

I hereby give notice that an ordinary meeting of the Expenditure Control and Procurement Committee will be held on:

Date: Tuesday, 21 March 2023
Time: 10.00am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Komiti mō te Kaitaonga me te Whakahaere i ngā Whakapaunga Pūtea / Expenditure Control and Procurement Committee

OPEN AGENDA

MEMBERSHIP

Chairperson	Cr Maurice Williamson	
Deputy Chairperson	Cr Greg Sayers	
Members	Cr Angela Dalton	IMSB Member Tony Kake, MNZM
	Cr Julie Fairey	Cr Mike Lee
	Cr Alf Filipaina, MNZM	Cr Daniel Newman, JP
	Cr Shane Henderson	IMSB Chair David Taipari
Ex-officio	Mayor Wayne Brown	
	Deputy Mayor Desley Simpson, JP	

(Quorum 5 members)

Duncan Glasgow
Kaitohutohu Mana Whakahaere Matua /
Senior Governance Advisor

16 March 2023

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1 Ngā Tamōtanga | Apologies

2 Te Whakapuaki i te Whai Pānga | Declaration of Interest

3 Te Whakaū i ngā Āmiki | Confirmation of Minutes

Click the meeting date below to access the minutes.

That the Expenditure Control and Procurement Committee:

- a) confirm the ordinary minutes of its meeting, held on [Tuesday, 21 February 2023](#), including the confidential section, as a true and correct record.

4 Ngā Petihana | Petitions

5 Ngā Kōrero a te Marea | Public Input

6 Ngā Kōrero a te Poari ā-Rohe Pātata | Local Board Input

7 Ngā Pakihi Autaia | Extraordinary Business

Discretionary spend (Covering report)

File No.: CP2023/02983

Te take mō te pūrongo Purpose of the report

1. To define the scope of discretionary spend and advise on options for managing or controlling discretionary spend, while the impacts of the flood and cyclone are assessed and quantified.

Whakarāpopototanga matua Executive summary

2. This is a late covering report for the above item. The comprehensive agenda report was not available when the agenda went to print and will be provided prior to the 21 March 2023 Expenditure Control and Procurement Committee meeting.

Ngā tūtohunga Recommendation/s

The recommendations will be provided in the comprehensive agenda report.

Asset Optimisation

File No.: CP2023/01916

Te take mō te pūrongo Purpose of the report

1. To provide an update on the status of the asset recycling programme.
2. To agree an asset ownership framework and approach to asset assessment to inform the next long-term plan.

Whakarāpopototanga matua Executive summary

3. Asset recycling is an important lever for the council allowing capital to be invested in the most strategically important activities. Auckland Council started the asset recycling programme in 2020/2021 adopting a multi-year programme as part of the Recovery Budget 2021/2031.
4. The programme identified a pipeline of potential opportunities, but due to a number of challenges including market conditions, inconsistent processes and the decentralisation of asset management, the programme has not met the budgeted target in the past two years. The pipeline of opportunity remains strong, and the total budget is still forecast to be achieved but the timing will be different.
5. Annual Budget Mayoral Proposal 2023/2024 set asset optimisation as one of the focuses to cover council's financial gap. It asked council to optimise revenue on existing assets that are currently in use and have control over and sell non-service assets that are performing poorly or underutilised. To conduct a strategic assessment of council's asset ownership, council developed an asset ownership framework to standardise the early stage of the asset recycling process.
6. Staff propose use of the asset ownership framework to assess current asset ownership and the development of a multi-year asset optimisation programme to inform the next long-term plan.

Ngā tūtohunga Recommendation/s

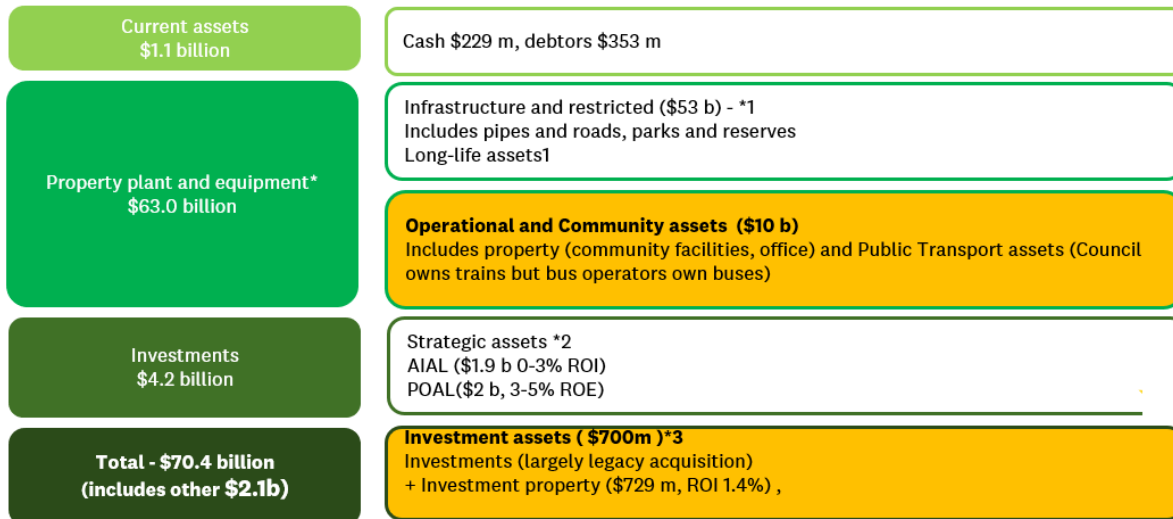
That the Expenditure Control and Procurement Committee:

- a) tuhi ā-taipitopito / note an update on the current asset recycling programme will be provided in the confidential section of the agenda
- b) whakaae / approve the asset ownership framework
- c) whakaae / agree the approach of using the framework to assess asset ownership and the development of a multi-year asset optimisation programme to inform the next long-term plan.

Horopaki Context

Asset ownership

7. Auckland Council Group owns an extensive operational and investment asset portfolio which is made up of land and property. The total value of the assets is \$70.4 billion (see Figure 1).



Notes

1. Infrastructure and restricted assets are considered out of scope at this time as they are fundamental to the function of Auckland.
2. Strategic assets have already been assessed and AIAL is part of the current consultation process
3. A reasonable ROI would be 3% when considering the mix of land

Figure 1 Asset portfolio financial overview

8. The opportunity is in the \$10.7 billion operational and investment assets which are allocated across the council and council-controlled organisations (CCOs) with Auckland Council being the largest asset owner, followed by Auckland Transport, and Tātaki Auckland Unlimited (see Figure 2).

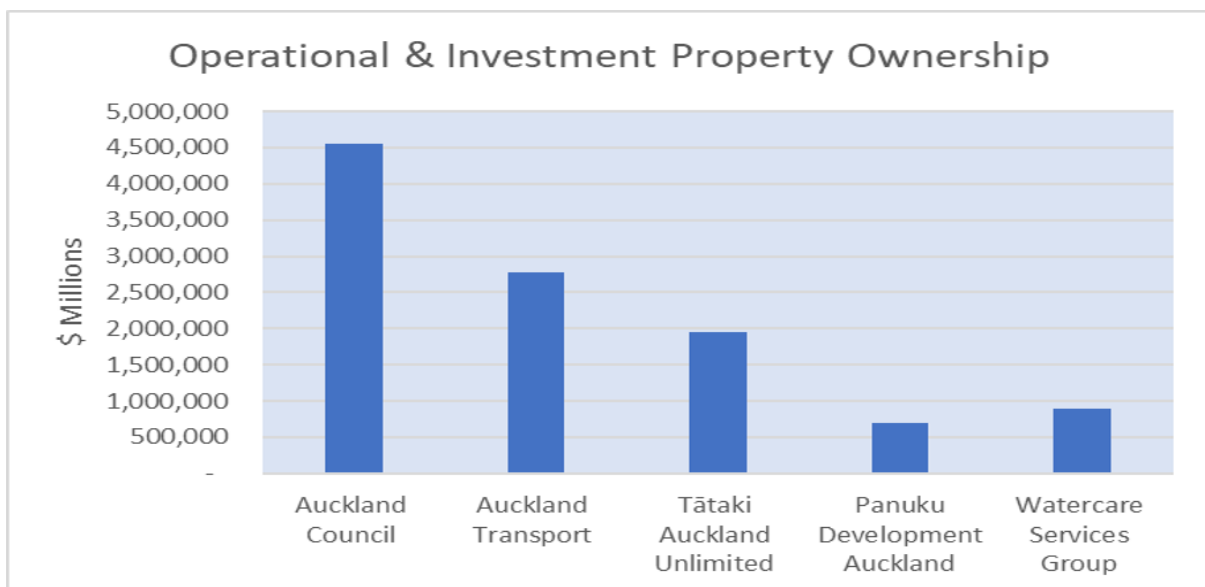


Figure 2 Operational & investment property ownership

Asset recycling programme

9. The asset recycling programme is an important lever for the council to release capital from poorly performing and/or non-service assets to allow greater investment in strategically aligned activities. The programme started in 2020/2021.
10. A multi-year programme was established as part of the 2021/2031 Recovery Budget. The recovery budget sets up a target of \$430 million, 4 per cent of the operational building and land asset value, for the programme to achieve by June 2027.
11. There is a strong pipeline of opportunities identified as part of the programme. Selling of some assets in this year will have a significant impact on the success of the programme.
12. Annual Budget 2023/2024 Mayoral Proposal proposed to sell assets where the council has little control on future returns, and to increase returns from those assets that council has control over. The proposal asked the council to provide a strategic assessment of council's asset ownership as council should only own assets which are directly used (or planned to be used) for the delivery of council services. It also stated that council should sell non-service assets that are performing poorly or underutilised.
13. The council is proposing an asset ownership framework to support future work of this programme.

Tātaritanga me ngā tohutohu Analysis and advice

Asset ownership framework

14. The 2023/2024 Mayoral Annual Budget Proposal provided council with the mandate to work with the council group to centralise asset optimisation. Currently, each asset management group has their own process, systems to assess around buying, selling, and management of the asset. The council group does not currently have a consistent approach on assessing assets.
15. Elected members do not have a holistic overview of the council balance sheet and how asset ownership decisions are made. The current approach provides elected members a single window to view asset changes and opportunities from one of the asset management departments. This has led to the elected members needing to make decisions on a case-by-case basis.
16. With the Mayoral Proposal making asset optimisation a focus for 2023/2024, there is a need to establish an asset ownership decision framework that is applicable to all assets (see Figure 3). This will support the council to develop a multi-year optimisation programme.
17. The framework is developed based on the principles which have been agreed by the previous Finance and Performance Committee in 2021 (resolution number FIN/2021/120), which includes:
 - effective governance and decision-making
 - alternative use
 - value for money
 - transparency
 - efficient and effective process
 - statutory obligations.
18. As council's core business is to ensure the delivery of certain key services and outcomes, the framework considers that it owns and controls certain assets to facilitate this and does not own assets for purely financial returns.

19. When considering whether council should own an asset, a rigorous process of testing the strategic imperative for ownership/control is required. The framework determines whether council has a strategic imperative for council and whether it should own an asset or can achieve its objectives without ownership. The asset ownership framework is set out in Figure 3.

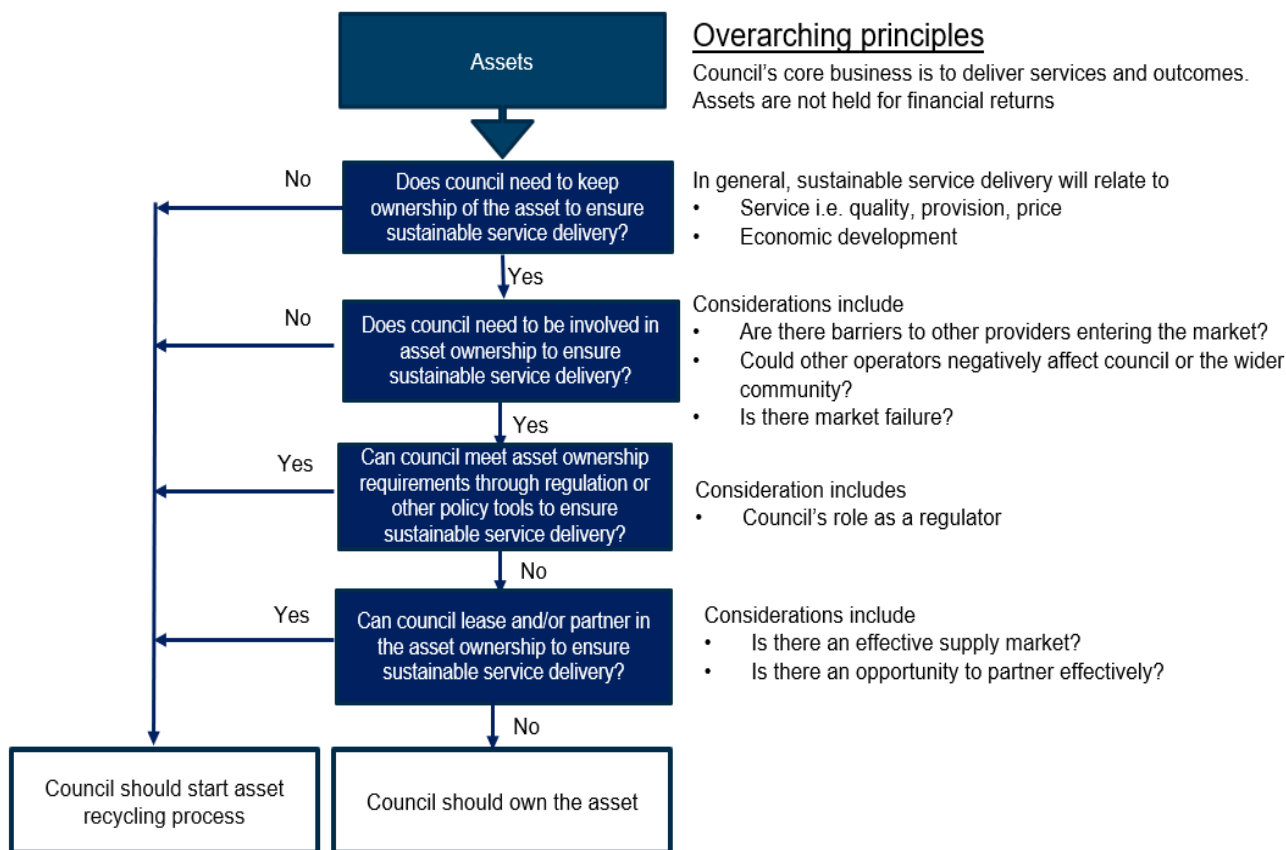


Figure 3 Asset ownership framework

20. The framework is made up of four key questions with principles to support each question.

Key question	Explanation
“Does council need ownership of the asset to ensure sustainable service delivery?”	Council should be able to clearly define its specific ownership/control imperatives for each asset and assess their materiality.
“Does council need to be involved in asset ownership to ensure sustainable service delivery?”	There are three considerations which are: market entering barriers, community impact, and market failure (see Figure 3). If council cannot meet the three considerations which are included in the framework or the considerations don't exist, council can achieve its ownership/control imperatives without ownership of the asset.
“Can council meet asset ownership requirements through regulation or other policy tools to ensure sustainable service delivery?”	In some cases, council minimise risks through its other regulatory functions. In other cases, these risks may be mitigated through government regulations.

Key question	Explanation
<p>“Can council lease and/or partner in the asset ownership to ensure sustainable service delivery?”</p>	<p>Equity partnering with other investors may be possible while still ensuring council’s ownership/control imperatives are met. There are investors who specialise in being long-term investors with local government that may introduce capabilities and capital that augment existing business plans and add values.</p>

21. By answering these questions, the council will act to either keep the asset or start the asset recycling assessment process to further analyse the best approach to optimise the asset’s value.
22. Auckland Council followed the overarching principle which is to ensure the council’s purpose is to deliver services and outcomes and aligns to the service prioritisation framework which was adopted by the Governing Body in 2022 and re-introduced to the Expenditure Control and Procurement Committee in February 2023. When a council-operated service is utilising a council-owned asset, it is recommended to use both frameworks to assess if council should continue the service, and if the council should keep the asset. A few scenarios are demonstrated below (see Figure 4).

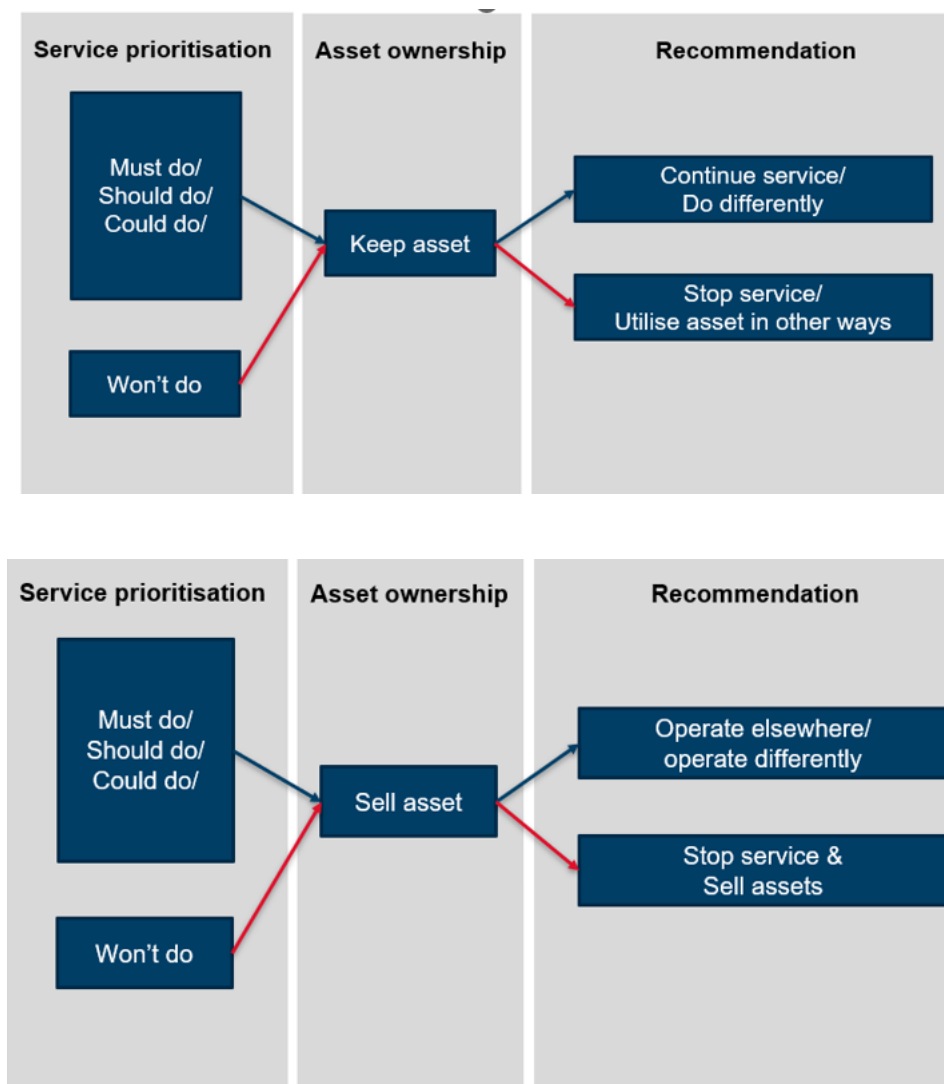


Figure 4 Scenario analysis

23. Auckland Council aims to use this framework to conduct an assessment for all council group assets starting with non-service assets. The framework will help to provide a consistent approach to reviewing council assets, reduce the number of approvers in the process, involve relevant stakeholders at the right time, and improve efficiency of the programme. This framework ensures elected members are provided a more holistic view of the assets to review and make decisions more efficiently. In the long term, this framework enables the council to achieve a more efficient balance sheet and use of capital, which will help to inform the next long-term plan.

Tauākī whakaaweawe āhuarangi **Climate impact statement**

24. The work programme has a neutral climate impact. It is uncertain what the potential future use of the assets will be. Therefore, the programme would analyse carbon emissions on a case-by-case basis. Sale of the properties could lead to land use changes. The council acknowledges that any form of construction and development can increase carbon emissions.
25. At the same time, the asset recycling programme provides funding for council to respond to climate impacts.

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

26. Asset recycling takes a group approach. Council and CCOs all identify potential opportunities, and, prior to any disposal, checks are made that council and the CCOs do not have an alternative use. It is also mentioned in the Mayoral Proposal that CCOs should support the council to underpin its property ownership decisions.
27. Future implementation of some solutions will require joint input from the council and the CCOs.

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

28. Local boards provided feedback on the asset recycling work programme during the Recovery Budget 2021-2031. Some local boards support asset recycling as a lever and some do not.
29. Auckland Council has not sought input from local boards in respect of the asset recycling update, but input is sought as each opportunity progresses.

Tauākī whakaaweawe Māori **Māori impact statement**

30. Māori have an active and specific role in Auckland, including kaitiakitanga (guardianship) of our land and marine resources. Land has a specific role in protecting, enabling, and building Māori social and cultural capital. Local marae, kohanga reo, and other Māori entities offer spiritual, cultural, as well as a range of social, educational, health and justice services for the community.
31. The importance of effective communication and engagement with Māori about land is understood. Eke Panuku has implemented a process to engage with mana whenua groups across the region. Each relevant mana whenua group is contacted independently regarding council-owned land subject to rationalisation and requested to give feedback. This provides mana whenua the opportunity to respond with any issues of cultural significance the group would like to formally express in relation to the subject properties.

Ngā ritenga ā-pūtea Financial implications

32. Capital receipts from asset recycling contribute to the Recovery Budget 2021-2031 by providing the council with an efficient use of capital and prioritisation of funds to achieve its activities and projects.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

33. There is a risk that the council may identify the need for a disposed asset in the future. This risk is considered low because the council will follow the asset ownership framework to carefully consider the needs for each asset. This provides confidence to the council that the assets are not required now nor in the future.
34. There is a risk over the short term that the slowdown in the property market delays the timing of some asset sales. The council will ensure the relevant stakeholders are involved in the asset recycling process to ensure transparency of the process and the asset's value for money.

Ngā koringa ā-muri Next steps

35. Auckland Council will continue to review assets via the asset ownership framework.
36. Auckland Council will update the Expenditure Control and Procurement Committee on the upcoming asset recycling opportunities.
37. Auckland Council will also seek decision-making on asset recycling opportunities through Governing Body or the appropriate committee.

Ngā tāpirihanga Attachments

There are no attachments for this report.

Ngā kaihaina Signatories

Author	Wendy Lawry - Senior Project Manager
Authorisers	Ross Chirnside - General Manager Value For Money Peter Gudsell - Group Chief Financial Officer

Expenditure Control and Procurement Committee Draft Forward Work Programme

File No.: CP2023/00584

Item 10

Te take mō te pūrongo

Purpose of the report

1. To whakaae / provide an update on the development of the Expenditure Control and Procurement Committee's forward work programme that will be presented in April for approval.

Whakarāpopototanga matua

Executive summary

2. This committee was established to assist the council to be cost effective and make financial savings. The committee will oversee proactive identification of money saving opportunities and consider the cost effectiveness of the governance, funding and delivery across the Auckland Council Group.
3. The full terms of reference can be found [here](#).
4. Areas of work are briefly described and identified as requiring either decision or direction. Where possible, likely timeframes for coming before the committee have also been identified.
5. The draft forward work programme (Attachment A of the report) is currently in development with the committee chair and will be updated and included on the committee's 18 April 2023 agenda for approval.

Ngā tūtohunga


Recommendation/s

That the Expenditure Control and Procurement Committee:

- a) tuhi ā-taipitopito / note the Expenditure Control and Procurement Committee draft forward work programme (Attachment A of the report) currently in development with the committee chair that will be finalised and included on the committee's 18 April 2023 agenda.

Ngā tāpirihanga

Attachments

No.	Title	Page
A 	Expenditure Control and Procurement Committee - Draft Forward Work Programme	

Ngā kaihaina

Signatories

Author	Duncan Glasgow - Kaitohutohu Mana Whakahaere / Governance Advisor
Authoriser	Peter Gudsell - Group Chief Financial Officer

Summary of Expenditure Control and Procurement Committee information memoranda and briefings – 21 March 2023

File No.: CP2023/00606

Item 11

Te take mō te pūrongo

Purpose of the report

1. To whiwhi / receive a summary and provide a public record of memoranda or briefing papers that may have been distributed to the committee.

Whakarāpopototanga matua

Executive summary

2. This is a regular information-only report which aims to provide greater visibility and openness and transparency of information circulated to committee members via memoranda/briefings or other means, where no decisions are required.
3. The following memos were circulated to members of the committee:

Date	Subject
14/3/2023	Auckland Council Group activity overview

4. The following workshops/briefings have taken place for the committee:

Date	Subject
21/2/2023	Confidential Briefing: Auckland Council operational expenditure

5. This document can be found on the Auckland Council website, at the following link:
<http://infocouncil.aucklandcouncil.govt.nz/>
6. Note that, unlike an agenda report, **staff will not be present to answer questions about the items referred to in this summary.** Members should direct any questions to the authors.

Ngā tūtohunga


Recommendation/s

That the Expenditure Control and Procurement Committee:

- a) whiwhi / receive the Summary of Expenditure Control and Procurement Committee information memoranda and briefings – 21 March 2023.

Ngā tāpirihanga

Attachments

No.	Title	Page
A 	Memo - Auckland Council Group activity overview	

Ngā kaihaina

Signatories

Author	Duncan Glasgow - Kaitohutohu Mana Whakahaere / Governance Advisor
Authoriser	Peter Gudsell - Group Chief Financial Officer

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

That the **Expenditure Control and Procurement 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: Council Group Insurance Renewal 2023-2024**

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
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.	s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. In particular, the report contains details of the proposed insurance strategy, policies and programme for which terms and costings are being sort from and negotiated with the insurance market.	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.

C2 **CONFIDENTIAL: Service Prioritisation Framework - Outsourcing Opportunities**

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
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.	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. In particular, the report contains commercial figures and costs.	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.

C3 CONFIDENTIAL: Asset recycling programme update

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
<p>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.</p>	<p>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p> <p>In particular, the report contains commercial information on council assets. This may prejudice council's commercial position and future negotiations.</p>	<p>s48(1)(a)</p> <p>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.</p>