

Super City and the new super market

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For any suppliers of goods or services to the existing councils in Auckland, the times ahead for their business look turbulent, with both threats and opportunities. Many will have invested huge amounts of time and effort over recent years in securing contracts, developing relationships and positioning themselves as a provider to one or more of the councils. But will these contracts and relationships survive the transition from the existing councils to the new Auckland Super City structure? How should current suppliers position themselves for the inevitable opportunities?

The new Auckland Council, Local Boards and several super-sized Council Controlled Organisations (such as Watercare Services Limited and the Regional Transport Agency) will be established over the coming year to replace the existing governance structure, with a 'go live' date of 1 November 2010. While a number of projects have either been suspended or slowed down pending the creation of the Super City, other streams of work have increased as councils balance the transition, doing their day-to-day activities and meeting community expectations over the coming year.

Effects on existing contracts

While it is expected that existing contracts with the current councils will be honoured, the Auckland Transition Agency - the body established to manage the transition - is currently undertaking a stocktake and assessment of all contracts.

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Suppliers would be wise to have any current contracts that continue past 1 November 2010 checked by their lawyer, although the law states that all contracts of each existing local authority become the contracts of the new Auckland Council.

Tenders and similar processes that are currently underway should generally continue subject to the powers of the Auckland Transition Agency.

At the close of 31 October 2010, all the assets, liabilities and responsibilities of the local authorities (including council-controlled organisations) and the Auckland Transition Agency will be passed to the new Auckland Council. This will include any contracts that are current at that date. Any contracts to be entered into after that date will need to be made with the new Auckland Council.

Streamlining procurement processes

One of the outcomes being sought by the Auckland Transition Agency is for the new Auckland Council to achieve greater efficiencies and therefore be more effective. The aim is for the new governance system to deliver maximum value to ratepayers, both in terms of cost and the quality of service delivery.

To assess the potential for greater efficiencies achievable from the restructuring, the Royal Commission had a financial analysis report prepared by Taylor Duignan Barry.

This report identified a number of aspects of the new Auckland Council structure that should contribute to efficiency gains. Many of these will have impacts on suppliers to the existing councils.

For example, the total expenditure of the new Auckland Council will be more than three times that of the largest current Council - Auckland City Council. By consolidating expenditure volumes and values, the Auckland Council's buying power will be substantially larger than that of any of the existing councils. A more centralised approach will mean that the Auckland Council will need to buy roughly the same amount, but will want to pay less.

The financial analysis report suggested efficiencies will come from a rationalisation of the overall number of suppliers to the Super City. In other words, the Auckland Council will want to acquire services from a fewer number of larger suppliers. Existing providers will need to consider their options to grow in scale and size to meet the expectations of the Auckland Council. This might involve entering into alliances, merging with or acquiring competitors. Suppliers to some of the smaller councils in the region may find this to be their biggest business challenge in the coming year.

Efficiency is also expected to be gained through formalising and managing key council supplier relationships. At present, the procurement process is a mix of formal and informal processes, with procurement power typically spread amongst council staff who directly use the services of a provider.

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However, that is likely to change with the introduction of a Revenue and Payments Manager, meaning that probably only a handful of staff will be responsible for the procurement of goods and services. There will also likely be moves to catalogue-based procurement processes, as a way to manage risks and reduce costs.

Overall, it is expected the new procurement processes will streamline the current processes, the contracts will be bigger and more complex, and there will be fewer suppliers. Contractors need to make sure they have a clear understanding of these new procurement processes and how they will meet the demands and expectations of the new Auckland Council and council-controlled organisations.

Further Impacts on Smaller Suppliers

The impacts of the new processes are likely to be felt most keenly by suppliers to the peripheral cities of Manukau, Waitakere, North Shore, Franklin and Rodney. A study completed by University of Auckland public economics lecturer, Rhema Vaithianathan, suggested the plans would result in a centralisation of resources within central Auckland and result in falls in GDP and job losses in the outlying cities and districts. In particular, she predicted council contracts that currently go to small local businesses in the peripheral areas would be lost. These contracts would be centralised and would probably go to larger firms which could operate across the entire region, or even nationally or internationally.

Unified Service Delivery

A discussion document issued by the Auckland Transition Agency concerning the organisational structure and staff transition processes, suggested there would be a consolidation of ‘back-office’ service functions for the new Auckland Council.

This would involve re-engineering (and automating) planning, rating, finance and administration, human resources and service delivery processes. E-government capacity would be optimized including much more on-line service delivery and easy information interchange across the council’s staff in various locations.

It was expected that over time, centrally governed ICT infrastructure, a single payment gateway, common software applications, standards and controls and a single contact and data centre facility would be established. Services would be available to the public 24 hours a day, seven days a week. This would also include significantly increased on-line transactional ‘self-services’ (such as on-line consent and licensing applications and payments). Decisions would likely be prescriptive or rules-based, allowing a larger number of decisions to be automated or devolved to the front-line service staff. Standardisation, automation and consolidation of transaction processes including, for example, the production of one rates bill would be inevitable outcomes of moving to one Council.

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Finally, policies, bylaws and regulations will be simplified and harmonised to make services easily understandable, with less need for applicants to use experts to navigate through the complexity of different requirements.

Moving Forward

Overall, any suppliers of goods or services to the existing councils in Auckland will need to understand and plan ahead to deal with changes that will come with the new Auckland Super City structure. This will include checking current contracts and adapting to meet the demands of more formal and consolidated procurement processes. Internally, suppliers should develop tendering processes to manage the larger-scale projects and consider collaboration or mergers with other service providers to maximise future opportunities. By anticipating and planning for the new Auckland Super City structure, suppliers should be able to ensure success beyond 1 November 2010.