

I hereby give notice that an ordinary meeting of the Value For Money Committee will be held on:

Date: Thursday, 17 February 2022
Time: 10.00am
Meeting Room: This meeting will be held remotely and a recording of the meeting will be available on the Auckland Council website:
Venue: <https://www.aucklandcouncil.govt.nz/about-auckland-council/how-auckland-council-works/meetings-council-bodies/Pages/webcasts-council-meetings.aspx>

Kōmiti Tiaki Pūtea / Value for Money Committee

OPEN AGENDA

MEMBERSHIP

Chairperson	Cr Desley Simpson, JP
Deputy Chairperson	Cr Tracy Mulholland
Members	Deputy Mayor Cr Bill Cashmore Cr Angela Dalton Mayor Hon Phil Goff, CNZM, JP Cr Shane Henderson IMSB Member Glenn Wilcox Cr Paul Young

(Quorum 4 members)

Duncan Glasgow
Kaitohutohu Mana Whakahaere /
Governance Advisor

10 February 2022

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Terms of Reference

Responsibilities

The Value for Money Committee ensures the pro-active assessment of money saving opportunities and considers the cost-effectiveness of the governance, funding and delivery across the Auckland Council Group, including those opportunities beyond the scope of s17A. Responsibilities include:

1. approving the s17A Local Government Act 2002 review forward work programme.
2. monitoring and reporting on the implementation of s17A reviews, and the recommendations arising from those reviews.
3. approving the terms of reference for individual s17A reviews
4. receiving and making recommendations on the outcome of individual reviews
5. requesting reports on Auckland Council parent and CCO value for money and cost effectiveness-focused initiatives that are beyond the scope of s17A reviews.

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.

Code of conduct

For information relating to Auckland Council's elected members code of conduct, please refer to this link on the Auckland Council website - <https://www.aucklandcouncil.govt.nz/about-auckland-council/how-auckland-council-works/elected-members-remuneration-declarations-interest/Pages/elected-members-code-conduct.aspx>

Exclusion of the public – who needs to leave the meeting

Members of the public

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

Those who are not members of the public

General principles

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

Members of the meeting

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

Independent Māori Statutory Board

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

Staff

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

Local Board members

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

Council Controlled Organisations

- Representatives of a Council Controlled Organisation can remain only if required to for discussion of a matter relevant to the Council Controlled Organisation.

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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 Value for Money Committee:

- a) confirm the ordinary minutes of its meeting, held on Thursday, 18 November 2021, 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.”

Group Shared Services - Feasibility phase

File No.: CP2022/00174

Te take mō te pūrongo Purpose of the report

1. To provide an update on the feasibility phase for the Group Shared Services Project.

Whakarāpopototanga matua Executive summary

2. The review of council-controlled organisations (CCOs) was undertaken in 2020 and included a recommendation that the council and CCOs should work together to draw up a group policy on shared services. This recommendation recognises that globally, shared service provision is a proven model that can deliver improved services to an organisation in a cost-effective and efficient way, through leveraging scale and best practice across people, process, and technology.
3. Group Shared Services is generally a term for defining an operating model where an organisation's internal support functions are centralised to deliver the required services as effectively and efficiently as possible.
4. Our internal support services functions such as Information, Communications and Technology (ICT), human resources (i.e. People and Culture) and Finance play a critical part in ensuring our organisations operate effectively. Across the council group, delivery of some shared support services is in place, however there is no overall group shared service strategy. An opportunity exists to investigate the sharing of the remaining internal support services across the group to determine whether the full benefits can be realised.
5. This project involves staff and executives across the group working collaboratively to assess the feasibility of developing a coherent strategy to shared services, in line with best practice and structured to promote operational excellence.
6. The services currently in scope are largely internal support functions. This includes Finance, ICT, Human Resources, Health Safety and Wellbeing, Corporate Strategy, Communications, Procurement, Risk & Assurance, Legal, Enterprise Project Management Office, Corporate Property, and other corporate services. The feasibility phase will further determine if any areas should be removed from scope of the project. It also does not limit the inclusion of other out-of-scope services in the future.
7. This project is a group initiative. Group collaboration is key to success and the approach will be driven by leading practices.
8. The potential benefit levers available to the council group are:
 - a) leveraging scale and capability
 - b) standardisation and operational excellence
 - c) enabling the business to focus on strategic services
 - d) system and process efficiencies
 - e) development of the internal support staff
 - f) a cost reduction.
9. The feasibility phase includes Auckland Council, Auckland Transport, Auckland Unlimited and Eke Panuku Development Auckland. Watercare are in scope, however due to the Three Waters reform, data collection is on hold for Watercare subject to the outcomes of the reform.

10. The experience of other organisations tells us that implementing shared services is difficult and takes time. The implementation process may take many years before benefits are realised. Lessons learnt from examples around the world are being carefully considered alongside managing the following key risks:
 - a) buy-in from all entities is essential to deliver the desired outcomes. Potential conflicts may arise between decisions which optimise outcomes for an individual entity versus the group. Group level governance and decision making will be critical to success
 - b) staff may become disengaged from the level of uncertainty this initiative creates. Clear and consistent communication will be required throughout the feasibility and subsequent phases to ensure staff are informed and motivated by the potential opportunities for them
 - c) the time between the feasibility phase and benefit realisation may extend due to decision-making processes, initial investment required and potentially multiple transition phases. Clarity on timeframes and demonstrating benefits will be important
 - d) a key stage in the feasibility phase is a change impact assessment and development of a transition strategy (including migration options) considering group and entity specific requirements and constraints. This is often the difference between success and failure.
11. Recommendations will be presented to the Shared Service Governance Group (an oversight group of executive leaders from across the group) in early May 2022, followed by the respective executive leadership teams and CCO boards and then the Value for Money Committee in June 2022.

Ngā tūtohunga Recommendation/s

That the Value for Money Committee:

- a) receive this update report on the feasibility phase for Group Shared Services.

Horopaki Context

12. Group Shared Services is generally a term for defining an operating model where an organisation's internal support functions are centralised to deliver the required services as effectively and efficiently as possible. Services that can be shared among the various business units of a company are functions such as finance, payroll, purchasing and information technology. In a decentralised model, these tend to be performed in separate divisions or locations.
13. Since the Auckland Council amalgamation in 2010, there have been numerous reviews recommending some form of group shared services.
14. In 2015, Ernst & Young recommended that Auckland Council undertake a current state performance diagnostic in the context of moving to a centralised shared services model.
15. More recently, the 2020 review of council-controlled organisations (CCOs) recommended Auckland Council and CCOs should work together to draw up a group policy on shared services. This would include a coherent criteria about which services to share, and which not to, recognising that a one-size-fits-all approach does not work in some instances, and that council services must be both of a high standard and cost-efficient. It also recommended that shared services have formal supplier/purchaser agreements, with agreed service levels.

16. The analysis and recommendations from the various reviews were high level, and did not quantify the existing baseline, true benefit, or make explicit what services were in scope. Detail around recommended operating models and governance for each service was also not provided.
17. As an organisation, we also have an obligation under Section 17A of the Local Government Act to ensure we demonstrate value for money to ratepayers which should include how best to operate internal support services (i.e. “back office” functions). The finance value for money review in 2019 recommended a shared service strategy.
18. In March 2021, the chief executives from across the group agreed to the establishment of a Shared Services Governance Group (SSGG). The purpose of the SSGG is to oversee the development of the recommendations on group shared services.

Tātaritanga me ngā tohutohu Analysis and advice

Approach

19. This is a group initiative and group collaboration is key to success. The services delivered across the group are diverse and each entity’s requirements need to be considered to deliver a recommendation that is appropriate for each of the entities and also benefits the group as a whole.
20. The approach is being driven by leading practices. A shared service model is not a new concept and for many decades has been a strategy successfully adopted by many organisations globally. There are also examples where it has not been successfully implemented.
21. Aligning to leading practices and an effective transition strategy will avoid failing to realise the maximum benefits for the group. Examples include:
 - a) **Management buy-in** – management buy-in is critical to the success of shared services. Without senior management support and leadership, the benefits of shared services will not be realised. Agreed outcomes which benefit both the entity and group incentivises all entities to participate and collaborate
 - b) **Using tested models** – each service will be tested against the most appropriate delivery model, with operating model options considered to assist recommendations
 - c) **Defined roles/responsibilities and accountabilities** – shared services should have clear service level agreements to avoid ambiguity on what is being provided and ensure performance is met
 - d) **Relationships and governance** – having a strong focus on relationship management and performance improvement with a clear and structured governance model will be crucial
 - e) **Focus on common services** – the scope of shared services should be focussed to services that are common across all organisations and can be delivered ‘centrally’ either as a group entity, centre of expertise, and/or with high degrees of collaboration.

Benefits

22. Globally, shared services continue to deliver benefits across many multi-national and large organisations. The Deloitte 2021 Global Shared Services and Outsourcing Survey Report found that through developing specialised capabilities, shared service organisations are adapting to the rapidly changing geographical conditions. Ideally, they provide nimble and value-added services to deliver a better customer experience and business outcomes.

23. In addition, 88 per cent of organisations that adopted global business services, achieved a cost reduction, and 78 per cent achieved process standardisation and efficiency. Shared service centres provide focus on investment in capabilities to drive better value for the organisations they support. Enablers include prioritising talent, robotic process automation, and standardisation of processes.
24. The potential benefit levers available to the council group are:
 - a) **Leveraging scale and capability** – the size and scale of the group presents a significant opportunity for efficiencies and higher quality outcomes through more effective utilisation of capabilities
 - b) **Process standardisation and operational excellence** – process standardisation and improved performance (including more effective controls and risk management) will be better enabled through the structure and disciplines that leading practice shared services demand
 - c) **Enabling the areas supported to focus on strategic services** – internal support services are essential for any large organisation and when operating efficiently and effectively, allows enhanced focus delivering front-line services
 - d) **System and process efficiencies** – larger scale will enable better use of technology, systems and tools removing duplication and enabling operational excellence and improved service maturity reducing total cost to serve and an enhanced customer experience
 - e) **Development of the internal support staff** – a shared services operating model will enable better career development opportunities with a wider scope, learning leading practices, and create stronger market attraction.
25. Cost reduction is also a key benefit from shared services models. For the council group, the quantum of this possibility is subject to the completion of the feasibility assessment, the implementation approach and integration costs.

Feasibility phase

26. The approach to the feasibility phase has been to first undertake a baseline assessment. This baseline informs a future state strategy and evaluation of potential service delivery model options before developing an optimal transition strategy to maximise benefits. An iterative approach is being taken to ensure focus on the desired outcomes.
27. The feasibility phase is covering three key steps:
 - a) **Baseline services assessment** – assessment of current state across Auckland Council and CCOs to validate the baseline for the group shared services business case and identify potential opportunities
 - b) **Future state service delivery model design & analysis** – high-level design of future state service delivery model options and assessment of potential benefits. At this point, the recommendation on the case for group shared services (i.e. “Go / “No-Go”) will be presented
 - c) **Change impact assessment & transition strategy** – high level change impact assessment, transition strategy, and migration options to establish group shared services and realise benefits.

Scope

28. The scope of the feasibility phase includes Auckland Council, Auckland Transport, Auckland Unlimited and Eke Panuku Development Auckland. Watercare are in scope of the review, but due to competing priorities with the Three Waters reform, data collection is on hold subject to the outcomes of the reform.

29. The services in scope are largely internal support functions. This includes Finance, ICT, Human Resources, Health Safety and Wellbeing, Corporate Strategy, Communications, Procurement, Risk & Assurance, Legal, Enterprise Project Management Office, Corporate Property, and other corporate services. The feasibility phase may result in some service areas removed from scope and therefore no change to the current service delivery. It also does not limit the inclusion of out-of-scope services in the future.
30. Functions that directly support customers are out of scope such as customer services or community facilities management. Best practice recommends focusing on internal support service functions that are common across all organisations.
31. The final recommendations will not preclude the future inclusion of any out-of-scope services where these align to the agreed shared service strategy.

Governance

32. Cross-council group collaboration is fundamental to the success of the feasibility phase. To this extent, a shared service governance group (SSGG) was established, which includes executive representation from across the council group.
33. The SSGG set the leadership imperative to do what's right for our people and our stakeholders and aim to answer the question of the viability of the shared service opportunity for the council group once and for all.
34. The SSGG is supported by a small project team and subject matter experts from across the group.
35. Deloitte have been engaged to ensure leading practices are followed.

Current insights

36. Since amalgamation, group shared services have been developed organically with the majority of the services that are offered provided by Auckland Council.
37. Eke Panuku are utilising a moderate amount of shared services, followed by Auckland Unlimited, with Auckland Transport using services such as fleet, print and mail. A group approach to procurement has also been implemented. This has led to some efficiencies already being realised, such as Treasury.
38. Where internal support services are not provided by a group shared service offering, they have also largely been centralised within each entity. For example, a function like finance is provided as a centralised service and not embedded within each business unit. This too has provided some efficiencies within each entity across the group.
39. With services being developed organically, they lack the management practices required to successfully deliver service expectations. This includes many services having little or no service level agreements (SLAs) or account management to resolve issues, as well as an implicit opt in approach to the service.
40. This has led to inconsistencies in services provided, a mix in performance, and duplication.
41. With internal support costs representing at least \$200 million across the group and around 15 per cent of the workforce, a significant potential opportunity exists if operated through an appropriate model that can deliver on each entity's service expectations. However, challenges do exist around differing culture and legacy, CCO board expectations, ICT integration, previous reviews, and a 'one size fits all' offering versus being nimble and differing service level expectations.

Tauākī whakaaweawe āhuarangi Climate impact statement

42. Through the feasibility phase, there is no climate impact.

43. The recommendations presented in early May 2022 to the SSGG will consider how we operate our internal services to support a positive response to climate impacts, such as greater coordination of sustainability on our corporate services.

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

44. This is a group initiative with decision-making shared across Auckland Council, Auckland Transport, Auckland Unlimited, Eke Panuku and Watercare.
45. A change impact assessment will be carried out at the final stage of the feasibility phase.

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

46. The feasibility phase has no local impacts and therefore no views have been sought.
47. The recommendations from the feasibility phase are expected (at a minimum) to hold current internal service levels across all areas within scope.

Tauākī whakaaweawe Māori **Māori impact statement**

48. The recommendations from the feasibility phase will consider how the group can better support Māori outcomes in alignment with Kia Ora Tāmaki Makaurau.
49. This may include identifying what shared service models within scope could better support Māori outcomes such as Māori employment opportunities, recruitment processes, and the use of Māori vendors.

Ngā ritenga ā-pūtea **Financial implications**

50. The financial cost to complete the feasibility phase is expected to total \$360,000. This has been funded from within existing budgets.
51. The potential financial benefits will be quantified through the feasibility phase. This will include the cost to implement the recommended model.

Ngā raru tūpono me ngā whakamaurutanga **Risks and mitigations**

52. The breadth of services offered across the group vary considerably in size and nature. A shared services operating model will need to consider how to meet the differing requirements and cadences for internal support services efficiently and effectively.
53. A lack of buy-in and engagement from the different entities may result in a recommendation which is not practical or feasible and will not deliver the desired outcomes. The establishment of the governance group and business owners from the council and each of the CCOs should ensure alignment and commitment to the outcomes.
54. Potential conflicts may arise between decisions which optimise outcomes for the CCO versus the group. A shared services operating model must include a group shared service governance model which is accountable to each CCO and Auckland Council.
55. Focus on cost efficiencies may compromise service levels and customer expectations for internal support services where gaps currently exist. Service maturity assessment as part of the feasibility phase will ensure that the design will be for the target state, which may require initial investment in capabilities.

56. Given the breadth of services and underlying complexity, staff may become disengaged with the level of uncertainty that an initiative such as this creates. Clear and consistent communication will be required throughout the feasibility and subsequent phases to ensure staff are informed and motivated by the potential opportunities for them.
57. The time period between the feasibility phase and benefit realisation may extend due to decision-making processes, initial investment required and potentially multiple transition phases. Clarity will need to be provided to phasing of investments and realistic timeframes for benefits with a focus on early wins to demonstrate progress and improvements.
58. Poor transition strategy and execution is often the reason for failed migration to an effective shared service operating model. A key stage in the feasibility phase is a change impact assessment and development of a transition strategy (including migration options) considering group and entity-specific requirements and constraints.
59. Implementing shared services is not easy and takes time. Some implementation processes can take around five years before the full benefits are realised, however we are working towards a phased approach to ensure earlier benefits are realised.. Lessons learnt from examples around the world will be a consideration including the following:
 - a) follow best practice and have leadership buy-in from day one
 - b) having a clearly defined operating model, with strong governance and management practices which include baseline information, measurable performance targets and issue resolution
 - c) a detailed change management plan that reflects the understanding of the services requirements for each business, change impacts on staff and processes
 - d) unrealistic timings – bringing multiple functions together takes time and needs to be well planned
 - e) having a good understanding of the differing cultures in each of the organisations supported
 - f) adequate resourcing – the change needs to be adequately resourced to ensure effective communication and consultation with staff, how to retain key skills, transfer functions and ability to recruit quickly for new roles
 - g) a strategy where the ICT and service improvements support the visions and expectations of the organisations supported.

Ngā koringa ā-muri

Next steps

60. The baseline assessment will be completed by mid-March 2022.
61. During March and April 2022, the future state service delivery model design and analysis will be completed.
62. Recommendations will be presented to the SSGG in early May 2022, followed by the respective executive leadership teams and CCO boards. An update report will be provided back to the Value for Money Committee meeting on 16 June 2022.

Item 8

Ngā tāpirihanga Attachments

There are no attachments for this report.

Ngā kaihaina Signatories

Author	Kylie Thompson - Programme Manager
Authorisers	Robert Irvine - General Manager Corporate Support Services Peter Gudsell - Group Chief Financial Officer Ross Chirnside - General Manager Value For Money

Update on Council Benefits Management Improvement Work

File No.: CP2022/00196

Te take mō te pūrongo

Purpose of the report

1. To provide an update on improvement work currently underway within Auckland Council in the area of benefits realisation management.

Whakarāpopototanga matua

Executive summary

2. The Enterprise Portfolio Management Office (EPMO) was created in March 2021 and is part of the Corporate Strategy & Business Improvement department within Group Services.
3. It provides portfolio, project process, project governance and benefit support for ten major portfolios, consisting of approximately 1,400 projects and programmes (internal and external facing).
4. These 10 portfolios span across council, and include: ICT, Corporate Property, Operating Model (Organisational Strategy), Development Programme Office (DPO), Community, Environmental Services, Healthy Waters, Resilient Land & Coast, Waste Solutions, Regulatory and Organisational Support.
5. A benefit can be described as a measurable improvement resulting from change, which has a positive perception, and which contributes to organisational objectives. Benefits can be financial (e.g. cost saved or avoided) or non-financial (e.g. improved customer satisfaction). Council only invests in projects and programmes where there are potential benefits, and considers this alongside other factors such as effort required, impacts of the change and complexity to deliver.
6. Benefit realisation management aims to ensure potential benefits arising from investment in change are actually achieved. It is a continuous process that operates throughout the change lifecycle and is applicable to portfolios, a programme or a project.
7. At present, there is significant variability across council in terms of how well programmes and projects clearly define and measure benefits (in particular non-financial) and how they focus on realising anticipated benefits.
8. Between 2020 and now, a number of reviews including reviews by Audit New Zealand, the Audit and Risk Committee, and the council's internal Risk & Assurance team have identified a series of recommended actions related to these areas of challenge and variability.
9. To implement these recommended actions, the EPMO is managing a programme of improvement work and aims to fully deliver this by December 2022, followed by an ongoing focus on raising the maturity of benefits management across council.
10. The recommendation areas and related improvement work are summarised below:
 - a) **Lessons learned and benefits realisation exercise be completed at project closure** – to deliver this, the programme will refine and embed a benefits framework, leverage “spokes” within divisions and partner with the Auckland PMO Community of Practice.
 - b) **Stronger assessment of whether the benefits used to justify a project are realised** – to deliver this, the programme will support the finance team to provide oversight and audit review processes, develop sponsor training and improve transparency of reporting of benefits to the Executive Leadership Team (ELT).

- c) **Greater rigor around definition of measurable benefits in business cases** – to deliver this, the programme will create a benefits library based on the long-term plan and establish a process for the EPMO to conduct selective audits & quality health checks.
 - d) **Strong focus on realising benefits throughout each project’s life and beyond** – to deliver this, the programme will make improvements to portfolio governance processes.
11. The expected long-term benefits from this programme of work include improved quantity and quality of described benefits (particularly showing contributions to climate and Māori outcomes), increased accuracy of benefits realised vs. initial estimates (applicable to both financial and non-financial benefits), and higher rates of knowledge and best practice sharing amongst the project and programme community within council.

Ngā tūtohunga Recommendation/s

That the Value for Money Committee:

- a) note the update provided on benefits management improvements underway at Auckland Council.

Horopaki Context

12. A portfolio is a centralised list of programmes and projects, aligned to business plans and strategic priorities. A *programme* is created to manage, coordinate, direct and oversee the implementation of a set of related projects in order to deliver outcomes and benefits. A *project* is aligned to a programme or portfolio and designed to deliver one or more outputs (a product, service, capability or an asset).
13. A benefit can be described as measurable improvement resulting from change, which has a positive perception, and which contributes to organisational objectives. Benefits can be financial (e.g. cost saved or avoided) or non-financial (e.g. improved customer satisfaction). Council only invests in projects and programmes where there are potential benefits, and considers this alongside other factors such as effort required, impacts of the change and complexity to deliver.
14. Benefit realisation management aims to ensure potential benefits arising from investment in change are actually achieved. It is a continuous process running throughout the change lifecycle and is applicable to portfolios, a programme or a project.
15. At present, there is significant variability across council in terms of how well projects and programmes clearly define and measure benefits (in particular non-financial), focus on realising anticipated benefits, and close out of projects and programmes.
16. Between 2020 and now, reviews by Audit New Zealand, the Audit and Risk Committee, and the council’s internal Risk & Assurance team have identified a series of recommended actions related to these areas of challenge and variability.
17. In addition, the EPMO is currently conducting an assessment of a sampling of significant projects across council to ascertain the level of benefits returned against business case projections. This assessment is also identifying a number of insights and recommendations to improve the benefits framework.
18. The EPMO will then work with key teams across the council’s divisions and portfolios to enhance and embed the framework and relevant processes.

19. The expected long-term benefits from this programme of work include improved quantity and quality of described benefits (particularly showing contributions to climate and Māori outcomes), increased accuracy of benefits realised vs. initial estimates (applicable to both financial and non-financial benefits), and higher rates of knowledge and best practice sharing amongst the project and programme community within council.

Tātaritanga me ngā tohutohu Analysis and advice

20. To deliver on the recommended actions from the reviews mentioned above, the EPMO is managing an improvement programme of work. Further details and delivery timeframes are outlined in the below table.

Recommended action	Current state (February 2022)	Planned action(s) (expected completion)
A. That a lessons learned and benefits realisation exercise is completed in a timely manner during project closure	<p>A closure process that includes lessons learned and benefits realisation currently exists but is not well embedded.</p> <p>There are challenges in monitoring and measuring benefits as projects conclude. These include the identification of benefit owners/reporters and their understanding of their roles and responsibilities, tracking benefits once a project has completed, and the method and reporting of metrics.</p>	<p>(1) Refining and embedding a practical yet proven benefits framework, with guidance based on project scale (December 2022)</p> <p>(2) Leverage “spokes” within divisions to promote and oversee the process including lessons learnt & benefits realisation (June 2022)</p> <p>(3) Leveraging the Auckland PMO Community of Practice to garner good practice learnings (June 2022)</p>
B. That there should be stronger assessment of whether the benefits used to justify a project are realised	<p>Council’s project and programme management (PPM) tool (Sentient) enables the recording of benefits, their baselines and benefits achieved.</p> <p>At present benefits are often poorly formed, or not measurable, together with a lack of visibility at executive level.</p> <p>Responsibility for ongoing benefit measurement and realisation is not clearly defined.</p>	<p>(1) Work with the Finance team to ensure strong oversight of stated financial benefits, realisation and reporting (September 2022).</p> <p>(2) Sponsor training launched to include benefit ownership and assessment (trial completed, full launch by June 2022)</p> <p>(3) Include benefits reporting into existing ELT reports for visibility and improved focus (September 2022)</p>
C. That there should be greater rigor around definition of measurable benefits in business cases at the time that investment is approved.	<p>The business case clearly requests benefits to be defined with clear measures and timeframes.</p> <p>The EPMO has to date reviewed a small sample of business cases.</p> <p>Quality varies and a clear process and criteria for non-financial benefits needs to be defined.</p>	<p>(1) Introduce a library of benefits with suitable measures that can be selected by projects (draft completed and full launch by March 2022)</p> <p>(2) Refining governance processes across council to include an EPMO triage for high-risk projects for a quality health check of business cases (December 2022)</p>

Item 9

Recommended action	Current state (February 2022)	Planned action(s) (expected completion)
D. There needs to be a strong focus on realising benefits throughout each project's life and beyond to ensure that the council gets the full value of its investments.	Benefit realisation maturity varies across council portfolios.	Combination of the above with a library of quality benefits, business case quality checks, divisional "spoke" support, together with Finance and existing long-term plan monitoring. (1) Improved executive visibility through improved reporting and more frequent portfolio governance processes (September 2022)

Tauākī whakaaweawe āhuarangi Climate impact statement

21. There are no specific climate impacts identified through this project at this time. However, any work to improve benefits management aims to improve how projects and programmes can demonstrate positive contributions to the goals identified in Auckland Council's Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan.

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

22. This activity is currently focused on benefits management of projects and programmes operated by Auckland Council. Therefore, views from the wider council group have not been sought at this time.

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

23. No local board engagement has been undertaken as part of this work to date.

Tauākī whakaaweawe Māori Māori impact statement

24. There are no specific Māori impacts identified through this project at this time. However, any work to improve benefits management aims to improve how projects and programmes can demonstrate positive contributions to Māori outcomes set out in Auckland Council's Māori Outcome Framework, Kia Ora Tāmaki Makaurau.

Ngā ritenga ā-pūtea Financial implications

25. Councils current business case process is modelled off the international standard Better Business Case (BBC) 'five case model', which has been adopted by Treasury for government agencies. This ensures that financial benefits are identified at the business case stage. One of the aims of this programme of work is that the benefit realisation process is strengthened to ensure financial benefits claimed in the business case are delivered.

26. The planned actions underway to improve benefits management will be delivered within existing budgets.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

27. Council currently has a low-medium level of maturity in terms of benefits management. This therefore poses a risk that we are unable to maximise the benefits returned from our projects and programmes.
28. This improvement work involves improving the benefits framework and processes, communicating and embedding these changes, and raising the maturity and behaviour across council. This work is expected to take 12-18 months, and then be an ongoing focus area.
29. There are risks to achieving successful delivery of these improvements, including engagement and buy-in across the organisation. This will be mitigated by building strong relationships in the various divisions and portfolios (spokes), leveraging good practice that already exists at council, and then together building solutions that can be championed by departments and teams across the organisation.
30. There is also complexity risk regarding the vast variety of benefit types council needs to deliver against. The benefits library is intended to address this, ensuring there are quality benefits defined with clear ownership, measures, and identified benefit reporters for the key benefit types.

Ngā koringa ā-muri Next steps

31. The programme of work to improve benefits management at council is expected to run until December 2022 with some initial work planned for completion by early 2022.

Ngā tāpirihanga Attachments

There are no attachments for this report.

Ngā kaihaina Signatories

Authors	Shameel Sahib - General Manager Corporate Strategy & Business Improvement Malcolm Savage – Head of Enterprise Portfolio Management Office
Authorisers	Patricia Reade - Deputy Chief Executive Ross Chirnside - General Manager Value For Money

Auckland Council savings progress for the period ended 31 December 2021

File No.: CP2022/00573

Item 10

Te take mō te pūrongo

Purpose of the report

1. To provide an update on the progress towards meeting the \$90 million operating budget savings target for Auckland Council for the 2021/2022 financial year.

Whakarāpopototanga matua

Executive summary

2. A \$90 million ongoing operating savings target has been included in the 10-year Budget 2021-2031 (Recovery Budget) after considering the level of the expenditure required to provide council services and the level of rates we collect.
3. At 31 December 2021, Auckland Council has achieved \$70.6 million (78.4 per cent) towards the \$90 million savings target for the 2021/2022 financial year, an increase of \$6.2 million of savings achieved in the second quarter.
4. The savings in the second quarter have been achieved mainly because expenditure is less than what was planned due to cautious financial management, different ways of working during COVID-19 restrictions, delays in capital projects meaning consequential operating costs will commence later, as well as staff vacancies not able to be filled due to labour market conditions. There were some additional procurement savings achieved through contract negotiation.
5. There is a pipeline of further savings which includes financial benefits from some initiatives in the operating model portfolio, further procurement savings opportunities and areas where expenditure is expected to continue to be below budget, such as staff costs.
6. Progress against the savings target is reported monthly to the Executive Leadership Team and closely monitored for risks and opportunities.

Ngā tūtohunga

Recommendation/s

That the Value for Money Committee:

- a) note the Auckland Council progress of \$70.6 million (78.4 per cent) achieved towards the \$90 million operating budget savings target for the 2021/2022 financial year, including \$6.2 million achieved during the quarter ended 31 December 2021.

Horopaki

Context

7. Auckland Council continues to experience significant financial impacts from the COVID-19 pandemic. Because of this, Auckland Council set an operating expenditure savings target of \$120 million for the 2020/2021 financial year (Emergency Budget) and achieved this ambitious target in April 2021.
8. To maintain essential services and high levels of spending on infrastructure, an annual \$90 million operating savings target has been included in the Recovery Budget after considering the level of the expenditure required to provide council services and the level of rates we collect. This considers changes to operating budgets impacted by items such as growth, interest and inflation, the levels of external revenue, political decisions and the overall affordability of rates increases.

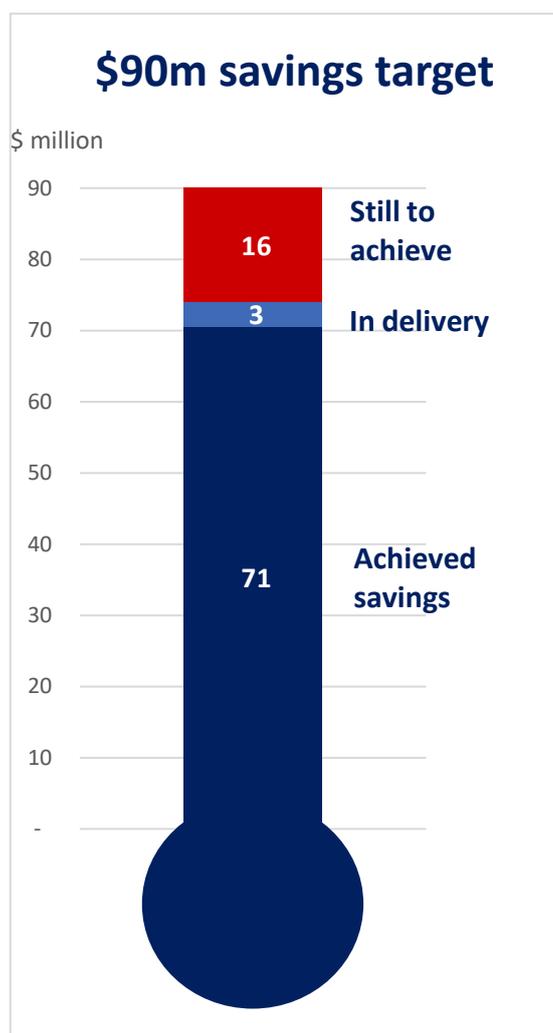
9. The savings target is set at a level to provide enough focus on efficiencies without detriment to agreed service levels or staff health and safety.
10. The target for the 2021/2022 financial year follows on from the \$120 million operating savings target included in the Emergency Budget 2020/2021. Of the \$120 million savings achieved in 2022/2021, over one-third (\$48.1 million) were enduring savings which have contributed to the \$90 million savings target in 2021/2022.
11. A centralised process for identifying, measuring and reporting on savings was developed for monitoring and reporting against the Emergency Budget target and continues to be used as the basis for this reporting.

Tātaritanga me ngā tohutohu Analysis and advice

12. At 31 December 2021, Auckland Council has achieved \$70.6 million (78.4 per cent) towards the \$90 million savings target, an increase of \$6.2 million savings achieved in the second quarter. Savings of note in the quarter include:

Prudent financial management

- \$1.60 million one-off saving of consequential opex (repairs and maintenance and other expenditure) not required due to project delays for the new premises for Records & Archives plus Civil Defence in this financial year
- \$1.0 million one-off saving in budgeted operating expenditure as a result of different ways of working during COVID-19 restrictions, for example, online council meetings resulted in lower costs in catering, office consumables and related support activities, lower spend on motor vehicles, rent and lease and materials in Regulatory Services and reprioritising of engagement activities to focus on COVID-19 response/recovery activities
- \$0.30 million professional services savings from cultural heritage review due to work programme reprioritisation and lower costs in Hearings due to drop in volume and change to online
- \$0.20 million one-off outsourced works and services saving as no by-elections will need to be held in the current financial year
- \$0.07 million of travel and training budget not spent in this quarter due to continuing COVID-19 travel restrictions
- \$0.15 million one-off reduction in other expenditure from a review of printing lease contract costs vs budget allowed, further analysis is being worked on to assess any permanent savings
- \$2.30 million of staff cost budget not spent in the second quarter due to vacancies not filled due to labour market conditions and caution hiring in areas affected by COVID-19 restrictions.



13. Staff costs are below budget due to the effects of longer than normal time to hire and difficulties in filling some roles due to competition for certain skill sets. This means roles remain vacant and therefore budget is not spent.
14. These savings are primarily due to a continued focus on cost control and budget reviews. Also included are savings resulting from actual expenditure less than budget at the end of the second quarter, which will not be needed in the current financial year.

Process optimisation and efficiency savings

- \$0.03 million permanent saving from reduced printing of rates notices
 - \$0.41 million one-off saving from lower year to date ACC costs compared to budget allowed.
15. The Rates, Valuation and Data Management unit implemented a new process and stopped mailing quarterly rates notices to people who are on direct debit from instalment two - four each rating year, saving printing and postage costs. Further savings opportunity had been identified, however, it will be validated after instalment four.
 16. A review of the ACC levy assumption rate is in the delivery pipeline to be assessed for any permanent savings following the change in service provider.
 17. The ICT multi-cloud migration programme was one of the enduring savings achieved as part of the \$120 million target. The multi-cloud platform will continue to deliver more efficiencies through increased flexibility and data centre processing and storage capacity at a lower cost. It is anticipated additional savings will be realised as long-term backups can be deleted in the next financial year.

Procurement

- \$0.15 million further cost reduction from reviewing terms and conditions on contract contingency for the council's cafeteria and catering services contract.
18. The procurement savings are primarily achieved by reducing operating contract spend with third parties through negotiating better terms for the council.
 19. A total of \$1 million (annualised) potential savings opportunities have been identified from Procurement's work programme.
 20. The council procurement team 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 from work already completed, saving time and money for the wider organisation. They are also actively working on supplier diversity and engaging Māori businesses.
 21. Good progress has been made overall, however it remains challenging to find ongoing cost reductions that contribute to future years' savings targets, given the current inflationary environment for goods, services and labour. While \$70.6 million of the current year savings have been achieved, only \$52.0 million (57.8 per cent) have been achieved towards the \$90 million savings target for the 2022/2023 financial year.

Tauākī whakaaweawe āhuarangi Climate impact statement

22. Several completed savings initiatives and initiatives in the pipeline consider climate change impacts and deliver non-financial benefits such as reducing carbon emissions and improving the environment.

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

23. The \$90 million savings target for 2021/2022 only applies to Auckland Council.

24. However, new tools and process improvements successfully implemented in Auckland Council can potentially be introduced to the council-controlled organisations for greater efficiencies and other benefits.

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

25. The centralised savings approach has been set at a regional level. None of the initiatives delivered or in delivery have specific impacts on local board service levels.

Tauākī whakaaweawe Māori Māori impact statement

26. The savings initiatives delivered or in delivery have no specific impact on Māori outcomes. The Māori outcomes budget is ring-fenced for delivery of the Kia Ora Tāmaki Makaurau framework and is not considered an area for cost reductions.

Ngā ritenga ā-pūtea Financial implications

27. This report provides visibility on how Auckland Council is performing against its operating savings target which supports meeting the annual budget for 2021/2022. Savings reporting is included in the Auckland Council quarterly performance reporting to the Finance and Performance Committee for context as part of the council's overall financial performance.
28. There are financial implications on the annual budget if the savings target is not met for 2021/2022. This may result in slightly higher debt levels and would have flow-on effects through to financial year 2022/2023.
29. Any additional budget pressures may also result in savings becoming more difficult to realise.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

30. Progress towards the savings target is on track, with a sufficient pipeline of expected efficiency improvements, procurement opportunities and anticipated expenditure below budgeted levels.
31. The significant risks to achievement of the target include: inflationary pressure on staff and operating costs which may reduce savings opportunities; and the pace at which process and efficiency improvements are implemented in order to enjoy benefits in the current financial year.
32. Any savings as a result of the COVID-19 Alert Level 4 lockdown related impacts, have not been counted towards the \$90 million savings target as they were used to offset revenue losses.

Ngā koringa ā-muri Next steps

33. The next update will be provided after the council's quarter three results are finalised.

Ngā tāpirihanga Attachments

There are no attachments for this report.

Ngā kaihaina Signatories

Authors	Nicole Heng - Senior Finance Advisor - Programmes Nicola Mills - General Manager Financial and Business Performance
Authorisers	Peter Gudsell - Group Chief Financial Officer Ross Chirnside - General Manager Value For Money

Summary of Value for Money Committee information memoranda and briefings (including the forward work programme) - 17 February 2021

File No.: CP2022/00438

Te take mō te pūrongo Purpose of the report

1. To note the progress on the forward work programme appended as Attachment A.
2. To receive a summary and provide a public record of memoranda or briefing papers that may have been held or been distributed to Value for Money Committee members.

Whakarāpopototanga matua Executive summary

3. This is a regular information-only report which aims to provide greater visibility of information circulated to Value for Money Committee members via memoranda/briefings or other means, where no decisions are required.
4. There were no information items distributed.
5. There were no workshops or briefings.
6. Value for money activity delivered as part of the implementation of council-controlled organisation review recommendations will be reported to Council Controlled Organisation Oversight Committee rather than Value for Money Committee and the forward work programme has been updated accordingly.
7. Note that, unlike an agenda report, **staff will not be present to answer questions about the items referred to in this summary.** Value for Money Committee members should direct any questions to the authors.

Ngā tūtohunga Recommendation/s

That the Value for Money Committee:

- a) note the progress on the forward work programme appended as Attachment A of the agenda report.
- b) receive the summary of information memoranda and briefings – 17 February 2022.

Ngā tāpirihanga Attachments

No.	Title	Page
A ¹	Forward Work Programme	31

Ngā kaihaina Signatories

Author	Duncan Glasgow - Kaitohutohu Mana Whakahaere / Governance Advisor
Authoriser	Ross Chirside - General Manager Value For Money

Kōmiti Tiaki Pūtea / Value for Money Committee Forward Work Programme 2022

The Value for Money Committee looks for money saving opportunities and considers the cost-effectiveness of the governance, funding and delivery across the Auckland Council Group.

The full terms of reference can be found here: [Auckland Council Governing Body Terms of Reference](#)

Area of work and Lead Department	Reason for work	Committee role (decision and/or direction)	Expected timeframes 2022												
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Optimise our Service Outcomes General Manager Value for Money	Auckland Council established the Optimise our Service Outcomes programme to evaluate whether council is providing the services Aucklanders need in the most effective and efficient way.	Receive programme progress updates and provide input as required Progress to date: Update received in November 2021 VFM/2021/5													
Savings General Manager Financial and Business Performance	A \$90 million ongoing operating savings target has been included in the 10-year Budget 2021-2031 (Recovery Budget).	Receive updates on the savings target pipeline and progress Progress to date: Update received in November 2021 VFM/2021/4													
Other Value for Money activity Group Treasurer		Receive information on value for money activity across the council group and provide input as required <ul style="list-style-type: none"> Benefits Realisation Framework (February 2022) Group Shared Services (February and June 2022) Enterprise Programme Office (June 2022) Progress to date: Update received in November 2021 VFM/2021/3													