

I hereby give notice that an ordinary meeting of the Revenue, Expenditure and Value Committee will be held on:

**Date:** Tuesday, 18 February 2025  
**Time:** 10.00am  
**Meeting Room:** Room 1, Level 26  
**Venue:** Te Wharau o Tāmaki - Auckland House  
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 ADDENDUM AGENDA

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#### MEMBERSHIP

<b>Chairperson</b>	Cr Desley Simpson, JP
<b>Deputy Chairperson</b>	Cr Greg Sayers
<b>Members</b>	Cr Chris Darby
	Cr Julie Fairey
	Hokura Member Tony Kake, MNZM
	Cr Kerrin Leoni
	Cr Daniel Newman, JP
	Cr Sharon Stewart, QSM
	Hokura Chair David Taipari
	Cr Ken Turner
	Cr Maurice Williamson
<b>Ex-officio</b>	Mayor Wayne Brown

(Quorum 6 members)

**Sonja Tomovska**  
Kaitohutohu Mana Whakahaere Matua / Senior  
Governance Advisor

**17 February 2025**

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## Better Value Projects - update and programme scope

File No.: CP2025/00667

### Te take mō te pūrongo

#### Purpose of the report

1. To update the Revenue, Expenditure and Value Committee on the Better Value Projects programme which is the scope of activity underway that responds to the direction regarding procurement and effective spending improvements set by the Budget Committee as part of the Annual Budget 2025/2026 process.

### Whakarāpopototanga matua

#### Executive summary

2. Reflecting concerns expressed from both the public and elected members, the mayoral proposal for the Annual Budget 2025/2026 called for change to how we procure and effectively spend ratepayers' money, particularly on capital projects. The mayoral proposal challenges the council group to:
  - deliver right-sized and cost-effective investment that responds to the problem being solved or the number of people that will benefit
  - be able to 'proactively' respond to technological and societal changes that impact how the public use our services and/or infrastructure
  - make our processes more effective and efficient so that suppliers find us easier to work with and costs are minimised
  - measure success of investment delivery on the value or outcomes achieved rather than on the level of capital budget spent.
3. The mayoral proposal noted that the chief executive has acknowledged these challenges and established a small team to drive improvements across the group. An expectation was set that improvements in this area should be reported to the Revenue, Expenditure and Value Committee by March 2025.
4. In response to the mayoral proposal, the Budget Committee requested that the chief executive provide further advice on an updated approach to group procurement.
5. This report provides an update on the scope of the procurement and effective spending improvements programme that is being explored under the chief executive's instruction, with this programme currently being referred to as the Better Value Projects programme. It sets out the process staff will follow, key areas of focus and the next steps for reporting progress to the Revenue Expenditure and Value Committee from March 2025.
6. To provide structure and focus to this programme, staff are currently organising their work around ten key propositions. Making change in these ten areas will make the biggest difference to improving the value that ratepayers receive from the council procuring and delivering capital projects. Work is underway to validate each proposition, and then design and implement the process changes that will make the biggest impact in each area. There are known quick wins which are being progressed now. The ten propositions are:
  - Increase use of standard designs
  - Factor in past supplier performance
  - Setting maximum prices
  - Focus on local suppliers
  - Streamline processes and remove barriers

- Early problem definition and robust value assessment
- Rightsizing our investment
- Manage consultation and consultancy carefully
- Independent assessment
- Continuous value assessment

7. In progressing this programme, we need to make sure that the improvements are practical and informed by learnings from real world case studies. Changes will need to be implemented in a way that does not impact our ability to get on and deliver for Auckland.

## Ngā tūtohunga Recommendation/s

That the Revenue, Expenditure and Value Committee:

- a) tuhi tīpoka / note that the Mayoral Proposal for the Annual Budget 2025/26 identified improving how Auckland Council procures and effectively spends ratepayers' money (particularly on capital projects) is an area where change is needed and that improvements in this area should be reported to the Revenue, Expenditure and Value Committee by March 2025.
- b) tuhi tīpoka / note the Budget Committee on 4 December 2024 as part of the Annual Budget 2025/2026 process resolved to request further advice in 2025 on an updated approach to procurement as outlined in the Mayoral Proposal (Resolution [BCCCC/2024/14](#)).
- c) tuhi tīpoka / note that staff are providing this preliminary progress update ahead of the March date set out in the Mayoral Proposal.
- d) tuhi tīpoka / note the Auckland Council Chief Executive has established a programme to drive improvements in procurement and effective spending known as the Better Value Projects programme
- e) tuhi tīpoka / note the scope of the Better Value Projects programme outlined in this report
- f) tuhi tīpoka / note that staff will continue to report to the Revenue, Expenditure and Value Committee from March on progress with this programme including reporting on the how insights from the analysis of case studies of identified projects will inform process improvements.

## Horopaki Context

8. The Auckland Council group (council group) has \$39 billion of capital expenditure planned over the first ten years of the long-term plan. We must get value for money from this expenditure, so that our resources will go further, and we can deliver more for Aucklanders.
9. The council group grapples with concerns expressed by the public and elected members about spending quality and confidence in our ability to focus effectively on value for money. High inflation and interest rates over recent years have contributed to affordability challenges and cost of living pressures for Aucklanders further impacting the acceptability of council spending.
10. Increasing trust and confidence that we are delivering value for current and future residents is a key goal within our Financial Strategy contained in the Long-term Plan 2024-2034 so it is essential that every dollar we spend provides value for money.
11. On 4 December 2024, the Budget Committee considered the mayoral proposal as part of the 2025/2026 annual budget process. Reflecting the concerns expressed from both the public and elected members, the mayoral proposal specifies that improving how we procure and effectively spend ratepayers' money (particularly on capital projects) is an area where change is needed. The challenge the mayoral proposal sets is outlined in paragraph 2.

12. The chief executive has acknowledged these challenges. A small in-house team of senior leaders has been established to drive improvements across the group. An expectation was set that improvements in this area should be reported to the Revenue, Expenditure and Value Committee by March 2025.
13. The mayoral proposal further noted the expectations of this work to include:
  - asset management improvements
  - introduction of minimum viable solutions
  - review of council group design standards
  - streamlining end-to-end capital delivery and procurement processes
  - limiting the use of design consultants in the project initiation phases
  - exploring opportunities to procure from local suppliers and the role of local boards
  - measuring and monitoring the effectiveness of expenditure
  - making greater use of business casing and cost benefit analysis.
14. In response to the mayoral proposal, the Budget Committee requested the chief executive provide further advice on an updated approach to group procurement as outlined above (Resolution number [BCCCC/2024/14](#)).
15. This report provides an update on the scope of the procurement and effective spending improvements programme that is being explored under the chief executive's instruction, with this programme currently being referred to as Better Value Projects. It sets out the process staff will follow, key areas of focus and the next steps for reporting progress to the Revenue Expenditure and Value Committee from March 2025.

## Tātaritanga me ngā tohutohu Analysis and advice

16. Through the Long-term Plan 2024-2034, council has already implemented new mechanisms for controlling and prioritising our expenditure and increasing transparency and financial accountability. These include:
  - **Fixed nominal baseline budgets:** initial assumption of no increase to operating budgets from the preceding year. This encourages the council group to continue to seek out savings to offset the inflationary cost pressures they are facing. This approach is already being used in developing the Annual Plan 2025/2026.
  - **Advice on new expenditure:** All advice to elected members on spending decisions will seek to weigh costs and benefits and be subject to contestable advice (i.e. advice provided to elected members which is separate from the department asking to spend the money). This includes understanding and assessing non-financial benefits and taking a whole of life approach to costs and benefits. For higher value expenditure full business case applies.
  - **Transparency and financial accountability:** The council will report financial and nonfinancial information (such as services or deliverables) for each area of the group. The council has a programme in place to make this information available to elected members and participate in a programme of regular reviews through this committee. This has been implemented for the Long-term Plan 2024-2034 and the Annual Plan 2025/2026 processes with the provision of service profiles for all areas of the council and council-controlled organisations (CCOs).

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17. The work of the Better Value Projects programme is currently underway and will complement these practices by investigating, designing and implementing process improvements specifically focused on how the organisation procures and delivers capital projects (as well as some opex projects). The scope of the programme reflects the matters from the mayoral proposal set out above, as well as additional ideas that been put forward by relevant staff from across the organisation.
18. Some of the key observations that have emerged from the cross-council team’s work so far include:
  - quick wins have been identified that will be implemented in the short term without creating risk to medium to long term initiatives
  - there is an opportunity to test new ways of working in a local government shared governance context and these will be explored
  - the role of Local Boards in commissioning capex programmes is an important factor in understanding process and delivery improvement
  - the Group Procurement Policy is also a mechanism to drive change, alongside the development of Group Guidelines to support practice
  - there are a range of complex drivers of the current outcomes and there is no one “silver bullet” to address the problem. Making a significant difference will requires a mix of solutions working together to address the various issues
  - there are some key barriers and constraints that are currently preventing better outcomes and addressing these will make a big difference
  - there are many examples of both good and bad projects outcomes across the council group, and invaluable lessons to be learnt from those examples.
19. To provide structure and focus to this programme, staff are currently organising the programme around the ten propositions set out in Table 1 below. It has been suggested that making change in these ten areas will make the biggest difference to improving the value that ratepayers receive from the council procuring and delivering capital projects. Further work is required to validate each proposition, and then design and implement the process changes that will make the biggest impact in each area.

**Table 1: Ten work programme propositions**

Proposition	Description
<b>Increase use of standard designs</b>	<p>Increase the use of standard, repeatable or modular designs, including for frequently required infrastructure such as stairs and toilets.</p> <p>Standard designs are useful cost savers as designs do not need to be replicated again and again and design elements can be replicated with small changes if not fit for purpose.</p>
<b>Factor in past supplier performance</b>	<p>Strengthening supplier performance management in contracts, including factoring in evaluation of past supplier performance in recommended award of future contracts, frequency of variation requests or scope changes, and costs increases due to over-specified designs.</p>



Table 1: Ten work programme propositions	
	<p>Ensuring that a contractor's past performance is assessed so that high performing suppliers can be reused and low performing suppliers are not.</p> <p>A new contract management module being implemented (go-live planned for 31 March 2025) as part of the Source to Contract system will help support this.</p>
<b>Setting maximum prices</b>	<p>Explore whether having a maximum project price envelope inform the design/scoping phase can help manage higher than expected costs emerging through procurement processes. This needs to be supported by increased maturity in our supplier relationships and better communication and transparency around our project budgets and affordability with our suppliers.</p>
<b>Focus on local suppliers</b>	<p>We are working to test and evaluate the use of smaller and more local providers to establish cheaper approaches to aspects of our capital programme delivery. In addition, approaches to driving more value through our larger suppliers, through levers like pricing transparency are being evaluated. This works aligns to both the Group Procurement Strategy review and renegotiation of P27 'Te Ara Hura' full facilities maintenance contracts.</p> <p>Amotai focuses on supplier diversity which includes Māori and Pasifika businesses. They have a proven track record for meeting value for money criteria and identifying what is working well.</p>
<b>Streamline processes and remove barriers</b>	<p>Our own design standards, compliance requirements, risk management and resource consent conditions and processes can add cost and time and reduce value unnecessarily both for ourselves as council and our suppliers. We are already starting to challenge and streamline these requirements across the council group.</p> <p>Our design standards and design review processes are being reviewed to ensure that we do not lose sight of a functional outcome that delivers on core requirements rather than all of the 'nice to haves'.</p> <p>Some compliance elements are more difficult to change and may require a wider approach to reform.</p>
<b>Early problem definition and robust value assessment</b>	<p>All projects need to have a clear problem definition statement and a robust value assessment before any substantial design work is undertaken and before commissioning or procurement work. Sometimes the outcome of this may be that nothing is required to be procured.</p> <p>Whilst value assessments are already part of the required process, we should take the opportunity to ensure their reliability and robustness by not committing to significant amounts of spending until we have clear answers to questions such as:</p> <ul style="list-style-type: none"> <li>• do all relevant stakeholders agree what the problem is we are trying to solve?</li> <li>• what will it cost to build and maintain (whole of life costs)?</li> </ul>

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Table 1: Ten work programme propositions	
	<ul style="list-style-type: none"> <li>• have we got acceptance on the costs and benefits from the stakeholders?</li> <li>• are there non-built solutions (e.g. demand management or optimisation of the existing system) as a more efficient alternative to new capital spend?</li> <li>• what value/output will it bring?</li> </ul>
<b>Rightsizing our investment</b>	<p>Using the following approaches to apply sufficient rigour to our investigation, scoping and design work to avoid unnecessary cost:</p> <ul style="list-style-type: none"> <li>• using the notion of 'minimal viable product' (including do nothing) in our approach to enable the identification of any aspects of scope that exceed the minimum, including our assumptions on future demand. Minimum viable products will need to reference resilience, design life and criticality and will vary across different asset classes and may not be appropriate in every scenario. To be applied generally, minimal viable products should be integrated into asset management planning.</li> <li>• explore philanthropic, corporate sponsorship and community fundraising to pay for additional costs beyond the "minimum viable product" funded by the council.</li> <li>• as part of a procurement plan options assessment, consider increased use of design and build contracts before procuring an engineer or architect for a project, particularly where functionality is more important than achieving the highest possible design quality and a high degree of cost certainty is wanted. Need to identify project(s) to apply this contract approach to as a pilot that we can learn from.</li> <li>• options for delivering the outcomes of a project need to be considered as part of business cases, with a particular emphasis on the identification of low/lower cost alternatives that still achieve at least the core elements of a design solution. Whole of life costs and clear benefits (supported by a cost-benefit analysis where required) are important here.</li> <li>• design our tender documents and supplier selection methods so that tenderers are invited and incentivised to submit bids, including alternative bids, which can achieve our functional requirements more cost-effectively, even if they do not strictly conform with our other specifications. We need to invite tenderers to challenge us more and incentivise consultants and contractors to provide cheaper solutions and/or value for money elements/options.</li> </ul>
<b>Manage consultation and consultancy carefully</b>	<p>As well as better control of the early commissioning and scoping aspects of projects, we need to carefully manage the impact of engagement processes, community aspiration, architectural flair and design, and consulting inputs that inflate scope and costs, as design proceeds.</p> <p>At inception, projects are often quite functional but then as they go through subsequent processes, 'extras' are often added, and the final project can be quite different from the starting point. We will look to manage this through:</p>

Table 1: Ten work programme propositions	
	<ul style="list-style-type: none"> <li>• using our internal staff capability for a greater proportion of design and project work instead of consultants. This may involve increasing the amount of internal resource, to reduce our reliance on more expensive, external capability. Linked to this, we should also review our use of quantity survey (QS) resource, both internal and external as well as the intellectual property that we have built up in this regard in relation to other capital projects.</li> <li>• using local board plans, annual planning and concept planning processes (that are already in place and have been consulted on) and keeping further engagement and feedback opportunities to essential requirements. Consideration of the multiple stakeholders within our complex local government setting (i.e. local boards, ward councillors, management, iwi/mana whenua) will need to be worked through.</li> <li>• constraining the use of professional services to a necessary minimum.</li> <li>• establishing regular key supplier/partner briefings where senior council leaders are able to communicate our expectations (e.g. the need to show value for money for every ratepayer dollar; move toward minimal viable products with low operational, maintenance and ownership costs for the council) and their opportunity face-to-face and then ongoing communication to reinforce. Focus initially on Tier 1 and Tier 2 suppliers. Auckland Transport have a model in place already for this: bi-annual 'Partner Briefings', that could be replicated by council.</li> </ul>
<b>Independent assessment</b>	<p>The group budget responsibility and transparency rules included within the Long-term Plan 2024-2034 require all advice to elected members on spending decisions to include contestable advice. The council has introduced further independent reviews of business cases for projects or initiatives with an expected cost/investment of \$5 million or more, commensurate with its risk profile. Group Strategy and Financial Strategy who are independent from the development of this advice will report (by way of separate commentary) outcomes of their independent review within decision reports for management, committees and boards. Where projects are part of a broader programme, then the investment decision can sensibly be based on the whole programme.</p>
<b>Continuous value assessment</b>	<p>We have a professional obligation to assess value at all stages in the life cycle of projects. And more so, if there are any question marks about cost, and value - or even if, on balanced judgement, there might be a basis for public criticism of project costs staff can and should escalate a go/no go decision to committees or local boards to ensure governors are aware of concerns and so commitments/contracts are subsequently entered into with political endorsement - or stopped and revisited if elected members agree with those concerns. This may involve revisiting cost/benefit analysis that has been undertaken earlier in the project lifecycle.</p>

20. This is not about applying a one-size-fits-all approach as it is recognised that some of these measures might work well for some asset classes and not for others. The complexity in our capital works project commissioning, design, procurement, stakeholder management and governance reflect that each asset class portfolio has its own considerations, cost drivers, risks and challenges that need to be considered as we work to investigate implementation of these approaches.

### **Tauākī whakaaweawe āhuarangi Climate impact statement**

21. Throughout its lifecycle, capital infrastructure is a significant contributor to greenhouse gas (GHG) emissions in Tāmaki Makaurau. Infrastructure has an important role to play in the transition to net-zero emissions by 2050, particularly when we consider the whole-of-life GHG emissions of infrastructure assets.
22. The council's goals around emissions reduction are beginning to influence all our infrastructure investment decisions. For example, reducing greenhouse gas emissions is a criterion in the Investment Impact Assessment (IIA) process that informs the development of the long-term plan and annual budgets.
23. Emission reduction also has been weighted highly in the investment scenarios that have informed the council budget decisions since 2022 and is becoming a priority within the council business case development. It is also part of the sustainable procurement framework, and the procurement policies of council-controlled organisations, and should be considered as part of all of the council procurement decisions.
24. Greenhouse gas emissions reduction needs to inform investment decisions more strongly. The consideration of greenhouse gas avoidance and reduction in investment decisions has started but needs to be built into more of the council's systems before it becomes business as usual. Making better investment decisions will mean that the council will have to understand both whole-of-life emissions as well as whole-of-life costs and benefits and use these to inform decision-making.

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

25. All council group entities (excluding the Auckland Future Fund) currently deliver capital projects and in doing so, we have an obligation as a group to get value for money from this expenditure. Whilst the initial focus of this work is on the council organisation, any improvements and lessons learnt will be able to be shared with or informed by the CCOs as well as inform the implementation of the CCO reform programme and group shared services.
26. In addition, we will use group mechanisms such as the Group Procurement Strategy and policies and projects where both Auckland Council and CCOs contribute to the overall project deliverable to implement better value across the council group.

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

27. Local boards commission a significant capex programme. Spending and delivery to support local board programmes are included in the Better Value Projects initiative as we need to ensure that all our capital expenditure is sensible and justifiable. We need to ensure that improvements we take forward recognise the variables relating to who the decision-maker is.
28. In addition, we are looking to accelerate work to test and evaluate the use of smaller and more local providers (strongly advocated for by local boards) to establish if there are cheaper approaches to aspects of our capital programme delivery.

## Tauākī whakaaweawe Māori Māori impact statement

29. Mana whenua have described<sup>1</sup> council's current relationship model as transactional with a focus on delivering projects and programmes of work rather than building strong relationships with Māori. Council continues to work with mana whenua to ensure efficient and meaningful engagement that leads to projects that have benefits for both mana whenua and the wider community including value for money.
30. When mana whenua are involved in project design from the outset, it creates a number of benefits including agreed standardised designs, designs that are sensitive to the cultural landscape and in some instances opportunities for Māori and local businesses through our procurement processes. However, meeting our obligations to mana whenua can in some instances have time and cost implications for project delivery.
31. Any proposed changes to procurement and delivery processes will need to carefully consider this dimension as they are developed. It is likely that for the council to improve both value for money outcomes and outcomes for Māori, high-quality engagement with mana whenua early in the project scoping and problem definition phase will be critical.

## Ngā ritenga ā-pūtea Financial implications

32. Improvement of our procurement and capital delivery processes is expected to result in improved value for money for Auckland ratepayers. Reducing the number and size of capital project costs overruns will also reduce financial risk and help improve the council's financial resilience.

## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

33. Key risks and mitigations for the Better Value Projects programme include:

Risk	Mitigation
<b>Lack of resource, focus or appropriate direction/oversight to implement meaningful change.</b>	The programme is supported by a dedicated programme manager, a steering group of relevant senior managers and executives, direct oversight by the Chief Executive and bi-monthly reporting to the Revenue Expenditure and Value Committee.
<b>Implementation of significant changes to how we procure and deliver capital projects could cause disruption that slows down inflight projects, increase costs due to delays and/or negatively impact the delivery of projects that are important to Aucklanders.</b>	The programme will apply careful change management and the use of pilot initiatives in instances where immediate system change might create too much disruption.

<sup>1</sup> He Waka Kōtuia – Te Tiriti o Waitangi Audit, June 2024

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Risk	Mitigation
<p><b>Implementation of ‘one-size-fits-all’ approaches negatively impact the procurement and/or project delivery of certain asset classes.</b></p>	<p>The programme recognises that each asset class portfolio has its own complexities, cost drivers, risks and challenges that may require a more targeted approach to achieve desired improvements within this programme. This will be considered through careful programme design, testing and validation informed by subject matter experts.</p>
<p><b>Some system changes such as bringing capability in-house that is currently outsourced or changing how some procurement and project related functions are currently delivered could require organisation change.</b></p>	<p>Any such organisational changes would be carefully managed in consultation with relevant staff.</p>

## Ngā koringa ā-muri

### Next steps

34. Bi-monthly updates on progress with the Better Value Projects programme will be provided to the Revenue, Expenditure and Value Committee. The first of these updates will be in March and will include analysis of case studies on individual projects where there are learnings for improving project delivery outcomes.
35. These case studies will identify the issues, root causes, learnings that can be applied/addressed and any recommended improvements for implementation as part of the Better Value Projects programme. Future meetings will include learnings from further case studies and deep dives on progress with particular activities and process changes arising from the programme.

## Ngā tāpirihanga

### Attachments

There are no attachments for this report.

## Ngā kaihaina

### Signatories

Authors	<p>Kerri Foote - Investment Area Lead, Well-managed Local Government Mike Lichtwark - Executive Officer, Group Finance</p>
Authorisers	<p>Lisa Tocker - Executive Officer CE Ross Tucker - Group Chief Financial Officer</p>