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

Date: Thursday, 5 September 2019
Time: 10.00am
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
Members  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 August 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.
# Table of Contents

<table>
<thead>
<tr>
<th>ITEM</th>
<th>TABLE OF CONTENTS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Apologies</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>Declaration of Interest</td>
<td>7</td>
</tr>
<tr>
<td>3</td>
<td>Confirmation of Minutes</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Petitions</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>Public Input</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>Local Board Input</td>
<td>7</td>
</tr>
<tr>
<td>7</td>
<td>Extraordinary Business</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>Legal and Risk Value for Money report</td>
<td>9</td>
</tr>
<tr>
<td>9</td>
<td>Value for Money Programme quarterly update</td>
<td>85</td>
</tr>
<tr>
<td>10</td>
<td>Value for Money programme – end of council term status and review</td>
<td>107</td>
</tr>
<tr>
<td>11</td>
<td>Auckland Council progress on savings up to 30 June 2019</td>
<td>121</td>
</tr>
<tr>
<td>12</td>
<td>Process for appointment of board members to the Community Education Trust Auckland - COMET</td>
<td>127</td>
</tr>
<tr>
<td>13</td>
<td>Process for the appointment of directors and board members to the Auckland's council-controlled organisations, the Auckland War Memorial Museum, and the Museum of Transport and Technology</td>
<td>131</td>
</tr>
<tr>
<td>14</td>
<td>Consideration of Extraordinary Items</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Procedural Motion to Exclude the Public</td>
<td>135</td>
</tr>
<tr>
<td>C1</td>
<td>CONFIDENTIAL: Appointment of board members to the Community Education Trust Auckland - COMET</td>
<td>135</td>
</tr>
<tr>
<td>C2</td>
<td>CONFIDENTIAL Board appointments to Auckland War Memorial Museum and Museum of Transport and Technology</td>
<td>135</td>
</tr>
<tr>
<td>C3</td>
<td>CONFIDENTIAL Board appointments to Auckland's council-controlled organisations</td>
<td>136</td>
</tr>
<tr>
<td>C4</td>
<td>CONFIDENTIAL Shortlisting candidates for Auckland Transport director vacancy</td>
<td>136</td>
</tr>
<tr>
<td>C5</td>
<td>CONFIDENTIAL - Board appointments to Auckland Transport (Covering report)</td>
<td>136</td>
</tr>
</tbody>
</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 Thursday, 1 August 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 Legal and Risk Management Services (Legal and Risk).

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. The legal and risk functions of council are the latest to be reviewed 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 Legal and Risk found that:
   - the legal and risk functions are key enablers in delivering for Auckland
   - risk management is critical to governing authorities discharging their obligations
   - there is no consolidated group perspective on risk and there would be merit, including lifting the level of maturity, in sharing practices across the group
   - legal costs are increasing as the volume of work also increases
   - legal operational efficiency is constrained by technology at Auckland Council
   - good procurement practices are in place and adopting the same approach in other professional services categories like regulatory and tax advice would be beneficial
   - group sharing of legal services exists with a high level of satisfaction but there may be further opportunities
   - an opportunity exists to move from a transactional to a strategic approach for insurance
   - technology presents a future opportunity for efficiency and effectiveness.

6. All recommendations provide efficiency opportunities. Savings have not been valued in this review.

Ngā tūtohunga

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

a) 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 group assessment of risk by:
   A) developing a framework for combining the same or similar risks identified by each organisation into a cumulative group risk
   B) determining the most effective way to treat cumulative risk – either as a group or as individual organisations – and whether a portion of the risk should be insured
   C) reporting the cumulative group risk to the Audit and Risk Committee on a quarterly basis

ii) build a business case to improve legal operational efficiency
   A) determining and understanding the current gaps impacting efficiency
   B) identifying and evaluating a range of options (largely technology) which will close the identified gaps and complete the approved business case

iii) adopt a more strategic approach to insurance
   A) understanding the risks the group faces and the strength of the group balance sheet to manage that risk
   B) assessing current insurance cover against our risk profile to:
      1) purchase insurance only when events have potential to materially and adversely impact council’s credit rating
      2) insure key assets that materially affect service delivery and the group balance sheet
      3) apply meaningful deductibles consistent with balance sheet capacity ($52 billion in assets) and risk appetite.

Horopaki Context


8. 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).

9. 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.

10. 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.

11. 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 council-controlled organisations (CCOs). Each report contains an overview of the review methodology.

12. The report is reviewed by the Independent Reference Panel and council management. CCOs were consulted as part of the review leading to this report.
### Tātaritanga me ngā tohutohu
#### Analysis and advice

13. The Legal and Risk functions are part of the organisational support group of activities.

- **Legal** supports the Group complying with legislation, provides legal advice to council and supports council’s role as a regulator.
- **Risk** is the effect of uncertainty on achieving objectives and risk management is our approach to identifying and managing these risks.
- **Internal audit** provides assurance that the council is ‘doing things right’.

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

<table>
<thead>
<tr>
<th>Legal and Risk are key enablers in delivering for Auckland</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Long-term Plan (LTP) outlines the council’s work programme over 10 years with the legal, risk and internal audit departments all having key supporting roles to play in successful delivery.</td>
<td>• The Legal department also plays a key role in enabling the group to deliver other activities and its regulatory functions.</td>
</tr>
<tr>
<td>• The Legal department also plays a key role in enabling the group to deliver other activities and its regulatory functions.</td>
<td>• Risk management helps the council increase the likelihood of achieving the delivery of the LTP by effectively identifying threats and managing them.</td>
</tr>
<tr>
<td>• Risk management helps the council increase the likelihood of achieving the delivery of the LTP by effectively identifying threats and managing them.</td>
<td>• Internal audit provides assurance that the council is ‘doing things right’.</td>
</tr>
<tr>
<td>• Internal audit provides assurance that the council is ‘doing things right’.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk management is critical to governing authorities discharging their obligations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• The council’s Audit and Risk Committee has independent members who provide oversight on strategic risks.</td>
<td>• Effective risk management is core to the Governing Body’s and CCO boards’ accountability and members discharging their obligations. Each organisation’s governing authority needs to determine the appropriate level of investment in these areas.</td>
</tr>
<tr>
<td>• Effective risk management is core to the Governing Body’s and CCO boards’ accountability and members discharging their obligations. Each organisation’s governing authority needs to determine the appropriate level of investment in these areas.</td>
<td>• Internal audit, under international standards, is required to be independently assessed every five years. Auckland Council will be assessed in 2019.</td>
</tr>
<tr>
<td>• Internal audit, under international standards, is required to be independently assessed every five years. Auckland Council will be assessed in 2019.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>There is no consolidated group perspective on risk and there would be merit, including lifting the level of maturity, in sharing practices across the group</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Risks (for all organisations) are reported to the council’s Audit and Risk Committee on a quarterly basis but there is no consolidated view of the cumulative risks facing the group.</td>
<td>• Auckland Council is a significant funder of the CCOs (apart from Watercare) and collectively they deliver the LTP; with members of the Governing Body ultimately accountable to the community. A joined-up perspective would support the Governing Body in its decision making.</td>
</tr>
<tr>
<td>• Auckland Council is a significant funder of the CCOs (apart from Watercare) and collectively they deliver the LTP; with members of the Governing Body ultimately accountable to the community. A joined-up perspective would support the Governing Body in its decision making.</td>
<td>• Each organisation has different levels of risk management maturity and there would be merit from sharing of practices across the group.</td>
</tr>
<tr>
<td>• Each organisation has different levels of risk management maturity and there would be merit from sharing of practices across the group.</td>
<td>• There is an opportunity for Auckland Council to review its delivery of risk management services in line with the organisation strategy refresh.</td>
</tr>
</tbody>
</table>
**Item 8**

### Legal costs are increasing as the volume of work also increases

- The group spends $38 million on legal with 71 per cent of this cost in Auckland Council. Legal represents 1 per cent of council’s operating costs.
- Over the past five years, legal costs have increased by 49 per cent (excluding weathertightness). Over the same period, the number of legal matters has increased at the same rate.
- Managing demand is key to managing legal costs and approaches are in place to help council staff understand when and how best to work with legal.

### Legal operational efficiency is constrained by technology at Auckland Council

- Operational efficiency is constrained by technology at Auckland Council.
- Improved use of data and analytics would improve efficiency and enable more targeted initiatives to manage cost.
- The Auckland Council Legal department has very high staff engagement. It has high customer satisfaction and is viewed as a trusted adviser.

### Good procurement practices in place and adopting the same approach in other professional services categories like regulatory and tax advice would be beneficial

- Legal services are provided by internal staff and external legal firms. For Auckland Council, approximately 80 per cent of legal matters are provided by the internal team. Our analysis indicates that the in-house legal team are around one-third of the cost of external law firms.
- External law firms (and often the same ones) are used across the group but not through an all-of-group procurement approach.
- Auckland Council procures legal services including where law firms are appointed on a fixed fee basis for a specific legal category.
- There is potential for this type of contracting model to be used in other professional services categories e.g. tax advice, some regulatory professional services.

### Group sharing of legal services exist with a high level of satisfaction but there may be further opportunities

Auckland Council provides legal services to the following members of the group as a shared service with positive feedback.
- Auckland Tourism, Events and Economic Development
- Panuku Development Auckland Limited
- Regional Facilities Auckland
- All organisations adopt the international standard on risk management (ISO 31000) and develop their own tools and templates. Auckland Council and Auckland Transport are both considering a technology solution for tracking risks and a shared approach should be considered.
An opportunity exists to move from a transactional to a strategic approach to insurance

- A group approach is taken to insurance. The group insures to protect against significant events which would materially and adversely impact the council, and to protect the council balance sheet.
- Historically, a transactional rather than strategic approach has been taken to insurance but with rising premiums, work is underway to assess alternative approaches to insurance.

Technology presents a future opportunity for efficiency and effectiveness

- Technology is disrupting many professions including legal. The increase in the use of digital documents is already changing the way lawyers work.
- The nature of work, workers and work is changing and creating opportunities, and the legal and risk teams should ensure they are ready for these changes.

15. All recommendations provide efficiency opportunities but have not been valued as further analysis, including business cases, is required.

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

16. The review considered all substantive organisations in the group who have been consulted with during the review and provided an opportunity to input to both the draft and final report.

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

17. The decision to endorse this report has no direct implications for local boards. Consideration of local impacts and reviews will be considered during the implementation of the recommendations.

Tauākī whakaaweawe Māori
Māori impact statement

18. The decision to endorse this report has no direct implications for Māori. Consideration of Māori impacts will be considered during the implementation of the recommendations.

Ngā ritenga ā-pūtea
Financial implications

19. 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 whakamaaurutanga
Risks and mitigations

20. 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

21. Should the report and their recommendations be endorsed then the next step will be for the report to be tabled with the Governing Body for adoption.
Ngā tāpirihanga

Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Group Legal and Risk Management Services Value for Money Review report</td>
<td>15</td>
</tr>
</tbody>
</table>

Ngā kaihaina

Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Ross Chirnside – Programme Lead Value for Money</th>
</tr>
</thead>
</table>
| Authorisers | Kevin Ramsay - General Manager Corporate Finance and Property  
|           | Matthew Walker - Group Chief Financial Officer  
|           | Phil Wilson - Governance Director              |
Group legal and risk management services

Value for Money (s17A) Review 2019

August 2019
## Contents

<table>
<thead>
<tr>
<th>Executive summary</th>
<th>Options analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive summary</td>
<td>Quick wins</td>
</tr>
<tr>
<td>Recommendations</td>
<td>Value proposition #1</td>
</tr>
<tr>
<td>Summary of potential value</td>
<td>Value proposition #2</td>
</tr>
<tr>
<td></td>
<td>Value proposition #3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current state assessment</th>
<th>Appendices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current state assessment – legal</td>
<td>Value for Money</td>
</tr>
<tr>
<td>Current state assessment – risk and internal audit</td>
<td>Methodology</td>
</tr>
<tr>
<td>Challenges and issues</td>
<td>Glossary</td>
</tr>
<tr>
<td></td>
<td>References</td>
</tr>
<tr>
<td></td>
<td>Acknowledgements</td>
</tr>
</tbody>
</table>
Scope: Legal, risk and internal audit are key enablers for the council ‘to do things right’

This review covers all entities in the Auckland Council Group (the Group) and assesses whether the provision and delivery of legal, risk and internal audit 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.

Structure of this report

To aid the reader, the current state assessment is split into two sections.
- legal services
- risk management and internal audit.

Risk management is core to the Governing Body and CCO boards’ accountability and members discharging their obligations. During the review we were mindful that each organisation’s governing authority needs to determine the appropriate level of investment in these areas; therefore this review focused less on these areas.

International internal audit standards require an independent review of internal audit practices every five years. Auckland Council will have a review in 2019, and Audit New Zealand has not raised any concerns with internal audit, so no substantive work was completed as part of this review.

Therefore, most of the analytical focus is on legal services and whether they are providing value for money.

What is legal, risk and internal audit?

Legal
The law is a body of rules made up of legislation enacted by Parliament and the common law developed by judges. Legal activity in the Group involves providing advice and support to enable delivery of regulatory and non-regulatory services and activities consistent with its legal framework. Legal manages litigation, and through its role in projects and transactions, supports the drive for value from spend and asset use.

Risk
Risk is the effect of uncertainty on achieving objectives. This review includes risk frameworks, policies, processes and plans used across the organisation, including risk identification, monitoring and reporting.
The review will also consider the Group insurance strategy.

Internal audit
Internal audit is an independent, objective assurance and consulting activity that brings a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
Executive Summary

- The LTP outlines the council’s work programme over 10 years with legal, risk and internal audit all having key supporting roles to play in successful delivery.
- Legal also plays a key role in enabling the Group to deliver other activities and its regulatory functions. It mitigates the Group’s financial exposure by managing litigation.
- Risk management helps the council increase the likelihood of achieving the delivery of the LTP by effectively identifying threats and allocating appropriate resource towards mitigation.
- Internal audit provides assurance that the council is “doing things right”.

- The council Audit and Risk committees has independent members who provide oversight on strategic risks. Each CCOs has a board sub-committee responsible for audit and risk and report their strategic risks to the council committee quarterly.
- Effective risk management is core to the Governing Body and CCO boards’ accountability and members discharging their obligations.
- Internal audit, under international standards, is required to be independently assessed every five years. Auckland Council will be assessed in 2019.

- Risks (for all organisations) are reported to the council audit and risk committee on a quarterly basis but there is no consolidated view of the cumulative risks facing the Group.
- Auckland Council are the funder of the CCO’s (apart from Watercare) and collectively they deliver the LTP with members of the Governing Body ultimately accountable to the community – a joined-up perspective would support the Governing Body in their decision making.
- Each organisation has different levels of risk maturity and there would be merit from continuing to share practices across the Group.
- There is an opportunity for Auckland Council to review its delivery of risk management services in line with the organisation strategy refresh to ensure the approach continues to meet the councils needs. We have been advised that this is planned.
Executive Summary

- The Group spends $38m on legal with 71% of this cost Auckland Council. Legal represent 1% of council operating costs (some costs are also accounted as part of capital projects and weathertightness settlements).
- Over the past five years, legal costs have increased by 49% (excluding weathertightness). At the same time, the number of legal matters has increased at the same rate.
- Managing demand is key to managing legal costs with the increase in legal matters resulting from delivering the LTP (property and commercial), developing and implementing the Unitary Plan (regulatory litigation), and weathertightness (civil litigation).
- Auckland Council legal team introduced a legal charter and some self-help tools to help council staff understand when and how best to work with legal.

- Operational efficiency is constrained by technology at Auckland Council. A new document management system will be introduced but investment in knowledge management and matter management are required to improve both efficiency and effectiveness. Work is underway on the business case for these items.
- Improved use of data and analytics would improve efficiency and enable more targeted initiatives to manage cost.
- Auckland Council legal has very high staff engagement, high customer satisfaction and is viewed as a trusted adviser.

- Legal services are provided by internal staff and external legal firms. For Auckland Council, approximately 80% of legal matters are handled by the internal team. Our analysis indicates that the in-house legal team is around one-third the cost of external law firms.
- External law firms (and often the same ones) are used across the Group but not through an all-of-Group procurement approach.
- Auckland Council procures legal services including where law firms are appointed on a fixed fee basis for a specific legal category. After the first year, there were cost savings and improvements in how the council works with these law firms.
- There is potential for this type of contracting model to be used in other professional services categories e.g. tax advice, some regulatory professional services.
Auckland Council provides legal services to ATED, Panuku, and Regional Facilities as part of a shared service. These customers provide positive feedback on the service received.

All organisations adopt the international standard on risk management (ISO 31000) and develop their own tools and templates.

An approach is taken to insurance. The group is advised to protect against significant events which would materially and adversely impact the council, and to ensure the council balance sheet is not overly affected by our credit rating. Insurers are a risk transfer that comes at a cost that is forecast to increase with the increased frequency and severity of natural disasters.

Historically, a transactional rather than strategic approach has been taken to insurance. Premiums are rising and work is underway to assess alternative and more strategic approaches to insurance which should be continued.

Technology is disrupting many professions including legal. The increase in the use of digital documents is already changing the way lawyers work. The nature of work, workers and work is changing and creating opportunities, and the legal and risk teams should ensure they are ready for these changes.
## Recommendations to Appointments, Performance Review and Value for Money Committee

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

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Proposed changes</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Group assessment of risk</td>
<td>• Develop a framework for combining the same or similar risks identified by each organisation into a cumulative Group risk &lt;br&gt; • Determine the most effective way to treat cumulative risk – either as Group or as individual organisations – and whether a portion of the risk should be insured &lt;br&gt; • Report the cumulative Group risk to the Audit and Risk committee quarterly</td>
<td>• A better understanding of the cumulative impact of risks facing the Group and potential impact on delivering the LTP &lt;br&gt; • The ability to manage risks collectively. The review identified the following potential strategic Group risks: &lt;br&gt; • Funding. The council is the funder of all CCOs (apart from Watercare) and a Group perspective is adopted to managing debt and cash &lt;br&gt; • Supply side. Constraints exist in the infrastructure supply market place &lt;br&gt; • Changing legislation</td>
</tr>
<tr>
<td>2. Business case to improve legal operations efficiency (technology)</td>
<td>• Determining the and understanding the current technology gaps impacting efficiency &lt;br&gt; • Identify and evaluate a range of options (largely technology) which will close the identified gaps &lt;br&gt; • Finalise work underway and convert this to an approved business case</td>
<td>• Increased efficiency and effectiveness of the legal team &lt;br&gt; • Reduction in re-work as prior legal opinions will be more easily located &lt;br&gt; • Increased staff satisfaction (main adverse comment in staff engagement survey is technology) &lt;br&gt; • Reduce staff turnover &lt;br&gt; • Shared working platforms to more directly engage with business units and external providers &lt;br&gt; • Improve visibility of work underway, as well as future forecasted and capacity of the legal team</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Proposed Changes</th>
<th>Benefits</th>
</tr>
</thead>
</table>
| 3. **Adopt a more strategic approach to insurance** | • Understand the risks the Group faces and the strength of the Group balance sheet to manage that risk  
• Assess current insurance cover against our risk profile to purchase insurance only when events have potential to materially and adversely impact the council’s credit rating  
• Insure key assets that materially impact on service delivery and the Group balance sheet  
• Apply meaningful deductibles consistent with balance sheet capacity ($52b in assets) and risk appetite  
• Buy insurance because it’s required, not because it’s cheap  
• Establish a self-insurance fund for CCOs which have a lower risk appetite  
• Continue with Group approach: Data for property indicates that if the council is not purchasing as a Group and leveraging its size, the collective premiums for the council and CCOs would be doubled | • A more effective focus on risk management and only have insurance cover that is needed  
• Better economic results long-term because insurers always make money in the long run  
• Fewer claims and associated administrative costs  
• Stronger and longer term relationship with insurers  
• Leaves the council in a more flexible position to adapt to government policy and market changes  
• Protect our credit rating |
Summary of potential value and dependencies

<table>
<thead>
<tr>
<th>Value propositions</th>
<th>NPV (10 years) $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Develop and implement a framework for assessing risk from a Group perspective</td>
<td>+ve not estimated</td>
</tr>
<tr>
<td>2 Develop a business case to improve legal operations efficiency (Auckland Council)</td>
<td>+ve not estimated</td>
</tr>
<tr>
<td>3 Adopt a strategic long-term approach to insurance</td>
<td>+ve not estimated</td>
</tr>
<tr>
<td>Total</td>
<td>+ve not estimated</td>
</tr>
</tbody>
</table>

Quick wins

<table>
<thead>
<tr>
<th>A</th>
<th>Improve use of data and analytics to monitor efficiency and effectiveness of legal services</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Develop combined procurement category plan for external legal services</td>
</tr>
</tbody>
</table>

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.
### Legal - value was assessed by considering these 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 Efficiency: is the cost of legal services reasonable compared to spend benchmarks?</td>
<td></td>
<td>• The council spends $38m per annum on legal services. Costs are rising as the number of legal matters increase. We were unable to identify a suitable benchmark. Improved use of data and analytics will assist measuring efficiency.</td>
</tr>
<tr>
<td>2 Efficiency: Is there an optimal split between in-house and outsourced legal services?</td>
<td></td>
<td>• Different approaches are taken to providing legal services, e.g. Watercare outsources around 80% of legal matters while the council insources around 80% of legal matters. Watercare’s overall expenditure is small by comparison. The council has moved legal services in-house as a lever to manage cost growth and develop capabilities frequently required. There is an active external market which is used to supplement and complement internal teams.</td>
</tr>
<tr>
<td>3 Efficiency: does the Group co-ordinate and co-operate on Legal to minimise duplication, reduce cost, and improve efficiency and effectiveness?</td>
<td></td>
<td>• Auckland Council provides legal services to ATEED, Panuku and RFA as a shared service. Eight external providers represent 80% of the external legal spend and there may be a Group procurement opportunity.</td>
</tr>
<tr>
<td>4 Quality: Is advice being provided in a timely manner and to the desired performance standard?</td>
<td></td>
<td>• Customer feedback is positive on legal advice provided. Solicitors must complete continuing professional development. Evidence of review (internal and external) of advice provided.</td>
</tr>
<tr>
<td>5 Effectiveness: What is the key features of the current operating model(s) and is it fit for purpose?</td>
<td></td>
<td>• Operating models have been developed to meet each organisation’s needs. Council staff engagement is high and customer feedback positive.</td>
</tr>
<tr>
<td>6 Effectiveness: Do the services have the right capabilities to achieve the council’s objectives and is work effectively prioritised?</td>
<td></td>
<td>• There is an active external market which is used to supplement and complement internal teams. Technology is disrupting the legal profession and the Group should monitor and adapt where it improves cost-effectiveness.</td>
</tr>
</tbody>
</table>
## Risk and internal audit - value was assessed by considering these 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  Efficiency: is the cost management services reasonable compared to spend benchmarks?</td>
<td></td>
<td>• The council spends $9m per annum on risk and internal audit services. Given the size of its operations, this appears reasonable</td>
</tr>
<tr>
<td>2  Efficiency: does the Group co-ordinate and co-operate on risk management services to minimise duplication, reduce cost, and improve efficiency and effectiveness?</td>
<td></td>
<td>• The Group Audit and Risk Committee receives reports from each organisation quarterly</td>
</tr>
<tr>
<td>3  Quality: Is advice being provided in a timely manner and to the desired performance standard?</td>
<td></td>
<td>• Risk practices are maturing across the Group and with this, improvements in overall practice</td>
</tr>
<tr>
<td>4  Effectiveness: What are the key features of the current operating model(s) and is it fit for purpose?</td>
<td></td>
<td>• The operating model is for each organisation to provide its own services to meet its requirements</td>
</tr>
<tr>
<td>5  Effectiveness: Do the services have the right capabilities to achieve the council’s objectives and is work effectively prioritised?</td>
<td></td>
<td>• The council has an opportunity to review its risk management services to align with the organisation strategy re-fresh</td>
</tr>
<tr>
<td>6  Effectiveness: How are risks identified, mitigated and reported across the Group?</td>
<td></td>
<td>• Risks are managed in accordance with ISO 31000 but each organisation, correctly, has different risk appetites which determines their approach to managing risks</td>
</tr>
</tbody>
</table>

**Governance**  | **Funding**  | **Service Delivery**  | **VfM demonstrated**  | **Some VfM demonstrated**  | **Low VfM demonstrated**

---

### Attachment A

Item 8
Group Legal Services

Current state assessment
### Scope: Legal supports the council to effectively deliver for Auckland

<table>
<thead>
<tr>
<th>Key legal service areas</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulatory and enforcement</strong></td>
<td>Advise the council on its regulatory functions, acts in litigation, attends council and court hearings and provides advice on compliance and enforcement of regulatory and planning matters.</td>
</tr>
<tr>
<td><strong>Litigation and dispute resolution</strong></td>
<td>Advise on all civil litigation, weathertightness, health and safety incidents/investigations, debt collection including threatened and actual legal proceedings for and against the council.</td>
</tr>
<tr>
<td><strong>Projects and transactions</strong></td>
<td>Advise, draft contracts, review documents, act as key advisors on projects and transactions.</td>
</tr>
<tr>
<td><strong>Public Law</strong></td>
<td>Advise on lawful decision-making, compliance with core local government legislation, bylaws, human rights treaty, privacy, policy development, governance, local board services and official information.</td>
</tr>
</tbody>
</table>
Legal – Some key facts

- **$38m**  
  Annual expenditure on legal services

- **71 people**  
  Are involved across the Group in providing legal services

- **$319m**  
  The council’s reported weather tightness provision, an increase of $54m over the past year

- **$9m**  
  Reported legal claims (excluding weathertightness) against the Group and the council for land issues, consents, flooding damage, valuations and other sundry disputes (2017 $3m)

- **3,496**  
  Files opened in 2018  
  3,294 in 2017

- **2017 Auckland Council winner**  
  NZ law awards for best in-house legal team  
  2018 runner-up

Legal in context of the Group

- Operating spend 17/18 (Total $3.9b)  
  $22M

- Capital – legal costs  
  Supporting capital delivery (Total $1.5b)  
  $16M

- Rates-funded share  
  ($1.24 for every $100 of total rates)  
  55%
Understanding the legislative context and the building blocks of legal, audit & risk management functions
The value drivers and chain demonstrate the interconnected parts that deliver legal services

Value drivers

<table>
<thead>
<tr>
<th>Regulatory, policy &amp; legal compliance</th>
<th>Minimising exposure to risks</th>
<th>Costs of legal services</th>
<th>Provision of strategic legal advice &amp; representation</th>
<th>Technology developments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance is growing more complex with an increasing demand for legal services including enforcement</td>
<td>The council carries significant operating risks that can have a material impact on its operations</td>
<td>Legal costs are increasing, requiring the service to be efficient and effective</td>
<td>Legal advice is needed by the Governing Body, Local Boards, CCO boards and by Council and CCO officers doing the council family’s business</td>
<td>Automation and analytics are drivers that impact legal work</td>
</tr>
</tbody>
</table>

Value chain

- Managing legal service provision
  - Determine demand for services
  - Determine service requirements
  - Manage resources
  - Monitor performance

- Managing legal risk
  - Managing risks to mitigate liability
  - Assess impacts of legislative change

- Advising Council
  - Provide opinions and advice
  - Provide advice on administrative and procedural services

- Managing commercial transactions
  - Manage legal and commercial aspects of projects and transactions
  - Manage contract documentation including drafting and analytics
  - Ensure commitments and obligations are defined

- Managing civil litigation
  - Manage prosecutions and appeals
  - Manage legal claims
  - Manage legal negotiations including settlements and alternative dispute resolution
1. Is the cost of legal reasonable compared to benchmarks?

2. Is there an optimal split between in-house and outsourced legal services?
**$38m annual spend on legal. Auckland Council legal is $27m – our review focus**

![Graph showing legal costs by service](attachment:attachment_a.png)

**Auckland Council provides some legal shared services**
- The council provides shared legal services to ATEED, Panuku and RFA at no cost. Panuku is a significant customer.
- The operating model for all services is mixed with some internal staff and some services outsourced.
- 56% of legal spend is operating costs – 44% is capitalised either as part of capital projects or weather tightness settlements.
- Some legal costs are recovered as part of legal claim settlements.

**Benchmark**
- Benchmarks can provide a comparative indication of efficiency. However, every organisation is different, with its own unique challenges and operating model.

---

Data source: AC and CCC finance cost provided
Note: For comparative purposes legal fees for weather tightness have been excluded from operating costs.

---

Data source: BM (benchmark) uses the following BASS
Benefits: Inland Revenue, Ministry of Business Innovation & Employment, Ministry of Health, NZTA, Dept. of Corrections
Note: For comparative purposes legal fees for weather tightness have been excluded from operating costs.
Auckland Council legal costs are holding in line with increased volume of legal work

Auckland Council legal costs are increasing with an increased volume of legal work

Increase in complexity of work also noted
- In the current financial year there are several major items driving increased cost:
  - Legal action in relation to the accommodation provider targeted rate
  - Preparation for America's Cup 36
  - Major projects and transactions, e.g. CRL, new waste services procurement, ATEED screen transaction, transfer of waterfront assets
- The council is a regulator. At times, the council (or a CCO) can be an applicant with the council as the regulator which can result in both applicant and regulator requiring legal advice on the same application
- Watercare and Auckland Transport are significant applicants for RMA projects

Data source: Operating cost excludes weathertightness. Helly spend data is not available prior 2013. Case data from LEI

Projects and transactions is growing

Legal responsible for all weathertightness from 2016
- Not all weathertightness claims in 2014 were all managed by legal and the number of such claims is reducing
- Weathertightness claims generally take a number of years to resolve
- The number of claims is reducing but their complexity and quantum are increasing, reflecting mix of defects and cost of repair for multi-unit blocks
- Projects, transactions and commercial activity are growing with the growth of Auckland and the size of the capital delivery programme
- Litigation and disputes (2 FTE) also has approximately 700 active debt collection files and debt recovered has increased from $2.2m in 2017 to $6.3m 2018

Data source: Case data from LEI

Attachment A
Auckland Council moving more towards internal provision with over 80% of matters addressed by internal team

**Outsourced legal matters at Auckland Council**

- Watercare
- Auckland Transport
- Auckland Council

**What is the right model?**

*There is no right answer to this question…*

- Legal work is difficult to budget for as unforeseen legal issues arise. A degree of reliance on external lawyers enables scalability.
- Certain work is better suited and more cost-effective for the in-house team given their understanding of the council.
- Capacity and specialisation of subject matter or issue is one of the main reasons in-house counsel relies on expertise of external law firms.
- Potential cost saving (noting that the council does not allocate overheads to departments).

- Thompson Reuters notes a trend of expanding in-house legal departments. The top operational challenge identified by in-house legal teams surveyed is reduction of outside legal costs.

- The council’s operating model has shifted to more insourced work and outsourcing at fixed fees.
- Outsourcing legal suppliers is generally used when:
  - Auckland Council is the regulator
  - litigation where long trial or external barristers needed
  - internal capacity is reached
  - expertise or capability isn’t available internally.
- Decisions to use external resources rest with managers in the legal team.

Data source: Auckland council tax case data 2018, $ value Holly data. Watercare and Auckland Transport provided by OOO
Auckland Council moves to a contracted provider model

Tools are in place to manage demand for legal services

- As a service provider, other parts of the council and external organisations create demand for legal services.
- The legal department introduced a charter to help understand the roles and responsibilities of legal and users of legal services to improve value for money.
- The council legal team has developed some “How to” self-help guides and informative intranet pages
- Further work is underway on self-help guides and tip sheets to support managers without the need for legal team involvement
- With the charter, these tools help legal focus on high-risk work while enabling low risk activity to be self-managed.

Analysis for Auckland Council shows that the cost of an internal solicitor is one-third the cost of an external law firm (including allowance for overheads and unproductive time)

<table>
<thead>
<tr>
<th>Auckland Council</th>
<th>External supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The contracted provider operating model

In 2017, Auckland Council launched a Request for Proposal (RFP) for legal services.

- Previously, external legal services were procured from a wide range of firms on a job-by-job basis.
- The council sought contract responses from legal firms for 13 work streams across its commercial, property, public law, litigation, regulatory and prosecution responsibilities.
- The council’s intention was to implement a ‘contracted provider model’, which reduces the number of firms used, obtains better pricing, and delivers innovation and added value in service delivery, risk management and encourages legal firms to invest in developing the council’s legal capability
- The successful firms are under 2+1 year contracts, with a performance management framework to ensure the council and the firms are working together effectively.
- The value of the combined contracts is $16m per annum.

Data source: Simpson Greener delivery plan and VFM analysis which assumes 25% overhead in AC spend compared to external
The contracted provider model – moving towards creative ways to offer services that drive value for money

Previously, external legal services were procured from a wide range of firms on a job-by-job basis. Benefits are currently being assessed. Watercare and Auckland Transport were not included in the RFP but this may be a future opportunity.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistent service delivery</td>
<td>Standard service levels across all providers</td>
</tr>
<tr>
<td>Innovative solutions</td>
<td>• Free 10-minute hotline negotiated with preferred suppliers when new case or issues arise</td>
</tr>
<tr>
<td></td>
<td>• Training and development provided (at least four hours of tailored training to the council each quarter)</td>
</tr>
<tr>
<td></td>
<td>• Access to library resources and trained research staff</td>
</tr>
<tr>
<td></td>
<td>• Access to transformation team for legal process improvements and technology</td>
</tr>
<tr>
<td></td>
<td>• Training and development – regular, relevant and CPD complaint training for your team</td>
</tr>
<tr>
<td>Improved service delivery</td>
<td>• Inclusion in innovation and capability development programmes which focus on mutually agreed aspects of service delivery</td>
</tr>
<tr>
<td>Consolidate suppliers</td>
<td>• 80% of spend is now with eight preferred suppliers</td>
</tr>
<tr>
<td></td>
<td>• Total number of suppliers has reduced from 106 in 2017, to 88 in 2018 (high number remains due to long-term nature of some matters pre-dating the new contracting approach)</td>
</tr>
<tr>
<td>Reduce cost</td>
<td>• Example savings to date</td>
</tr>
<tr>
<td></td>
<td>• 30% saving with Simpson Grierson on land acquisition work</td>
</tr>
<tr>
<td></td>
<td>• 40% saving with DLA on regulatory litigation work</td>
</tr>
<tr>
<td></td>
<td>Expected 20% savings over life of contract</td>
</tr>
<tr>
<td>Budget certainty</td>
<td>• It can be difficult to forecast work e.g. regulatory, litigation. This shares the risk with the outsourced contractors</td>
</tr>
<tr>
<td>Scalability, diverse skills</td>
<td>• Regulatory litigation consists of a wide range of skills and expertise and often advice is required urgently. The contracted external parties provide a scalable solution with diverse skills</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>3.</td>
<td>Does the Group co-ordinate and co-operate on legal services to minimise duplication, reduce cost and improve efficiency and effectiveness?</td>
</tr>
<tr>
<td>4.</td>
<td>Is advice being delivered in a timely manner and to the desired performance standard?</td>
</tr>
<tr>
<td>5.</td>
<td>What are the key features of the current operating model and is it fit for purpose?</td>
</tr>
</tbody>
</table>
## Legal shared services exist in the current operating model

<table>
<thead>
<tr>
<th></th>
<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>Auckland Council</td>
<td>• In-house legal team and outsourced service providers</td>
<td>Rates, User charges</td>
<td>• General Counsel responsible reports CEO through their CEO Executive Officer</td>
<td>• Service provision via a mixed insource/outsource model</td>
</tr>
<tr>
<td>Auckland Transport</td>
<td>• In-house legal team and outsourced service providers</td>
<td>Auckland Council grant (rates funded), User charges, NZTA levy</td>
<td>• General Counsel responsible reports to Executive GM Risk and Assurance</td>
<td>• Service provision via a mixed insource/outsource model</td>
</tr>
<tr>
<td>Watercare</td>
<td>• Outsourced legal service providers</td>
<td>User charges</td>
<td>• Company Secretary supported by Chief Financial Officer reports to CEO</td>
<td>• Service provision via a mixed insource/outsource model, Three external firms are generally used</td>
</tr>
<tr>
<td>Regional Facilities</td>
<td>• Legal service provided by Auckland Council</td>
<td>Auckland Council grant (rates funded), User charges</td>
<td>• Chief Financial Officer responsible reports to CEO</td>
<td>• Services from Auckland Council, Note high satisfaction with legal service</td>
</tr>
</tbody>
</table>
## Legal 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>
</table>
| • Legal service provided by Auckland Council | Auckland Council grant (rates funded) User charges | • Chief Financial Officer responsible reports to CEO | • Services from Auckland Council  
• Note high satisfaction with legal service |
| • Legal service provided by Auckland Council  
• Risk managed internally  
• Internal audit outsourced | User charges  
Auckland Council grant (rates funded) | • Director Corporate Services reports to CEO | • Services from Auckland Council  
• Note high satisfaction with legal service |
Some sharing exists. Shared procurement opportunity may exist for property and commercial

<table>
<thead>
<tr>
<th>Service</th>
<th>Sharing actual</th>
<th>Sharing potential</th>
<th>Comments on sharing and value opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory and enforcement</td>
<td></td>
<td></td>
<td>• Auckland Council is the primary regulator in the Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Situations occur where CCOs require resource consent and it is appropriate to have different legal representation</td>
</tr>
<tr>
<td>Litigation and dispute resolution</td>
<td></td>
<td></td>
<td>• Some shared services currently exist</td>
</tr>
<tr>
<td>Projects and transactions</td>
<td></td>
<td></td>
<td>• Some shared services currently exist</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• May be an opportunity to adopt a Group approach to contracting legal firms (the council, RFA, ATEED and Panuku currently share the same contracts)</td>
</tr>
<tr>
<td>Public law</td>
<td></td>
<td></td>
<td>• Some shared services exist with Auckland Council having developed capability in this area</td>
</tr>
</tbody>
</table>
Shared procurement of outsourced legal services may be an opportunity – but needs to reflect specific organisational needs

When the council contracted provider model expires, potential for Group procurement
- Auckland Council contracted provider model is 2 years with 1-year renewal arrangement. We are now in the second year of operation
- Group opportunity should be considered prior to exercising any renewal
- Consideration is required to manage the reliance on a few firms

Large tail of suppliers to manage but it is reducing
- Reasons for the number of suppliers include legacy matters with long-term litigation and having to pay the other parties’ legal costs
- Good to have some smaller suppliers, but currently too many to manage effectively

Data source: Ariba
## Legal wears a number of hats but generally is effective in each role

<table>
<thead>
<tr>
<th>Role of Legal</th>
<th>Observations on effectiveness</th>
</tr>
</thead>
</table>
| Legal as a strategist | • Legal supports effective strategic planning and major transactions  
                          • Legal supports new policy developments and provides input into council submissions on legislative changes or government proposals |
| Legal as a catalyst | • Legal Services Charter and operating model provide the framework for business units to engage effectively with Legal.  
                          • Legal provides feedback and training for business units to help improve performance. |
| Legal as a steward | • Several self-help tools exist with more being developed  
                          • Relationship management approach to understand what is happening in each part of the organisation  
                          • Help desk feature provided by external party for 10-minute no fee discussions |
| Legal as an operator | • Good aspects of operating model in place for an efficient and effective operation  
                          • Technology (knowledge and matter management) is a constraint and impacts efficiency and effectiveness |
Auckland Council had an external review in 2017, with good progress made implementing the recommendations

<table>
<thead>
<tr>
<th>Area identified for improvement</th>
<th>VFM review observations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>People</strong></td>
<td></td>
</tr>
<tr>
<td>Building a high-performing team</td>
<td>- Highest staff engagement at the council (87%)</td>
</tr>
<tr>
<td>Partnering with internal clients</td>
<td>- New legal charter provides a people-focused approach to client engagement</td>
</tr>
<tr>
<td>Partnering with external legal providers</td>
<td>- More people rather than task-management focus</td>
</tr>
<tr>
<td>- Relationship management approach adopted with regular contact</td>
<td></td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td></td>
</tr>
<tr>
<td>Introduce planning tools to determine priority of work</td>
<td>- Legal Services Charter and an amended operating model has provided the framework for council staff to use</td>
</tr>
<tr>
<td>Review legal department metrics and introduce new measures that show value added and track over time</td>
<td>- KPI with external suppliers is in place and monitored</td>
</tr>
<tr>
<td>Strict protocols to ensure documents are ready for review</td>
<td>- Improved use of data and analytics will further improve effectiveness</td>
</tr>
<tr>
<td>- Departments have designated managers to channel work to minimise unnecessary use of legal services</td>
<td></td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td></td>
</tr>
<tr>
<td>Provide different channels to explain role of legal</td>
<td>- Self-help information and templates have been posted to the intranet</td>
</tr>
<tr>
<td>Improve visibility of the legal team</td>
<td>- The charter and website have helped improve visibility</td>
</tr>
<tr>
<td>Work with IT to provide solutions to optimise legal teams information cycle</td>
<td>- Work is underway with IT and Juno, but current document and file management systems cause delay, duplication of work and loss of productive time</td>
</tr>
</tbody>
</table>
High staff engagement and positive feedback from customers although not quantitatively measured

<table>
<thead>
<tr>
<th>Providing an effective service</th>
<th>Customer satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solicitors in New Zealand are bound by the Law Society rules which provide for certain professional standards and obligations including continued professional education.</td>
<td>Customer satisfaction is not measured. ATEED, Panuku and RFA who receive legal services from Auckland Council note that they receive a high level of service.</td>
</tr>
<tr>
<td>The 2017 external review included interviewing a number of customers. One of the outcomes of this work was the Legal Services Charter.</td>
<td>Auckland Transport does not measure customer satisfaction.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Staff turnover and engagement are both high</th>
<th>Staff do not record their chargeable time but productivity and workload is actively managed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland Council only</td>
<td>Auckland Council only</td>
</tr>
<tr>
<td>Retention of staff can be difficult as the council competes with legal firms for talent. Staff turnover is 18.8% compared to 15% for the overall council</td>
<td>Productivity is managed by having visibility of current work activity for the whole department.</td>
</tr>
<tr>
<td>No requirement for chargeable time at Auckland Council is appealing and a very different culture to a law firm</td>
<td>Regular check-in sessions and partnering meetings with external providers.</td>
</tr>
<tr>
<td>Staff engagement is 87% which is very high when compared to other parts of the council and other organisations (New Zealand top quartile 66%). Note: this has increased 17 percentage points from 2016.</td>
<td>Prioritisation criteria established to understand where legal focus should be.</td>
</tr>
<tr>
<td>The top staff complaint is not having the appropriate enabling technology to support them</td>
<td></td>
</tr>
</tbody>
</table>
Slow technology adoption is impacting efficiency – future opportunities emerging

### Legal operations
- ICT and processes are the biggest frustration for the legal team (Juno survey and engagement)
- Current document and file management system is being reviewed as it causes delays, duplication of work and a loss of productive time

### Automation
- Document templates for easy creation (but not smart forms)

### Data and analytics
- Minimal use

### Artificial intelligence
- Not used

---

**Current state**

- Shared working platforms to engage directly with external suppliers and business units to streamline workflows
- Linked search capabilities over documents, opinions, precedents

**Future state?**

- Improved process efficiency (efficiency improvement)
- Use of smart web forms
- Use of robotics to automate debt collection filings
- Improved capture of analytics relating to legal work patterns (effectiveness improvement)
- Data analysis to support improvements; evidence-based
- When and how to defend cases
- Chat bots added to self-help tools to guide staff
- Automatic review of contracts
- Predictive coding using data samples to identify relevant documents for e-discovery
- AI software used for finding and collecting clauses for review during transactional due diligence
6. Do the services have the right capabilities to achieve the council’s objectives, and is work effectively prioritised?
We used the BASS maturity model to assess capabilities at Auckland Council

<table>
<thead>
<tr>
<th>Legal function maturity elements</th>
<th>Best practice demonstrated</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Alignment of legal function objectives with strategic objectives</td>
<td>![Green Circle]</td>
<td>Legal objectives are aligned to overall council objectives</td>
</tr>
<tr>
<td>2 Influence of legal function at political and executive leadership team level</td>
<td>![Green Circle]</td>
<td>General Counsel reports to CEO (through the CEO Executive Officer) and attends Governing Body and ELT meetings to provide guidance to councillors and Council executive</td>
</tr>
<tr>
<td>3 Monitors and reports on legal function performance and legal risk to a senior level</td>
<td>![Green Circle]</td>
<td>Legal risk is actively managed</td>
</tr>
<tr>
<td>4 Individual development plans in place for legal team members</td>
<td>![Green Circle]</td>
<td>85% of staff know what career opportunities are available to them (engagement survey)</td>
</tr>
<tr>
<td>5 Actively seeking to be more effective and efficient management and delivery of legal services</td>
<td>![Green Circle]</td>
<td>There is an improvement culture evident</td>
</tr>
<tr>
<td>6 Monitors and reports on feedback from key users of the legal function services</td>
<td>![Green Circle]</td>
<td>Juno report 2018 conducted 16 interviews, 49 surveys. No regular reporting or monitoring of the legal function services provided</td>
</tr>
<tr>
<td>7 Has a formal quality assurance process that meets the needs and legal risk profile of your agency</td>
<td>![Green Circle]</td>
<td>Where required, advice is reviewed either internally or externally</td>
</tr>
<tr>
<td>8 Adopts systems, processes and technology to enhance efficiency and effectiveness</td>
<td>![Green Circle]</td>
<td>Technology is hindering some improvement opportunities</td>
</tr>
<tr>
<td>9 Knows the cost and demonstrates the benefits of the legal function</td>
<td>![Green Circle]</td>
<td>External costs are understood and allocated to matters but internal costs are not allocated to each matter</td>
</tr>
<tr>
<td>10 Actively manages the performance of and relationship with the external legal panel providers to optimise value</td>
<td>![Green Circle]</td>
<td>Regular meetings with external panel providers to assess new ways to derive VFM</td>
</tr>
</tbody>
</table>
Group risk management and internal audit

Current state assessment
**Scope: Risk and internal audit support the council ‘to do things right’**

**The role of risk and audit**

**Risk advisory**

- Provide advice on identifying risks and provide practical tools to help manage risks in accordance with the council’s Enterprise Risk Management Framework.

**Risk reporting**

- Analyse risk data for reporting purposes and to assist with good decision making at management and governance levels.

**Risk review**

- Advise, review documents, act as key advisors on projects and create templates for the business. Assist with in-depth risk reviews within business areas and projects.

**Internal audit**

- Ensures efficient and effective controls are in place including policy, procedures, training, monitoring, and reporting to assure controls are operating as intended.
Some key facts

- **$6m** annual expenditure for risk management and internal audit services excluding insurance
- **27 people** involved across the Group in risk management and internal audit functions
- **Group approach to insurance** $10m per annum insurance premiums

---

**Audit and Risk Committee**
Each CCO board has the equivalent committee

**Council Audit & Risk Committee**
has oversight of key risks for each organisation in the Group

---

**Audit & risk in context of the Group**

<table>
<thead>
<tr>
<th>Operating spend 17/18 (Total $3.9b)</th>
<th>$6M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital spend 17/18 (Total $1.5b)</td>
<td>$0M</td>
</tr>
</tbody>
</table>

Rates-funded share ($0.46 for every $100 of total rates) 56%
Understanding the context and the building blocks of risk management and internal audit functions
The value drivers and chain demonstrate the interconnected parts that support risk management

Value drivers

- Regulatory, policy & risk compliance
  - Compliance is growing more complex with an increasing demand for risk services including enforcement
- Minimising exposure to risks
  - The council carries significant operating risks that can have a material impact on its operations
- Uncertainty in the operating environment
  - Providing risk assurance and advice helps the council keep pace with and get ahead of emerging risks
- Looking forward to anticipate future risks
  - Identifying risks, understanding risks and developing effective mitigations
- Technology developments
  - The pace of technological change introduces new risks

Value chain

- Managing risk organisation
  - Manage the risk management system
  - Develop risk management plan
  - Manage resources
- Identify risks
  - Determine risk appetite
  - Identify and record risks
- Analyse risks
  - Determine risk response
  - Provide advice to stakeholders
- Evaluate risks
  - Assess effectiveness of controls
  - Assurance plan including internal audit plan
- Treat risks
  - Manage risks to mitigate impact
  - Manage and monitor control
- Report risks
  - Manage reporting and assurance arrangements
Effective risk management uses a ‘3 lines of defence’ model. This is in place across the Group
Why do we have enterprise risk management?

Enterprise risk management

- Enterprise risk management is an integrated, top-down approach to risk management that helps senior business leaders to cut across functional boundaries, resulting in better quality risk information for decision-making.
- As a result of this approach, senior business leaders will have a better view of their strategic risks and be in a stronger position to manage them. Strategic risks have been found to have the most impact on an organisation’s performance.
- An integrated approach helps to drive improved value and cost savings from current risk management practices, including:
  - improved allocation of resources to those areas of greatest risk to the agency
  - reduced compliance costs as a result of an integrated approach to risk and assurance activities
  - reduced insurance costs by more clearly identifying underlying risk exposures.
- Enterprise risk management provides an overarching governance framework to support the organisation’s efforts in implementing functional risk management approaches, e.g. privacy, health and safety, etc.
1. Is the cost of audit and risk management reasonable compared to benchmarks?
$6m annual spend on risk and internal audit

38% of costs are Auckland Council

48% of group spend is Risk management

10% Group risk & internal audit are outsourced

All organisations manage their own risk and internal audit functions reflect the importance to boards

- Both internal audit and risk management costs have increased by 40% over the past five years. However, the overall total is not significant in relation to the overall operating budgets.

Data source: Auckland Council and CCO finance cost provided

Data source: Auckland Council and CCO finance cost provided. Insurance and external audit is excluded from the data.
Costs are reasonable compared to benchmark

Group costs are close to the medium benchmark

- Benchmarks can provide a comparative indication of efficiency. However, every organisation is different with its own unique challenges requiring financial support.
- Benchmarks do not tell us what is best practice or proper practice are; they simply tell us what is being done – they reflect current practice.
- Panuku and RFA have low expenditure but a higher percentage due to the relative size of their operating cost budgets.
- Central Government BASS median is 0.22% of operating cost.
- No reliable comparative local government benchmarks were identified.

Data source: IBM (benchmark) uses the following BASS Benchmarks: Inland Revenue, Ministry of Business Innovation & Employment, Ministry of Health, NZTA, Department of Corrections.

*AGC operating costs has inter-company costs of $0.8b therefore the council Group is below sum of AC, WC, AT.
2. Does the Group co-ordinate and co-operate on risk and risk management services to minimise duplication, reduce cost and improve efficiency and effectiveness?

3. Is advice being delivered in a timely manner and to the desired performance standard?

4. What are the key features of the current operating model and is it fit for purpose?
The council Audit and Risk committee receives regular risk updates from each organisation – but not a consolidated view

The Group governance model for risk
- The Auckland Council Audit and Risk Committee takes a Group approach, assisting and advising the Governing Body in meeting its responsibility and ownership of governance, compliance, integrity, risk management, assurance and internal controls.
- The council has CCOs with independent boards of directors. It is best practice to see strong board oversight of the risk management function.
- To gain insights into risks, boards and committees need to interact with management as distinct from receiving reports.
- However, there is no consolidated consideration of risks from a Group perspective, i.e. there is no analysis of the cumulative impact of risks affective the Group.
- The council funds all the CCOs (apart from Watercare) and where there is a funding arrangement the financial risks ultimately rest with the council.
### Risk and internal audit is provided by each organisation reflecting their strategic importance

<table>
<thead>
<tr>
<th>How is it funded?</th>
<th>How is it governed?</th>
<th>Observations (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk team (reporting to General Council), who are responsible for frameworks, risk culture and reporting.</td>
<td>Board of Audit and Risk Committee, Chief Risk Officer and external auditors.</td>
<td>- Service provision via a mixed insource/outsourcing model.</td>
</tr>
<tr>
<td>Internal audit team (mixed in-house and specialist outsourcing).</td>
<td>Executive GM, Risk and Assurance reports to the Committee.</td>
<td>- Increased maturity of risk culture.</td>
</tr>
<tr>
<td>Management of integrity (probably).</td>
<td>Board of Audit and Risk Committee.</td>
<td>- Focus on resilience reflecting increased maturity of risk culture.</td>
</tr>
</tbody>
</table>

**Attachment A**
### Risk and risk 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 (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Risk managed internally</td>
<td>Auckland Council grant (rates funded)</td>
<td>• Board Audit Sub-committee</td>
<td></td>
</tr>
<tr>
<td>• Internal audit outsourced</td>
<td>User charges</td>
<td>• Chief Financial Officer reports to CE</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Risk managed internally</td>
<td>Auckland Council grant (rates funded)</td>
<td>• Finance and Risk committee</td>
<td></td>
</tr>
<tr>
<td>• Internal audit outsourced</td>
<td>User charges</td>
<td>• Risk manager reports to the chief financial officer</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Risk managed internally</td>
<td>User charges</td>
<td>• Audit and Risk Committee</td>
<td></td>
</tr>
<tr>
<td>• Internal audit outsourced</td>
<td>Auckland Council grant (rates funded)</td>
<td>• Risk manager reports to director corporate services reports to CE</td>
<td></td>
</tr>
</tbody>
</table>
Opportunities exist for sharing best practices; in particular to understand the Group risk

<table>
<thead>
<tr>
<th>Service</th>
<th>Sharing actual</th>
<th>Sharing potential</th>
<th>Comments on sharing and value opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk</td>
<td></td>
<td></td>
<td>• Opportunities exist for sharing expertise, best practice, tools and templates, and technology solutions across the Group, however this is limited in practice</td>
</tr>
<tr>
<td>Internal audit</td>
<td></td>
<td></td>
<td>• Consistent reporting approach may assist Group Audit and Risk Committee understanding Group implications of risks</td>
</tr>
<tr>
<td></td>
<td>(50%)</td>
<td>(60%)</td>
<td>• Some sharing exists when external capability is required e.g. technology audits</td>
</tr>
<tr>
<td></td>
<td>(50%)</td>
<td>(60%)</td>
<td>• Further opportunities may exist with common audit topics</td>
</tr>
</tbody>
</table>

- We understand that both Auckland Council and Auckland Transport are investigating a technology solution to support management of risks. We would encourage a joined-up approach to avoid duplicate investment in both the technology the templates used.
- This approach could be used across the Group, driving a consistent reporting approach which would aid the Group Audit and Risk Committee while still allowing each organisation to determine their individual risk appetites.
Internal audit is required to have an external review every 5 years – Auckland Council in 2019

Providing an effective service

- Internal audit provide services according to the International Standards for the Professional Practice of Internal Auditing (Standards) issued by the Institute of Internal Auditors (IIA).
- These require internal audit functions to develop and maintain a quality assurance and improvement programme which includes a periodic independent quality assessment at least once every five years.
- Auckland Council internal audit will be reviewed in 2019.
- Internal audits also exercise independence. While reporting to senior management, they also have reporting lines to the chairs of the respective audit committees.
5. Do the services have the right capabilities to achieve the council’s objectives and is work effectively prioritised?

6. How are risks identified, mitigated and reported across the Group?
Auckland Council and Auckland Transport have been assessed against the AoG risk maturity framework

**Initial**
- Expected risk management activities are informal or not in place
- Basic risk management practices are in place, albeit inconsistently across the council
- Some evidence of risk-informed decision-making

**Fragmented**
- Expected risk activities undertaken consistently, well documented and communicated to all

**Comprehensive**
- All organisations are applying ISO:31000 to their risk management practices and reporting to their respective audit and risk committees and applying a three-lines-of-defence model.
- Other organisations may wish to apply this model to help improve their risk practices.

**Integrated**
- Risk activities are integrated, assessments are documented reported and monitored
- Expected risk management activities are continually reviewed against best practices and improved as necessary

**Strategic**

Both organisations have active improvement plans to shift to their ideal future state of risk maturity to integrated. Application of this model may assist other organisations developing their risk improvement plans.
We assessed audit and risk governance against McKinsey risk governance framework

<table>
<thead>
<tr>
<th>Item</th>
<th>Best-practice in board oversight</th>
<th>Commentary</th>
</tr>
</thead>
</table>
| 1    | The establishment of a top-down programme that addresses key risks and elevates risk discussion to the board/committee level | • Each CCO board and the council’s Audit and Risk Committee have annual programmes of work for risk and internal audit  
• No consolidated Group perspective on risk |
| 2    | There is a risk heat map for each organisation and the Group that identifies exposures, reveals linkages between exposures and identifies risk drivers | • Risk reporting is generally on a heat map basis, with inherent and residual risks shown |
| 3    | There is in-depth analysis of the top risks for each entity by probability and consequence, and these are subject to regular review by boards and committees | • Evidence that risks are regularly reviewed and reported |
| 4    | There is integrated, multi-factor scenario analysis including key assumptions across economic and business drivers, and these are regularly reported to management, boards and committees | • Evidence of some scenario analysis but each organisation has different approaches |
| 5    | The board/committee reporting process includes management insight and access to enable questioning on key risk exposures | • Evidence that there is robust discussion on risks |
| 6    | Risk thinking is routinely incorporated into strategic planning, capital allocation, asset management and financing policy | • Key risks are not included in Auckland Council strategy |
Insurance helps recovery after significant events but a more strategic approach is possible as costs increase (2018:$10m)

Auckland Council insures to protect against significant events which would materially and adversely impact the council, and to protect the council’s balance sheet which ultimately affects our credit rating. Insurance is a risk transfer that comes at a cost that is forecast to increase. Insurance is arranged on a Group basis.

### Council approach to insurance
Historically, the council has taken a transactional rather than strategic approach to insurance rather than assessing the overall value from the insurance cover.
Some items (some of which are being reviewed) include:
- low and inconsistent deductibles
- motor vehicles insured but size of fleet allows self-insurance
- sentimental assets like fine arts are insured but money cannot replace them.

There are further opportunities to increase the level of self-insurance.

### Not all risks need to be insured against
A number of organisations adopt aspects of self-insurance (operating captive schemes).
- Ministry of Education maintains a fund to meet the costs of damage below the excess amount because they have diversified assets.
- Meridian Energy doesn’t insure the full value of assets because it can borrow funds if it incurs a loss greater than amount covered.
- Wellington City Council has an $31m captive insurance fund to cover claim costs that fall below deductibles.

### Future premiums are forecast to increase

*What the future could look like*

Further earthquakes in New Zealand will impact premiums
With the increased frequency and severity of natural catastrophe events, local authorities including Auckland Council have had to rearrange their insurance policies by paying more in premiums, accepting a higher excess and/or additional policy exclusions.
Challenges and issues in realising further value and value opportunities
## Legal and risk - challenges and issues in realising further value

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Group has risks that may impact the delivery of the LTP</td>
<td>The Group structure results in different risk profiles for different organisations and not a consolidated Group perspective to managing risk</td>
</tr>
<tr>
<td>The council is risk adverse</td>
<td>This results in increased legal costs, particularly in obtaining second opinions/peer review rather than supporting the initial view</td>
</tr>
<tr>
<td>The council Audit and Risk Committee has the mandate to assess risk on a Group basis</td>
<td>A consistent framework for managing risk could support the council’s Audit and Risk Committee discharging its obligations</td>
</tr>
<tr>
<td>Risk management is at varying levels of maturity across the Group</td>
<td>Risk that may impact the council’s ability to deliver the LTP may not be identified, analysed and reported</td>
</tr>
</tbody>
</table>
Options analysis
Quick wins

During the review, we identified further unvalued tactical improvement opportunities that could be delivered quickly (less than six months to complete) as quick wins. We suggest management evaluate these for implementation as part of business as usual.

A

Use data and analytics to support improvement opportunities
(Auckland Council legal)

The legal team collects some data on the legal work completed. However, this is not proactively used to manage the legal service and there are a number of gaps.

The right data collected and analysed can provide evidence to support improvements in the legal service.

B

Develop combined procurement category plan

Within the next year the external legal contracts for Auckland Council and Auckland Transport will end.

Current suppliers at Auckland Transport and Auckland Council should be reviewed to identify opportunities to combine contracts/re-negotiate more favourable terms on a Group basis.

The council’s current legal contract model has delivered benefits which Auckland Transport would also benefit from.
Value proposition 1: Develop and implement a framework for assessing risk from a Group perspective

IF ... we assessed the risks identified and treated by each organisation in the Auckland Group on a collective Group basis...

By

- Developing a framework for combining the same or similar risks identified by each organisation into a cumulative Group risk
- Determining the most effective way to treat cumulative risk – either as Group or as individual organisations – and whether a portion of the risk should be insured
- Reporting the cumulative Group risk to the Audit and Risk Committee quarterly

Then we will achieve

- A better understanding of the cumulative impact of risks facing the Group and potential impact on delivering the LTP
- The ability to manage risks collectively. The review identified the following potential strategic Group risks:
  - Funding. The council funds all CCOs (apart from Watercare) and a Group perspective is adopted to managing debt and cash
  - Supply side. Constraints exist in the infrastructure supply market place
  - Changing legislation.

We note that directors of CCOs have obligations under legislation and best practice is to maintain strong board oversight of organisation-specific risks.
### Net estimate (10yr NPV)
- Non-financial

### Ease of implementation
- Moderate

### Timing
- >6 months

### Overall rating
- Must do

#### Assessment

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Aligns with delivery of the LTP</td>
</tr>
<tr>
<td>Value for money</td>
<td>Risk of value being eroded will reduce</td>
</tr>
<tr>
<td>Equity</td>
<td>Benefits all ratepayers</td>
</tr>
<tr>
<td>Feasibility</td>
<td>No barriers</td>
</tr>
<tr>
<td>Affordability</td>
<td>Funded from current budgets</td>
</tr>
<tr>
<td>Competency</td>
<td>External support may be required to support</td>
</tr>
<tr>
<td></td>
<td>the framework development</td>
</tr>
</tbody>
</table>

#### Summary of financial costs and benefits

**Costs**
- There may be a cost to developing the framework

**Benefits**
- Benefits are non-financial.
  - Improved understanding of risk; in particular
    - supplier risk
    - financing risk.

#### Key risks and constraints
- Organisations do not actively participate in developing a Group risk perspective.
Value proposition 2: Develop a business case to improve legal operations efficiency

**IF**

... we improved the use of technology, process improvement and data to enable legal operations ...

**By**

- Determining the appropriate legal operating model and understanding the current gaps through considering:
  - people and capabilities
  - processes
  - technology enablement. In particular matter management, knowledge management and document management
  - data and analytics requirements
- Identifying and evaluation a range of options (largely technology) which will close the identified gaps
- Finalising work underway by an external consultancy and converting this to an approved business case

**Then we will achieve**

- Increased efficiency and effectiveness of the legal team
- Reduction in re-work as prior legal opinions will be more easily located
- Increased staff satisfaction (main adverse comment in staff engagement survey is technology)
- Reduce staff turnover
- Shared working platforms to more directly engage with business units and external providers
- Improves visibility of work underway, as well as future forecasted and capacity of the legal team
### Net estimate (10yr NPV)
+ve (business case to determine)

### Ease of implementation
Moderate

### Timing
>6 months

### Overall rating
Must do

## Assessment

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Aligns with a legal business plan and obtaining best VfM</td>
</tr>
<tr>
<td>Value for money</td>
<td>Improved VfM will be achieved, improved efficiency and effectiveness</td>
</tr>
<tr>
<td>Equity</td>
<td>Benefits all ratepayers through reduced cost</td>
</tr>
<tr>
<td>Feasibility</td>
<td>No barriers</td>
</tr>
<tr>
<td>Affordability</td>
<td>Funded from current budgets</td>
</tr>
<tr>
<td>Competency</td>
<td>External support will be required to implement changes</td>
</tr>
</tbody>
</table>

### 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
- Benefits to be validated by business case:
  - Increased productivity
  - Increased employee satisfaction (note: already very high)
  - Reduced cost – finding earlier opinions quicker to be re-used.

### Key risks and constraints
- Technology solution adopted does accommodate all legal requirements.
- Technology isn’t used effectively.
Value proposition 3: Adopt a strategic long-term approach to insurance

By

- Understanding the risks the Group face and the strength of the Group balance sheet to manage that risk
- Assessing current insurance cover against our risk profile to:
  - purchase insurance only when events have potential to materially and adversely impact the council’s credit rating
  - insure key assets that materially impact on service delivery and the Group balance sheet
  - apply meaningful deductibles consistent with balance sheet capacity ($52b in assets) and risk appetite
  - buy insurance because its required; not because it’s cheap
- Establishing a self-insurance fund for CCOs that have a lower risk appetite
- Continuing with Group approach: Data for property indicates that if council is not purchasing as a Group and leveraging its size, then the collective premiums for the council and CCOs would be doubled

Then we will achieve

- A more effective focus on risk management and only have insurance cover that is needed
- Better economic results long-term because insurers always make money in the long run
- Fewer claims and associated administrative costs
- Stronger and longer term relationship with insurers
- Leaves council in a more flexible position to adapt to government policy and market changes
- Protect our credit rating

Note
Work is underway in this area and the review supports its continuation
Value will be delivered transitioning from a transactional to a strategic purchaser of insurance. The cost of insurance is increasing significantly with the increasing occurrence of major insurance events, e.g. earthquakes.

### Summary of financial costs and benefits

#### Costs
- No additional costs anticipated

#### Benefits
- Savings in premiums, especially with premiums set to rise, over time

#### Example – Self insurance

<table>
<thead>
<tr>
<th>Item</th>
<th>1 year savings</th>
<th>10 years NPV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property deductible</td>
<td>$0.20</td>
<td>$1.89</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>$0.30</td>
<td>$2.83</td>
</tr>
<tr>
<td>Statutory liability</td>
<td>$0.18</td>
<td>$1.65</td>
</tr>
<tr>
<td>Employee liability</td>
<td>$0.01</td>
<td>$0.14</td>
</tr>
<tr>
<td></td>
<td><strong>$0.69</strong></td>
<td><strong>$6.50</strong></td>
</tr>
</tbody>
</table>

#### Key risks and constraints
- Premiums rise as expected and the council continues with its existing transactional approach to insurance.
- The council is unable to re-enter the insurance market in the future.
- Risks are not adequately understood.
- Multiple events occur in short timeframe placing pressure on balance sheet and credit rating.
- Don’t understand worst case scenario and or have not quantified them correctly.
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

What
- What is the service and how big is it?
- How is it delivered, funded, governed, regulated?
- What is its place in the value chain?
- What is the current and future context?

Why
- What is the service trying to achieve?
- What are its strategic or statutory drivers?
- What is the public policy rationale for local government role?

Performance
- What are the cost and value drivers?
- Cost: economy (cost of inputs) and efficiency (service delivery)
- Effectiveness: economic, environmental, social impacts
- Cost-effectiveness
- Equity

Implications
- Does current performance indicate good VFM?
- Do incentives/controls give confidence about achieving future value?
- What are the areas of risk and uncertainty affecting VFM?
- Continued relevance in light of likely changes in context?
- What funding, governance, delivery options for improvement?
Approach to current state assessment

We undertake VFM reviews in three parts, starting with a current statement assessment.

As part of our evidence-based approach we draw on a range of sources:

- Analysis of service and financial data (internal and external)
- Stakeholder and expert interviews and consultation
- Current logic assessment and modelling
- Evidence of economic, social and technological trends
- Check customer and stakeholder outcomes
- Check best practice, and case studies

What we do:

- Engage with relevant staff for their operational and strategic knowledge, and access to data and expert reports
- Review business plans, financial reports and selected literature
- Test the intervention logic
- Draw on international literature and reviews of international practices
- Test our thinking with subject matter experts and other agencies involved in investment attraction and international relations

The current state assessment effort leads to a list of challenges, issues and opportunities for further testing during the second part of the review.
**Approach to options analysis**

In the second part of the review, we analyse opportunities to improve value for money.

We evaluate the ongoing relevance of governance, funding and service delivery arrangements and alternative options.

We outline the action required to deliver value, and provide orders-of-magnitude estimates of the potential future value.

In the second stage of the review we identify and evaluate improvement opportunities. Findings follow feedback on the assessment and options.

|------------------|------------|-------------|

### Our critical success factors draw on the Better Business Case framework

<table>
<thead>
<tr>
<th>Strategic fit (strategic case)</th>
<th>Does the option progress the outcomes the council is pursuing, and fit with the council’s role?</th>
</tr>
</thead>
</table>
| Value for money (economic case) | Do benefits to Aucklanders exceed costs? Does the option provide:  
  - clear accountability  
  - transparency  
  - comparable incentives  
  - risk allocation to where best managed  
  - proportional admin and compliance costs |
| Equity (social case) | Does the option promote a strong inclusive and equitable society, and share costs appropriately? |
| Feasibility (commercial case) | Can the option be commercially viable? |
| Affordability (financial case) | Do options fit Auckland Council’s financial objectives and constraints? |
| Competency (management case) | Has the council the competencies to execute? |

- **Equity**: Value/(cost)
- **Rationale**: Combined relevance
- **Efficiency**: (out/inputs)
- **Effectiveness**: (value/cost)
- **Economy**: (cost/input)
References, glossary and acknowledgements
### Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artificial Intelligence</td>
<td>An area of computer science focused on developing software that can make decisions and problems solve</td>
</tr>
<tr>
<td>ATEED</td>
<td>Auckland Tourism, Events and Economic Development</td>
</tr>
<tr>
<td>Auckland Council (the council)</td>
<td>Auckland Council</td>
</tr>
<tr>
<td>BASS</td>
<td>A Treasury publication of benchmarking administration and support services</td>
</tr>
<tr>
<td>Local boards</td>
<td>There are 21 local boards which share responsibility for decision-making with the governing body. They represent their local communities and make decisions on local issues, activities and facilities</td>
</tr>
<tr>
<td>Local Government Act 2002</td>
<td>Legislation that defines the powers and responsibilities of territorial local authorities such as Auckland Council</td>
</tr>
<tr>
<td>Long-term plan (LTP)</td>
<td>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/ the 10-year budget</td>
</tr>
<tr>
<td>Rates</td>
<td>A charge against the property to help fund services and assets the council provides</td>
</tr>
<tr>
<td>Value for Money (VFM)</td>
<td>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</td>
</tr>
</tbody>
</table>

### Reference material

**Sources used**

- Auckland Council 2018. LTP 2018-2028
- Auckland Council Audit and Risk Committee notes and minutes
- Audit Scotland. Risk management framework 2018
- CCO and Auckland Council annual reports 2014 - 2018
- Crime and corruption commission Queensland. Fraud and corporate control: Best practice guide
- Deloitte internal audit. The future if internal audit is now 2018
- Deloitte risk management maturity assessment 2019
- Enterprise risk management: Global best practices and key challenges in Asia, Shoaib Javed Husse 2018
- Office of the Auditor General: Insuring public assets 2013
- The London Borough of Barnet: Annual Internal Audit Opinion 2018
- Vago Local Government Insurance Risk 2018
- Simpson Grierson Contract agreement
- Thomson Reuters insourcing and efficiency report: The keys to a more effective legal department 2016
- Thompson Reuters Drive to efficiency
- Thompson Reuters Top 10 metrics your legal department should be tracking 2015
- Juno Optimising Auckland Council legal team 2018
- Lawyers on Demand – Measure your Impact 8 KPIs for in-house legal teams
- Stuff Auckland Council pays out $265 million in weathertightness claims 2018
 Acknowledgements

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

Watercare

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rob Fisher</td>
<td>Company Secretary</td>
</tr>
<tr>
<td>Emma McBride</td>
<td>Governance Manager</td>
</tr>
<tr>
<td>Marlon Bridge</td>
<td>CFO</td>
</tr>
<tr>
<td>Nigel Toms</td>
<td>Head of Risk and Resilience</td>
</tr>
<tr>
<td>James Davies</td>
<td>Head of Internal Audit</td>
</tr>
</tbody>
</table>

Auckland Council

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matthew Walker</td>
<td>Group CFO</td>
</tr>
<tr>
<td>Dani Gardiner</td>
<td>General Counsel</td>
</tr>
<tr>
<td>Cecilia Tse</td>
<td>Chief Risk Officer</td>
</tr>
<tr>
<td>Amit Prasher</td>
<td>Insurance and Claims Manager</td>
</tr>
<tr>
<td>Abraham Van Melle</td>
<td>Manager Property and Commercial</td>
</tr>
<tr>
<td>Anita Furniss</td>
<td>Manager Public Law</td>
</tr>
<tr>
<td>Christian Brown</td>
<td>Manager Regulatory Litigation</td>
</tr>
<tr>
<td>Helen Wild</td>
<td>Manager Civil Litigation</td>
</tr>
<tr>
<td>Margaret Malcolm</td>
<td>Legal Practice Manager</td>
</tr>
<tr>
<td>Emma Mosely</td>
<td>Strategic Advisor, Risk and Compliance</td>
</tr>
<tr>
<td>John Bishop</td>
<td>Treasurer and GM financial transactions</td>
</tr>
</tbody>
</table>

Auckland Transport

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rodger Murphy</td>
<td>General Manager Risk and Assurance</td>
</tr>
<tr>
<td>Mario Zambuto</td>
<td>General Counsel</td>
</tr>
</tbody>
</table>

Regional Facilities

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simon Tran</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Christine Begbie</td>
<td>GM Finance</td>
</tr>
</tbody>
</table>

Panuku

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carl Gosbee</td>
<td>Director, Corporate Services</td>
</tr>
<tr>
<td>David Middleton</td>
<td>Risk Manager</td>
</tr>
</tbody>
</table>

ATEED

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jacky Hollingsworth</td>
<td>Chief Financial officer</td>
</tr>
<tr>
<td>Darroch Todd</td>
<td>Risk Manager</td>
</tr>
</tbody>
</table>
Value for Money Programme quarterly update

File No.: CP2019/14079

Te take mō te pūrongo
Purpose of the report
1. To provide a progress update on the status, the 2019 work programme and the implementation progress of the completed reviews in the Value for Money review programme.

Whakarāpopototanga matua
Executive summary
3. Overall the programme status is green.
4. Following the initial planning some changes have been made to the 2019 work programme reflecting better alignment with other organisational priorities and a more logical grouping of reviews.
5. Eight reviews have been completed and implementation status updates are provided for:
   - domestic waste services
   - investment attraction and global partnerships
   - group procurement
   - information, communications and technology
   - customer services.
6. The final implementation status report for communications and engagement services was provided in December 2018 and for ‘Three Waters’ in June 2019 to the Appointments, Performance Review and Value for Money Committee meeting.
7. The ‘Finance services’ review was approved in June 2019, with the first status report part of the next quarterly update.
8. Business managers across the group have developed implementation plans for the completed reviews. In the programme status report, information is provided on each review, how the recommendations will be implemented and current progress. These areas may change as the work is further scoped or developed, feasibility work is completed, and dependencies are refined.
9. Business managers are available at today’s meeting to address specific questions on completed reviews.

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

a) note the Value for Money Programme status and 2019 work programme
b) receive the progress updates for the Value for Money reviews on:
   i) domestic waste services
   ii) investment attraction and global partnerships
iii) group procurement
iv) information, communications and technology
v) customer services.

Horopaki

Context

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

11. 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).

Tātaritanga me ngā tohutohu

Analysis and advice

Programme status

12. Overall the programme status is green with no significant issues to report. The programme now has a range of reviews in different phases from initiation through to benefit realisation.

2019 Work programme

13. There has been a delay to the 2019 work programme with the Human Resource review commencing later than anticipated. This review will be reported to the appropriate committee in the new term of council.

Implementation status update

14. The following reviews have been completed

<table>
<thead>
<tr>
<th>Review</th>
<th>Status</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three waters</td>
<td></td>
<td>Final status update provided to the June 2019 Appointments, Performance Review and Value for Money Committee meeting</td>
</tr>
<tr>
<td>Domestic waste</td>
<td></td>
<td>Quarterly status update provided</td>
</tr>
<tr>
<td>Communications and engagement</td>
<td></td>
<td>Final status update provided to the December 2018 Appointments, Performance Review and Value for Money Committee meeting</td>
</tr>
<tr>
<td>Investment attraction and global partnerships</td>
<td></td>
<td>Quarterly status update provided</td>
</tr>
<tr>
<td>Group procurement</td>
<td></td>
<td>Quarterly status update provided</td>
</tr>
<tr>
<td>Information, communications and technology</td>
<td></td>
<td>Quarterly status update provided</td>
</tr>
<tr>
<td>Customer services</td>
<td></td>
<td>Quarterly status update provided (first report)</td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td>First status report at next quarterly update</td>
</tr>
</tbody>
</table>
Benefit realisation

15. Details of the benefit realisation are included in the status report. A summary is

<table>
<thead>
<tr>
<th></th>
<th>Cash-releasing benefit ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit opportunity (10 years)</td>
<td>Benefit forecast (10 years)</td>
</tr>
<tr>
<td>$538</td>
<td>$430</td>
</tr>
</tbody>
</table>

16. In the table in paragraph 15 above, benefits are the cash benefit (both operating and capital).

- **Benefit opportunity** – potential identified by Value for Money reviews (10 years)
- **Benefit forecast** – amount forecast by council managements staff, based on implementation progress (10 years)
- **Benefit realised** – amount ‘banked’ in accounts (1 year). This reflects that only one financial year has been completed since the review findings were approved.

Ngā whakaawe me ngā tirohanga a te rōpū Kaunihera

Council group impacts and views

17. The Value for Money reviews consider all organisations in the council group. Group organisations are involved in the development of the implementation status updates, where appropriate.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe

Local impacts and local board views

18. The decision to receive this report has no direct implications for local boards. As recommendations from completed reviews are implemented the impact on local boards is considered.

Tauākī whakaaweawe Māori

Māori impact statement

19. The decision to receive this report has no direct implications for Māori. As recommendations from completed reviews are implemented the impact on Māori is considered.

Ngā ritenga ā-pūtea

Financial implications

20. Any financial implications arising from the implementation of the Value for Money reviews will be determined as implementation plans are developed and included in the reporting back to this committee.

Ngā raru tūpono me ngā whakamaurutanga

Risks and mitigations

21. 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

22. The next quarterly progress report will be provided to the appropriate committee in the new term of council.
Value for Money Programme quarterly update

Ngā tāpirihanga
Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Value for Money Programme status update June 2019</td>
<td>89</td>
</tr>
</tbody>
</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Ross Chirnside – Programme Lead Value for Money</th>
</tr>
</thead>
<tbody>
<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>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Attachment A

Auckland Council Group
Value for Money Programme

Programme Lead: Ross Chirnside

Business Owner: Kevin Ramsay

Sponsor: Matthew Walker

Programme Health
- Schedule: ✔
- Resource: ✔
- Budget: ✔
- Risk: ✔

Programme overview and monthly progress

Finance review
Finalised report. An improvement programme has been established in Auckland Council finance division which will be responsible for implementation.

Legal and Risk review
Report is in final review with management before progressing to September APIVFM committee.

Human Resources review
Information gathering and discovery work has commenced for Auckland Council. Formal engagement with management and CCOs to commence in August.

Next Steps

Legal and risk
Report finalised and to be considered by committee in September.

Human Resources
Commence engagement with management.

Key risks and issues

Parks and open spaces
The ongoing review of the governance framework and allocation of decisions between governing body and local boards has a potential impact on some elements of the report and recommendations. Work will recommence on the review once next phase of governance review this work has been completed.

Human Resources review
Review was delayed starting.
### Auckland Council Group

#### Value for Money Programme

<table>
<thead>
<tr>
<th>Item 9</th>
<th>Phase</th>
<th>RAG</th>
<th>Committee Approval</th>
<th>Next Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three Waters</td>
<td>Benefit realisation</td>
<td>⬤</td>
<td>November 2017</td>
<td>• No further progress updates required</td>
</tr>
<tr>
<td>Domestic Waste</td>
<td>Benefit realisation</td>
<td>⬤</td>
<td>November 2017</td>
<td>• APRVFM committee September 2019 – Implementation progress update</td>
</tr>
<tr>
<td>Communications and engagement</td>
<td>Benefit realisation</td>
<td>⬤</td>
<td>November 2017</td>
<td>• No further progress updates required</td>
</tr>
<tr>
<td>Investment attraction</td>
<td>Benefit realisation</td>
<td>⬤</td>
<td>November 2017</td>
<td>• Delays due to resource constraint with other priorities</td>
</tr>
<tr>
<td>Parks and open spaces</td>
<td>Deliver</td>
<td></td>
<td></td>
<td>• On hold until after completion of next phase of governance review. • VFM team to discuss with management if any initiatives can be progressed</td>
</tr>
<tr>
<td>Group Procurement</td>
<td>Benefit realisation</td>
<td>⬤</td>
<td>June 2018</td>
<td>• APRVFM committee September 2019 – Implementation progress update</td>
</tr>
<tr>
<td>Information, commms. and technology</td>
<td>Benefit realisation</td>
<td>⬤</td>
<td>December 2018</td>
<td>• APRVFM committee September 2019 – Implementation progress update</td>
</tr>
<tr>
<td>Customer services</td>
<td>Benefit realisation</td>
<td>⬤</td>
<td>April 2019</td>
<td>• APRVFM committee September 2019 – Implementation progress update</td>
</tr>
<tr>
<td>Financial services</td>
<td>Close</td>
<td></td>
<td></td>
<td>• Implementation planning has commenced. Update next quarter.</td>
</tr>
<tr>
<td>Legal and risk</td>
<td>Deliver</td>
<td></td>
<td></td>
<td>• APRVFM workshop July 2019, committee consideration September 2019</td>
</tr>
<tr>
<td>Human resources</td>
<td>Plan</td>
<td></td>
<td></td>
<td>• Review to commence July 2019</td>
</tr>
<tr>
<td>Regional and Local Planning</td>
<td>Initiate</td>
<td></td>
<td></td>
<td>• Work continuing on the development of the terms of reference</td>
</tr>
<tr>
<td>Corporate property</td>
<td>Initiate</td>
<td></td>
<td></td>
<td>• Work continuing on the development of the terms of reference</td>
</tr>
</tbody>
</table>
## Auckland Council Group
### Value for Money Programme

**Attachment A**

**Item 9**

---

**Benefit Summary**

**Reporting Period (last quarter):** June 2019

<table>
<thead>
<tr>
<th>Review</th>
<th>Responsible officer</th>
<th>Benefit planning implementation</th>
<th>Value</th>
<th>VF M opportunity</th>
<th>Forecast</th>
<th>Realised</th>
<th>Non-financial benefit opportunity</th>
<th>Comment (if not green must comment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three Waters</td>
<td>Andrew Chin</td>
<td>☢️ ☢️ ☢️</td>
<td>☢️</td>
<td>300</td>
<td>293</td>
<td>231</td>
<td>• Improved co-ordination of Three Waters activity</td>
<td>• Auckland Water strategy</td>
</tr>
<tr>
<td>Domestic waste</td>
<td>Andrew Overden</td>
<td>☢️ ☢️ ☢️</td>
<td>☢️</td>
<td>42</td>
<td>TBD</td>
<td>0</td>
<td>• Focus on non-domestic waste</td>
<td>• Benefits determined following procurement in 2020</td>
</tr>
<tr>
<td>Communications and engagement</td>
<td>Dan Lambert</td>
<td>☢️ ☢️ ☢️</td>
<td>☢️</td>
<td>27</td>
<td>27</td>
<td>2</td>
<td>• Group communications strategy</td>
<td>• Savings recorded for Auckland Council only</td>
</tr>
<tr>
<td>Investment attraction</td>
<td>Jacky Hollingsworth</td>
<td>☢️ ☢️ ☢️</td>
<td>☢️</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>• Auckland investment story</td>
<td>• Delays in development of Auckland investment story</td>
</tr>
<tr>
<td>Group Procurement</td>
<td>Jazz Singh</td>
<td>☢️ ☢️ ☢️</td>
<td>☢️</td>
<td>140</td>
<td>110</td>
<td>37</td>
<td>• Sustainable procurement and Maori engagement framework in place</td>
<td>• Benefit planning only completed for 2019-2021</td>
</tr>
<tr>
<td>Customer services</td>
<td>Nigel King</td>
<td>☢️ ☢️ ☢️</td>
<td>☢️</td>
<td>10.5</td>
<td>TBD</td>
<td>-</td>
<td>• Risk framework being developed</td>
<td></td>
</tr>
<tr>
<td>Information, Communications and technology</td>
<td>Mark Denvir</td>
<td>☢️ ☢️ ☢️</td>
<td>☢️</td>
<td>18</td>
<td>TBD</td>
<td>-</td>
<td>• Group ICT strategy</td>
<td>• Planning commenced for benefit realisation</td>
</tr>
</tbody>
</table>

**TOTAL**

|                        | 538 | 430 | 270

**Benefit Realisation detail**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Total</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast</td>
<td>430</td>
<td>208</td>
<td>137</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>11</td>
<td>11</td>
<td>12</td>
<td>11</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Realised</td>
<td>270</td>
<td>208</td>
<td>62</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Benefits are cash benefit (both operating and capital). Benefit opportunity – potential identified by VFM review (10 years), Benefit forecast – amount forecast by management based on implementation progress (10 years), Benefit realised – amount “banked” in accounts (1 year)
Attachment A

Value for Money Programme

<table>
<thead>
<tr>
<th>Review</th>
<th>Domestic Waste</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible officer</td>
<td>Andrew Ovenden</td>
</tr>
<tr>
<td>Implementation Health</td>
<td>Benefit planning, Implementation</td>
</tr>
<tr>
<td>Reporting Period</td>
<td>June 2019</td>
</tr>
<tr>
<td>Programme health overall</td>
<td>Green</td>
</tr>
<tr>
<td>Implementation overview</td>
<td></td>
</tr>
<tr>
<td>• Most recommendations have been implemented and are either a) on track for completion or b) already part of business as usual.</td>
<td></td>
</tr>
</tbody>
</table>

Key achievements in last quarter

• A Request for Proposal for integrated waste collection services (including refuse, recycling and food scraps collections) was issued to the market on 1 May 2019. Responses from suppliers are due back on 17 July 2019. Staff held three supplier briefings and answered 115 questions from potential suppliers. The procurement plan for an integrated collections model has been designed to incentivise greater diversion and operational efficiency.

• Procurement of the food scraps processing facility is in progress. Negotiations with short-listed suppliers have been undertaken and due diligence is currently being undertaken in New Zealand, Australia and the United Kingdom.

• The Great Barrier Community Recycling Centre has been established and is now operational. A gate charge for refuse to the landfill has been implemented. This will increase cost recovery for the landfill operation and incentivise users to minimise waste.

Key activities for next quarter

• Staff will evaluate the short list of potential suppliers for the integrated waste collection services procurement in August. Staff expect to present the final supplier recommendations for approval by December 2019.

• Staff will present a final supplier recommendation report for the food scraps processing to the Strategic Procurement Committee on 7 August.

Key risks and issues

• It is not possible at this stage to quantify the level of financial benefit arising from the Value for Money review. Savings can be confirmed once the integrated waste collections procurement is completed.

• The Strategic Procurement Committee on 1 May 2019 approved the negotiation of 3 month and possibly 6 month extensions to existing refuse collection agreements (all of which currently expire on 6 July 2020) to allow more time for new contracts to be awarded and for new suppliers to mobilise prior to the start of service delivery.

Benefit Realisation detail

<table>
<thead>
<tr>
<th>Benefit SM</th>
<th>Total</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast</td>
<td>To be confirmed post procurement of waste collection services.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realised</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Benefits are cash benefit (both operating and capital). Benefit opportunity – potential identified by VFM review (10 years), Benefit forecast – amount forecast by management based on implementation progress (10 years), Benefit realised – amount “banked” in accounts (1 year)
## Value for Money Programme

### Implementation Progress

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Start date</th>
<th>Completion date</th>
<th>RAG</th>
<th>Comment (if not green must comment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepare a plan to focus on the total waste stream and include it in the Waste Management and Minimisation Plan</td>
<td>Nov 17</td>
<td>June 2018</td>
<td>●</td>
<td>• The Waste Management and Minimisation Plan was adopted in 2018 and includes a focus on reducing non-domestic waste. Waste staff are now working with partners such as HLC and Community Facilities to reduce the volume of construction and demolition waste sent to landfill.</td>
</tr>
</tbody>
</table>
| Evaluate options of ownership for non-strategic assets and associated services | Feb 18     | Feb 19          | ●   | • An independent business case from PricewaterhouseCoopers relating to options for ownership and management of key waste assets and services has been completed. The business case made the following recommendations:  
  • Wharford Landfill – retain council’s 50 per cent ownership and develop a resource recovery park on the site.  
  • Waitakere Transfer Station – council should continue to own and manage, including development of a resource recovery park on the site.  
  • Community recycling centres – continue developing 12 centres as planned and two resource recovery parks.  
  • Staff support these recommendations but have not yet carried out a detailed feasibility assessment of them.  
  • The business case also made a number of commercially sensitive recommendations relating to waste collection services. These are being actioned through the integrated waste collections procurement process. |
| New services or trials must include:                                           |            |                 |     | • An application to the national Waste Minimisation Fund to fund aspects of the resource recovery network was partially successful. It is currently undergoing due diligence before final funding is confirmed.  
  • An application has been made to the national Waste Minimisation Fund to undertake a detailed feasibility study for on-shore management and processing of mixed paper and cardboard fibre in New Zealand. The anticipated timeframe for notification of successful and unsuccessful applicants is November 2019. |

---
**Item 9**

<table>
<thead>
<tr>
<th>Implementation Progress</th>
<th>Reporting Period</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attachment A</td>
<td>June 2019</td>
<td></td>
</tr>
</tbody>
</table>

### Value for Money Programme quarterly update

<table>
<thead>
<tr>
<th>Value for Money Programme</th>
<th>Review</th>
<th>Status of implementation recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Waste</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Recommendation
- **Review of Auckland Council’s waste grant scheme**
  - Start date: Nov 17
  - Completion date: Ongoing
  - RAG: Green
- **Develop site waste management plans to minimise waste**
  - Start date: July 18
  - Completion date: Dec 18
  - RAG: Green
- **Gather evidence for diverting waste from landfill - carry out household behaviour studies**
  - Start date: Nov 17
  - Completion date: Ongoing
  - RAG: Green
- **Do further research into whether central government should lift the landfill levy**
  - Start date: Nov 17
  - Completion date: July 18
  - RAG: Green
- **Implement outcome based contracting for waste collections**
  - Start date: Nov 17
  - Completion date: Ongoing
  - RAG: Green

### Findings
- Variations in waste initiatives were ranked by cost-effectiveness during development of the Waste Management and Minimisation Plan 2018. Waste Solutions regularly commissioners market research, cost-benefit analysis and reviews to guide effective delivery of services.
- A review of the Waste Minimisation and Innovation Fund is underway and will be completed by September 2019. Recommended changes will be implemented in 2020.
- Contract specifications requiring site waste minimisation plans (including a plan on priority materials going to biodyr and being delivered by the council group).
- Market research on householders’ willingness to achieve and pay for waste reduction initiatives will be procured in 2019.
- Auckland Council continues to advocate strongly to central government for resources in the waste levy. From 1 July 2017, the increase in levy and broadening of the legislation to include managed fill.
- The procurement plan for new waste collection services – an integrated collections model designed to incentivise greater diversion and operational efficiency – was approved by Strategic Procurement Committee in March 2019. The Request for Proposal was issued on 1 May 2019, and responses from suppliers are due 31 July 2019.
Value for Money Programme

Implementation Progress Summary

<table>
<thead>
<tr>
<th>Review</th>
<th>Investment Attraction &amp; Global partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible officer</td>
<td>Jacky Hollingsworth</td>
</tr>
<tr>
<td>Implementation Health</td>
<td>Benefit planning</td>
</tr>
<tr>
<td>Implementation overview</td>
<td></td>
</tr>
</tbody>
</table>
  - Delivery of investment story has revised baseline timetable due to resource constraints
  - Resource constraint issues have been addressed.

Key activities in last quarter
- **Investment Story**: Project rescope has been approved, stakeholder engagement plan approved including ATEED CEO briefing Council and CCO CEO's.
- **Performance measures**: ATEED Voice of the Customer pilot, including measurement of investment attraction customer satisfaction and benefits received, is now complete. This will provide a benchmark for the coming FY.

Benefit Realisation summary
<table>
<thead>
<tr>
<th>Benefit Opportunity $M</th>
<th>Benefit Forecast $M</th>
<th>Variance to Opportunity $M</th>
<th>Benefit Realised $M</th>
<th>Benefit realisation plan developed</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>[●]</td>
</tr>
</tbody>
</table>

Key activities for next quarter
- Expansion of voice of customer programme to capture customer satisfaction with purpose-driven and event-based interactions.
- CCO Engagement will commence once working group of CCOs has been established - End of Q2 (estimated)

Key risks and issues
- **Investment Story**: Due to resource constraints as a result of Tripartite 2019 (May), the resources required to execute Invest AKL was the same resource required to initiate the first round of CCO stakeholder meetings for Invest AKL resulting in significant timeline slippage from original plan. Re-baselined to complete June 2020

Benefit Realisation detail

<table>
<thead>
<tr>
<th>Benefit $M</th>
<th>Total 2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realised</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Benefits are cash benefit (both operating and capital). **Benefit opportunity** – potential identified by VFM review (10 years), **Benefit forecast** – amount forecast by management based on implementation progress (10 years), **Benefit realised** – amount “banked” in accounts (1 year)
### Value for Money Programme

#### Review
Investment Attraction & Global partnerships

#### Reporting Period
June 2019

### Status of implementation recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Start date</th>
<th>Completion date</th>
<th>RAG</th>
<th>Completed</th>
<th>Comment (if not green must comment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop a consolidated Auckland investment story</td>
<td>Sept 18</td>
<td>June 2020 (revised)</td>
<td>●</td>
<td>○</td>
<td>• Background research and analysis has been carried out.</td>
</tr>
<tr>
<td>- explain clearly to potential investors the respective roles and how they fit together</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Stakeholder engagement plan approved.</td>
</tr>
<tr>
<td>- develop a shared understanding of Auckland’s overarching urban growth and infrastructure development plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Numerous delays to project due to e.g. Project Epic and Tripartite have meant completion date has to be pushed back 12 months</td>
</tr>
</tbody>
</table>

| Fees for investment attraction services                                         | Apr 18     | Sept 18         | ●   | ●         | • Complete – decided not to progress. See previous reports.                                      |
| - For attraction services that generate clear private benefits to the investors & businesses receiving the investment |            |                  |     |           | • Over 2019/20 the programme will be expanded to capture satisfaction with medium term, purpose driven interactions and short term, event-based interactions. Baseline results from this FY will further help to refine the design of programmes and interactions. |

| Establish better performance measures                                          | Apr 18     | Jun 19          | ○   | ○         | • In addition, a refined model for GDP attribution of investment and screen deals has now been established, which involves more rigour around data collection from investors. |


Value for Money Programme

Implementation Progress Summary

<table>
<thead>
<tr>
<th>Review</th>
<th>Group Procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible officer</td>
<td>Jazz Singh</td>
</tr>
<tr>
<td>Implementation Health</td>
<td>Benefit planning</td>
</tr>
<tr>
<td></td>
<td>Implementation</td>
</tr>
<tr>
<td></td>
<td>Value</td>
</tr>
<tr>
<td></td>
<td>Risk</td>
</tr>
</tbody>
</table>

**Implementation Overview**

- Good progress has been made on implementing the VFM recommendations.
- The Group continue to collaborate well under the oversight of the Chief Financial Officers.

**Key achievements in last quarter**

- Benefit delivery across the group for FY19 was $146.6M – our highest group total since Group Source’s inception.
- This strong group total demonstrates our increasing maturity, visibility of our organisations’ pipelines of work and our ability to analyse data across the group to identify opportunities.

**Key activities for next quarter**

- Explore panel agreements and syndicated contracts across the group and identify opportunities associated with these.
- Group SRM framework to be finalised and Group category SRM meetings to continue with targeted suppliers.
- Continue to work together to develop our capability and embed social and sustainable outcomes into our procurements.

**Benefit Realisation**

**Benefit Realisation**

<table>
<thead>
<tr>
<th>Benefit Opportunity $M</th>
<th>Benefit Forecast $M</th>
<th>Variance to Opportunity $M</th>
<th>Benefit Realised $M</th>
<th>Benefit Realisation plan developed</th>
<th>RAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>$140M</td>
<td>$110M</td>
<td>$30M</td>
<td>$37M</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Savings opportunities of $110M (80% of target) have been identified to be realised in the first 3 years of the LTP.
- Currently too early to plan outer years but confident targets can be achieved.
- Details of all benefits generated by Group Procurement are reported to the Strategic Procurement Committee.

**Key risks and issues**

- Nothing to report

**Benefit Realisation detail**

<table>
<thead>
<tr>
<th>Benefit $M</th>
<th>Total</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast</td>
<td>110</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realised</td>
<td>37</td>
<td>26</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Benefits are cash benefit (both operating and capital). Benefit opportunity – potential identified by VFM review (10 years), Benefit forecast – amount forecast by management based on implementation progress (10 years), Benefit realised – amount "banked" in accounts (1 year)
## Value for Money Programme

### Implementation Progress Detail

<table>
<thead>
<tr>
<th>Review</th>
<th>Group Procurement</th>
<th>Reporting Period</th>
<th>June 2019</th>
</tr>
</thead>
</table>

**Status of implementation recommendations**

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Start date</th>
<th>Completion date</th>
<th>RAG</th>
<th>Completed</th>
<th>Comment (if not green must comment)</th>
</tr>
</thead>
</table>
| Design and implement a Group procurement operating model | Sept 2015 | June 2019 | ● | ● | • Group source programme working across AC, AT and Watercare – linking in and working together on SRM and Sustainable procurement as a group.  
• Group Procurement Strategy to be endorsed in August by CFOs.  
• Work is currently underway to develop a Group Category Strategy in the ICT space to ensure the Group look to work together to reduce duplication and align procurement strategies for ICT products and services that all organisations need and use. |
| Design and implement a consistent supplier relationship management framework | July 2018 | Dec 2019 | ● | | • Group Supplier Code of Conduct created and in use. Agency specific amendments made where required.  
• Group SRM framework strawman completed.  
• Group category SRM meetings have started. Eg: AC and AT have had joint SRM meetings with Downer and HEB. |
| Design and implement a risk management framework to determine correct procurement approach on value and risk | July 2018 | Dec 2018 | ● | ● | • Draft framework in place and being tested |
| Implement savings targets for procurement to achieve | June 2018 | Sept 2018 | ● | ● | |
| Complete a post implementation review of Ariba implementation | June 2018 | Dec 2018 | ● | ● | |
## Value for Money Programme

### Implementation Progress Detail

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Start date</th>
<th>Completion date</th>
<th>RAG</th>
<th>Completed</th>
<th>Comment (If RAG not GREEN – Get to Green plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop and implement engagement plan for working with Maori businesses</td>
<td>July 2018</td>
<td>July 2019</td>
<td>⬤</td>
<td>⬤</td>
<td>• Auckland Council and Auckland Transport are putting in particular effort to achieving supplier diversity and engagement with Maori business. • AC are currently finalising targets for direct and indirect spend with diverse suppliers. • Actively engaged with the Mana Whenua Kaihaka Forum, He Waka Eke Noa and Akina to identify and drive opportunities.</td>
</tr>
<tr>
<td>Improve benefit reporting with year end forecast position and initiatives to achieve</td>
<td>July 2018</td>
<td>Sept 2018</td>
<td>⬤</td>
<td>⬤</td>
<td></td>
</tr>
<tr>
<td>Implement customer and supplier surveys at Auckland Transport</td>
<td>July 2018</td>
<td>Feb 2019</td>
<td>⬤</td>
<td>⬤</td>
<td></td>
</tr>
<tr>
<td>Standardise frameworks, templates, contracts, where practical</td>
<td>Sept 2015</td>
<td>Ongoing</td>
<td>⬤</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Value for Money Programme

Attachment A

Item 9

Implementation Progress Summary

<table>
<thead>
<tr>
<th>Implementation Health</th>
<th>Benefit Realisation summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit planning</td>
<td>Benefit Opportunity $M</td>
</tr>
<tr>
<td>Implementation</td>
<td>$18M</td>
</tr>
<tr>
<td>Value</td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td></td>
</tr>
</tbody>
</table>

Key activities for last quarter

- RFA and Auckland Council programme of work commenced; programme manager appointed and priority workstreams scoped
- Scans of RFA websites to determine compliance with Payment Card Industry Data Security Standard
- Simulated phishing for the purpose of user information security awareness training

Key activities for next quarter

- Deliver the RFA and Auckland Council programme of work for the next 12 months.
- Optimize Auckland Council’s RPA infrastructure opportunities across AT and ATEED.

Key risks and issues

- Nothing to report

Benefit Realisation detail

<table>
<thead>
<tr>
<th>Benefit $M</th>
<th>Total 2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast</td>
<td>18</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

*Benefits are cash benefit (both operating and capital). Benefit opportunity = potential identified by VFM review (10 years), Benefit forecast = amount forecast by management based on implementation progress (10 years), Benefit realised = amount “banked” in accounts (1 year)
## Value for Money Programme

### Implementation Progress Detail

<table>
<thead>
<tr>
<th>Review</th>
<th>Information, communications and technology</th>
<th>Reporting Period</th>
<th>June 2019</th>
</tr>
</thead>
</table>

### Status of implementation recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Start date</th>
<th>Completion date</th>
<th>RAG</th>
<th>Completed</th>
<th>Comment (if not green must comment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop and implement a Group approach to governing ICT to leverage scale and eliminate duplication</td>
<td></td>
<td>Ongoing</td>
<td></td>
<td></td>
<td>• Work has commenced and progress made on how the Group will work together and a number of group initiatives have been identified</td>
</tr>
<tr>
<td>Design and implement a consistent Group-wide approach for managing data centres</td>
<td></td>
<td>Ongoing</td>
<td></td>
<td></td>
<td>• AC are developing their multi-cloud approach elements of which can be leverage across the Group</td>
</tr>
<tr>
<td>Build on the collaborative approach in the Group Procurement Policy by building an ICT procurement strategy and category plan</td>
<td></td>
<td>Ongoing</td>
<td></td>
<td></td>
<td>• Working with the Procurement team to ensure alignment across the Group any procurement activity while developing the category management plans</td>
</tr>
<tr>
<td>Improve business case development</td>
<td>Dec 19</td>
<td>Dec 20</td>
<td></td>
<td></td>
<td>• Ongoing</td>
</tr>
<tr>
<td>Create common project practices and a pool of project resources and suppliers</td>
<td>Dec 19</td>
<td>Dec 20</td>
<td></td>
<td></td>
<td>• Ongoing</td>
</tr>
<tr>
<td>Complete and implement business case for CCTV shared service</td>
<td></td>
<td>Ongoing</td>
<td></td>
<td></td>
<td>• A gradual migration of public facing cameras to Auckland Transport is underway. In June 19 approx. 130 Town Centre CCTV cameras migrated to AT – the locations included – Old Papatoetoe, Hunters Corner, Pukekohe, Manurewa, Henderson &amp; Mangere. • AT are currently migrating approx. 75 CCTV public facing cameras from AC to AT in the CBD – these cameras are of interest to AT &amp; Police • RFA are investigating moving their cameras to the same platform</td>
</tr>
<tr>
<td>Alignment of Auckland Council (parent) organisation strategy and ICT priorities</td>
<td>Dec 19</td>
<td></td>
<td></td>
<td></td>
<td>• Strategy 2022 is now completed and ICT have commenced work aligning future roadmaps to the strategy</td>
</tr>
</tbody>
</table>
Value for Money Programme

**Attachment A**

**Item 9**

### Value for Money Programme

<table>
<thead>
<tr>
<th>Review</th>
<th>Customer services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible officer</td>
<td>Nigel King</td>
</tr>
<tr>
<td>Implementation Health</td>
<td>Benefit planning</td>
</tr>
<tr>
<td></td>
<td>Implementation</td>
</tr>
<tr>
<td></td>
<td>Value</td>
</tr>
<tr>
<td></td>
<td>Risk</td>
</tr>
</tbody>
</table>

**Implementation overview**

- Recommendations are included in the Auckland Council corporate strategy. Part of the strategy is a programme of work – Customer 360 – which will report to a steering group chaired by the CEO.
- Customer 360 will also progress the implementation of the Channel Strategy.
- My Auckland goes live on 1st Auckland allowing customers to see their rates accounts online.

**Key achievements in last quarter**

- Auckland Council contact centre staff have received the appropriate access to better support customer enquiries in respect of Auckland Transport services.
- Business case developed commenced for a contact centre solution.

**Benefit Realisation summary**

<table>
<thead>
<tr>
<th>Benefit Opportunity $M</th>
<th>Benefit Forecast $M</th>
<th>Variance to Opportunity $M</th>
<th>Benefit Realised $M</th>
<th>Benefit Realisation plan developed</th>
<th>RAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10.5</td>
<td>To be confirmed</td>
<td>To be confirmed</td>
<td>To be confirmed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key activities for next quarter**

- Customer 360 Design workshops.
- Confirm council work programme for Customer 360 & other aspects of corporate strategy.

**Key risks and issues**

- Operational alignment of customer service functions across the group.
- Operational alignment of ICT functions across the group.
- Benefits not yet confirmed – determined once Customer 360 programme established.

**Benefit Realisation detail**

<table>
<thead>
<tr>
<th>Benefit $M</th>
<th>Total 2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast</td>
<td>TBD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realised</td>
<td>TBD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Benefits are cash benefit (both operating and capital). Benefit opportunity – potential identified by VFM review (10 years), Benefit forecast – amount forecast by management based on implementation progress (10 years), Benefit realised – amount “banked” in accounts (1 year).*
# Value for Money Programme

## Status of implementation recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Start date</th>
<th>Completion date</th>
<th>RAG</th>
<th>Completed</th>
<th>Comment [if not green must comment]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design and implemented a Group approach to simplifying the customer channels and points of interaction with the Group</td>
<td>May 19</td>
<td>Ongoing</td>
<td>✠</td>
<td></td>
<td>• Customer 360 game changer is currently being designed to address the key customer service pain points.</td>
</tr>
<tr>
<td>Develop a programme of work, building on initiatives underway to improve first time resolution of customer enquiries</td>
<td>May 19</td>
<td>Ongoing</td>
<td>✠</td>
<td></td>
<td>• Will need to coordinate resources and activities with Customer 360 and Simplification game changers to ensure best use of resources.</td>
</tr>
</tbody>
</table>
Value for Money programme – end of council term status and review

File No.: CP2019/13267

Te take mō te pūrongo
Purpose of the report
1. To provide a review of the Value for Money programme to date and seeks feedback from the Committee on future considerations.

Whakarāpopototanga matua
Executive summary
2. The Value for Money (VfM) programme, while structured to comply with section 17A of the Local Government Act 2002, has taken a much broader and more robust approach to the exercise than is envisaged by legislation. This involves taking a strategic approach to value assessment, a consistent methodology, political oversight through this committee and involvement of external expertise including an independent reference panel.

3. Ten groups of activities have been reviewed to date. Eight of these activities have moved to the benefit realisation stage and a range of financial and non-financial benefits have been, or are expected to be, achieved. The potential financial benefits of the projects completed to date are estimated to be $430 million over 10 years - $270 million of this has been realised in year one. More details are provided in Attachment A to this report. A status report is also included as a separate item on this agenda.

4. A number of common themes have emerged from the individual projects. One of the key issues is the barrier to maximising benefits from the council group structure, where the council-controlled organisations (CCOs) have a high degree of autonomy in many areas. Developing a group strategic approach for specific activities, improving cooperation and collaboration at a management level and more engagement at a governance level are all potential mechanisms to break through those barriers.

5. There were other key themes identified.
   - Procurement, while already delivering significant cost savings, continues to offer further potential savings.
   - There is a good deal of work going on across the group organisations to improve efficiency and effectiveness. Because these projects sit outside a formal structure, benefits are not easily measured.

6. A stocktake of the programme has been undertaken to identify the learnings from the last couple of years and to inform a briefing paper on the future of the programme to the incoming council.

7. The key issues from the stocktake are:
   - the challenges of working across the council group to ensure buy-in and appropriate engagement at both the management and governance levels in order to achieve the identified benefits
   - ongoing political leadership, particularly as the programme moves into some of the community-facing activities
   - the areas of focus to include both cross-cutting activities (such as project management, asset management) as well as prioritising those activities that may deliver most value
   - a number of process improvements that are already underway or planned.
8. Moving forward, the drivers for continuing with some form of VfM programme are strong. Apart from the legislative and best practice requirements to review the cost effectiveness of activities, Auckland Council faces ongoing financial pressure from population growth, historical under-investment in infrastructure, debt constraints and major pending costs from macro issues such as climate change impacts, housing shortages and environmental degradation. Ensuring that existing services are delivered in a cost-effective manner is vital to releasing funding for these other challenges.

9. It is proposed that a briefing paper be prepared for the incoming council covering:
   - aligning the programme to other relevant programmes including the next long-term plan
   - developing a programme that covers a mixture of priority activities as well as some cross-cutting functions
   - a project structure that provides for appropriate political leadership and direction, particularly in those community-facing activities which impact at a local level
   - an ongoing role for independent oversight (such as the Independent Reference Panel).

10. The committee is invited to provide feedback to inform this briefing paper.

Ngā tūtohunga
Recommendation/s

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

a) note the end of council term status and review report
b) agree that a Value for Money programme briefing paper be prepared by the group chief financial officer for the incoming council.

Horopaki
Context

11. The Local Government Act 2002 (LGA) section 17A requires all councils to undertake regular reviews of the cost-effectiveness of their delivery of “good-quality local infrastructure, local public services, and performance of regulatory functions”. The LGA also requires that these reviews “consider options for the governance, funding, and delivery of infrastructure, services, and regulatory functions”.

12. Auckland Council has several strong drivers for seeking to manage costs and chose to broaden the s17A process into a more robust vehicle than that required by the legislation. Since 2017 a systematic approach to reviewing services and activities has been undertaken, incorporating the legislative requirements of s17A. In March 2018 the Governing Body adopted the mayor’s proposal to amend the Terms of Reference for the existing Appointments and Performance Review Committee to provide political oversight of the VfM programme.

13. The current VfM programme has a number of distinct features designed to ensure maximum effectiveness, those being:
   - a broader approach than just that required by the LGA – the programme has looked at value in a strategic sense i.e. the value to Auckland from the four wellbeings perspective, rather than just the cost of delivering the activity. Value has been assessed using an evidence base and benchmarking against comparable organisations. It has also taken a group perspective by including the relevant activities in CCOs as part of the review.
   - a consistent methodology for each service/activity – this has allowed the development and evolution of a framework and reports that are consistent in their presentation to decision makers, transparent to all stakeholders, and resulted in the development of internal capability which can be applied to a range of issues.
oversight and input from an Independent Reference Panel – the members of the panel bring in-depth experience from their backgrounds in engineering, public policy and the legal profession. The elements of independent challenge, an outside perspective and professional credibility have been valuable assets to the overall process.

external expertise as required – a number of the projects have used external subject matter experts to challenge the review findings, ask the right questions and add another perspective. Included in this expertise has been a Te Ao Māori advisor, to ensure that Māori interests have been considered in the relevant reviews.

political oversight and ongoing monitoring of expected benefits – this ensures that there is continued focus on delivery as well as review.

Tātaritanga me ngā tohutohu

Analysis and advice

Status of delivery

14. Ten groups of activities have been through the review process in full or part. Two of these are not yet at the benefit realisation stage, those being:

- parks and open spaces – the broader governance issues being considered through the Governance Framework Review are relevant to this project, and Parks and open spaces will be revisited once this work has advanced
- legal services – this review has recently completed and is a separate item on the agenda.

15. A brief summary of the remaining projects, in the benefit delivery stage, is provided in Attachment A.

16. In reflecting on the work completed to date, some consistent themes emerge.

- Auckland Council and its CCOs were set up with a significant degree of autonomy. This has resulted in a lack of cooperation and consistency across the group, with a range of duplicated systems and effort in many areas and a lack of data sharing.
- A lack of a coherent organisational strategy for shared services across the group which hampers the opportunities for improved cooperation and more effective delivery between the council parent and the CCOs. Developing a set of consistent and agreed outcomes would support a group approach to achieving greater benefits. The Three Waters review is an example of where this was identified as an issue, but it has also been evident in some of the support functions such as communications and engagement.
- Notwithstanding the points above, the VfM programme has been a catalyst for cross-organisational cooperation, particularly between the council parent organisation and the CCOs. This has delivered not only financial benefits (through more coordinated planning, procurement and delivery), but also has laid the platform for better working relationships in the future.
- Procurement is the area that gives the greatest potential for cost savings. While in-roads have been made in achieving cost savings through procurement processes over recent years, particularly using the council’s size and buying power, the programme has highlighted further opportunities in this area.
- There is already a great deal of good work happening to improve organisational efficiency and effectiveness. The VfM programme has identified where improvement in value can be added but has also found that within individual pockets of the council and CCO organisations, improvements have been implemented without the structure of a formal programme. Because of the ad-hoc nature of these projects the benefits have not been captured in a consistent manner.

Wider context

17. The Value for Money programme is only one initiative in an ongoing drive for organisational efficiency and savings.
18. The Auckland Council group is faced with significant cost pressures. Population growth and historical under-investment in some infrastructure has resulted in the need to invest in a significant capital expenditure programme since the amalgamation of the legacy councils. This programme drives ongoing costs of financing, depreciation and the consequential operating costs associated with the new or upgraded infrastructure.

19. These additional infrastructure-related costs, coupled with the desire to maintain general rate increases at acceptable levels, have kept the focus on minimising cost increases and wherever possible, finding more effective, cost efficient ways of delivering services.

**Efficiency savings**

20. As part of the annual budgeting process there is a focus on the costs of all activities and services. Scrutiny is applied to refreshed budgets prepared by departments of the council organisation and the CCOs. To maintain the tension of continuous efficiency improvements, a savings target is set each year. This requires ongoing organisational attention to the management of costs and seeking better ways to deliver services. These savings are built into the budget. The annual savings target set as part of the Long-term Plan 2018-2028 are:

- 2018/19 $23 million
- 2019/20 $23 million
- 2020/21 $16 million.

**Simplification project**

21. After being identified as a key ‘game changer’ for the organisation, a programme of work called ‘Simplification’ has recently been established to make things easier for staff to deliver services to our customers. Fundamentally covering people, processes and technology, work has started on the first project - the planning to reporting cycle within the council. It aims to simplify how we create, collect and present financial information.

**Previous organisational reviews**

22. Other reviews to improve the efficiency and effectiveness of services have also been completed. Projects such as ‘Libraries Fit for the Future’, the contact centre consolidation to Manukau and the changed approach to facilities management (Project 17) have all made improvements to value for money.

**Learnings from the VfM Programme**

23. Over the last couple of months, a stocktake of the programme has been undertaken, with input from a number of participants, including the Independent Reference Panel. The purpose of the stocktake was to learn from the activity to date and to inform the future shape of the programme. The key points from the review are set out below.

**Strategic**

24. There are particular challenges in involving the wider group in the VfM programme. Any change-oriented project needs to overcome barriers to change within existing staff, processes and systems. These barriers are multiplied when dealing with individual organisations and their own governance structures. Mechanisms for better engagement with the governance structures of the CCOs need to be considered.

25. Ongoing political leadership is important to the programme. As the focus of the programme moves to more of the community-facing activities, rather than the support functions, this leadership will become increasingly important. The role of the VfM programme is to question the value of the way that services are delivered rather than the policy decisions related to which services are delivered (essentially political decisions). However, these two areas inevitably impinge upon each other and it is important to ensure that political involvement and guidance is provided at appropriate points. Political involvement needs to provide for the complexity of Auckland’s governance model (governing body, local boards and the Independent Māori Statutory Board).
26. The current programme has primarily adopted an approach of systematically working through groups of activities as identified in the council’s public documents (annual plan, long-term plan, annual report). While this ensures no activities are overlooked there are opportunities to change the areas of focus to include cross-cutting functions such as property management, asset management, project management and contract briefing/management. There are also opportunities to prioritise activities that will add most value.

**Process**

27. The programme tended to start as an independent review and only involve existing management after the initial findings stage. The current view is that involving management from the beginning allows a broader understanding of the issues from that perspective and can allow the programme to act as a catalyst for change. It will also ensure that the managers are invested in the programme and provide a smoother transition to implementation.

28. The Independent Reference Panel have added value through their expertise and fresh perspectives on council activities. Mechanisms for maximising this value have been considered and include more open-ended questions and debate with the relevant staff as well as more opportunities for interaction with the governance of the council (appropriate committee) and the CCO boards.

29. The programme needs to be managed at the right pace. It is important to ensure that momentum is maintained, but also that the programme enables robust participation and engagement. This may mean timelines differ depending on the activity under review.

**Future of the VfM Programme**

30. Leading into the term of a new council it is appropriate to consider the future shape of the programme and the advice that would be provided to the incoming mayor and councillors on continuing with the programme.

31. Many of the drivers to continue with the programme are unchanged, those being:
   - the legislative requirement to continue with s17A reviews
   - the challenges of Auckland’s ongoing growth and managing the costs and debt constraints associated with funding that growth
   - a ‘best practice’ approach to ensuring that ratepayers are receiving best value for their money through optimising service delivery and costs
   - ongoing political and organisational focus on the trade-offs between costs to ratepayers and the levels of service that are demanded in different activities
   - transparency to the community of such trade-offs.

32. In addition, the macro issues that face the council and New Zealand generally (climate change, housing provision, environmental degradation) are making significant demands on constrained resources. Continuing a programme that ensures funding is released wherever possible to meet these increasing costs is essential in some form.

33. The VfM programme can also have a part to play in improving the community’s trust and confidence in the council’s performance. It provides the assurance that the council takes its responsibilities seriously in managing public funding through a robust programme of reviewing all activities with independent oversight. Given the global decline in trust in governments and institutions (e.g. Edelman Trust Barometer 2019), providing such assurance is valuable.

34. The form that the programme takes and the amount of effort and resource that go into it are essentially political decisions. Key issues for that consideration include:
   - aligning the VfM programme with other initiatives (such as the annual efficiency savings, the simplification project) to ensure there is an integrated overview of all these activities
Item 10

- acknowledging the wider approach to measuring ‘value’ that the VfM programme brings and capturing that within the integrated approach (i.e. that value is more than simply cost reductions)
- aligning the integrated programme with the next long-term plan process
- determining the programme approach in terms of specific groups of activities, cross cutting projects or a mixture of both
- a project structure that provides for appropriate political leadership and direction, particularly in those community facing activities which impact at a local level
- an ongoing role for independent oversight (such as the Independent Reference Panel).

35. It is proposed that staff will prepare a briefing paper to the incoming mayor and council setting out a recommended way forward. Reflections from the committee to inform that briefing paper would be welcome.

**Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera**

**Council group impacts and views**

36. The Value for Money programme has deliberately taken a group view of activities. This report sets out some of the challenges and opportunities to continue that approach. The briefing paper for the incoming council will seek the views of the substantive council-controlled organisations.

**Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe**

**Local impacts and local board views**

37. The programme to date has not significantly impacted at a local level. Many of the activities have been corporate support activities and others have been within the regional decision-making allocation. As the programme progresses there will be impacts at a local level and this report suggests that consideration needs to be given to the involvement of local boards at the appropriate time.

**Tauākī whakaaweawe Māori**

**Māori impact statement**

38. At an individual project level there has been consideration of the impact for Māori and some specific recommendations on this. This focus should continue to be a feature.

**Ngā ritenga ā-pūtea**

**Financial implications**

39. The Value for Money programme is focused on ensuring maximum value for the community from council expenditure. The cost of the programme ($1.54 million over two years) has more than been covered by the potential benefits identified and realised to date ($270 million). An ongoing focus on maximising value while minimising costs is essential in the context of some of the financial challenges that the council faces.

**Ngā raru tūpono me ngā whakamaurutanga**

**Risks and mitigations**

40. There are no specific risks associated with adopting the recommendations of this report. Risks associated with adopting recommendations of individual projects within the overall programme are dealt with at the time of each report back.
Ngā koringa ā-muri

Next steps

41. Following agreement from the committee meeting today, staff will prepare a briefing paper on the future shape of the Value for Money programme, to be presented to the incoming mayor and council.

Ngā tāpirihanga

Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Summary of projects at benefit realisation stage</td>
<td>115</td>
</tr>
</tbody>
</table>

Ngā kaihaina

Signatories

Authors

Theresa Stratton - Senior Business Analyst
Ross Chirnside – Programme Lead VFM

Authorisers

Kevin Ramsay - General Manager Corporate Finance and Property
Matthew Walker - Group Chief Financial Officer
Phil Wilson - Governance Director
## Summary of projects at benefit realisation stage

<table>
<thead>
<tr>
<th>Project</th>
<th>Summary of Key Findings</th>
<th>Benefits delivered</th>
<th>Current status</th>
</tr>
</thead>
</table>
| Three Waters       | • Integration of water and wastewater services in Watercare and amalgamation of the legacy council stormwater activities has delivered value.  
                    • There is opportunity for further value to be added through developing a shared outcomes framework between Watercare and council stormwater functions,  
                      as well as more joined up planning, procurement and operations. The development of a Three Waters Strategy would be the starting point for this further work.  
                    • Following the strategy a further s17A assessment could look at the best governance, funding and service delivery forms.  
                    • Short term, while the strategy is being developed, benefits can be delivered from joint procurement.  
                    • As monopoly providers of these services there would be value in an independent economic regulatory assessment to give Aucklanders confidence that the Three Waters services plans and costs/charges are for their long-term benefit. | Financial  
                      • Forecast benefits over 10 years are $293 million of which $231 million has been realised  
                      Non-financial  
                      • Improved coordination of the three waters activity leading to ability to schedule capital works at same time | Development of the Three Waters Strategy is underway                                                   |
| Domestic Waste     | • Existing domestic waste services are delivering good value for money. There is good progress on diverting waste from landfill and significant operational cost savings have been made since amalgamation.  
                    • The team is well organised and has good processes, recognised through the 2016 Project Excellence Award.  
                    • There needs to be greater cost-benefit analysis and research capability enabling prioritisation of future waste initiatives to achieve maximum environmental, public health, cultural and other impacts of waste disposal. Some currently planned initiatives may not be the best value for money when measured this way.  
                    • Increases in the landfill levy should be the subject of a more robust economic analysis before further advocacy to central government. | Financial  
                      • Financial benefits will be quantified following completion of current procurement processes  
                      Non-financial  
                      • Increased focus on non-domestic waste  
                      • Review of ownership/management of key waste assets completed | Procurement for integrated waste collection services underway                                          |
## Investment Attraction
- The budget for Investment Attraction and Global Partnership services is not large and is stable, therefore the review focused on clarity and appropriateness of purpose.
- Investment attraction and global partnership services are well organised, aligned with strategy and take an evidence-based approach to prioritising resources. The business processes accord with good, if not leading, practice.
- There are many local and central government agencies in the landscape, but significant coordination effort is creating greater clarity about roles and responsibilities, and improved collaboration. This could be further enhanced by developing a consolidated “Auckland investment story”.
- The services delivered have the potential to pack a disproportionate economic punch in terms of the amount of new investment. However, it is difficult to attribute investment and other economic outcomes to what the services do, and current outcome measures fail to do that convincingly. There is value in looking at other performance measures.
- There may be opportunities to introduce fees for some investment attraction services.

## Financial
- N/A

## Non-financial
- Development of consolidated Auckland investment story
- Improved performance measures

## Work continuing
- on Auckland investment story and performance measures

## Communications and Engagement
- Auckland Council and its CCOs were designed to operate with significant independence, including communications, as each organisation has distinct mandates, objectives, budgets and performance objectives.
- There is value in the group collectively developing a communications strategy to address group reputational risk and to set out clear objectives, priorities and responsibilities supported by appropriate protocols.

## Financial
- Forecast benefits over 10 years are $27 million of which $2 million (1

## All recommendations from the review have been completed
<table>
<thead>
<tr>
<th>Group Procurement</th>
<th>Financial</th>
<th>Risk framework being developed</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The capability of the procurement function is improving and becoming more strategically focused. However, given the scale and complexity of the procurement required to deliver the LTP programme, the investment in building procurement capability should be monitored.</td>
<td>• Forecast benefits over 10 years are $110 million of which $27 million has been realised.</td>
<td></td>
</tr>
<tr>
<td>• There are opportunities to improve and benefit from a Group approach to procurement. There is some group procurement happening, but it is inconsistent. Standardising processes and technologies and developing a group strategy would improve the ability to deliver more benefits.</td>
<td>• Sustainable procurement and Māori engagement framework in place</td>
<td></td>
</tr>
<tr>
<td>• Benefit delivery could be improved. Not all opportunities are pursued and when monitoring reveals targets not being achieved plans to get back on track should be identified.</td>
<td>• Improved processes for low value, low risk improvement – reducing time to complete procurement activity</td>
<td></td>
</tr>
<tr>
<td>• There are opportunities to both improve relationships with suppliers (through proactive relationships management) and to improve processes to reduce the costs of suppliers doing business with council.</td>
<td>• Risk framework being developed</td>
<td></td>
</tr>
<tr>
<td>• Contract risk management needs to be managed appropriately to achieve cost effectiveness.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information, Communications and Technology</td>
<td>Financial</td>
<td>Non-Financial</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>-----------</td>
<td>--------------</td>
</tr>
<tr>
<td>• At amalgamation eight different systems existed. ICT kept things running successfully and have been standardising, improving user experience and reducing complexity over the years.</td>
<td>• Forecast benefits over 10 years of $18m - work underway on realisation plan</td>
<td>• Group ICT strategy</td>
</tr>
<tr>
<td>• ICT represents 4.5% of group operating costs, this is decreasing and is in line with public sector benchmarks (Watercare is below and AT is above benchmarks).</td>
<td></td>
<td>• Move of services from RFA to Auckland Council</td>
</tr>
<tr>
<td>• There are opportunities to improve the group approach to ICT – more sharing of services, further group procurement (some already happens), a shared approach to building, sharing and use of data. A Group CIO forum to address these issues and developing a group ICT strategy is recommended.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• ICT is shifting from owning hardware and software to procuring as a service. This will require new skills from ICT staff.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Different approaches to project delivery are evolving. Traditional structured sequential approaches which typically take many months and one go-live event, are being supplemented by agile approaches, where incremental improvements are delivered in short 2-4 week projects. Both approaches are valid in different circumstances.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Cyber security is an ongoing risk with the availability of appropriately qualified staff a challenge. Outsourcing may be an opportunity in the future.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Services</th>
<th>Financial</th>
<th>Non-Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>• All organisations in the group understand and are committed to a customer service culture. There is an emphasis on improving flexibility and responsiveness to customer needs. Across the group significant investment and staff development is being undertaken to improve customer service.</td>
<td>• Opportunity of $10m (over 10 years) identified but yet not realised</td>
<td>• A number of projects underway to resolve customers queries at the first point of contact (including</td>
</tr>
<tr>
<td>• There is more opportunity to specifically consider Māori in customer service design. The demographics of Auckland are changing and the customer service approach may need to adapt to this in the future.</td>
<td></td>
<td>Auckland Council organisation strategy</td>
</tr>
<tr>
<td>• Overall customer satisfaction and net promoter scores are good relative to other public sector organisations. Some activities will always have higher satisfaction (libraries, zoo, art gallery) compared to others (building and resource consents) due to the nature of the activities. Some poor results can be explained by temporary disruption e.g. roadworks, others are the result of</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Customer improvements identified by the review included in Auckland Council organisation strategy | | |

<p>| | |
| | |
| | |</p>
<table>
<thead>
<tr>
<th>Finance</th>
<th>Financial</th>
<th>Work continues on implementing the recommendations</th>
</tr>
</thead>
</table>
| • Finance has delivered well in the face of a number of challenges such as bringing together the financial systems of the eight amalgamating councils delivering on complex financial planning, reporting and audit requirements. There is a clear financial strategy and plan for the next 10 years and the financial objectives of previous LTPs have been met or exceeded.  
• The group has maintained its AA credit rating despite the pressures of a growing capital expenditure programme. Management of borrowing is a key risk to the group and robust management practices exist to manage this risk. Finance also has an increased role and opportunity to support delivery of the capital programme through driving improved forecasting so that borrowing remains within agreed limits.  
• The costs of the finance function are above public sector benchmarks (1% compared to 0.8% of operating costs), however local government has more financial compliance requirements and the group structure adds further complexity. AT and Watercare finance costs are at or below the benchmark. | • Opportunity of $18m (over 10 years) identified. Plans have been implemented to realise 50% of the value  
Non-Financial  
• A group approach around sharing financial information to avoid rework and duplication | |
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>- Finance teams collaborate well across the group. Shared services are provided by Auckland Council for treasury, tax and technical accounting across the group, and transactional finance services to RFA, Panuku and ATEED. Some duplication exists and this may be able to be reduced through further shared services although business cases for this should be tested against robotic process automation benefits.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>- Finance performs well across its roles as strategy planner and policy advisor, catalyst for change, steward of public money and financial operator. Customer satisfaction where measured is generally good. The Auditor-Genera; has not identified any significant management control issues or concerns over expenditure of public money.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>- Adaptation and capability development are key issues for Finance as technology enables greater digitisation and robotic process automation. These changes are capable of achieving significant cost savings. Finance staff must also keep up with changing legislation, accounting standards and the complexities of funding infrastructure.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Auckland Council progress on savings up to 30 June 2019

File No.: CP2019/14500

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 10 years. The target for the 2018/2019 financial year was $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. For the year ended 30 June 2019, the council performed well with a net direct expenditure that was $16 million more favourable than budget. After adjusting for the 2018/2019 carry-forwards and other one-off items and provisions, the underlying result is that the council has achieved $24.6 million of savings. Therefore, the savings target of $23 million has been realised.
6. On top of the $23 million, the council was targeting a further $7 million of savings to cover additional cost pressures from increased waste services, legal and insurance costs. However, only a further $1.6 million was achieved. The residual cost pressures of $5.4 million were able to be covered via interest costs being lower than budget. Therefore, there is no adverse impact on debt.
7. The majority of the savings of $24.6 million have been met through a strong focus on prudent financial management, totalling $18 million. The remainder was achieved across the other workstreams below respectively:
   - procurement: $1.2 million
   - organisational design: $2.6 million
   - technology: $1.3 million
- increase non-rates revenue: $1.0 million
- Value for Money: $0.5 million.

8. On top of the cost savings, the Value for Money s17A programme has also identified potential benefits of over $500 million across the wider council group over the 10 years.

**Ngā tūtohunga Recommendation/s**

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

a) note the Auckland Council progress report on savings up to 30 June 2019.

b) request staff to send the presentation to all councillors and local board members for their information.

**Horopaki Context**

9. 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.

10. 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.

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

12. 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 10 years. The target for the 2018/2019 financial year was $23 million.

13. 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 primarily focuses on the cost savings on operating expenditure, not the overall benefits of the programme. Separate reporting is provided to this committee on the wider Value for Money programme.

14. The savings target relates to operating expenditure. It excludes any benefit relating to capital works and cost avoidance. These benefits are tracked separately.
Tātaritanga me ngā tohutohu

Analysis and advice

15. Up to 30 June 2019, $24.6 million of savings have been realised, with $6.4 million savings realised in the last quarter of the year. The majority of the savings have been met through a strong focus on prudent financial management, with the rest spread across the other workstreams.

Procurement

16. Savings to date of $1.2 million have been achieved.

17. Previously reported initiatives in this workstream include lower reparation costs for corporate property leases, lower internet connection costs and cost reductions from implementing a supplier panel for professional services related to processing resource consents and other applications.

18. A total of $146.6 million (annualised) procurement benefits have been achieved for 2018/2019, including benefits from productivity improvements, costs avoided, cost savings and revenue generated. In addition to these benefits, the council group has focused on creating better buying outcomes such as targeted employment and environmental outcomes.

19. The council procurement is currently exploring further savings opportunities from panel agreements and syndicated contracts for services delivered across the group. These agreements allow the council to benefit off work already completed, saving time and money for the wider organisation. They are also actively working on supplier diversity and engaging Māori businesses.

Organisational design

20. Savings to date of $2.6 million have been achieved.

21. Initiatives in this workstream previously reported include the redesign of Commercial Finance, the disestablishment of ACIL and changes to the composition of the executive leadership team.

22. A Corporate Finance Support Review was completed in May 2019. This has consolidated the Commercial and Finance teams for operations and support into a single team reporting to the Group Chief Financial Officer. This will lead to staff cost savings from closing-off vacant roles for future financial years.

Technology

23. Savings to date of $1.3 million have been achieved.

24. Initiatives in this workstream previously reported include the reduction of technology infrastructure licencing costs, robotics process automation and the reduction in licensing costs which has been found through the council’s Oracle licence.

25. A further $0.2 million has been achieved in the fourth quarter, primarily from discontinuation of ICT Support for Pathways and reduction in the number of staff required for complex bank reconciliations.

26. The SAP Hybris project was also completed in June. This project involved streamlining the process of transferring Regulatory Services data between Hybris and SAP CRM. The removal of manual key entries from both systems will reduce the processing time for regulatory services and improve customer experience through faster delivery of applications and consents.

27. Further to this, Community Facilities is now implementing an integrated utilities management system that will allow better management of utilities across council assets. This will reduce the costs associated with utility consumption and also reduce carbon emissions. It is expected to avoid $0.5 million of costs and generate $0.4 million in savings each year.
28. Major digital initiatives such as website redevelopment and single sign-on have improved our customer experience of numerous council services. With a more user-friendly digital interface for core services such as event booking and waste collection, the overall customer satisfaction has increased from 58 per cent in 2014/2015 to 65 per cent 2018/2019.

29. Other work underway that will be delivering benefits in the future include:
- myAUCKLAND – a new, personalised, digital dashboard which will enable customers to ‘track and trace’ their service interactions, request information and make payments
- governance technology - phase 1 – a technology platform that provides elected members with information in multiple forms such as videos, pictures, texts and graphs for clarity and ease of consumption
- legacy property records digitisation
- multi-cloud data centre
- pools and leisure staff rostering
- digital engagement platform.

Increasing non-rates revenue
30. Additional non-rates revenue of $1.0 million has been earned.

31. This has been achieved primarily through venue and facilities hire. With the improvements in the digital booking system, revenue is 15 per cent above budget. For the full year of 2018/2019, 41 per cent of venue hire bookings and 91 per cent of regional parks bookings were online.

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

33. Further to this, the Business Opportunities Advisory Group (BOAG) at the council has been meeting regularly and discussing the non-rates revenue growth opportunities with a focus on new revenue streams. They have currently identified 15 commercial initiatives, most of which are now at the business case stage. These initiatives have the potential to generate additional non-rates revenue in future financial years.

Prudent financial management
34. Savings to date of $18 million have been achieved.

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

36. Specific initiatives 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
- use of tools such as Skype for Business to reduce the need for travel.

37. The savings have been achieved primarily across the Finance, Planning and Governance functions.

38. This workstream also captures the savings resulted from BAU technology and procurement process improvements which are not captured under specific workstreams.

Value for Money
39. Savings to date have resulted in an operating cost reduction of $0.5 million.

40. Initiatives in this workstream previously reported include reduced costs for OurAuckland publication and research reports for communications and engagement.
41. The Value for Money s17A programme has realised $270 million of benefits to date. Specifically, $208 million has been realised in 2017/2018 and $62 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.

42. In total the programme has identified potential benefits of over $500 million across the wider council group over the 10 years.

43. 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

44. 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

45. 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

46. The savings initiatives delivered or in delivery have no specific impact on Māori outcomes.

Ngā ritenga ā-pūtea Financial implications

47. The savings target of $23 million has been met. Therefore, there is no impact to the debt level and flow on effects on budgets for the financial year 2019/2020.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

48. Some of the initiatives that have been identified to deliver future 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

49. Progress has been made to develop a robust benefits register. The register is now capturing detailed initiatives from the six workstreams to support the 10-year budget savings programme.

50. A savings reporting project overview group has been set up to coordinate and monitor the reporting on savings progress and other benefits captured in the benefits register.

51. The next update will be provided after the council’s quarter one results are finalised for the financial year 2019/2020.
Ngā tāpirihanga
Attachments
There are no attachments for this report.

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Tracy Xu - Financial Analyst</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Robert Irvine - Head of Group Financial Planning</td>
</tr>
<tr>
<td>Authorisers</td>
<td>Matthew Walker - Group Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Item 12

Process for appointment of board members to the Community Education Trust Auckland - COMET

File No.: CP2019/15747

Te take mō te pūrongo
Purpose of the report

1. To receive information on the appointment process to fill two vacancies on the board of Community Education Trust Auckland – COMET, a council-controlled organisation.

Whakarāpopototanga matua
Executive summary

2. The power to appoint trustees to COMET’s board is vested in Auckland Council by the Deed of Trust (deed) that established COMET as a council-controlled organisation (CCO) in 2012.

3. COMET has undertaken an appointment process based on COMET’s trust deed requirements. This process is consistent with Auckland Council’s Appointment and Remuneration Policy for Board Members of Council Organisations.

4. A separate confidential report on this meeting agenda contains information and advice regarding recommended appointees to the COMET board.

Ngā tūtohunga
Recommendation/s

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

a) note that there is a confidential report on this meeting agenda with recommendations regarding the appointment of trustees to the board of Community Education Trust Auckland.

b) note this report is confidential due to the personal information due to the personal information contained in it and the final appointment decisions will be made publicly available at the conclusion of the appointment process.

Horopaki
Context

5. COMET’s deed calls for no fewer than seven and no more than twelve trustees. COMET has recently operated with nine trustees and advises that this number of trustees continues to be optimal. One recent resignation and one pending resignation mean that two trustees need to be appointed to maintain this current and desired level.

6. The power of appointment of all trustees to the board is vested in council as the settlor of COMET’s deed.

7. In 2015 COMET sought council approval for an amendment to its deed to allow for the appointment of trustees in the case of casual vacancies from time to time, for periods of three years to maintain continuity and institutional knowledge of trustees. This amendment was approved. The appointments sought at today’s meeting are to fill casual vacancies.

8. Appointment of the two recommended candidates will bring the total number of trustees to nine which is within the range of trustees required by the deed.
Tātaritanga me ngā tohutohu
Analysis and advice
9. COMET has undertaken a board appointment process based on their deed requirements and consistent with council’s Board Appointment and Remuneration Policy. This process included:
   a) identifying skills, knowledge and experience, including current or future gaps on the board
   b) advertising the board vacancy through an expression of interest process, including listings in Seek Volunteering, COMET’s social media channels, and the Institute of Directors website and newsletter
   c) shortlisting and interviewing qualified candidates
   d) recommendation of preferred candidates to council’s Appointments, Performance Review and Value for Money Committee (this report).

10. For these appointments, financial and legal expertise, strong connections with and understanding of the Māori community, knowledge of early childhood education, business expertise and fundraising experience were established as preferred qualifications based on current board composition and COMET’s mission.

11. Nine applications were received for the vacant positions. COMET’s chief executive and the chair of the board shortlisted two applicants. These applicants were interviewed by a subcommittee of the board and chief executive and evaluated against desired qualifications. These are the candidates recommended to the committee to appoint.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views
12. There are no significant impacts on other parts of the council group as a result of these appointments.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
13. Appointments to CCO boards are the role of the governing body. Local board views are not sought on these matters.

Tauākī whakaaweawe Māori
Māori impact statement
14. COMET’s work is strongly focused on making access to education and skills more effective and equitable across Auckland. As COMET takes a cross-sector approach to education several areas of COMET’s work are directed to Māori and Pasifika communities where gaps in education have been identified and economic and social benefits can be realised.

15. COMET’s board vacancies offer an opportunity to contribute to the development of Māori capacity in governance. One of the key qualifications sought through this appointment was familiarity with and connection to Auckland’s Māori communities (mana whenua and mataāwaka).

Ngā ritenga ā-pūtea
Financial implications
16. Costs associated with these appointments will be managed from existing budgets.
Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations

17. There are risks associated with all board appointments, including:
   a) Reputational Risk: All candidates are appropriately screened to meet the skill
      requirements for directors of a board such as COMET’s and have appropriate
      governance experience especially with public-facing entities. To mitigate potential
      risks of appointing unqualified or under-qualified candidates, the following controls are
      in place:
      i) a due diligence process is conducted on all candidate applications in
         conformance with council’s appointment policy.
      ii) short-listed candidates will complete council’s director consent form prior to
          appointment which requires them to confirm that there is nothing that would
          compromise their effectiveness as a board member.
   b) Reputational risk: Breach of privacy if confidential candidate information is released
      prior to final decisions of the committee. The risk is that fewer, and potentially less-
      qualified, candidates would be attracted to board service in the future. To mitigate this
      risk, staff will assure confidentiality during the board appointment programme.
   c) 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 that the board lack innovation and fresh thinking. There is a need to
      maintain an appropriate balance of new and longer-serving board members to avoid
      these problems and to retain institutional knowledge.

Ngā koringa ā-muri
Next steps

18. Following approval by this committee, CCO Governance and External Partnership staff will
    work with COMET to ensure appropriate induction and documentation are completed for
    each of the approved candidates.

19. The appointment decisions of this committee will be made publicly available once the
    successful and unsuccessful candidates have been notified.

20. Current directors whose terms are ending will receive a letter of thanks.

Ngā tāpirihanga
Attachments

There are no attachments for this report.

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Steve Branca - BID Partnership Advisor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sarah Holdem - Principal Advisor</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Authorisers</th>
<th>Alastair Cameron - Manager - CCO Governance &amp; External Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>

Process for the appointment of directors and board members to the Auckland's council-controlled organisations, the Auckland War Memorial Museum, and the Museum of Transport and Technology

File No.: CP2019/08916

Te take mō te pūrongo
Purpose of the report

1. To provide an update on the programme of appointments to the boards of Auckland Transport and Regional Facilities Auckland. These two entities are substantive Auckland council-controlled organisations (CCOs).

2. To provide an overview of the process to appoint directors to the boards of the Auckland War Memorial Museum (AWMM), the Museum of Transport and Technology (MOTAT).

Whakarāpopototanga matua
Executive summary

3. Auckland Council appoints directors to the boards of AWMM and MOTAT. Regional Facilities Auckland (RFA) supports the board appointment process by undertaking the candidate selection process and making recommendations regarding appointments to council.

4. The council appoints five of the ten members to the AWMM board. There are three board appointments to be considered this year by council.

5. The council appoints six of the ten members to the MOTAT board. There are three board appointments to be considered this year by council.

6. A confidential report is included in this agenda which provides the relevant information for the committee to make its decisions.

7. A second confidential report seeks approval from the committee regarding director appointments to Auckland Transport and RFA. Council is currently looking to appoint a director to Auckland Transport and RFA, and to also appoint a new chair of the Auckland Transport Board.

Ngā tūtohunga
Recommendation/s

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

a) note there is a confidential report on this meeting agenda providing recommendations regarding the appointment and/or reappointment of directors to the Auckland War Memorial Museum and the Museum of Transport and Technology boards

b) note that Regional Facilities Auckland supports the board appointment process for Auckland War Memorial Museum and the Museum of Transport and Technology boards by running a board member selection process and making recommendations to Auckland Council

c) note there is a confidential report on this meeting agenda requesting the committee make decisions regarding the appointment of directors to Auckland Transport and Regional Facilities Auckland
d) note that these reports are confidential due to the personal information contained in them and the final appointment decisions will be made publicly available at the conclusion of the appointment process.

**Horopaki Context**

8. The board appointment process for appointing directors to any CCO and external partnership board is outlined in the table following.

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.

![Diagram of appointment process]

**Links to legislation**

11. The Auckland War Memorial Museum Act 1996 and the Museum of Transport and Technology Act 2000 govern the board appointment processes of these institutions. The advisory and management agreement requires RFA to recommend candidates to Auckland Council for these appointments.

12. A sub-committee of the RFA board has undertaken candidate selection process for these appointments which is consistent with Auckland Council’s Appointment and Remuneration Policy for Board Members of Council Organisations.

13. A separate confidential paper on today’s agenda considers the recommendations made by RFA.

**Auckland War Memorial Museum**

14. Auckland Council appoints five of the ten members to the AWMM board based on RFA’s recommendations. Four board members are appointed by the Auckland Museum Institute, and one board member is appointed by Taumata-a-Iwi.

15. RFA’s board appointment subcommittee has worked with the Auckland Museum Institute to jointly interview and identify candidates for the AWMM board.
Museum of Transport and Technology
16. Auckland Council appoints six of the ten members to the MOTAT board. The other four are appointed by the MOTAT Society.
17. RFA’s board appointment sub-committee worked with the deputy chair of the MOTAT board to jointly identify and interview candidates for the MOTAT board. The MOTAT Society runs a separate board appointment process for their appointments.

Regional Facilities Auckland
18. A confidential report on this meeting’s agenda provides advice regarding whether to reappoint two RFA directors, whose terms are ending in October 2019.

Auckland Transport
19. Auckland Council is currently in the process of appointing a director and a new chair to the Auckland Transport Board.
20. A confidential report on this meeting’s agenda provides advice about potential candidates for the vacant director role. The committee will be asked to make decisions about which candidates to interview.
21. A further confidential report will provide advice regarding the interviews for the Auckland Transport board chair role. The committee will be asked to make decisions regarding the appointment of a board chair.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views
22. There are no significant impacts on other parts of the council group as a result of these appointments.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
23. Board appointments to external partnerships and CCOs 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.

Tauākī whakaaweawe Māori
Māori impact statement
24. One AWMM board member is appointed by Taumata-a-Iwi. Taumata-a-Iwi is a committee established to ensure that the AWMM board’s policy aligns with Māori values, and matters enshrined in te Tiriti o Waitangi. Taumata-a-Iwi also advises on matters of Māori protocol within the museum and between the museum and tangata whenua at large.
25. The MOTAT board has a statutory duty to observe and encourage the spirit of partnership and goodwill envisaged by te Tiriti o Waitangi, including implications for Māori, and elements of Māori cultural property that only tangata whenua can provide appropriate care for.
26. Appointments to CCOs give opportunities for Māori to participate in the process. This includes appointing an Independent Māori Statutory Board member who can bring a specific lens to the process, provide the selection panel with recommendations, and participate in the shortlist and appointment process.

Ngā ritenga ā-pūtea
Financial implications
27. The costs associated with these appointments will be managed from existing budgets and existing RFA budgets.
Risks and mitigations

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

i) Reputational risks: all candidates are appropriately screened to meet the skill requirements for directors on boards such as these 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. RFA also ensures there is nothing that would prevent a candidate being appointed to the board of MOTAT and AWMM.
   c) thorough reference checks of candidates who are approved for appointment to the CCOs are being conducted by Kerridge and Partners.

ii) Reputational: 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: 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.

Next steps

29. Once this committee has made decisions to appoint board members, staff from the CCO Governance and External Partnerships department and RFA staff will notify the candidates (successful and unsuccessful), and the chairs of the relevant boards. The decisions of the committee will be made publicly available once all of the candidates and the relevant boards have been notified.

30. Staff will also prepare letters of thanks for board members whose terms end in 2019.

31. CCO Governance and External partnerships department and Kerridge staff will undertake the next steps in securing interviews for the Auckland Transport vacancies. The candidates unsuccessful in the shortlist interviews will be notified by Kerridge staff.

Attachments

There are no attachments for this report.

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>
</tr>
</tbody>
</table>
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: Appointment of board members to the Community Education Trust Auckland - COMET

<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 information on individuals' qualifications for appointment.</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>
</tr>
</tbody>
</table>

C2 CONFIDENTIAL Board appointments to Auckland War Memorial Museum and Museum of Transport and Technology

<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 the candidates who have applied and been appointed to Auckland War Memorial Museum and Museum of Transport and Technology</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>
</tr>
</tbody>
</table>
### C3  CONFIDENTIAL Board appointments to Auckland’s council-controlled organisations

<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 the directors on Regional Facilities Auckland</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>
</tr>
</tbody>
</table>

### C4  CONFIDENTIAL Shortlisting candidates for Auckland Transport director vacancy

<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 candidates being shortlisted for a director vacancy on Auckland Transport’s board.</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>
</tr>
</tbody>
</table>

### C5  CONFIDENTIAL - Board appointments to Auckland Transport (Covering report)

<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 candidates who applied for chair vacancy on the Auckland Transport board.</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>
</tr>
</tbody>
</table>