

**Date:** Tuesday, 18 June 2024  
**Time:** 10.00am  
**Meeting Room:** Room 1, Level 26  
**Venue:** 135 Albert Street  
Auckland

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## **Komiti mō te Moni Whiwhi, mō te Whakapaunga me te Uara / Revenue, Expenditure and Value Committee**

### **OPEN ATTACHMENTS**

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**Komiti mō te Moni Whiwhi, mō te Whakapaunga me te Uara / Revenue, Expenditure and Value Committee**  
**Forward Work Programme 2024**

This committee deals with assisting the council to be cost effective and make financial savings. The full terms of reference can be found here: [Auckland Council Governing Body Terms of Reference](#)

Area of work and Lead Department	Pūnga / Reason for work	Committee role (whakatau / decision and/or tika / direction)	Expected timeframes Highlight the month(s) this is expected to come to committee in 2024												
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
<b>Group Insurance</b>															
<b>Insurance Strategy and Placement</b> Risk and Assurance	Approve insurance strategy and then note outcomes	Approve high level insurance strategy and delegate final approval to Group Chief Financial Officer (March) <a href="#">link to decision</a>  Note annual insurance placement outcome (August)													
<b>Service optimisation and reviews of value/ effectiveness/ performance</b>															
<b>Service and financial performance reviews</b>	The committee has responsibility for reviewing outcomes and value obtained for spend as well as conducting reviews of the service and financial performance of individual council and CCO departments.	Parks and Community Facilities - to undertake a service and financial performance review <i>Confidential workshop held 27 March 2024.</i>													
		To undertake a review of unfunded policies and mandates <i>Confidential workshop held 17 April 2024.</i>													
<b>2023-2024 Full Facilities Contractors' Performance</b> Parks and Community Facilities		To receive an annual update on supplier performance under the Parks and Community Facilities arboriculture services, ecological services, and full facilities maintenance. <a href="#">Link to decision</a>													
<b>Savings updates</b>															
<b>Savings updates</b>	Quarterly savings update	Quarter 2 – March – <a href="#">link to decision</a> Quarter 3 – May – via memo 24 May 2024 Quarter 4 – August													
<b>Value for Money programme</b>															

Item 9

Attachment A

Item 9

Area of work and Lead Department	Pūnga / Reason for work	Committee role (whakatau / decision and/or tika / direction)	Expected timeframes Highlight the month(s) this is expected to come to committee in 2024												
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Section 17A reviews Value for Money	Council has a legal obligation under section 17A to review the cost-effectiveness of the delivery of our services	S17A Review of Pools and Leisure: Decision on the management contracts for the delivery of Pools and Leisure <i>Confidential workshop held 15 May 2024.</i>													
		Update on the service review work: Direction on the pipeline of the services being reviewed and any changes/additions													
<b>Procurement</b>															
Healthy Waters	Healthy Waters North maintenance contract variation	Decision: Approval of variation to add contingency for future years													
Healthy Waters	Healthy Waters - Small Water and Wastewater maintenance Procurement	Decision: Approval of Procurement Plan for regional SWWS contracts for 5+3 years													
ICT	Investment into "fit for purpose" future technology.	Decision: Request approval on the procurement plan detailing the investment strategy.													
Variation Kalista Ltd integrated waste collection contracts	Variation to waste collection contracts – contractually required to implement previous council decisions	Decision – To approve the variation													
Variation Waste Management NZ Ltd integrated waste collection contracts	Variation to waste collection contracts – contractually required to implement previous council decisions	Decision – To approve the variation													

Attachment A

**Completed**

Area of work and Lead Department	Committee role	Whakatau / Decision
Variation Northern Environmental Limited integrated waste collection contracts	Decision to approve the variation to waste collection contracts	C1 CONFIDENTIAL: Variation to integrated waste collection contracts <a href="#">Link to decision</a>



## Memorandum

22 April 2024

**To:** Revenue, Expenditure and Value Committee  
**Subject:** Section 17A Service Review - Holiday Parks Update  
**From:** Chantelle Subritzky, Head of Value for Money

### Purpose

1. To provide an update on the Holiday Parks Section 17A service review following local board decisions on an unsolicited bid.

### Summary

2. Auckland Council owns and operates three holiday parks situated in Rodney Local Board and Hibiscus and Bays Local Board areas.
3. A Section 17A review of holidays parks was undertaken in 2021 and a procurement process was completed by 2023 to validate whether there were viable alternative delivery models. There were no feasible offers during the procurement process to justify a change in the service delivery model.
4. In September 2023, an unsolicited bid from a third party provider who participated in the original procurement process was received.
5. The revised bid could see the council \$4.2 million better off over the initial 10-year period should projections for the scenarios be met, and final negotiations not reduce the expected return to council.
6. In March 2024, both of the local boards resolved to cease all further negotiations with the third party provider. Their resolutions were based on the local boards wanting to continue to determine community and recreational outcomes in parks. This included influencing fee reviews for annual concession sites and boat/trailer parking, prioritizing fair market rates for concession turnover and maintaining a classic kiwi camping experience for all users.
7. No further action will be taken in finding alternative service delivery options for holiday parks until the next service review as required by legislation.

### Context

8. Auckland Council currently owns and operates three holiday parks: Martins Bay Holiday Park, Whangateau Holiday Park, and Orewa Beach Holiday Park.
9. All of the holiday parks are located on Crown owned land classified as recreation reserves, subject to the Reserves Act 1977. Although the holiday park assets are regionally funded, the local boards are the decision maker for leases on a reserve. Entering into a commercial lease would change the revenue type from regional to local and any net savings/revenue uplift would contribute to funding for local asset-based decisions.

10. Following a Section 17A service review in 2021, a Request for Information (RFI) and a Request for Proposal (RFP) was completed by 2023 to validate whether there was an alternative delivery models for the three holiday parks.

#### September 2023 unsolicited bid - process

11. In September 2023, council received an unsolicited bid from a third-party provider (who participated in the original RFP). This was significantly more favourable than the bids that were received and negotiated as part of the original RFP process.
12. An assessment of the initial bid was tested regarding who would be responsible for some assets and some categories of expenditure. This saw variable rent component reduce from 10% to 7.5% and only being payable from year 2 onwards.
13. An assessment of the revised bid and proposal was undertaken and reports were taken to the Rodney and Hibiscus and Bays Local Boards to seek their approval to continue negotiations on the offer from the third-party provider.
14. The bid was kept confidential until direction could be received from the local boards on whether to pursue the opportunity.
15. At the March 2024 meetings for both the Rodney and Hibiscus and Bays Local Boards, they resolved to cease all further negotiations. Both Local Boards wanted to shape ongoing community and recreational outcomes in parks by influencing fee reviews for annual concession sites and boat/trailer parking, prioritizing a fair market rate for concession turnover accessible to all, and maintaining a classic kiwi camping experience for all users as a key priority.
16. Following these decisions, in April 2024 staff notified the supplier of the failed bid and began informing holiday parks staff.

#### September 2023 unsolicited bid - commercials

17. The proposal was from a commercial provider for management of all three holidays parks. The revised bid was:
  - fixed rent \$2.0 million per annum + revenue share @ 7.5 per cent, with revenue share payable from year 2 onwards and a \$6 million contribution to capital improvements across the three parks.
  - The lease term was for 10 years with two rights of renewal for a further five (5) years each.
18. If the third party had met their revenue projections, the proposal would have seen a NPV<sup>1</sup> of \$12.2 million over 10 years compared to if the holiday parks continued to be managed by council where the NPV would have been \$8 million over 10 years.
19. The revised bid from the third party could see the council \$4.2million (\$12.2 million (outsourced) vs \$8 million (insource)) better off over the initial 10-year period should projections for both scenarios be met.
20. In addition, the proposal of outsourcing holiday parks is aligned with the strategic objective of assessing the role that council needs to play in service delivery – holiday parks is a service Auckland Council “could” provide rather than “must” or “should” and therefore opportunities to find another way of delivering the service (if still required by the community) should be explored.
21. As part of the long-term process staff will recommend to the Budget Committee that the budgets relating to the three holiday parks be moved from the current regional budget to the relevant local budget to align with the decision-making responsibility.

<sup>1</sup> Net Present Value (NPV) is a financial metric that represents the difference between the present value of cash inflows and the present value of cash outflows over a period of time.

#### Next steps

22. No further action will be undertaken on Holiday Parks until the next service review as per legislative requirements.
23. Staff will continue to explore other delivery alternatives for council services to ensure that savings targets are met.

#### Attachments

**Attachment A:** Outcome of the Holiday Parks Business Delivery Model Review, memo to local boards – July 2023







## Memorandum

24 May 2024

**To:** Revenue, Expenditure and Value Committee

**Subject:** Auckland Council savings progress for the quarter ended 31 March 2024

**From:** Brian Chan, Acting General Manager Financial & Business Performance  
Nicole Heng, Senior Finance Advisor – Programmes

**Contact information:** [brian.chan@aucklandcouncil.govt.nz](mailto:brian.chan@aucklandcouncil.govt.nz)  
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## Purpose

1. To provide an update on the progress towards meeting the \$50 million savings target for Auckland Council for 2023/2024 financial year.

## Summary

2. The Governing Body decision-making on the 2023/2024 Annual Budget included an additional \$32.8 million enduring operating savings target for Auckland Council. This target was on top of the existing \$90 million savings target, of which \$17.2 million was still to be achieved in the 2023/2024 financial year as at June 2023.
3. The adopted final 2023/2024 Annual Budget therefore includes a revised enduring savings target for Auckland Council of \$50 million per annum over the remaining term of the 2021-2031 Long-term Plan.
4. At 31 March 2024, Auckland Council has achieved \$50.4 million (101 per cent) towards the \$50 million savings target for the 2023/2024 financial year, thereby fully achieving the \$50 million savings target for the 2023/2024 financial year.
5. \$6.7 million was achieved during the third quarter through the delivery of agreed initiatives in the Annual Budget 2023/2024, including improved commercial terms, further detailed budget reviews, expenditure falling below budget including from staff vacancies due to careful financial management, delays in capital projects resulting in delayed consequential operating costs.
6. The organisation continues to progress a pipeline of enduring savings through detailed budget reviews, procurement contract negotiations, continuous improvement projects such as improved cash handling, grants administration, system upgrades, the simplification programme including robotic processing automation, and implementation of functional leadership principles to consolidate similar functions.
7. Progress against the savings target is reported quarterly to the Governing Body as part of the quarterly performance reporting and monitored monthly by the Executive Leadership Team for progress, risks and opportunities.

## Context

8. In June 2023, the Governing Body agreed a mix of levers for the 2023/2024 annual budget to close the estimated \$325 million operating budget gap. This mix of financial levers included rates increases, increasing fees and user charges, the sale of some of the council's Auckland International Airport shares to reduce interest costs, modest use of additional debt and operating cost savings.

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9. The additional \$32.8 million operating spend reduction savings target was set for Auckland Council and the resolution is listed as follows (resolution number [GB/2023/100](#)):

...

**Operating spending reductions**

- ii) **additional operating savings of \$33 million for Auckland Council including:**
- A) **\$7.9 million of reductions for regional services**
  - B) **\$1 million of estimated savings from withdrawing from the direct provision of early childhood education services as a regional service, acknowledging strong local support for some of council's current Kauri Kids centres and allowing for those centres to continue to operate as local services sitting with local boards, in discussion with relevant local boards and communities**
  - C) **\$3 million from changes to fees and charges**
  - D) **\$12 million of reductions under existing delegations to the Chief Executive**
  - E) **\$4 million of reductions to local board funding**
  - F) **\$5 million of unallocated savings to the Chief Executive**
- ...
10. This was on top of the existing \$90 million savings target, of which \$17.2 million was still to be achieved as at June 2023.
11. The adopted final Annual Budget 2023/2024 therefore includes a total remaining operating savings target for Auckland Council of \$50 million per annum over the remaining term of the 2021-2031 Long-term Plan (LTP).
12. Some reductions were specifically decided by the Governing Body and may have an impact on some services that council currently delivers, such as the withdrawal from the direct provision of early childhood education (ECE) services on a regional basis.
13. Savings targets under the delegation of the Chief Executive focus on efficiencies without material changes to service levels to the community.
14. There are a pipeline of initiatives underway that deliver savings and efficiencies including:
- Procurement – reducing contract spend with third parties through negotiating better terms for the council.
  - Functional leadership project – centralising and reducing internal support functions, leveraging capability and capacity more efficiently, e.g. centralisation of software purchasing and management.
  - Simplification programme – improving the efficiency of processes by leveraging robotic processing automation and consolidating transactional services across the organisation, e.g. automating the transfer of data between systems for licensing and regulatory compliance activities.
  - Revenue project – identifying new or growing existing revenue opportunities to improve non-rates revenue.
  - Prudent financial management – a strong focus on costs through a culture of questioning and challenging expenditure, reviewing and evaluating budgets and other finance-related transactions, e.g., zero-based budgeting on targeted areas and review of targeted expenditure lines.



15. The savings target relates to operating expenditure. It excludes any benefits related to capital works and cost avoidance. These benefits are tracked separately.

### Discussion

16. In the third quarter ended 31 March 2024, \$6.7 million of savings have been realised through the initiatives below:

**Operating spending reductions of \$1.5 million implemented through delivery of agreed initiatives per the Annual Budget 2023/2024:**

- \$0.6 million of reductions from a reduction of “other regional services”.
  - \$0.7 million from additional food licensing revenue from increasing fees and charges.
  - \$0.2 million further savings from the consolidation of corporate office space across the Auckland Council Group.
17. \$0.6 million of savings in consequential operating budget has been achieved towards the “other regional services” reduction, resulted from delays in Randwick Park House and libraries projects, and some programmes being delivered for less than the budget allowed.
  18. A further \$0.7 million of net revenue improvement from increased fees and user charges in the food licensing area. A \$0.1 million enduring improvement to commercial leasing revenue has also been confirmed by the service delivery team, with benefit realisation from May 2024.
  19. Savings of \$0.2 million have been achieved towards the group shared services target through the consolidation of corporate office space across the Auckland Council Group with the re-location of Waitemata Local Board to the Auckland Town Hall and surrender of existing lease arrangements. Accumulated savings of \$1.3 million have been achieved over the remainder of the current LTP term.
  20. In relation to the remaining savings targeted from a reduction in group strategy and planning activities, no further financial benefits are expected this financial year. Work remains underway to simplify the strategy and planning approach across the council group.
  21. One-off savings and cost reductions are currently mitigating delays and shortfalls from permanent savings anticipated in the identified savings initiatives outlined above. Further permanent and one-off savings are expected to be identified through the existing savings programme, such as quarterly reviews of spending versus budget.

**Update on savings from the withdrawal of the direct provision of Early Childhood Education services on a regional basis**

22. At an additional business meeting on 2 May 2024, the Howick Local Board made a decision to continue the operation of the Howick Kauri Kids early childhood education centre until 30 September 2024 while negotiations continue with third-party providers to potentially take over the service. Kaipātiki Local Board has made a decision to utilise the spaces vacated by Kauri Kids as community leases minimising the anticipated rental income.
23. The updated ECE service financial review based on the latest local board decision-making showed that no operating savings are expected until the 2025/2026 financial year due to existing costs and potential redundancy costs in the next financial year.
24. Savings from exiting the direct provision of ECE services were estimated at \$1.0 million per annum. These enduring savings are partially at risk due to the fixed nature of some overhead costs requiring further action and a longer timeframe to realise, and the delayed realisation of anticipated commercial lease revenue from vacated ECE premises attached to Leisure Centres which are subject to an ongoing service review, staff capacity and local board decisions.



**Reductions of \$5.2 million under delegation to the Chief Executive:**

- \$0.1 million of procurement savings through favourable negotiation of the citywide tree planting and post-planting maintenance contract.
  - \$5.1 million one-off saving from expenditure remaining below budget for the financial year-to-date through careful financial management. Examples include: staff cost budget not spent in the third quarter due to vacancies not filled; professional services, outsourced works and services and other expense savings resulting from a detailed forecast of work programmes compared to the budget allowed.
25. Procurement savings are primarily achieved by reducing operating contract spend with third parties through negotiating better terms for the council. Through the negotiation of the citywide tree planting and post-planting maintenance contract \$0.1 million of pro rata savings has been achieved for the current financial year and \$0.3 million of savings per annum has been achieved across the next two financial years.
  26. Further staff costs savings were realised in the third quarter due to careful financial management and difficulties in filling some specialist roles, particularly engineering, sustainability, and information technology. This under-resourcing is however placing pressure on the delivery of services and programmes and in some cases additional outsourcing is required, such as in Building Consents, Resource Consents and Planning.
  27. Other one-off savings have been driven by a continued focus on cost control and detailed budget reviews. They include savings from actual expenditure being below budget at the end of the third quarter captured by a reduction in operational budgets through to the end of the financial year.
  28. Of the \$6.7 million savings achieved in quarter three, \$6.4 million is from one-off expenditure reductions and \$0.3 million from enduring cost reductions.
  29. It remains challenging to find enduring cost reductions that contribute to future years' savings targets, particularly procurement savings targets given the current inflationary environment for goods, services and labour as well as the previous focus on cost constraint and savings.
  30. Some savings initiatives are also subject to political decision making which may impact on the timing and extent to which anticipated savings can be implemented. Council however remains committed to achieving these savings targets through its ongoing savings programme.
  31. A one-page summary of the Auckland Council savings programme as at 31 March 2024 is included as Attachment A to this report.

**Next steps**

32. The next progress update will be provided after the council's quarter four results are finalised.

**Attachments**

Attachment A: Auckland Council savings programme overview as at 31 March 2024.































