

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

- 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

Authors	Nick Bird - Financial Analyst Robert Irvine - Head of Group Financial Planning
Authorisers	Matthew Walker - Group Chief Financial Officer Phil Wilson - Governance Director

Auckland Council progress on savings up to 31 March 2019

Appointments, Performance Review and Value for Money Committee

6 June 2019



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Overview

- Progress for the 9 months to 31 March 2019
- Progress update on:
 - Dog registration
 - Utility management



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Progress for the 9 months to 31 March 2019

Background

- 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.

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Progress for the 9 months to 31 March 2019

Savings achieved

- For the 9 months to 31 March 2018 \$18.2 million of savings have been achieved, with the balance of the \$23 million identified and 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.
- More than \$500 million of other benefits such as cost avoidance and capital expenditure savings have been identified through the Value for Money, procurement and other workstreams.

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Progress for the 9 months to 31 March 2019

Savings initiatives

Workstream	Savings achieved	Initiatives
Procurement	\$1.2m	Supplier panel for professional services related to processing resource consent and other applications
Organisational design	\$2.6m	Changes to the composition of the executive leadership team.
Technology	\$1.1m	Robotics Process Automation Technology infrastructure licensing cost reduction
Non-rates revenue	\$0.5m	Venue and facilities hire digital booking system improvements
Prudent financial management	\$12.3m	Focus on employee benefits including improved workforce planning and reporting and better use of contingent workers
Value for Money	\$0.5m	Reduced costs in communications and engagement
Total	\$18.2m	

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Progress for the 9 months to 31 March 2019

Further potential opportunities:

- Streamline low risk and low value procurements
- Corporate support review
- Sector shared services
- Multi-cloud data centre
- Further robotic process automation
- Digital transformation enabling self-serve and awareness of services
- Ongoing prudent financial management
- Future VFM reviews

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Dog Registration

Appointments, Performance Review and Value for Money Committee

Justin Durocher
6 June 2019

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Change of Address BOT – Dog Registration

Challenge

- In a 12 month period Regulatory process over 8,000 'Change of Address' details for dogs & owners
 - Council have 10 days to process detail changes
- Detail changes spike during the dog registration period each year (June to September)
- To support the spike in activity during the dog registration period we engage 14 temporary staff

Solution

- Develop a Robotic Process Automation (RPA) BOT to automate the activity which will result in;
 - Updated web form for owners to complete which is easier to follow and complete
 - Reduction of temporary staff by 7 will save \$134,000
 - BOT to be operating year round will realise a further \$41,000 in process improvements


To deliver further value from the developed BOT for 'Change of Address' we are now considering implementing the BOT for other 'Change of Address' activities across all of Council.

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Utility Management

Appointments, Performance Review and Value for Money Committee

Kirk Archibald
6 June 2019



Auckland Council
Te Kaunhara o Tamaki Makaurau


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Background – Utility Management

Making our size work & Value

- 4000 Utility Accounts
- \$20 million spend per year

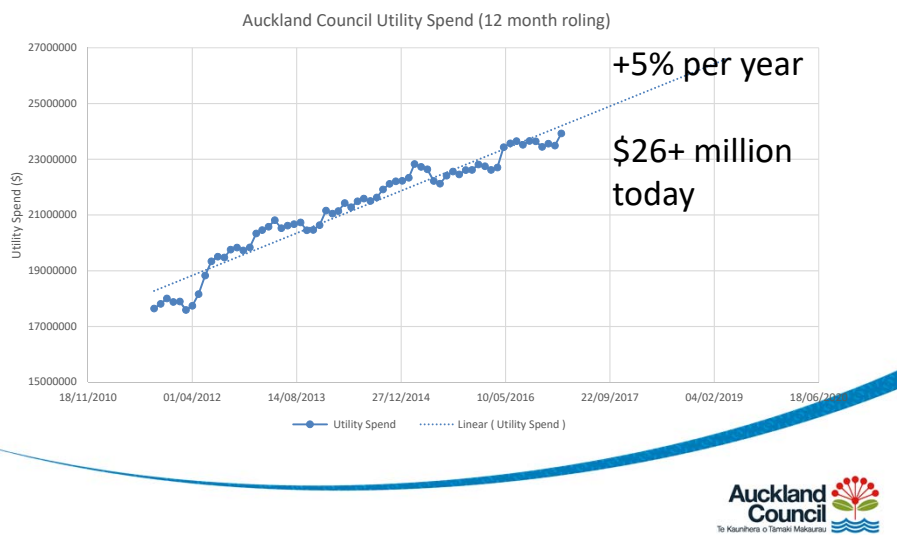
Automated checking and payment



Auckland Council
Te Kaunhara o Tamaki Makaurau

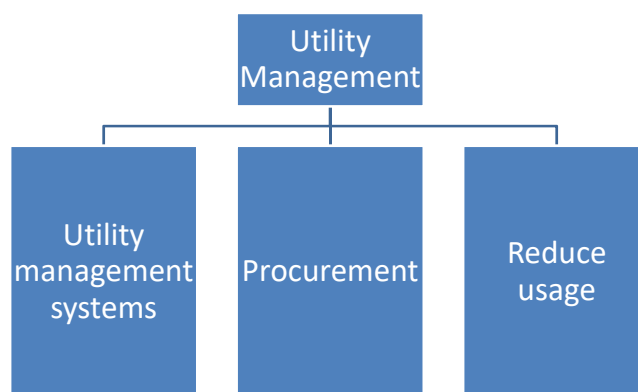
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Background – Utility Spend



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Utilities – Making our size work and getting value



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Procurement

2017 - Group Procurement

Incorporated Sustainable Procurement Principals

Longer term + indexed pricing

Delivered \$1 million per year saving

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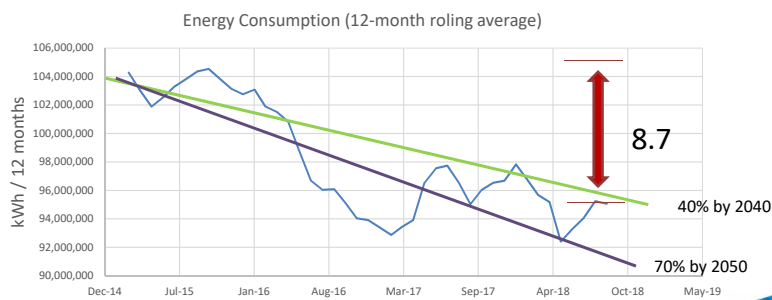
Utility Management Systems

- Recruited a utility coordinator to manage the system
- Utility Investigation Project
- Software upgrade
- Continuous improvement

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Reduce Usage

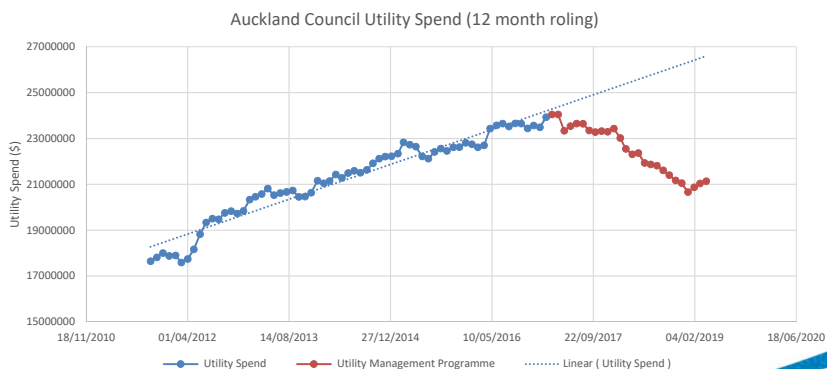
1. **EECA Collaboration 3.1 GWh**
2. **Workplace strategy 1.7GWh**
3. **Utility investigations**



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Results

1. **\$5.3 million per year saving vs long term trend**



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Future work programme

