

The Chairman and Councillors  
**Finance and Governance Committee**

**NOTICE IS GIVEN** that the next meeting of the **Finance and Governance Committee** will be held in **Council Meeting Room One, Environment Bay of Plenty, 5 Quay Street, Whakatane** on:

**EMBARGOED**

Until 2 working days before meeting on:

**Thursday, 17 June 2010**

**commencing at 1.00 p.m.**

or at the conclusion of the Policy & Planning Committee meeting, whichever is the earlier.

Bill Bayfield  
**Chief Executive**

10 June 2010

*Working with our communities for a better environment*





## **Finance and Governance Committee – Terms of Reference**

### **Purpose**

- To provide strategic oversight of, and establish policy for, the financial affairs of Council.
- To overview Council's financial reports and annual financial statements, and to monitor Council's financial performance.
- To ensure the effective functioning of the organisation as a corporate body.

### **Role**

- 1 To receive the Council's quarterly overall financial reports and to review the appropriateness of reports received.
- 2 To receive and consider month-end reports between quarters, if required.
- 3 To preview and approve the form and content of the annual financial statements.
- 4 To monitor Council's overall service and financial performance against the Ten Year Plan and Annual Plan, including overseeing the production of the Annual Report.
- 5 To develop and review Council's funding and financial policies, including the Policy on partnerships with the Private Sector, Revenue and Financing Policy, Liability Management Policy, Investment Policy, Policy on Development Contributions or Financial Contributions, Policy on the Remission and Postponement of Rates, Policy on the Remission and Postponement of Rates on Maori Freehold Land, and rating policy in general.
- 6 To review internal systems and their effectiveness.
- 7 To audit decisions if required.
- 8 To consider applications for the remittance of user fees and charges that are not dealt with under delegation.

### **Delegated Authority**

- (a) Authority to delegate to any subcommittee of the Finance and Governance Committee, any authorities that have been delegated by Council to the Committee and to appoint members.
- (b) Authority for the governance of all statutory functions, powers and duties within its terms of reference.
- (c) Authority to make recommendations to Council on financial matters arising from Council's financial reports.
- (d) Authority to determine processes for preparing Council's funding and financial policies, including the Policy on partnerships with the Private Sector, Revenue and Financing Policy, Liability Management Policy, Investment Policy, Policy on Development Contributions or Financial Contributions, Policy on the Remission and Postponement of Rates, Policy on the Remission and Postponement of Rates on Maori Freehold Land, and rating policy in general.
- (e) Authority to remit user charges and rates.
- (f) Authority to approve un-audited annual financial statements for audit purposes.
- (g) Authority, within its terms of reference, to approve the transfer of budget levels between activities or to exceed the budget level for an activity with no commensurate savings elsewhere, up to \$100,000 and to recommend to Council amounts exceeding \$100,000.



## Public forum

Council's Standing Orders include the provision for a public forum to be held at the beginning of its meetings. The process that was agreed is as follows:

- 1 A period of up to 15 minutes shall be set aside near the beginning of the meeting to enable members of the public to make statements about any matter on the agenda of that meeting which is open to the public, but excluding any matter on which comment could prejudice any specified statutory process the council is required to follow.
- 2 The time allowed for each speaker will normally be up to 5 minutes but will be up to the discretion of the chair. A maximum of 3 public participants will be allowed per meeting.
- 3 No statements by public participants to the Council shall be allowed unless a written, electronic or oral application has been received by the Chief Executive (Governance Team) by 12.00 noon of the working day prior to the meeting and the Chair's approval has subsequently been obtained. The application shall include the following:
  - name of participant;
  - organisation represented (if any);
  - meeting at which they wish to participate; and matter on the agenda to be addressed.
- 4 Members of the meeting may put questions to any public participants, relevant to the matter being raised through the chair. Any questions must be asked and answered within the time period given to a public participant. The chair shall determine the number of questions.
- 5 Where a member of the public has specialist knowledge of a matter on the agenda the chair may invite public participants to engage in discussion of that matter at the time of consideration of the agenda item by the committee or subcommittee.



## Committee Membership

<b>Chairman:</b>	I Noble
<b>Deputy Chairman:</b>	J Nees
<b>Councillors:</b>	Councillor T Eru, R Ford, J Mansell, P Sherry, A von Dadelszen
<b>Ex Officio:</b>	Chairman J Cronin
<b>Secretary:</b>	S Cubbon

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Recommendations in reports are not to be construed as Council policy until adopted by Council.

## Agenda

- 1 **Apologies**
- 2 **Consideration of General Business**
- 3 **Public Excluded Section**
- 3.1 **Investment Performance Report for the month ended 31 May 2010** **11**
  - Reason**

That the public conduct of the relevant part of the proceedings of the meeting would likely result in the disclosure of information for which good reason for withholding would exist.
  - Grounds**

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where 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.
- 4 **Reports**
- 4.1 **Investment Sub-Committee** **15**
- 4.2 **Financial statements for the period ending 31 April 2010** **17**

Financial accounts for the month ending 31 April 2010

<b>4.3</b>	<b>Information Management Services Review</b>	<b>23</b>
<b>4.4</b>	<b>Agenda Management System Review</b>	
	(To be tabled at the Meeting)	
<b>4.5</b>	<b>Finance and Governance rates workshop</b>	<b>27</b>
<b>4.6</b>	<b>Group Managers' Report</b>	<b>29</b>
<b>4.7</b>	<b>Finance and Governance Committee Work Schedule</b>	<b>31</b>
<b>5</b>	<b>General Business and Tabled Items</b>	

Items not on the agenda for the meeting require a resolution under section 46A of the Local Government Official Information and Meetings Act 1987 stating the reasons why the item was not on the agenda and why it cannot be delayed until a subsequent meeting.

## Public Excluded Section



## Reports



**File Reference:** 1.00035  
**Significance of Decision:** Receives Only - No Decisions



**Report To:** Finance and Governance Committee  
**Meeting Date:** 17 June 2010  
**Report From:** Brian Trott, Group Manager Corporate Services

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## Investment Sub-Committee

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### Executive Summary

Attached for the Committee's approval is a report of the Investment Sub-Committee workshop held on Wednesday 12 May 2010.

### 1 Recommendations

**That the Finance and Governance Committee under its delegated authority:**

- 1 Confirms the report of the Investment Sub-Committee workshop held on 12 May 2010.**

### 2 Discussion

The Investment Sub Committee held a workshop on 12 May 2010 to discuss the current investment strategy and future reporting requirements. Attached is the report from that workshop, which includes a number of decisions. These are now submitted to the Finance and Governance Committee for formal approval.

### 3 Financial Implications

#### **Current Budget**

This report has no financial implications for the current budget.

#### **Future Implications**

This report has no future financial implications outside the Council's Investment policy and direction.

#### **Ten Year / Annual Plan Implications**

Future provisions have been included in the adopted 2009-2019 Ten Year Plan.

Andrew Dixon  
**Asset Accountant**

**for Group Manager Corporate Services**

**21 May 2010**



# Appendix



# Report of the Investment Sub-Committee Workshop held in Regency House, Environment Bay of Plenty office, Tauranga on Wednesday 12 May commencing at 2pm

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## Present

**Councillors:** J Cronin, I Noble, J Mansell, A von Dadelszen

**In Attendance:** B Trott (Group Manager, Corporate Services), Earl White (Director, Bancorp Treasury Services Limited), Jen Warnes (Finance Manager), Andrew Dixon (Asset Accountant)

**Apologies:** Nil

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## Economic Overview

Earl White gave the sub-committee an overview and update of the New Zealand and international economies.

## Investment Portfolio

Earl White gave an update on recent portfolio activity and positioning ahead of the Quayside reset in April 2011. He noted that he was comfortable with where the portfolio is at this stage.

The sub-committee agreed that:

- The Arawata Finance funding be transferred into the overall Treasury fund and be reported on alongside the PPS fund. However, both funds need to have their equities and cash separated out with the different rates transparent.
- An investment report and presentation is given to Full Council bi-annually.

## Overview of current Investment Strategy

The sub-committee:

- Noted that the binding ruling is expected to be completed mid July 2010;
- Agreed that a report be prepared outlining a risk benefit analysis of the funding requirements and timings of the Quayside rate reset and the Tauranga Eastern Link transport project. The report will then be combined with NZTA's report and submitted to Council for consideration.
- Agreed that a draft copy of the above report be made available before finalising, so that the sub-committee can provide guidance to fellow councillors before it is presented to Council;
- Noted that it would forward any further suggestions on the scope of the risk benefit analysis report to Brian Trott.

## Reporting Requirements

### *Review of the current monthly and quarterly reporting*

The sub-committee discussed the current format and information given in the monthly and quarterly investment reports to the Finance and Governance Committee.

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The sub-committee agreed that:

- A new section advising on strategy, risk assessments and economic outlooks is included in the monthly and quarterly investment reports to the Finance and Governance Committee;
- The investment reports include an explanation of the funding tables;
- Given the commercially sensitive nature of the new information to be included in the investment reports, these reports be made confidential;

## **Future meetings**

### *Agreement on format going forward*

The sub-committee agreed that:

- An investment sub-committee workshop or meeting will be scheduled when required.
- Any urgent decisions that are time-sensitive and involve smaller amounts of money can be put to the sub-committee via email. But any complex decisions involve larger amounts of money need to be discussed face-to-face at the workshop.

## **Other General Business**

Earl noted that JBWere are a big promoter of Quayside shares.

### **The workshop closed at 3.50pm**

**File Reference:** 1.00026  
**Significance of Decision:** Receives Only - No Decisions



**Report To:** Finance and Governance Committee  
**Meeting Date:** 17 June 2010  
**Report From:** Brian Trott, Group Manager Corporate Services

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## Financial statements for the period ending 31 April 2010

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### Executive Summary

The purpose of this report is to present the Financial Statements for the period ending 30 April 2010.

#### 1 Recommendations

**That the Finance and Governance Committee under its delegated authority:**

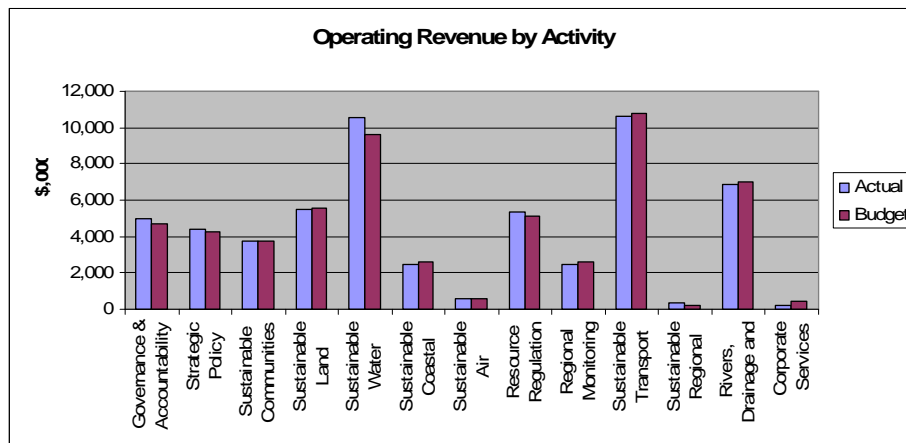
- 1 Receives the report, financial statements for the period ending 31 April 2010.**

#### 2 The Financial Overview

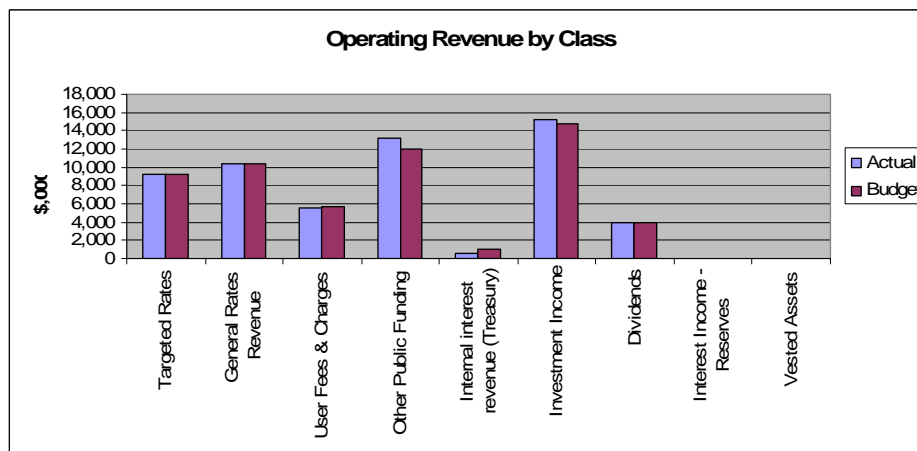
The financial results for the ten months ending 30 April 2010 are of concern with Council recording a \$6.9 million surplus against a budgeted deficit of (\$0.6 million). This has resulted in a net variance of \$7.5 million due to expenditure being less than budgeted in almost all activities, although the increase in revenue is encouraging. There are timing variances in both revenue and expenditure. The position at year end is estimated to be a surplus between \$3 million and \$4 million compared to a budgeted surplus of \$1.1 million.

##### 2.1 Operating Revenue

Operating revenue is \$58.2 million compared to a year to date budget of \$57.2 million. This is \$1 million more than budgeted. The graph below shows the year to date actual compared to budget for each activity type.



The graph below shows the year to date actual compared to budget for each class of revenue.



Rates and dividends are currently on budget. Variances in other revenue types are discussed below.

*User fees and charges under budget by \$0.1 million*

Corporate has lower than expected rental income received due to tenants relinquishing leases early (\$0.4 million). Pollution prevention has currently under-recovered against budget by \$0.4 million. It is anticipated at year end this under-recovery will be reduced.

To offset these variances, Consents have achieved revenue of \$0.5 million due to staff attention to cost recovery and higher charge out rates. In addition, Passenger transport is ahead of budget by \$0.1 million due to the level of fares collected on the Tauranga bus service.

The remaining variance is spread across several activities.

*Other public funding over budget by \$1.1 million*

Rotorua Lakes is ahead of budget by \$0.9 million. Deed funding was received in April for the full year from the Ministry for the Environment. This was budgeted for in May and June, therefore no variance is expected at year end.

The remaining \$0.2 million favourable variance is across several activities.

*Internal Interest*

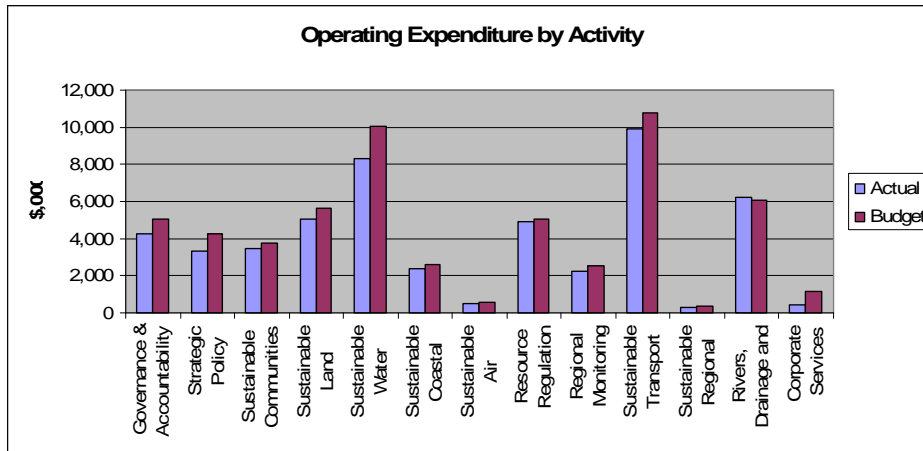
Internal interest is under budget by \$0.5 million. As capital expenditure is under budget, this has as expected, resulted in lower than expected internal interest revenue received in Treasury. In addition, an average interest rate of 4.5% was budgeted for, however the actual interest rate applied to date was 3.19%. This variance is offset by an equivalent under spend in internal interest expense.

*Investment Income*

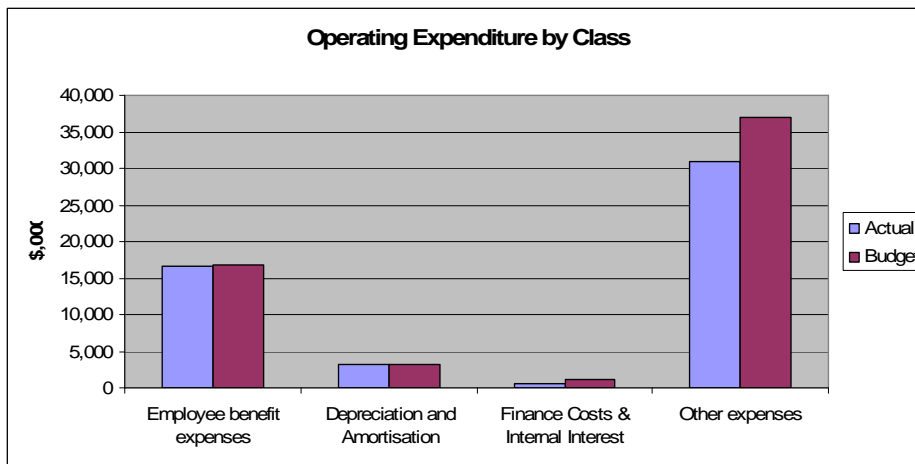
Investment income is ahead of budget by \$0.5 million. This result is a combination of a \$0.8 million net realised gain on purchases and sales, less a \$0.4 million reduction in interest received on our PPS investments from lower than budgeted interest rate returns.

**2.2 Operating Expenditure**

Operating expenditure is \$51.4 million compared to a year to date budget of \$57.9 million. This is \$6.5 million less than budgeted. The graph below shows the year to date actual expenditure compared to budget for each activity.



The graph below shows the year to date actual expenditure compared to budget for each class of expenditure.



It is pleasing to see that Council is continuing to track very close to budget in employee benefit expenses.

*Finance costs and internal interest under budget by \$0.4 million*

Internal interest expense is under budget due to less internal loan funding drawn down for capital expenditure. This variance is offset by an equivalent variance in internal interest revenue.

*Other expenses under budget by \$6 million*

Contract Work and Materials under budget by \$4.4 million:

- Rotorua Lakes \$2.2 million under budget: Several projects are still in the consultation phase therefore expenditure has not been incurred. These include land management changes for Lakes Rotoehu, Rotorua, and Ōkāreka as well as P-locking on a number of streams around Rotorua. The Rotorua Lakes budgets are currently under review and council approval for changes to the operating expenditure is likely to be sought in the 2010/2011 Annual Plan.
- Pollution prevention \$0.3 million net under budget mainly due to the delay in commencing the remediation work on the Minginui site.
- Sustainable Land Management \$0.4 million under budget due to delays in projects starting and lower than expected costs on completed plans particularly in the biodiversity area. This activity is expected to be under budget at year end.
- Passenger Transport \$0.9 million net under budget. Actual costs of the Total Mobility scheme, Tauranga, Rotorua and rural bus services have been lower than predicted due to contract cost savings.
- The remaining \$0.6 variance in contract work is spread across several activities.

Consultancy fees under budget by \$0.6 million:

- Strategic Policy is under spent in consultancy fees by \$0.6 million. Spending on consultants for responsive policy was held back until decisions about future work were made by Council in late April. Lower consulting expenditure on the Regional Land Transport Strategy investigations has also contributed to the variance.

Grants and Subsidies over budget by \$1.2 million:

- A subsidy claim of \$0.9 million for Rotorua Lakes clean up work was paid to Rotorua District Council in April, but was budgeted in May and June. No variance expected at year end.

Other areas under budget by \$2.2 million:

- Corporate Services \$0.6 million under budget. A conservative approach to building maintenance has been taken in both Whakatāne and Tauranga which has resulted in savings. Further savings have been made through a change in policy relating to non-capital purchases and telecommunications.
- Governance and Accountability is \$0.8 million under budget. This variance is a combination of staff relocation costs currently lower than budgeted, cost savings in contract work and the timing of costs relating to the annual plan production.
- Rates remissions, bad debts and audit fees under budget by \$0.4 million. Expenditure in this area is expected to be close to budget at year end.
- Travel, training and conference fees under budget by \$0.4 million across several activities.

## 2.3 Capital Expenditure

*Capital expenditure under budget by \$4.3 million*

- Corporate Services is \$2.3 million under budget:
  - Information Technology \$0.9 million under budget because of delays in programming replacement IT equipment. Due to policy changes IT equipment capital expenditure is expected to be under budget at year end.
  - Information Services \$0.6 million under budget. Planned projects have not been undertaken as resources have been allocated to the Works and Assets project. A request to carry forward capital funding into 2010/11 is being submitted to Council in June.
  - Plant and vehicles \$0.5 million under budget due to the delay in programming of replacement plant and vehicles (the vehicles are currently going through the replacement and tender process). This area is expected to be close to budget at year end.
  - The remaining \$0.3 million variance is spread across support services, data services and finance.
- Rivers and Drainage capital expenditure is \$1.3 million under budget in all river schemes. A request to carry forward capital funding into 2010/11 is being submitted to Council in June.
- Rotorua Lakes capital expenditure is \$0.6 million under budget to the delay of planned work on wetland construction. A request to carry forward capital funding into 2010/11 is being submitted to Council in June.
- Maritime Operations capital expenditure is \$0.1 million under budget due to delays of planned works. A request to carry forward capital funding into 2010/11 is being submitted to Council in June.

## 3 Financial Implications

### **Current Budget**

Council revenue is expected to be close to budget at year end. Expenditure is currently under budget however higher project expenditure is expected in May and June bringing it more in line with budget.

### **Future Implications**

A request to carry forward capital budgets into 2010/11 will be submitted to Council in June in conjunction with the 2010/11 Annual Plan process.

### **Ten Year / Annual Plan Implications**

As above.

Brian Trott  
**Group Manager Corporate Services**

**8 June 2010**



**File Reference:** 1.00175  
1.00162  
**Significance of Decision:** Receives Only - No Decisions



**Report To:** Finance and Governance Committee  
**Meeting Date:** 17 June 2010  
**Report From:** Miles McConway, Group Manager Technology

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## Information Management Services Review

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### Executive Summary

The purpose of this report is to introduce the attached Information Management Services Review report. The executive summary only has been provided. If councillors would like a full copy of the review then this can be provided.

## 1 Recommendations

**That the Finance and Governance Committee under its delegated authority:**

- 1 Receives the report, Information Management Services Review.**

## 2 Introduction and Purpose

Funding was secured in the last annual plan round to undertake this work under the Efficiency Review Programme that has been operating over the past eighteen months.

The review was undertaken by Lawrence Collingbourne. A copy of Lawrence's personal profile is attached. Lawrence has had significant experience in both the public and private sector IT environments in the UK and New Zealand, leading large teams and projects aimed at developing appropriate levels of service from IT to maximize the business opportunities of the organisations involved.

A copy of the terms of reference (ToR) for this review is also attached. The ToR was referred to the Finance and Governance Committee on 12 August 2009 for review.

The purpose of the review was:

- To determine whether the Regional Council is getting an appropriate level of service from information management (IM) services in terms of value and cost, benchmarked against similar organisations.
- To determine what options exist for improving this and whether there is any under or over delivery in specific areas against business needs.

This report therefore provides:

- Confirmation of where IM Services are delivering to the required service levels and where there may be under or over delivery.
- A comparison of Environment Bay of Plenty's IM services with those of other regional councils to provide a benchmark of current performance.
- An evaluation of potential options for improving the value of IM services and reducing their cost.
- A set of recommendations for changes that increase confidence in the value of IM services to the business needs of the Regional Council.

### 3 **Presentation**

Lawrence will take the committee through a 20 minute presentation on the findings and recommendations of this review.

### 4 **Principal Findings**

The principal findings and recommendations of the review are as follows:

- Environment Bay of Plenty is receiving IM services that overall are delivering a full set of Regional Council services at an appropriate cost.
- IM services are correctly focused on enhancing operational effectiveness and can move further towards transforming business value while improving the efficiency of the underlying platforms.
- Specific options to improve the efficiency of IT services and extend the value of IS services are identified in the review to further increase the Council's confidence in its IM services, many of which are in the IM Strategy.

The Council has a significant opportunity to improve the value of IT services through sharing services with local authorities in the region through BoPLASS. This meets the geographic constraints but further work is required on standardising services, establishing operational governance within BoPLASS and gaining the support of other local authorities. The review has recommended a number of actions to be taken.

### 5 **Actions**

The simplest and most immediate options for improvement are to improve the current internal services. Twenty options have been identified to do this, half of which are already planned as part of the IM Strategy. The ones identified as having greatest impact are:

- The introduction of an Information Technology Infrastructure Library (ITIL) Programme to provide best practice in service management to improve support, reduce problems and reduce cost (already underway as part of the IM Strategy).
- Standardising desktop platforms and moving to a locked-down, virtual desktop environment that can be managed centrally with more automation to reduce problems and costs (extension of what is planned in the IM Strategy).
- Implementing HR, Finance, Stakeholder Management, Web Portal and Project Management packaged applications to exploit best practice (all planned in the IM Strategy).
- Investigate taking IRIS packaged applications for Council functions as applications require refreshment to exploit best practice, e.g. consents database.

- Develop an Enterprise Architecture that supports these options and eliminates the current technology constraints to achieving them (as planned in the IM Strategy).
- Improve the partnering relationship with the business and continue to customise the application of products in the areas identified under business alignment where the Council requires more value.

## 6 **Financial Implications**

### **Current Budget**

No impact. The actions requiring funding resources are provided in the Ten Year Plan and will be actioned in the years that they are planned for.

### **Future Implications**

No impact. The actions requiring funding resources are provided in the Ten Year Plan and will be actioned in the years that they are planned for.

### **Ten Year / Annual Plan Implications**

No impact.

Miles McConway  
**Group Manager Technology**

**4 June 2010**



# Appendix



collingbourne



Environment Bay of Plenty

A Review of Information  
Management Services  
Executive Summary

29<sup>th</sup> April 2010  
Draft 0.3

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## Author

Lawrence Collingbourne

Mobile +64 (21) 750 633

Fax +64 (4) 479 1565

Email [lawrence.collingbourne@xtra.co.nz](mailto:lawrence.collingbourne@xtra.co.nz)

## Change Record

Draft 0.3

Draft for the Executive leadership Team

LC

## Gartner Acknowledgements

The Gartner IT Key Metrics Data 2010 used for the comparisons of IT performance shown in this report come from the following documents that are © Gartner Inc 2009.

Service	Report(s)
Help Desk	IT Key Metrics Data 2010 Report G00172643 14/12/2009
Desktop	IT Key Metrics Data 2010 Report G00172641 14/12/2009
Telephony	IT Key Metrics Data 2010 Report G00172635 14/12/2009
Networks	IT Key Metrics Data 2010 Reports G00172629, G00172631, G00172633 14/12/2009
Servers	IT Key Metrics Data 2010 Report G00172623 14/12/2009
Storage	IT Key Metrics Data 2010 Report G00172627 14/12/2009

The Three Types of Relationship, Four Worlds of Delivery and Six categories of Business Maxims are adapted from *Multisourcing*, by Linda Cohen & Allie Young, © Gartner Inc 2006

# 1 Executive Summary

This is the final report of the Review of Information Management at Environment Bay of Plenty. The Review was undertaken by Lawrence Collingbourne at the request of Miles McConway, General Manager Technology, in accordance with a brief provided by Miles.

The purpose of the review is:

- To determine whether the regional council is getting an appropriate level of service from Information Management (IM) services in terms of value and cost benchmarked against similar organisations
- To determine what options exist for improving this and whether there is any under or over delivery in specific areas against business needs.

This report therefore provides:

- Confirmation of where IM Services are delivering to the required service levels and where there may be under or over delivery
- A comparison of Environment Bay of Plenty's IM services with those of other regional councils to provide a benchmark of current performance
- An evaluation of potential options for improving the value of IM services and reducing their cost
- A set of recommendations for changes that increase confidence in the value of IM services to the business needs of the regional council.

The remaining sections summarise the principal findings of the Review.

## 1.1 Business Alignment

According to Gartner Inc, a global reference for best practice in information management, a foundational part of any IM Services strategy is to ensure correct alignment with business strategy. The services provider must have the right type of relationship with the business organisation. Service delivery must support the business strategy not impede it. The review applies Gartner models that express the relationship and delivery required, as explained later in the report.

Firstly, Gartner characterises the relationship between IM Services and the business strategy by three "types": Efficiency, Enhancement and Transformation. The current relationship is Enhancement, i.e. focused on delivering new IM capabilities that consolidate or enhance operational effectiveness.

The Review findings are that IM Services do require a relationship with the business that enhances operational effectiveness, but also in some areas need to focus on efficiency (i.e. reducing cost) and in other areas on transforming business value (i.e. on outputs) through:

- Focusing the underlying service platforms on efficiency
- Furthering the streamlining of council business processes
- Maximising acquisition and access to knowledge of the local environment, and
- Effecting excellent communication and understanding with those who create positive outcomes for the Bay of Plenty.

Secondly, Gartner characterises the delivery of IM Services by four "worlds". These are determined by whether service delivery should be:

- customised to meet unique demands or
- standardised to be shared and use best practice;
- focused on operational effectiveness or
- focused on business value.

With the exception of the purchase of packaged products and communications services, current service delivery is classified in the “world” called Management, i.e. customised to local needs and focused on operational effectiveness.

The review analysed the appropriate world for each of the IM Service components. The principal findings are that IM Services are too customised and not focused enough on business value. The services need to be better distributed across the four “worlds” than at present through more shared services and delivery of business value through:

- Seeking opportunities to make the underlying platforms standardised and shared to achieve greater efficiency and exploit best practice (Access)
- Applying best practice from outside to create core applications solutions that exploit critical mass elsewhere in key capabilities (Creation)
- Focusing on how business staff use knowledge services to make decisions and produce outputs (Creation and Optimised)
- Optimising solutions in the areas of local knowledge, driving local wealth and agility, where the Council differentiates its role (Optimised).

## 1.2 Level of Service

The Review compares the cost and scope of services at Environment Bay of Plenty with 5 other Regional Councils to compare levels of service in terms of cost and value.

The Review analyses overall IM costs as a cost per seat and as a percentage of total council expenditure. The overall finding is that Environment Bay of Plenty is close to average cost but one area of service, desktop services in IT, appears less efficient than that elsewhere:

- IM cost is 3% above the average total cost per seat of the 6 councils benchmarked at around \$15,000
- IM cost is below average of the cluster of 5 councils in percentage of expenditure terms at around 9% - Greater Wellington is about half this for some exceptional reasons.
- Desktop services are the most expensive of the 6 councils and have the highest IT staff count.

The Review looked also at business alignment and IM solutions to identify major areas of over and under delivery. With the exception of desktop services costs, Environment Bay of Plenty is receiving IM services in line with best practice elsewhere. The areas of over delivery are found to be:

- IT solutions, particularly desktop, are more customised and get more support compared to those at other councils that are more focused on efficiency
- There are business service staff centralised and counted in the benchmark that are not in 4 other councils, but this is found to support the business alignment required at Environment Bay of Plenty

The areas of under delivery are found to be:

- There are a high number of support calls received compared to most other councils, implying users see more service incidents and therefore lower service quality
- More applications are custom developed to fit specific business needs at Environment Bay of Plenty so more exploitation of best practice from elsewhere may benefit the council
- Greater business value can be obtained from IM services as identified in Environment Bay of Plenty's IM Strategy, whose initiatives align well with the business strategy determined during the Review.

Overall Environment Bay of Plenty is receiving IM services whose level of service in value and cost is equivalent to the average received by the other councils benchmarked. It is delivering more value than those focused on efficiency but is less efficient in IT than it could be. There appears to be an opportunity therefore to improve IT efficiency and deliver greater value.

### **1.3 Options for Improvement**

The Review uses the classic options for IM service sourcing and evaluated these against the required business alignment, best practice from the other Regional Councils and the Risks and Constraints unique to Environment Bay of Plenty.

The simplest and most immediate options for improvement are to improve the current internal services. 20 options have been identified to do this, half of which are already planned as part of the IM Strategy. The ones identified as having greatest impact are:

- The introduction of ITIL best practice in service management to improve support, reduce problems and reduce cost (already underway as part of the IM Strategy)
- Standardising desktop platforms and moving to a locked-down, virtual desktop environment that can be managed centrally with more automation to reduce problems and costs (extension of what is planned in the IM Strategy)
- Implementing HR, Finance, Stakeholder Management, Web Portal and Project Management packaged applications to exploit best practice (all planned in the IM Strategy)
- Investigate taking IRIS packaged applications for council functions as applications require refreshment to exploit best practice, e.g. Consents
- Develop an Enterprise Architecture that supports these options and eliminates the current technology constraints to achieving them (as planned in the IM Strategy)
- Improve the partnering relationship with the business and continue to customise the application of products in the areas identified under business alignment where the council requires more value.

The Review also looked at whether services should be returned to the business or new internal services should be provided. Environment Bay of Plenty has a full scope of the services found at other regional councils, so the options with the best impact are:

- Returning Geospatial business services to the business while concentrating on maintaining a central pool of expertise may enable better alignment and improve business value
- Centralising all printing services in IM to improve coordination and optimise total costs
- Add financial and business information services to improve the coordination and value of IM services.

Finally the review looked at external sourcing options for the services, i.e. whether services could be better provided as shared services with other councils, externally managed services, cosourced services with both internal and external staff or fully outsourced to an external service provider. The principal findings with these options are:

- A “Council Regional Telephony Platform” through BOPLASS could provide a basis for negotiating lower cost telephony services and might be done quickly and effectively at low risk (a wide area network platform is already being executed)
- Shared desktop and hosting services with other councils through BOPLASS offers the best way to improve service efficiency and satisfy the geographic constraints of local delivery; there are current constraints to solve before this is practical, including standardising solutions, providing adequate operational governance and finding willing partners
- Cosourcing GIS services with other local authorities could solve a critical mass of expertise issue; this requires the correct business alignment and governance to be successful (currently being trialled with Tauranga City Council); geographic constraints make cosourcing other IS services less effective
- Environment Bay of Plenty is not yet ready to outsource its IM Services as there are too many constraints and risks to make this practical at the moment; the best context to examine this will be after exploring cosourced and shared services with other local and regional councils to improve the scale and attractiveness of this option.

## 1.4 Summary of Findings

The principal findings and recommendations of the Review are as follows:

- Environment Bay of Plenty is receiving Information Management services that overall are delivering a full set of regional council services at an appropriate cost
- IM Services are correctly focused on enhancing operational effectiveness and can move further towards transforming business value while improving the efficiency of the underlying platforms
- Specific options to improve the efficiency of IT services and extend the value of IS services are identified in the Review to further increase the council's confidence in its IM services, many of which are in the IM Strategy

The council has a significant opportunity to improve the value of IT services through sharing services with local authorities in the region through BOPLASS; this meets the geographic constraints but further work is required on standardising services, establishing operational governance within BOPLASS and gaining the support of other local authorities.

# Appendix





## Personal Profile

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Lawrence Collingbourne is a Principal Consultant with experience in business management, information systems, organisational and programme management, and the use of technology and process transformation to achieve new business outcomes for clients.

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Lawrence has extensive experience of leading large IT and business teams through transformational change to achieve new business capabilities and reduce cost. He has worked in the Government, Defence, Telecommunications, Health, Energy and Banking sectors. His skills include business leadership, consulting, programme management and strategic planning.

Lawrence's strengths lie in his ability to:

- Quickly understand the strategic intent of clients and identify how to achieve success
- Build plans that will take organisations through change to achieve new outcomes
- Establish effective relationships at all levels organisations and communicate effectively.
- Lead programmes and services to deliver their intended business benefits

Lawrence has demonstrated these capabilities in assignments such as the following.

### Principal Consultant

Lawrence undertook a strategic review of IM services value at Environment Bay of Plenty through benchmarking services against 5 other councils, evaluating alignment with business value and creating sourcing options to improve business efficiency and generate greater business value.

Lawrence developed a 3-year strategic plan for implementing ITIL at Environment Bay of Plenty to tailor best service management practice to achieve measurable service quality and efficiency gains. He also assisted the IT manager with the first year programme plan, service desk tool implementation and management of change.

Lawrence led the development of an information management strategic plan for Environment Bay of Plenty that created a road map of future initiatives for the ten year plan to improve financial performance, increase productivity, raise service quality and align IM services to business priorities.

### Regional Development Manager

Lawrence led a team of consultants and project managers to undertake strategic planning, information architecture, knowledge management, business case development, outsourcing, project management, project capability development and software development engagements with clients in Government, Health and Energy sectors.

### Executive Director, Telecommunications

Lawrence led New Zealand's largest IT outsourcing team to help Telco clients in NZ and Australia to increase revenue, create new products, improving customer focus and introduce next generation technology.

### Operations Director, Defence

Lawrence led a team of 2,300 staff in providing consulting, applications, IT and business process services to the UK MOD to reduce costs, improve utilisation and plan major changes in personnel administration, training, logistics, command and control, and future capability development.

### Operations Director, Government

Lawrence led IT outsourcing teams providing services to Transport, Healthcare, and Justice organisations in Government to introduce major new programmes in knowledge management, digital healthcare and an IT infrastructure for 20,000 staff.

### Operations Director, Financial Services

Lawrence led retail financial services to major UK banks, including Lloyds TSB's personal lending, Royal Bank of Scotland's cheque processing, Halifax and HFC Banks' card issuing, and Girobank's merchant acquiring.

Lawrence was personally responsible for the development of the Lloyds TSB Personal Lending Centre managing 1 million loans and bringing products to market faster through more channels at lower cost than through internal services.



# Appendix



# Environment Bay of Plenty

## IM Review Terms of Reference

### 1 Introduction

Environment Bay of Plenty wants to undertake a Review of its Information Management services. This document forms the terms of reference for the review.

#### 1.1 Rationale and Benefits

The Review will enable the regional council to achieve a number of clear benefits including:

- Confirmation of where IM Services are delivering to the required service levels to support business strategy and where there may be opportunity for improvement by adjusting under or over delivery
- An evaluation of potential options for improving the value of IM services and reducing their cost
- A comparison of Environment Bay of Plenty's IM services with those of other regional councils to provide a benchmark of current performance and highlight any opportunities for improvement
- A set of recommendations that increase confidence in the value of IM services to the business needs of the regional council.

#### 1.2 Objectives

The IM Review will achieve the following objectives:

- Identify the key service components of IM Service delivery
- Identify the key business maxims that must be supported by IM Services
- Identify where there is any under or over delivery in any of these service components
- Compare the current IM Service delivery costs with 5 other Regional Councils
- Create options for improving the value of services at Environment Bay of Plenty
- Evaluate the current IM Services and the options against the business maxims, the IM Strategy and their risks and constraints

So that we:

- Know our services
- Affirm the good delivery strategies

- Identify better alternatives where appropriate
- Understand our relative performance
- Confirm the value being delivered
- Know where we can improve
- Inform future direction

## **1.2 Success Factors**

To achieve these objectives the following success factors require that the review:

- Be comprehensive in scope and strategic in nature to ensure it goes beyond a simple tactical review of sourcing specific service components
- Address both business value as well as cost to determine an appropriate level of service
- Provide an independent benchmark of performance through an objective comparison with other regional councils due to their unique business
- Scale comparisons appropriately to the different sizes of regional council
- Take into account differences in regional council IM strategies
- Identify realistic options that meet real world constraints and risks
- Ensure its recommendations support the council's business and IM strategies
- Complete its findings and recommendations prior to the end of January 2010.

## **2 Approach**

The Review will evaluate the current service provision and sourcing strategy and its support of Environment Bay of Plenty's business strategy in a holistic way. It will construct alternative options for service provision and sourcing that meet business needs, evaluate the options against constraints and risks, and rank the benefits and drawbacks of these options against the current service model. The Review will determine appropriate level of service by comparing Environment Bay of Plenty's IM services with equivalent services from other regional councils in New Zealand. The overall approach is based upon the brief supplied by Environment Bay of Plenty. It draws on recommendations from Gartner on sourcing IM services to facilitate growth and agility. It contains a pragmatic approach to benchmarking with other regional councils that compares broad service indicators noting where IM strategies differ.

### **2.1 Alignment with Business Strategy**

The review will take the regional council's business strategy and the value required of IM services by its businesses as paramount. It will identify key objectives that determine the value provided by the IM services. These will be used to rank options for the scope, sourcing or sharing of IM services. The IM Strategy will be taken as a statement of business requirements. The review will develop business strategy components from the Gartner approach and determine Environment Bay of Plenty's strategy objectives by interviewing selected executives including the CEO.

## **2.2 Service Solution Portfolio**

The Review will categorise the current service solution portfolio into its major service components, identify where these broadly exceed or fail to meet the scope and fit required by the business strategy, identify the lifecycle of technology refreshment, determine the best use of bespoke or packaged solutions, and determine maturity of service management. This scope will be used as the basis for the value for money analysis and for options and sourcing generation. The IM Strategy provides the current and planned services portfolio.

## **2.3 Level of Service**

The Review will use a benchmark with the IM services provided to other regional councils as the determinant of appropriate level of service in terms of value and cost. It will construct a questionnaire based upon the service solution portfolio to take to other regional councils facilitated by Environment Bay of Plenty in accordance with the agreement between CEOs to share information. It will compare broad measures of resourcing and cost and pro rate these to the capacity of the services. The review is to ensure that the comparisons are normalised as far as possible to the scope and type of services provided and qualified against the key objectives identified in the alignment to business strategy. It will evaluate how differences in IM Strategy may have impacted the levels of service provided.

## **2.4 Options and Sourcing**

The Review will generate a number of meaningful options for improving and sourcing IM services portfolio components that will maximise the level of service and evaluate them against the current sourcing model, including:

- Continuing to source the services internally but eliminating over and under delivery
- Re-integrating services with the business where this would yield better value
- Creating additional internal services by integrating other business staff with existing services where this would provide greater efficiency
- Sharing services with external peer organisations to exploit scale, protect key resources or reduce costs, specifically through BOPLASS
- Sourcing specific solutions externally as managed services rather than point solutions
- Outsourcing, multisourcing, offshoring or cosourcing IM services where greater value comes from contractualisation and competition

- Where best to deliver service from geographically.

## **2.5 Constraints and Risks**

The Review is to qualify the options generated against their essential risks and constraints to ensure their practicality and to determine how these can be addressed with further time and resources to improve the options, including considering the following:

### **2.5.1 Constraints**

- The geographic location of the services
- Knowledge of the regional government business domain
- Appetite for innovation and change
- Current urgent priorities
- Compatibility of potential shared services business strategies and needs
- Commercial and technical risk tolerance
- The current knowledge of service parameters to underpin real choices
- The readiness of services for contractualisation
- The governance and accounting rules for local government
- The maturity of the sourcing and partnership governance processes

### **2.5.2 Risks**

- Service delivery quality
- Staff availability and turnover
- Knowledge retention
- Contract governance
- Future pricing
- Estimation accuracy of options
- Comparison accuracy and equivalence of peer organisations
- Technical implementation and operational risk.

## **2.6 Report**

The deliverable of the review will be a report that outlines the following:

1. Executive Summary
2. Approach to the Review
3. Business Strategy Alignment
4. Services Scope: Over and Under delivery
5. Appropriate Level of Service
6. Options for Improvement
7. Risks and Constraints
8. Conclusions and Recommendations

### **3 Organisation and Responsibilities**

The project organisation for the review comprises the Sponsor, Stakeholders, Team and Senior Leadership.

#### **3.1 Sponsor**

The Sponsor of the review is Miles McConway, Group Manager Technology.

#### **3.2 Stakeholders**

The stakeholders of the development are as follows:

- o Council
- o Chief Executive
- o Executive Leadership Team
- o IM Leadership

#### **3.3 Team**

The team undertaking the review and their roles are as follows:

<b>Team member</b>	<b>Role</b>
Lawrence Collingbourne	Lead consultant; reviewer
Miles McConway	Group manager; sponsor
Mark Langridge	IS Manager; information and review
Grant Probert	IT Manager; information and review



**File Reference:** 1.00063  
**Significance of Decision:** Receives Only - No Decisions



**Report To:** Finance and Governance Committee  
**Meeting Date:** 17 June 2010  
**Report From:** Brian Trott, Group Manager Corporate Services

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## Finance and Governance rates workshop

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### Executive Summary

Attached for the Committee's approval is a report of the Finance and Governance rating review workshop held on 25 June 2010 at the Classic Flyers Club, Mt Maunganui.

### 1 Recommendations

**That the Finance and Governance Committee under its delegated authority:**

- 1 Confirms the report of the Finance and Governance rating review workshop held on 25 June 2010.**

### 2 Financial Implications

#### Current Budget

There are no financial implications on the current budget.

#### Future Implications

There are no future financial implications.

#### Ten Year / Annual Plan Implications

There are no ten year plan or annual plan implications.

Brian Trott  
**Group Manager Corporate Services**

**4 June 2010**



# Appendix



# Report of the Finance and Governance Committee Workshop held at the Classic Flyers Club, Mt Maunganui on Tuesday 25 May commencing at 9.30am

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## Present

**Councillors:** J Cronin, M Whitaker, T Eru, R Bennett, P Sherry, K Summerhays, J Nees, R Ford, N Oppatt, I Noble, J Mansell, A von Dadelszen

**In Attendance:** B Trott (Group Manager, Corporate Services), David Stimpson (Director, Stimpson & Co), Dominic Groom (Consultant, Stimpson & Co), Jen Warnes (Finance Manager), Andrew Dixon (Asset Accountant), Mary-Anne Macleod (Group Manager, Strategic Development), Stephen Lamb (Acting Manager, Strategic Support), Eddie Grogan (Group Manager, Water Management)

**Apologies:** T Marr

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## Background

The workshop was the first of a series aimed at reviewing Environment Bay of Plenty's Revenue and Financing Policy in time for the next Ten Year Plan in 2012. Given the significance of the subject matter, all councillors were encouraged to attend.

## Funding systems

The Finance and Governance Committee discussed:

- The existing funding system, including the components – the Ten Year Plan, the Revenue and Financing Policy, the Annual Plan, and the Funding Impact Statement.
- The use of targeted and general funding ratios.
- The use of user fees and charges to reduce targeted and general funding.
- The use of general funds for all programmes excluding Rivers and Drainage.
- The use of general funds for work programmes including Rivers and Drainage.
- Council's legal responsibilities when rating.
- Whether the rating system should be considered over a longer time period for fairness and equity.
- How often the rating system should be reviewed.
- Other Council's funding systems, including fees and charges.
- The quantum of regional targeted rates, especially in conjunction with territorial authority rates.

- Whether all rating impacts should be considered on a district to district basis.
- The process of assessing funding charges and what information should be required to make it less subjective.
- The passenger transport rate and a concern that the rate was not included in the 30% Uniform Annual General Charge (UAGC) rates cap
- The costs of separate rates collection versus status quo.
- The scope of consent fees and charges, and their ratio to general funding. It was agreed that further discussion was needed on this matter at a future workshop.

The Finance and Governance Committee:

- Requested a report outlining options on rating land value versus rating on capital value. The report should include other regional councils' choices and why.
- Requested a report that investigates the different interest rates that Council charges across activities, discounted interest rates applied, and comparisons to other regional councils.
- Agreed that it would continue investigating the use of hectare rates and the overseer model for the Rotorua lakes restoration programme, and asked that financial models be prepared for its consideration at workshop two.
- Agreed that workshop two be held over two days so that it could work through the funding tools programme by programme.

## **Next meeting**

The next Finance and Governance workshop on the rating review will be held on 16 and 17 August at the Duxton Hotel, Okawa Bay, Mourea, ROTORUA.

## **The workshop closed at 4.30pm**

**File Reference:** 1.00026  
**Significance of Decision:** Receives Only - No Decisions



**Report To:** Finance and Governance Committee  
**Meeting Date:** 17 June 2010  
**Report From:** Brian Trott, Group Manager Corporate Services

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## Group Managers' Report

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### Executive Summary

This report provides Committee members with an update on operational matters of interest.

### 1 Recommendations

**That the Finance and Governance Committee under its delegated authority:**

**1 Receives the report, Group Managers' Report.**

### 2 Environment Bay of Plenty website

Environment Bay of Plenty's website has been ranked 52 out of 85 in a recent survey of New Zealand Local Government Websites carried out by the Association of Local Government Information Management (ALGIM). This is a drop from 50 in 2009.

The survey was carried out between 15 February and 8 March 2010 and looked only at the front page of councils' websites and did not go beyond this point to consider other aspects of the sites. The ranking was based on criteria derived from "parts of the NZ Government Web Standards (v2.0)" and was classed as a "light assessment and may not reflect the best or worst practices across a council site". These standards are not compulsory. There was also an element of subjective option and personal viewpoints noted in the method for the review.

While staff were disappointed with the ranking they were accepting that this was not an in-depth review of the entire website, and in part reflected limitations they have with the existing Content Management System (CMS). The organisation is moving its website to a new CMS later in the year.

The review also did not consider or evaluate the thinking and strategy developed by staff on how they best use the website to meet the organisation's business requirements and the community's requirements for receiving information.

### 3 2009/2010 Annual report

Given that the annual report for the 2009/2010 financial year is going to be adopted by Council at its meeting on 30 September, there is insufficient time to provide the Committee with a copy of the draft annual report prior to that date.

Following agreement with the Chair and Deputy Chair of the Finance and Governance Committee, my intention is to provide a briefing to the Chair and Deputy Chair of Council and the Chair and Deputy Chair of the Finance and Governance Committee in mid to late September. Following this briefing, a copy of this draft report can be sent to members of the Committee if desired.

#### **4 Rating review workshop**

A follow-up rating review workshop will be held on 16 and 17 August at the Duxton Hotel, Rotorua. This follows on from the workshop held on 25 May 2010 at the Classic Flyers Club, Mt Maunganui.

#### **5 Financial Implications**

##### **Current Budget**

This report has no financial implications on the current budget.

##### **Future Implications**

This report has no future financial implications.

##### **Ten Year / Annual Plan Implications**

This report has no ten year plan or annual plan implications.

Brian Trott  
**Group Manager Corporate Services**

**11 May 2010**

**File Reference:** 1.00026  
**Significance of Decision:** Receives Only - No Decisions



**Report To:** Finance and Governance Committee  
**Meeting Date:** 17 June 2010  
**Report From:** Brian Trott, Group Manager Corporate Services

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## Finance and Governance Committee Work Schedule

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### Executive Summary

This report provides the Finance and Governance Committee with a list of reports that will be tabled at future Committee meetings.

### 1 Recommendations

**That the Finance and Governance Committee under its delegated authority:**

- 1 Receives the report, Finance and Governance Committee Work Schedule.**

### 2 Future reports

Below is the list of reports that are planned for the Finance and Governance Committee in the coming months. These reports are in addition to the routine reports such as monthly financial statements or investment updates.

Date of meeting	Report title	Purpose	Writer
5 August	Contracting quarterly report – 31 March to 31 July 2010	A summary of Environment Bay of Plenty's contracts awarded during the quarterly period.	Kirsty Brown
14 September	Organisational efficiency project – Water User Data Management System	To identify a suitable solution to improve information for water allocation management.	Glenn Ellery

### 3 **Future workshops**

The table below outlines workshops that will be held by the Finance and Governance Committee in the coming months.

Date of meeting	Purpose	Detail	Papers
16 and 17 August 2010	Rating review workshop	Follow up to the rating review workshop held on 25 May 2010.	Papers to be provided by Stimpson & Co.

### 4 **Financial Implications**

#### **Current Budget**

This report has no financial implications for the current budget.

#### **Future Implications**

This report has no future financial implications.

#### **Ten Year / Annual Plan Implications**

This report has no financial implications for the ten year plan or the annual plan.

Brian Trott  
**Group Manager Corporate Services**

**4 June 2010**

