

Auckland Council Section 17A Review

Recommendation

That the Board note the report.

Executive summary

1. Auckland Council (AC) have announced the intention to conduct a series of reviews under S17A of the Local Government Act (2002). These are required to be conducted under certain circumstances (e.g. where significant changes to service levels are proposed) and must be done at six-yearly intervals. A copy of the relevant legislative provision is included as Attachment 1. The reviews cover infrastructure, service or regulatory functions. The reviews must cover options for governance, funding and delivery. The process currently has the terms of reference for each review being approved by the Governing Body and the Boards of individual CCOs.
2. Four reviews are proposed over the coming months covering:
 - Water, wastewater and stormwater
 - Domestic waste
 - Organisational support (starting with communications and engagement)
 - Investment attraction and global partnerships
3. On one level these reflect the Mayor's commitment prior to being elected to increase the level of transparency of AC operations, particularly those of CCOs. They also reflect his stated intention to drive efficiency through greater use of shared services.
4. On another level, these reviews reflect a continuation of efforts already underway since Auckland's formation as a single city. It is useful for AC to conduct a review after six years. AT has already undertaken a value for money review and implemented the recommendations. This value for money review found that service delivery was generally efficient and effective. One of the recommendations was to rationalise the existing leased property into a single more cost-effective operation.

5. The potential impact of these reviews on Auckland Transport is not likely to be significant unless a direct intervention policy is implemented.
 - The majority of AT's functions cover services provided pursuant to our own legislation
 - Shared services are already subject to a mixed delivery model
6. At an initial briefing, Kevin Ramsay, who is leading the programme of work for AC, stressed that these reviews are at a strategic, rather than operational, level. However, it is unclear how any benefits will be realised unless they move from strategy to implementation.

Core Services

7. AT's most significant operational cost is the delivery of public transport services. Rail services are provided by Transdev in a contract likely to be extended for several years at NZ Transport Agency/MoT direction. PTOM is being rolled out for bus and ferry and is the nationally-mandated requirement to attract Crown funding. Any discussion on service levels and public subsidy would be a strategic issue for the Board and Government.
8. Transport services delivery including road safety, parking and walking & cycling are mandated through the Long Term Plan with AT responsible for efficient delivery.
9. Road maintenance is another core operational responsibility. This is the subject of a deep dive report on this month's agenda.
10. AT's accountabilities in terms of stormwater are restricted to the cleaning and maintenance of the primary catchment on the road corridor which includes cess pits and leader pipes. All services below ground are the responsibility of AC Healthy Waters. Cleaning of cess pits is currently contracted by AT to Healthy Waters to deliver this service.
11. The Board has raised the issue of value for money and the need to demonstrate good practice and benchmark levels of efficiency and effectiveness. This work is ongoing but the Board may wish to consider further stages. It is difficult to see any review recommending changes to governance, funding or delivery given the extent to which these are mandated already.

Support Services

12. Existing shared corporate services arrangements comprise a continuum of delivery models. Some functions, such as insurance and debt management/treasury are centralised within AC where these are logically not duplicated.
13. Some functions, such as graduate recruitment, are currently well managed and relatively mature in AC and AT's recent initiatives in this space have learned lessons from their approach. There may be merit in a combined graduate programme for example.

14. Significant savings and improved supplier management has occurred over the past year through a joint procurement project. This has seen panels of providers created for a number of services and aggregation of the wider Council family spend in some areas used as leverage to command better rates. AT and other parts of AC have acceded to most of the All of Government contracts where appropriate. For example, AT has been closely involved in an All of Government tender for advertising and creative services.
15. Other services, most notable business technology, are significantly more effective within AT than those currently provided by AC. AT already manages ATEEDs business technology and integrating all AC's CCTV into the AT monitoring/analytics. Some of AT's technology services are uniquely AT's, such as PT phone apps and intelligent traffic systems. Others, such as CCTV, are generic but AT's technology stack and operational management are more efficient and effective. Other BT investment, such as the development of mobility as a service, national transport ticketing and the national road management system are likely to be shared developments with NZ Transport Agency. A single shared service model may not be appropriate but any analysis of current service delivery is likely to conclude that cross Council business technology would be better managed centrally through AT. Shifting BT into an AC function would not be supported.
16. The examples above suggest that there is already a range of initiatives underway to deliver efficient corporate functions but that one size does not necessarily fit all.
17. AT will continue to work with AC on improving support services (e.g. Customer Call Centre) and will also continue its own efforts to benchmark and improve value for money.
18. Forthcoming reviews under Section 17A will need to get several factors aligned:
 - Clear problem definition. Does the status quo reflect a problem (real or perceived) to be fixed or an opportunity to generate efficiencies
 - Definition of services to enable benchmarking to be undertaken. For example, does communications and engagement include iwi engagement, events management, local board stakeholder management, management of LGOIMA administration, etc.
 - KPIs for service levels
 - Identification of any strategic issues. For example, the Board retains Health & Safety and other obligations regardless of delivery mechanism. Transport planning is a core strategic input into AT's operational delivery and could not be readily separated
 - Analysis of the status quo. Where current services are duplicated there are a range of delivery structures. Most benchmarking suffers from the difficulty of like-with-like comparison.

Issues and options

19. Governance of the procurement shared services programme within the wider Council family over the past year is a potential model for this work. Engagement at the second tier has provided a clearing house for data requirements, policy setting and quality control over conclusions. It is hoped this shared governance model can be used as an example for forthcoming reviews.


Next steps

- 20. Regular updates will be provided to the Board as this process unfolds. AT will endeavour to ensure early engagement from AC on terms of reference, forthcoming reviews and results of analysis undertaken.
- 21. The next proposed deep dive report for the Board will cover communication and stakeholder engagement.
- 22. A programme of work will be accelerated to look at current corporate services.

Attachment

Attachment Number	Description
1	Section 17A – Local Government Act 2002

Document ownership

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17A Delivery of services

- (1) A local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.
- (2) Subject to subsection (3), a review under subsection (1) must be undertaken—
 - (a) in conjunction with consideration of any significant change to relevant service levels; and
 - (b) within 2 years before the expiry of any contract or other binding agreement relating to the delivery of that infrastructure, service, or regulatory function; and
 - (c) at such other times as the local authority considers desirable, but not later than 6 years following the last review under subsection (1).
- (3) Despite subsection (2)(c), a local authority is not required to undertake a review under subsection (1) in relation to the governance, funding, and delivery of any infrastructure, service, or regulatory function—
 - (a) to the extent that the delivery of that infrastructure, service, or regulatory function is governed by legislation, contract, or other binding agreement such that it cannot reasonably be altered within the following 2 years; or
 - (b) if the local authority is satisfied that the potential benefits of undertaking a review in relation to that infrastructure, service, or regulatory function do not justify the costs of undertaking the review.
- (4) A review under subsection (1) must consider options for the governance, funding, and delivery of infrastructure, services, and regulatory functions, including, but not limited to, the following options:
 - (a) responsibility for governance, funding, and delivery is exercised by the local authority;
 - (b) responsibility for governance and funding is exercised by the local authority, and responsibility for delivery is exercised by—
 - (i) a council-controlled organisation of the local authority; or
 - (ii) a council-controlled organisation in which the local authority is one of several shareholders; or
 - (iii) another local authority; or
 - (iv) another person or agency;
 - (c) responsibility for governance and funding is delegated to a joint committee or other shared governance arrangement, and responsibility for delivery is exercised by an entity or a person listed in paragraph (b)(i) to (iv).
- (5) If responsibility for delivery of infrastructure, services, or regulatory functions is to be undertaken by a different entity from that responsible for governance, the entity that is responsible for governance must ensure that there is a contract or other binding agreement that clearly specifies—
 - (a) the required service levels; and
 - (b) the performance measures and targets to be used to assess compliance with the required service levels; and

- (c) how performance is to be assessed and reported; and
 - (d) how the costs of delivery are to be met; and
 - (e) how any risks are to be managed; and
 - (f) what penalties for non-performance may be applied; and
 - (g) how accountability is to be enforced.
- (6) Subsection (5) does not apply to an arrangement to the extent that any of the matters specified in paragraphs (a) to (g) are—
- (a) governed by any provision in an enactment; or
 - (b) specified in the constitution or statement of intent of a council-controlled organisation.
- (7) Subsection (5) does not apply to an arrangement if the entity that is responsible for governance is satisfied that—
- (a) the entity responsible for delivery is a community group or a not-for-profit organisation; and
 - (b) the arrangement does not involve significant cost or risk to any local authority.
- (8) The entity that is responsible for governance must ensure that any agreement under subsection (5) is made publicly available.
- (9) Nothing in this section requires the entity that is responsible for governance to make publicly accessible any information that may be properly withheld if a request for that information were made under the Local Government Official Information and Meetings Act 1987.

Section 17A: inserted, on 8 August 2014, by section 12 of the Local Government Act 2002 Amendment Act 2014 (2014 No 55).