance team reporting servicing the business through a single channel
- Simplifying the chart of accounts and controls around future changes

**Then we will achieve**

- Reduced, standardised and simplified corporate reporting demands decreasing the effort across the organisation
- Finance activity focussed on value adding activities improving customer experience and service delivery
- Improved alignment of business planning with budgets/forecasts with carry overs, phasing and detailed budget changes eliminated
- Improved quality of service delivery by creation of clear accountability and channels of engagement for customers
Value for Money Finance Review

Item 8

Attachment A

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net estimate (10yr NPV)</td>
<td>$18m</td>
</tr>
<tr>
<td>Ease of implementation</td>
<td>Moderate</td>
</tr>
<tr>
<td>Timing</td>
<td>6 – 12 months</td>
</tr>
<tr>
<td>Overall rating</td>
<td>Must do</td>
</tr>
</tbody>
</table>

**Assessment**

**Summary of financial costs and benefits**

**Costs**
- There will be a cost of change which should be quantified and assessed against the future benefits of the change.

**Benefits**
- Quantitative benefits
  - Net reduction in operating costs
- Unquantified qualitative benefits include:
  - Time saving reduction by business unit management in planning and reporting process
  - Greater clarity of reporting information to enable better decision-making

Value will be delivered from simplification, removing unnecessary work and duplication which will create efficiencies.

Planning and reporting is how the organisation plans, tracks and monitors performance, and who is involved in the execution of these activities. This includes regulatory, statutory and governance as well as business facing requirements.
Key risks and constraints

- Risk of resistance to change or later independent behaviour can erode benefits
- Risk of loss of talent during any change process
- Risk that Finance’s customers do not understand or agree with the proposed changes

Key assumptions

- The Group CFO will sponsor the development and implementation of the proposed changes to the planning and reporting processes
- Appropriate investment will be made to enable success particularly embedding process changes
Value for money

This review delivers on the section 17A of the Local Government Act 2002 requirement, to:
“... review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions ... 
... consider options for the governance, funding, and delivery of infrastructure, services, and regulatory functions... “
These reviews must be undertaken at least every six years.

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

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

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

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

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

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

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

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

Questions

<table>
<thead>
<tr>
<th>What</th>
<th>Why</th>
<th>Performance</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the service and how big is it?</td>
<td>What is the service trying to achieve?</td>
<td>What are the cost and value drivers?</td>
<td>Does current performance indicate good VfM?</td>
</tr>
<tr>
<td>How is it delivered, funded, governed, regulated?</td>
<td>What are its strategic or statutory drivers?</td>
<td>Cost: economy (cost of inputs) and efficiency (service delivery)</td>
<td>Do incentives/controls give confidence about achieving future value?</td>
</tr>
<tr>
<td>What is its place in the value chain?</td>
<td>What is the public policy rationale for local government role?</td>
<td>Effectiveness: economic, environmental, social impacts</td>
<td>What are the areas of risk and uncertainty affecting VfM?</td>
</tr>
<tr>
<td>What is the current and future context?</td>
<td></td>
<td>Cost-effectiveness</td>
<td>Continued relevance in light of likely changes in context?</td>
</tr>
</tbody>
</table>

---

**Continued relevance**

**Equity**

**Rationale**

**Effectiveness** (value/cost)

**Economy** (cost/input)

**Efficiency** (out/input)
Item 8

Attachment A

Glossary

Term | Definition | Source used
--- | --- | ---
APQC | A Treasury publication of benchmarking administration and support services for local authorities in the USA. Used by consultancies to provide performance comparisons. | Auckland Council, Auckland Council Benchmarking Report 2018-2019
ATEDD | Auckland Tourism, Events and Economic Development | Auckland Council
Auckland Council | | 
BAS | A Treasury publication of benchmarking administration and support services for local authorities in the UK. Used by consultancies to provide performance comparisons. | Auckland Council, Auckland Council Benchmarking Report 2018-2019
ERP | Enterprise Resource Planning. A technology solution that provides the core technology requirements for an organisation. It integrates all local boards which share responsibility for decision-making with the governing body. They provide an overview of all local boards’ activities and facilities. | Auckland Council
Local boards | Legislation that defines the powers and responsibilities of territorial local authorities such as Auckland Council. | Auckland Council
Long-term plan (LTP) | 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. | Auckland Council
Ratepayers | A charge against the property to help fund services and outcomes that the council provides. | Auckland Council
Return on investment (ROI) | 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 made. | Auckland Council
Value for Money (VfM) | Using resources efficiently, economically, and without waste, while delivering the best possible outcomes. The council is trying to achieve.
Acknowledgements

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

**Watercare**
- Marlon Bridge  Chief Financial Officer
- Julian Stewart  Financial Controller
- Emma McRitchie  Governance and Change Manager

**Auckland Council**
- Matthew Waller  Group CFO
- Joe Tooman  Funding Analyst
- Wai Jin  Corporate Performance Advisor
- Francis Caetano  Group Financial Controller
- Nick Bird  Financial Analyst
- Robert Irvine  Head of Group Financial Planning
- Aroh Patel  Principle Continuous Improvement Analyst
- Kevin Ramsay  GM Corporate Finance and Property
- Moana Macfarlane  Financial Compliance Manager
- Andrew John  Treasury Funding Manager
- Russell Vauasasi  Head of Financial Transactions

**Auckland Transport**
- Mark Laing  Executive Director Finance
- David Bardsley  GM Finance

**Regional Facilities**
- Simon Tran  Chief Financial Officer
- Christine Bagbie  GM Finance
- Ashil Singh  Assistant Transactional Accountant

**Panuku**
- Carl Gosbee  Director, Corporate Services

**ATEED**
- Jacky Hollingsworth  Chief Financial Officer
- Joy Buckingham  Interim Chief Financial Officer
- Claire McCracken  Finance Manager
Finance VFM review

1. Scope

Finance is part of the organisational support group of activities. It forms part of the VFM programme which meets council obligations under SITA of the Local Government Act.

2. Background

Finance is responsible for developing and implementing a long term sustainable financial strategy for the Group. Finance advises on the optimal way to invest in Auckland’s infrastructure while managing debt levels and maintaining confidence that financial management is robust.

Finance also manage Council’s moneys. This includes money received from ratepayer and customers, the money paid to staff and suppliers and maintaining controls so that only appropriate transactions are made. Finance is concerned around the management of money.

Finance provides information both to meet statutory requirements but also to support council decision making.

4. Value was assessed by considering these key questions

<table>
<thead>
<tr>
<th>Key question</th>
<th>Confidence that VFM achieved and planned</th>
<th>VFM review conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 What have been the benefits from consolidating financial services from amalgamation, and key initiatives since then?</td>
<td>✔</td>
<td>Significant progress has been made in standardising Finance processes and controls from amalgamation</td>
</tr>
<tr>
<td>2 Cost: is the cost of Finance reasonable compared to benchmarks?</td>
<td>✔</td>
<td>Compared to benchmarks and reflecting the scale and complexity of the Group, Finance, in general, is cost efficient</td>
</tr>
<tr>
<td>3 Cost: does the Group co-ordinate and co-operate on Finance solutions to minimise duplication, reduce cost, and improve effectiveness?</td>
<td>✔</td>
<td>Shared services exist across Finance with Treasury (all COCOs) and some transactional services provided. Shared services strategy needed to determine if further opportunities (finance technology) exist</td>
</tr>
<tr>
<td>4 Effectiveness: is Finance delivering its services to the desired performance standards?</td>
<td>✔</td>
<td>Finance has a number of roles (as a strategist, policy advisor, catalyst, steward and operator) and is generally effective</td>
</tr>
</tbody>
</table>

5. Executive Summary

- Financial objectives of LTP achieved
- Clear financial strategy to move to a sustainable financial position
- AA credit rating maintained
- Effective risk management
- Step change in capital expenditure and associated borrowing
- Greater role for finance to support capital forecasting
- 1% of operating cost is spent on Finance which is higher than public sector benchmarks but Local Government has additional compliance requirements
- Efficiency opportunities exist at Auckland Council to improve the plan to report processes
- Shared services are successfully used. Auckland Council provides treasury across the Group and they also provide transactional Finance services to RFA, Panuku and ATIED
- The Mayor has requested a shared services strategy for the Group. The business case for further shared service opportunities should be for all back office services (not just Finance)
- Finance has a number of roles (a strategist, planner and policy advisor), a catalyst for change, a steward of public money, a financial operator and performs well across these dimensions
- No significant internal control issues identified by auditors
- Finance teams have started to implement robotic process automation to reduce cost and errors. Further opportunities exist
- Finance also manage change accounting and tax requirements
- A robust financial strategy is in place and Finance is effective in their role as steward of the Group Finances
- The challenges of funding infrastructure is becoming more complex and Finance needs to ensure it has the right capabilities

6. Recommendations

1 Develop a shared services strategy for all back office services
2 Develop and implement (subject to business case) a group financial information strategy
3 Commence a programme of work to improve planning and reporting

7. Summary of potential value

<table>
<thead>
<tr>
<th>Value propositions</th>
<th>NPI (10 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group shared services strategy</td>
<td>$5m</td>
</tr>
<tr>
<td>Group financial information strategy</td>
<td>(not estimated)</td>
</tr>
<tr>
<td>Simplify planning and reporting (Auckland Council focus but Group benefit)</td>
<td>$18</td>
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Total | $18 |
Auckland Council progress on savings up to 31 March 2019

File No.: CP2019/08041

Te take mō te pūrongo
Purpose of the report
1. To provide the Appointments, Performance Review and Value for Money Committee an update on the progress towards meeting the 10-year Budget 2018-2028 operating budget savings target for Auckland Council.

Whakarāpopototanga matua
Executive summary
2. The 10-year Budget 2018-2028 includes total cumulative operating savings for Auckland Council of $565 million over the next ten years. The target for the 2018/2019 financial year is $23 million.
3. A centralised process for identifying, measuring and reporting on savings to improve transparency on the achievement of the savings target within the 10-year Budget has been developed.
4. This approach captures benefits across six key workstreams, being:
   - procurement – reducing contract spend with third parties through negotiating better terms for the council
   - organisational design – implementing structures that remove duplication and leverage capability and capacity more efficiently
   - technology – leveraging existing investments for better outcomes or implementing new tools that create efficiencies such as automation
   - increasing non-rates revenue – identifying new or growing existing revenue streams
   - prudent financial management – a strong focus on costs through a culture of questioning and challenging all expenditure, managing spend against budgets and applying controls around activities such as travel and recruitment
   - Value for Money – capturing benefits that have been identified through the Value for Money reviews.
5. Up to 31 March 2019 $18.2 million of savings have been realised, up from $13.5 million realised at the previous quarter. The majority of the additional savings have been met through a strong focus on prudent financial management (now totalling $12.3 million), with the rest spread across the other workstreams.
6. The balance of the $23 million has been identified and is anticipated to be realised in the final quarter. This equates to $230 million savings over the next ten years, or 41 per cent of the overall $565 million target.
7. On top of the $23 million, a further $7 million cost increase will be met through strong financial management within Infrastructure and Environmental Services. The additional cost is driven primarily by increased recycling and insurance costs.
Ngā tūtohunga

Recommendation/s

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

a) receive the Auckland Council progress report on savings up to 31 March 2019.

Horopaki

Context

8. Savings are an important mechanism for Auckland Council to achieve a high level of cost efficiency and value for money. Savings targets are set at a level to provide enough focus on efficiencies without detriment to agreed service levels or health and safety.

9. Since Auckland Council was formed, it has included savings targets in its annual and long-term budgets after considering the level of the expenditure required to provide council services and the level of rates we collect.

10. From amalgamation to financial year 2017/2018, $270 million per annum savings have been realised.

11. Building on this progress, additional savings targets are included in the 10-year Budget 2018-2028, by including total cumulative operating savings for Auckland Council of $565 million over the next ten years. The target for the 2018/2019 financial year is $23 million.

12. There are many levers that can be used to deliver savings and efficiencies including:

   • procurement – reducing contract spend with third parties through negotiating better terms for the council
   • organisational design – implementing structures that remove duplication and leverage capability and capacity more efficiently
   • technology – leveraging existing investments for better outcomes or implementing new tools that create efficiencies such as automation
   • increasing non-rates revenue – identifying new or growing existing revenue streams
   • prudent financial management – a strong focus on costs through a culture of questioning and challenging all expenditure, managing spend against budgets and applying controls around activities such as travel and recruitment
   • Value for Money – reviewing the cost effectiveness of our services. This report only captures the cost savings on operating expenditure, not the overall benefits of the programme, or other financial benefits such as cost avoidance and reductions in the cost of capital expenditure. Separate reporting is provided to this committee on the wider Value for Money programme.

13. The savings target relates to operating expenditure. It excludes any benefit relating to capital works and cost avoidance.

Tātaritanga me ngā tohutohu

Analysis and advice

14. Up to 31 March 2019, $18.2 million of savings have been realised, up from $13.5 million realised at the previous quarter end. The majority of the savings has been met through a strong focus on prudent financial management, with the rest spread across the other workstreams.

15. The balance of the $23 million has been identified and anticipated to be realised in the final quarter.
Procurement
16. Savings to date of $1.2 million have been achieved.
17. Initiatives in this workstream previously reported include lower reparation costs for corporate property leases and lower internet connection costs.
18. A further $0.1 million has been achieved in this workstream this quarter, primarily from implementing a supplier panel for professional services related to processing resource consent and other applications; and a reduction in bank charges.
19. Other procurement benefits have been achieved to avoid $26.1 million of cost pressures and reduce costs of planned capital projects.
20. Work is underway on streamlining low risk and low value procurements in order to reduce both the internal cost and external cost of these procurements with further initiatives in the pipeline.

Organisational design
21. Savings to date of $2.6 million have been achieved.
22. Initiatives in this workstream previously reported include the redesign of Commercial Finance and the disestablishment of ACIL.
23. A further $0.5 million has been achieved in this workstream this quarter, primarily from changes to the composition of the executive leadership team.
24. The Corporate Support Review is still ongoing. To date this has resulted in organisational changes, consolidating the Commercial and Finance teams for operations and support into a single team reporting to the Group CFO and closing-off three vacant roles.
25. Discussions are in progress with another local authority on shared service options. They are investigating replacing their end-of-life finance technology platform. The discussions have been on a model based on co-operative principles that could potentially work for wider sector opportunities.

Technology
26. Savings to date of $1.1 million have been achieved.
27. Initiatives in this workstream previously reported include the reduction of technology infrastructure licencing costs and robotics process automation. The mobile consents inspection platform was also rolled-out, giving inspectors new devices with robust connections, a new inspections app and access to historical information. This allows our inspectors to provide a better service with less administration work required.
28. A further $0.2 million has been achieved in this workstream this quarter, primarily from further reductions in technology infrastructure licensing costs which has been found through the council’s Oracle licence.
29. Further to this, the robotics process automation programme has developed a new BOT to process ‘Change of Address’ details for dogs and owners. The council processes over 8,000 ‘Change of Address’ requests each year and engages 14 temporary staff to handle spikes in requests.
30. The BOT is expected to reduce the temporary staff requirement by seven, resulting in cost avoidance of $134,000. To deliver further value we are now considering implementing the BOT for other ‘Change of Address’ activities across all of the council.
31. Other further work underway that will be delivering benefits in the future include:
   • digital engagement platform
   • governance technology - phase 1
   • legacy property records digitisation
Item 9

- multi-cloud data centre
- pools and leisure staff rostering
- regulatory billing improvements
- further robotic process automation.

**Increasing non-rates revenue**

32. Additional non-rates revenue to date of $0.5 million has been earned.

33. This has been achieved primarily through venue and facilities hire. With the improvements in the digital booking system, revenue is 17 per cent above budget. In the first three quarters of 2018/2019, 29 per cent of venue hire bookings and 87 per cent of regional parks bookings were online.

34. Ongoing improvements in digital technology will help support future revenue growth through more self-service offerings and increasing awareness of the services council offer.

35. Further to this, the council is currently looking at opportunities to commercialise SafeSwim, a real-time, region-wide water quality monitoring system. This will be through selling the system to third parties such as other councils and regional authorities around the world in partnership with global engineering firm Mott MacDonald.

**Prudent financial management**

36. Savings to date of $12.3 million have been achieved.

37. This is primarily due to a general focus on costs through a culture of questioning and challenging all expenditure.

38. Specific initiatives relating to employee spend include:
   - better use of contingent workers
   - decommissioning budgeted inactive roles
   - improved workforce planning and reporting
   - reductions in redundancy costs as a result of a new redeployment function.

39. Specific initiatives relating to other council costs includes:
   - use of tools such as Skype for Business to reduce the need for travel
   - a review of utilities spend by Community Facilities has led to reductions in cost and usage.

40. The savings have been achieved primarily across the Finance, Planning and People and Performance functions.

**Value for Money**

41. Savings to date have resulted in an operating cost reduction of $0.5 million.

42. Initiatives in this workstream previously reported include reduced costs for Our Auckland and research reports for communications and engagement.

43. The Value for Money s17A programme has realised $260 million of benefits to date ($208 million in 2017/2018 and $52 million in 2018/2019). This includes benefits that are not direct cost savings (benefits that will reduce the council’s operating expenditure), such as cost avoidance and reductions in the cost of the council’s capital programme.

44. In total the programme has identified potential benefits of over $500 million across the wider council group over the next ten years.

45. Separate reporting is provided to this committee on the progress of the Value for Money s17A programme.
Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views
46. The target for 2018/2019 applies to Auckland Council. The council-controlled organisations have their own internal targets.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
47. The centralised savings approach has been set at a regional level. None of the initiatives delivered or in delivery have specific local board impact on service level reductions.

Tauākī whakaaweawe Māori
Māori impact statement
48. The savings initiatives delivered or in delivery have no specific impact on Māori outcomes.

Ngā ritenga ā-pūtea
Financial implications
49. This report provides visibility on how council is performing on its savings target which supports meeting the annual budget for 2018/2019.
50. There are financial implications on the annual budget if the savings target is not met for 2018/2019. This may result in a slightly higher debt level and will have flow on effects through to financial year 2019/2020.
51. Any additional budget pressures may also result in additional savings being required.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
52. Some of the initiatives that have been identified to deliver savings are active projects currently being delivered. As with any project there are risks to delivery including resource availability, competing priorities and technical dependencies.

Ngā koringa ā-muri
Next steps
53. Work will continue developing a robust benefits register to support the 10-year budget savings programme.
54. The next update will be provided after the council's annual results are finalised.

Ngā tāpirihanga
Attachments
There are no attachments for this report.

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Nick Bird - Financial Analyst</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Robert Irvine - Head of Group Financial Planning</td>
</tr>
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<thead>
<tr>
<th>Authorisers</th>
<th>Matthew Walker - Group Chief Financial Officer</th>
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<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
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</table>
Update report on board appointments to council-controlled organisations and Tamaki Redevelopment Company Limited.

File No.: CP2019/05076

Te take mō te pūrongo
Purpose of the report
1. To provide an update on the programme of appointments to the boards of Auckland Tourism, Events and Economic Development (ATEED) and Panuku Development Auckland Limited (Panuku).
2. To update the committee on the board intern for Regional Facilities Auckland.
3. Tamaki Redevelopment Company Limited (TRC) is a jointly owned external partnership with the Crown. Two jointly appointed directors are due to retire in June 2019, and staff are seeking decisions from the committee regarding reappointment of these directors.

Whakarāpopototanga matua
Executive summary
4. On today’s committee agenda is a confidential report that includes the shortlist of candidates chosen by the Panuku and ATEED’s selection panels to be considered for pre-interview by council’s external director recruitment support partners Kerridge and Partners (Kerridge).
5. The committee will also receive an update regarding Regional Facilities Auckland’s board intern appointed for the 2019-2020 programme.
6. Auckland Council owns 41 per cent of the shares in TRC. The Crown owns the other 59 per cent of the shares. TRC’s constitution provides that the Crown and council independently appoint one director each, and jointly appoint the other directors.
7. A second confidential report on today’s committee agenda seeks decisions from the committee regarding two jointly-appointed TRC directors.

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

a) note that two confidential reports are included on today’s committee agenda that provides information to:
   i) make decisions on the shortlist candidates for the three Auckland Tourism, Events and Economic Development Limited director vacancies and one Panuku Development Auckland Limited director vacancy
   ii) make decisions regarding the reappointment of two jointly-appointed directors on the board of Tamaki Redevelopment Company Limited.

b) note that the reports referred to in clause a) are confidential as they contain personal information relating to the candidates.

Horopaki
Context
8. The board appointment process for appointing directors to any council-controlled organisation (CCO) or external partnership board is outlined in the table below.

Update report on board appointments to council-controlled organisations and Tamaki Redevelopment Company Limited.
9. The confidential reports on this agenda provide advice and options to assist the committee to make decisions regarding the shortlist candidates for interviews.

10. There are no significant impacts on other parts of the council group as a result of these director appointments.

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

11. Board appointments to CCOs and external partnerships are the role of the Governing Body. Local boards can participate in the nomination process for each director vacancy. The nomination of a candidate requires the consent of that candidate.

12. Council’s policy also aims to achieve a diverse range of directors to all CCO boards.

13. This can have positive impacts for Māori by creating opportunities for Māori directors.

14. In line with the policy, an Independent Māori Statutory Board member may be appointed to the selection panel to provide a Māori perspective throughout the process.

Ngā ritenga ā-pūtea / Financial implications

15. The costs associated with the appointments to CCOs will be managed from existing budgets.

16. The costs associated with TRC director appointments are managed by Treasury New Zealand.

Ngā raru tūpono / Risks

17. There are risks associated with all board appointments including:

i) reputational risk: all candidates are appropriately screened to meet the skill requirements for directors of a board such as this and have appropriate governance experience especially within public-facing entities. To mitigate any potential risks of disqualified directors or under-qualified candidates:
a) a thorough due diligence process will be completed on all candidate applications in line with the council’s appointment policy
b) short-listed candidates have completed the council’s director consent form prior to interview which requires directors to confirm that there is nothing that would disqualify them from being a director
c) thorough reference checks of candidates who are approved for appointment to the CCOs are being conducted by Kerridge and Partners.
d) Crown’s Treasury group undertake due diligence and reference checking for all board members and directors appointed to the Crown owned entities and joint partnership arrangements with council.

ii) reputational risk: breach of privacy if confidential candidate information is provided to media outlets prior to final decisions being made by the committee. The risk is fewer and potentially less qualified candidates being attracted into future board appointment programmes. To mitigate the risk staff will continue to highlight the need for maintaining confidentiality during the board appointment programme.

iii) governance risk: the risk of an unbalanced board where a loss of institutional knowledge impacts decision-making. Conversely, retaining board members for too long can mean the board lack innovation and fresh thinking.

Ngā koringa ā-muri / Next steps
18. Following approval from this committee, staff from the CCO Governance and External Partnerships department and Kerridge will maintain progress on the appointment programmes for 2019.
19. Staff will discuss the outcome of the director appointments for the Tamaki Redevelopment Company Limited board with the crown’s agent and ensure current directors are notified of the outcome.

Ngā tāpirihanga
Attachments
There are no attachments for this report.

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Josie Meuli - Senior Advisor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Alastair Cameron - Manager - CCO Governance &amp; External Partnerships</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
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Completion report: Three Waters Value for Money review

File No.: CP2019/08889

Te take mō te pūrongo
Purpose of the report

1. To provide an update on the joint completion report from Healthy Waters and Watercare for the Three Waters: Value for Money (S17A) Review 2017.

Whakarāpopototanga matua
Executive summary

2. In November 2017 Auckland Council completed a S17A value for money review of three waters services (FIN/2017/153). This recommended that the council group achieve savings through more efficient and collaborative delivery of three waters services.

3. In response Healthy Waters and Watercare identified $288 million of savings that could be achieved through deferred or avoided capital works and joint delivery. Up to 80 per cent of this value has been realised and the remainder is captured in the 10-year Budget 2018-2028.

4. Four key recommendations of the review have been implemented, as summarised below:
   - **Produce a joint three waters strategy** – The *Our water future - Tō tātou wai ahu ake nei* discussion document was consulted on in March and April 2019 and will be completed by late 2020.
   - **Consolidated capital planning** – Watercare and Healthy Waters have identified areas where capital planning can be aligned or consolidated, particularly in the western isthmus, and developed asset management plans that support this.
   - **Joint project delivery and procurement** – Watercare, Healthy Waters and Auckland Transport have identified locations where roading, stormwater, wastewater and water supply projects are needed in the same area. These projects are being jointly procured and delivered to achieve operational savings and reduced disruption for communities.
   - **Joint operations and maintenance** – Watercare and Healthy Waters have commissioned a strategic assessment by Martin Jenkins of options for coordination and collaboration between Auckland Council and Watercare.

5. The results will be discussed in more detail in the confidential section of the 6 June 2019 Appointments, Performance Review and Value for Money Committee agenda.

Ngā tūtohunga
Recommendations

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

a) note the information contained in this report, on the completion of the three waters value for money review, enables transparency on the topic due for discussion in the public excluded part of the meeting

b) note that the confidential report contains information that could prejudice council’s position in negotiations with three waters suppliers.

Horopaki
Context

6. A Value for Money review of Three Waters services was completed for Auckland Council in November 2017. The review highlighted opportunities for Watercare and Healthy Waters to achieve savings through working more closely together.
Healthy Waters and Watercare developed a response plan which was approved by Finance and Performance Committee in February 2018 (FIN/2018/13). The two organisations also identified $288 million of savings that could be achieved through deferrals of Watercare capital expenditure and joint procurement of capital works. These were captured in the 10-year Budget 2018-2028 and 80 per cent have now been achieved.

The remaining savings will be achieved through joint programme and project delivery work and more efficient delivery of operations and maintenance.

An update on implementation of the recommendations of the S17A review is provided below.

### Analysis and advice

#### Develop a joint three waters strategy

The first recommendation of the S17A review was that a Three Waters Policy and Strategy should be developed to guide the work of Auckland Council and Watercare.

The *Our water future - Tō tātou wai ahu ake nei* discussion document was developed by Healthy Waters staff with input from Watercare and other parties. It was released for public consultation in March and April 2019 and over 4,000 submissions were received.

A report summarising the public feedback and outlining the framework for developing the draft strategy will be provided to Environment and Community Committee on 11 June 2019. It is intended that the final strategy is adopted by September 2020.

#### Consolidated capital planning

The S17A review recommended that Healthy Waters and Watercare engage in joint capital planning for water infrastructure. Watercare and Healthy Waters have identified areas where capital planning can be aligned and developed asset management plans that support this.

The largest opportunity for savings is in the western isthmus. In this area capital planning for the two organisations has been fully consolidated through the western isthmus water quality improvement programme.

The two organisations are now delivering various aspects of the programme. For example, Watercare is leading delivery of the Central Interceptor project while Healthy Waters is delivering various stormwater upgrades in the western isthmus, such as the Waterview and Picton Street stormwater separation projects.

Consolidated planning has contributed to efficiencies – for example, it was initially planned that the Grey Lynn extension project would be delivered separately to the Central Interceptor. $50 million of savings have now been achieved through procurement of this project as part of the Central Interceptor construction contract.

The Waterview separation project provides another positive example of savings being achieved through joint capital planning. Waterview is located within the Central Interceptor area but is a considerable distance from the current main route.

Watercare considered an option to extend collector pipes to Waterview and this was originally included in the consented Central Interceptor scheme at a cost of $40 to $50 million. During the consolidated planning process, staff identified targeted separation to reduce overflows from the combined sewer system as a more cost-effective option.

The targeted separation project is still in the initial design phases but has a significantly lower estimated cost.
Joint project delivery and procurement

20. The S17A review recommended that Watercare, Healthy Waters and Auckland Transport engage in joint procurement and project delivery. In response, staff have identified locations where roading, stormwater, wastewater and water supply projects are needed in the same area. These projects are being jointly procured and delivered.

21. This approach significantly reduces duplicated expenditure on contract management, traffic management and reinstatement of road surfaces. It also reduces the impact of construction on residents and local businesses.

22. Some examples of capital works projects achieving savings through joint delivery are:
   - Sunnynook Park, Sunnynook - dry pond upgrade to manage flooding. Healthy Waters constructed a shared path as part of this project, which Auckland Transport had identified as being needed in their greenways plan, saving $100,000.
   - Morgan Street, Newmarket combined stormwater separation project. Healthy Waters installed stormwater pipes and wastewater pipes on behalf of Watercare for 15 properties. Planned footpath and roading upgrades by Auckland Transport were also delivered at the same time. This saved $70,000 in site establishment costs and ‘digging once’ meant reduced disruption for local residents.

23. As these examples demonstrate, savings are being achieved by staff across Auckland Council, Watercare and Auckland Transport through joint delivery of capital works as recommended in the S17A review. Ongoing collaboration will generate further savings.

Shared governance for key water programmes

24. To ensure ongoing collaboration on three waters issues, shared governance structures have also been established for key water programmes. These include:
   - the Auckland water strategy (whose governance structure also includes representatives of mana whenua and Auckland Transport)
   - the Safe Networks programme, which investigates sources of pollution at our popular swimming beaches and identifies solutions to these
   - the Western Isthmus Water Quality Improvement Programme – as outlined above, this is being delivered through fully consolidated planning between the two organisations.

25. In addition, regular six-monthly reporting will be provided to the group Chief Financial Officers on savings achieved through joint planning, procurement and delivery initiatives.

Merging of operations and maintenance

26. The value for money review recommended that a business case be developed to evaluate the case for council’s Healthy Waters department contracting with Watercare to deliver operation and maintenance of stormwater assets.

27. Martin Jenkins were commissioned in 2018 to carry out an independent strategic assessment of how stormwater services are currently delivered and assess whether alternative options would be more effective.

28. The results of this assessment and staff advice will be provided in the confidential section of the 6 June 2019 Appointments, Performance Review and Value for Money Committee agenda.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views

29. Implementation of the S17A Value for Money Three Waters review has been delivered as a joint project between Watercare and Healthy Waters with input from Auckland Transport.

30. More detail will be provided in the confidential section of the 6 June 2019 Appointments, Performance Review and Value for Money Committee agenda.
Local impacts and local board views

31. Consultation with local boards has not been carried out on the completion of the three waters value for money review. However, local boards and communities were consulted on the Our water future - Tō tātou wai ahu ake nei discussion document.

32. Overall, feedback from the public and local boards endorsed the vision and values proposed in the discussion document, which involve taking a more integrated approach to water. An integrated approach by Healthy Waters and Watercare to capital planning and delivery of three waters services will be achieved through the initiatives outlined above.

Māori impact statement

33. Watercare and Healthy Waters have received consistent feedback from mana whenua in previous consultations that the council group should take a more integrated approach to management of water issues. This theme was also apparent in mana whenua feedback on the Our water future - Tō tātou wai ahu ake nei discussion document.

34. An integrated approach by Healthy Waters and Watercare to capital planning and delivery of three waters services will be achieved through the initiatives outlined above.

Financial implications

35. Healthy Waters and Watercare identified $288 million of savings that could be achieved. As shown in Table 1, up to 80 per cent of these savings have now been realised. These include $179 million of savings from deferred or avoided capital expenditure by Watercare and $50 million of savings from the Grey Lynn extension.

<table>
<thead>
<tr>
<th>Benefit opportunity identified by S17A review</th>
<th>Benefit forecast identified by council group</th>
<th>Benefit realised to date</th>
<th>Future benefits still to be realised</th>
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<tr>
<td>$300M</td>
<td>$293M</td>
<td>$231M</td>
<td>$59M</td>
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36. The remaining expected savings over the next nine years include $59 million of capital expenditure from joint programme and project delivery work between Healthy Waters, Watercare and Auckland Transport and $3.6 million of operational and maintenance savings. These savings have been captured in the 10-year Budget 2018-2028.

37. Going forward, regular six-monthly reports on savings achieved through the initiatives described above will be provided to the group Chief Financial Officers.

Risks and mitigations

38. Risks arising from the completion report for the three waters value for money review will be discussed in more detail in the confidential section of the 6 June 2019 Appointments, Performance Review and Value for Money Committee agenda.

Next steps

39. Staff will continue to implement the recommendations of the S17A review as outlined above.
Ngā tāpirihanga
Attachments
There are no attachments for this report.

Ngā kaihaina
Signatories

| Authors            | Andrew Chin, Auckland Waters Portfolio Manager  
|                   | Anin Nama, Watercare Network Efficiency Manager |
| Authorisers       | Craig McIlroy, General Manager Healthy Waters  
|                   | Barry Potter - Director Infrastructure and Environmental Services  
|                   | Matthew Walker - Group Chief Financial Officer  
|                   | Phil Wilson - Governance Director |
Exclusion of the Public: Local Government Official Information and Meetings Act 1987

That the Appointments, Performance Review and Value for Money Committee

a) exclude the public from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

C1 CONFIDENTIAL : Board appointments to Tāmaki Redevelopment Company Limited

<table>
<thead>
<tr>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Particular interest(s) protected (where applicable)</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</td>
<td>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. In particular, the report contains private information about current directors on the board of Tamaki Redevelopment Company Limited.</td>
<td>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.</td>
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C2 CONFIDENTIAL - Shortlist candidates for director vacancies on Auckland Tourism, Events and Economic Development and Panuku Development Auckland

<table>
<thead>
<tr>
<th>Reason for passing this resolution in relation to each matter</th>
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<tr>
<td>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</td>
<td>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. In particular, the report contains private information about candidates who have applied for director vacancies on Auckland's council-controlled organisations.</td>
<td>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.</td>
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C3 CONFIDENTIAL: Completion report: Three Waters Value for Money review

<table>
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<td>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</td>
<td>s7(2)(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 contains information that could prejudice council's position in negotiations relating to procurement of water services.</td>
<td>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.</td>
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</table>