



20 November 2025

Rosaleen Smith

s7(2)(a)

Tēnā koe Rosaleen,

Request for Information – Local Government Official Information and Meetings Act (LGOIMA) 1987

We refer to your official information request dated 14 September 2025, seeking documents relating to Hutt City Council’s AI-Volution programme and its engagement with PwC. Specifically, you requested:

1. *Market scan – the full report (all versions, drafts and final), including author(s), date(s), and supporting data sources.*
2. *Business cases – all drafts, versions and the signed/approved final commercial case, strategic case, economic case, financial case and management case, with dates, version control, authors and sign-offs.*
3. *Contract documentation – the contract/agreement(s) between Hutt City Council and PwC signed or initialled on or about 18 June 2024, plus any statements of work, scopes, invoices and change requests related to PwC’s 2023–2025 work.*
4. *Exemption memos – all tender-exemption memos, reports or approval emails relating to PwC engagements from January 2023 to June 2025, including approver name(s), date(s), and the full text of the exemption justification.*
5. *Procurement threshold calculations – any contemporaneous procurement-planning documents showing how HCC calculated the procurement threshold for the initial work and for the overall programme.*



6. *PwC early deliverables – all records (emails, notes, attachments) showing deliverables, analyses, drafts, or data provided by PwC during “early 2024” that informed the market scan or commercial case.*
7. *Oversight records – minutes and attachments for any Audit & Risk Subcommittee meeting (including April 2025) that reviewed the AI-Volution procurement approach, including any independent assurance, legal advice or external reviews.*

On 7 October 2025, Council wrote to advise that the time limit for making a decision on your request had been extended under section 14(1)(a) of the Act.

Council also issued a formal decision letter on 14 November 2025, confirming that your request was granted in part and outlining the applicable withholding grounds. The extension was necessary to enable Council to consult with relevant third parties and collate a large volume of material. In that letter, you were advised that you could expect to receive a response no later than 14 November 2025.

Answer:

In response to your request, please refer to **Appendix 1** below, which details the documents in scope of your request and our decision on its release. Please note, some information has been withheld or refused under the following provisions of the act:

- Section 7(2)(a), to protect the privacy of natural persons,
- Section 7(2)(b)(ii), as the release of it would likely unreasonably prejudice the commercial position of Council,
- Section 7(2)(f)(i), to protect the free and frank discussions of officials, and
- Section 17(d), as the information requested is already publicly available.

Please note, there are two investment cases included in the document pack for release. While PwC and Council jointly developed these, Council took sole ownership of the commercial section of each. PwC had no visibility of, nor input into, the commercial case.

Council notes that a number of previous requests have been made by you on similar or related matters concerning PwC and the AI-Volution programme. Council has endeavoured to respond fully to each of these and has now provided all information held that falls within scope of your current request.

While Council remains committed to fulfilling its obligations under the Act, please note that any further requests of a similar nature may be assessed under sections 17(f) of the LGOIMA, where they place an unreasonable burden on Council resources or seek information that has already been provided.

If you are dissatisfied with this response, you have the right to request an investigation and review by the Ombudsman under section 27(3) of the LGOIMA. Information about how to make a complaint is available at: [Office of the Ombudsman - Complaints](#), or freephone 0800 802 602.

Please note that this response to your information request may be published on Hutt City Council's website: [Proactive releases - Hutt City Council](#).

Ngā mihi nui



Rebekah van der Splinter

Senior Advisor, Official Information and Privacy

Appendix 1: Documents for release

Number	Date	Document Type	Title	Redaction Grounds
1	18 June 2024	Contract Document	Letter of Engagement – Hutt City Council Partnership (PwC)	Some information has been withheld under s7(2)(a), s7(2)(b)(ii) and s7(2)(f)(i)
2	19 September 2024	Investment Case	HCC AI-Volution Investment Case	Some information has been withheld under s7(2)(b)(ii) and s7(2)(f)(i)
3	23 September 2024 25 February 2025 7 April 2025	Minutes and meeting notes	CLT Minutes – AI-Volution Investment Case	Some information has been withheld under s7(2)(b)(ii) and s7(2)(f)(i)
4	1 Oct 2024	Procurement Record	Exemption to Tender – AI-Volution Project Phase 2 – CE’s Approval	Some information has been withheld under s7(2)(a) and s7(2)(b)(ii)
5	19 November 2024	Audit & Risk Report	Komiti Iti Ahumoni Tūraru Audit And Risk Subcommittee – 19 November 2024	This report is refused under section 17(d) of the Act, as it is already publicly available through Council’s routine publication of meeting agendas and minutes on the Hutt City Council website .

Number	Date	Document Type	Title	Redaction Grounds
6	18 October 2024	Email	AI-Volution Letter of Engagement Email	Some information has been withheld under s7(2)(a). The Letter of Engagement (draft and final) are included in the wider document pack and are not repeated in document 10.
7	25 October 2024	Contract Document	Phase 2 Letter of Engagement – PwC	Some information has been withheld under s7(2)(a) and s7(2)(b)(ii)
8	25 February 2025	CLT Memo	AI-Volution CLT Update and AI Risk Management Framework	Some information has been withheld under s7(2)(b)(ii). Attachments 1-3 mentioned in this memo have not been included as they are out of scope of your request.
9	3 April 2025	Draft Report	DRAFT – AI-Volution Artificial Intelligence Project	Some information has been withheld under s7(2)(b)(ii) and s7(2)(f)(i)

Number	Date	Document Type	Title	Redaction Grounds
10	7 April 2025	CLT Memo	AI-Volution Project Investment Case Cover Memo	Some information has been withheld under s7(2)(b)(ii) and s7(2)(f)(i). Attachments 1 and 2 are included in the wider document pack and are not repeated in this document.
11	8 April 2025	Procurement Record	Exemption to Tender – AI-Volution Stage 4 Phase 2 Delivery	Some information has been withheld under s7(2)(a), s7(2)(b)(ii) and s7(2)(f)(i) The PwC cost schedule is withheld in full under s7(2)(b)(ii)
12	14 April 2025	Audit & Risk Report	Komiti Iti Ahumoni I Tūraru Audit And Risk Subcommittee – 14 April 2025	This report is withheld under section 17(d) of the Act, as it is already publicly available through Council’s routine publication of meeting agendas and minutes on the Hutt City Council website .



Jarred Griffiths
Director, Strategy and Engagement
Hutt City Council
30 Laings Road
Hutt Central
Lower Hutt 5010

18 June 2024

Strategic Partnership and AI Preparation

Dear Jarred

I am sending you this engagement document so we can begin our work together. This engagement document is our offer to enter into an agreement with you about the work described below.

You can accept it in writing - a return email from someone authorised to do that is enough - or you can accept it by continuing to instruct us on our work.

Once accepted, it records the 'engagement,' which is the entire agreement between us about our work described below. It replaces any earlier agreements or representations and can only be changed (or rights under it assigned) if we both agree in writing.

The engagement is between **Hutt City Council** ("Council") and **PricewaterhouseCoopers Consulting** (New Zealand) LP ("PwC").

Background

Council has begun preparing for AI-based change, and adopting AI can help Council achieve its aspiration to be an exemplar in using new technologies to build a connected, resilient and inclusive city where all of its people thrive. AI-based change can also help Council respond to the following challenges:

- **Financial constraint:** like all local government entities, Council is facing significant financial pressure and has an ongoing need to find efficiencies
- **Growth in service demand:** Council must respond to Government Policy direction and a resulting increase in service requirements
- **Increasing customer expectations:** Council aims to elevate service quality and build trust and confidence in Council and its services

Earlier this year, PwC and Council held a series of workshops with Directors and Senior Managers to build a shared understanding of the potential of AI across the organisation.

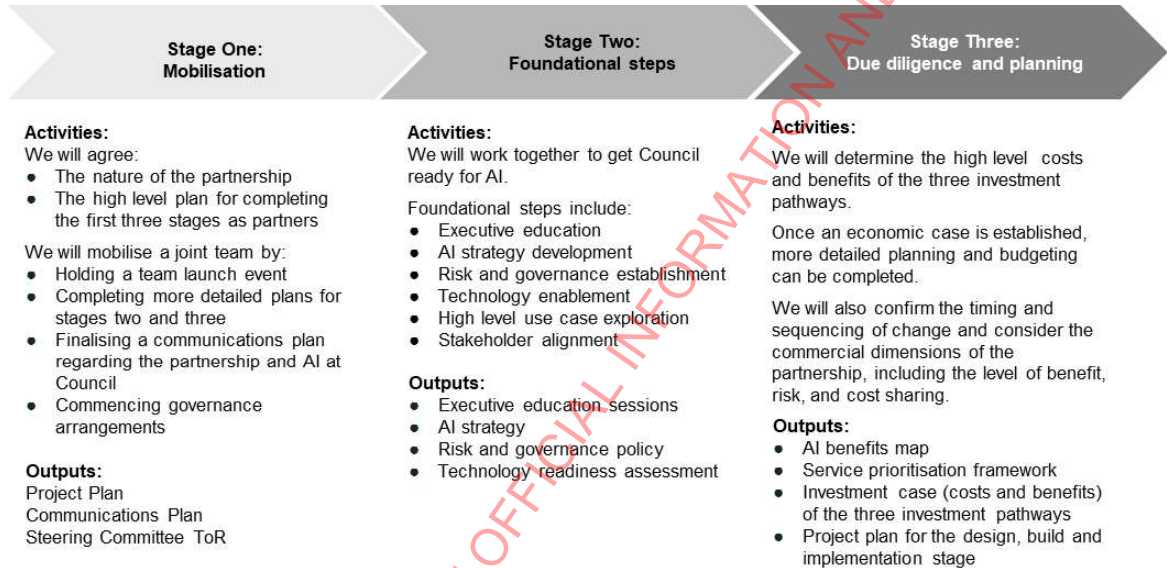
You are now seeking a strategic partner to work alongside you to share capacity, capability, and knowledge to help you gain value from AI.



Joint work of the partnership

As depicted below, our work together in partnership will be organised into three stages. While stages are depicted in a linear manner, in practice they will be completed in parallel to support the pace of change.

Figure One: Stages of Work



At the end of stage three, preparatory planning and business justification activities will be complete, and Council's change programme will be ready to move to design and implementation. At this time, Council and PwC can also confirm the commercial arrangements of any future work together.

Limitations of our work

The work described in this contract describes the joint work of PwC and Council. Both parties will work together to complete outputs, and outputs are not the sole responsibility of PwC. All outputs will be Council rather than PwC branded, and content will reflect the decisions of Council and not necessarily the advice of PwC.

Our work together will establish the necessary foundation for implementing AI, including executive education, CBA, and planning; work does not include the implementation of AI tools or AI-based transformation.

Timing

The engagement will begin on 20 June, 2024, and the expected duration of this engagement is eight weeks.

Council responsibilities

Council will have primary responsibility for the following outputs: AI Strategy, Risk and Governance Policy, Communications Plan development and execution and completing its use case exploration work with Microsoft Copilot. Council will also have primary responsibility for aligning senior stakeholders (internal and external). PwC will provide IP and advice to support Council to deliver these outputs and activities. The remaining outputs listed in *Figure One: Stages of our Work* will be produced jointly.






Council is also responsible for:

- Providing PwC team members with Council technology, including access to relevant AI tools at Council
- Sharing data in a timely manner
- Making decisions in a timely manner
- Sharing Council business knowledge
- Supporting PwC team members in navigating the Council environment
- Providing capable team members as required to complete work, including but not limited to an Executive Sponsor; Project Manager; SMEs for risk, finance, technology, customer service; and change. The Council will also provide two Analysts to work alongside PwC Analysts to help complete project deliverables.

Council confirms that the appointment of PwC to support the development of an investment case for AI-based change and other change will not be an impediment to PwC's ability to separately enter into an agreement to support the design and implementation of these changes.

Our team

Our team member roles and their estimated level of effort are described below.

Name	Role
 <p data-bbox="326 1163 513 1226">Valerie Wheeler Partner</p>	<p data-bbox="565 982 808 1010">Engagement Partner</p> <p data-bbox="565 1018 1382 1073">As Engagement Partner, Val holds overall responsibility for the quality and timeliness of PwC's contribution to the partnership.</p>
 <p data-bbox="326 1484 529 1547">Duncan Scott Executive Director</p>	<p data-bbox="565 1268 1021 1295">Strategy, Finance and Investment SME</p> <p data-bbox="565 1304 1330 1367">As Strategy, Finance and Investment SME, Duncan will advise on the investment strategy and CBA for investment in AI.</p> <p data-bbox="565 1375 1281 1402">His estimated effort during this stage of the partnership is 2 days.</p>
 <p data-bbox="326 1814 496 1877">Livesh Naidoo Director</p>	<p data-bbox="565 1591 1081 1619">Technology, Strategy and Architecture SME</p> <p data-bbox="565 1627 1398 1745">Livesh will provide high level architecture advice that contributes to the Investment Case (high level CBA) for AI and an understanding of readiness for AI implementation from a technology, data, and technology workforce perspective.</p> <p data-bbox="565 1753 1281 1780">His estimated effort during this stage of the partnership is 5 days.</p>



Name	Role
s7(2)(a) [Redacted Name]	Analyst [Redacted] will be working under the direction of the SMEs to support the production of deliverables and completion of project management processes. [Redacted] estimated effort during this stage of the partnership is 15 days.
Analyst	
s7(2)(a) [Redacted Name]	Analyst [Redacted] will be working under the direction of the SMEs to support the production of deliverables and completion of project management processes. [Redacted] estimated effort during this stage of the partnership is 15 days.
Analyst	

Assumptions

- CLT will be the decision-maker for investments in AI
- There will be the sharing of intellectual property between Council and PwC. Council will access PwC's global knowledge and frameworks for successful implementation of AI and change; PwC will retain and use knowledge and IP developed together with Council to benefit its work with other clients addressing similar challenges
- Cost model and cost drivers are clear, transparent, well understood and shared
- All deliverables will be in Council branding and templates
- Data, information, and documentation will be provided in a timely manner, as will decisions and document reviews

Fees and invoicing

The fee you'll pay for our work will be a fixed fee of s7(2)(b)(i). This fee is exclusive of GST and expenses, and expenses will be mutually agreed before they are incurred.

We will invoice you on a monthly basis. Our invoices are due for payment within 14 days of the invoice date.

Terms of Business

Our terms of business at <https://www.pwc.co.nz/services/consulting/consulting-terms-of-business.html> on the date we sent this email are part of this engagement document.

Please pay particular attention to clauses 2, 3, 4 and 6 which deal with:

- Your responsibilities—such as providing us true and accurate information (we will not independently audit or verify the accuracy of this information)
- Limits on who can place reliance on our services or on any oral advice
- Restrictions on your disclosure of our work to others
- Limits to our liability in relation to the services provided under this engagement



Hutt City Council
June 2024

If you have any questions regarding the content of this letter, please feel free to contact me.

Yours sincerely

s7(2)(a)
[Redacted signature block]

Val Wheeler
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AI-Volution Artificial Intelligence Project

Investment Case

Prepared by:	AI-Volution Artificial Intelligence Project Team
Prepared for:	Corporate Leadership Team
Date:	19 September, 2024
Version:	1.0
Status:	
Template version:	

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AI-Volution Artificial Intelligence Project Investment Case

Document Control

Document Information

	Position
Document ID	AI-Volution Artificial Intelligence Project Investment Case
Document Owner	Project Co-Sponsors
Issue Date	19 September, 2024
File Name	AI-Volution Artificial Intelligence Project Investment Case

Document History

Version	Issue Date	Changes
0.1 Storyboard / first pass	5 July 2024	Key messages drafted for introduction, strategic case, and economic case; other sections scoped
0.2 Second pass	22 August 2024	Draft of text and diagrams for introduction, strategic case, and economic case
0.4 Third pass	13 September 2024	Refined introduction, strategic case, and economic case and draft of remaining content based on SRO feedback;
0.5	17 September 2024	Revised content based on CLT workshop, meeting on te ao Maori and Te Tiriti considerations, and feedback. Content was shared with the CEO, CFO, CPO, Pou Reo me Ōna Tikanga and Tumuaki Māori
1.0 Final Investment Case	19 September 2024	Executive summary

Document Review

Role	Name	Review Status
Project Co-Sponsor	Val Wheeler, Partner, PwC	Approved
Project Co-Sponsor	Jarred Griffiths, Director, Strategy & Engagement, HCC	Approved

Document Sign-off

Role	Name	Sign-off Date
Chief Executive, HCC	Jo Miller	

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1. Introduction

This section of the document provides the purpose of the document; background information; a description of the proposed investment; and the investment process to date and next steps.

1.1 Purpose of this document

This investment case seeks approval for investment in the AI-Volution Artificial Intelligence Project. Decisions sought are:

- **Agree** that the preferred option is Option Four: Balanced portfolio of solutions and capability.
- **Note** that the estimated project cost is §7(2)(b)(ii). The estimated annual economic benefit is estimated to be §7(2)(b)(ii) with a rate of return §7(2)(b)(ii). It is estimated to be cash flow positive by FY26.
- **Note** the cost of §7(2)(b)(ii) comprises of:
 - a. Software licences - §7(2)(b)(ii) annually (ongoing, based on a total of 150 user licences)
 - b. External consultant project costs - §7(2)(b)(ii)
 - c. External contractor costs - §7(2)(b)(ii)
 - d. Internal HCC time - §7(2)(b)(ii)
- **Note** that this option is affordable based on being self-funding over time and based on a proposed funding model that defers the payment of external consultant costs until AI Assistants are live, giving Council the opportunity to pursue the benefits made possible by the AI Assistants.
- **Agree** to work starting on 14 October, 2024 subject to:
 - Confirming delegated decision-making to commence this project and agreeing an appropriate procurement process.
 - Informing and/or confirming support of elected members and the Independent Chair of Audit and Risk
 - Confirming Council resourcing to commence the next phase of work
 - Confirming commercial arrangements and terms between Council and PwC agreement to a high level plan for benefits realization.
- **Invite** the AI-Volution Project team to report back on these matters on 7 October, 2024.

1.2 Background

In June 2024, Hutt City Council (HCC) and PricewaterhouseCoopers (PwC) agreed to embark on a strategic partnership that supports Council to adopt artificial intelligence (AI). The resulting AI-Volution Project was split into four stages as depicted overleaf.

Figure 1: AI Volution Project Stages



At the time this document was written, the team was completing Stage Three: Due diligence and planning, and this Investment Case is the major output of this Stage.

1.3 Proposal

This Investment Case recommends a preferred option for a next phase of investment in AI based change.

While the next phase will help us pursue our vision of being an exemplar in our use of AI, we recognise that AI will be a multi-year investment journey with no clear finish line or end state. As technology changes and as our organisation, community, and policy environment change, we will need to revisit where we invest in operational change.

Council envisages a rolling programme of AI-based change, and the proposed next phase is designed to:

- Move Council closer to being an exemplar
- Deliver economic benefits that can be reinvested in future phases as part of a rolling programme
- Build Council capability to deliver change more independently and with decreasing dependence on external support.

1.4 Process to date and next steps

This section sets out the approach to developing this investment case, decisions made during its development, and next steps after its approval.

1.4.1 Approach to developing this investment case

The AI-Volution Project started in June, 2024, and this investment case is its major output. The major features of the approach to developing the investment case are as follows:

1. Content is high level, with the document being ~20 pages in length
2. Content is based on indicative rather than detailed evidence
3. The document is concise and in plain English
4. The Steering Group (CLT) provides feedback on major inputs to this document (e.g. benefits map, options selection criteria, options) as they are developed
5. Each Directorate has opportunities to provide input into AI investment opportunities

6. Analysis builds on work completed to date, including the Council's AI Strategy and Responsible AI policy
7. Prioritisation of use cases is based on (i) potential benefits and (ii) feasibility, which includes an assessment of technology and data requirements, risk and trust considerations, and workforce readiness

1.4.2 Decisions to date

At the time this document was submitted for approval, CLT had already approved the decisions listed below.

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Table 1: Decisions to date

#	Decision	Date
1	Approved the partnership with PwC (including in principle agreement on commercial arrangements for design and implementation)	18 June, 2024
2	Approved the AI Strategy	1 July, 2024
3	Approved the AI risk and governance approach	1 July, 2024
4	Approved the AI-Volution Project Benefits Map	15 July, 2024
5	Approved the AI-Volution Project Service Prioritisation Framework	15 July, 2024
6	Approved the definition of “exemplar” for AI adoption	16 September, 2024
7	Approved the high level options	16 September, 2024
8	Approved the option selection criteria	16 September, 2024

1.4.3 Next steps

Once the decisions sought in this investment case are made, the next steps in the process are as follows:

- Confirm elected member support
- Complete more detailed project planning
- Source resources internally and through contract arrangements with third parties
- Report back to CLT regarding resourcing, commercial arrangements, and a high level approach to benefits management prior to starting the next phase
- Mobilise team

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2. Case for Change

This section of the investment case provides a strategic case for investment, including the strategic context, investment objectives, related policies and programmes, and risks.

2.1 Strategic context

We play an important role for our residents. We foster a connected, resilient, and inclusive city where all our residents can thrive. Our role includes but is not limited to infrastructure and public works, community services and facilities, and regulatory and environmental services.

Our residents embrace innovation, and they deserve a Council that does the same.

Lower Hutt has a diverse economy and a strategic industrial hub, displaying ~20% higher-than-average productivity in science, technology, and high-value manufacturing sectors¹. Home to organisations like GNS Science and Callaghan Innovation, our city is also seeing the emergence of new niche industries such as renewable energy, biotechnology, and advanced materials. Council needs to adopt cutting edge technologies to provide a modern, fast-paced environment that fosters continued growth and development.

We can use AI-based technologies today to address some immediate challenges.

Financial constraint and the rising expectations of our customers and our people make it an important time to adopt new solutions at pace. AI can help us:

- **Strengthen financial sustainability:** Like other Local Councils, Hutt City Council is under financial pressure. This fiscal year, we have a ~\$38 million operating deficit and may face a credit rating downgrade.² Unfunded central government mandates such as the National Policy Statements on Urban Development and Freshwater Management 2020 further strain our resources.³ Council has committed to achieving at least \$600,000 in operational savings this fiscal year. AI can help address financial challenges by increasing productivity, reducing operational costs, and potentially generating new revenue streams.
- **Enhance the customer experience:** Our residents use sophisticated service providers such as Air New Zealand and Netflix every day. They expect to tell their story once, get consistent information across channels, and have one relationship with us rather than a fragmented service experience across our Directorates. We know we can do better in meeting customer expectations. Resident satisfaction with information accessibility has recently dropped to 48%, and only 38% of residents are happy with the ease of providing us with feedback.⁴ AI can help by increasing self-service options, extending service hours, and supporting service delivery in multiple languages.
- **Provide a better experience for our people:** AI can empower employees by giving them the tools they need to excel. Recent engagement surveys show that only 65% of staff feel they have access to the resources they need to do their job well, and just 43% believe current systems effectively support their work.⁵ AI tools automate a wide range of tasks, and given the broad uptake of GenAI tools for personal and educational use, our people will increasingly expect GenAI tools at work.

¹ Infometrics. (n.d.). *Industry productivity: Lower Hutt City*. Infometrics. <https://rep.infometrics.co.nz/lower-hutt-city/productivity/industry-productivity?compare=new-zealand>

² Hutt City Council. (2024). *Our 10 year plan 2024-2034*. Hutt City Council.

³ NZIER. (2024). *Cost impact of central government reforms. A report for Local Government New Zealand*. New Zealand Institute of Economic Research.

⁴ Gautam, D., & Nuth, M. (2024). *Resident satisfaction survey 2024 - Communication and engagement*. Hutt City Council.

⁵ Hutt City Council. (2024). *Waiora engagement survey results*.

https://hccpublicdocs.azurewebsites.net/api/download/587890ba7b2542ef8532867346c3a343/_extcomms/b093b45352523b2c41debad0e723a745395f

In the longer term, we believe in the transformative power of AI for delivering public good. AI can help us address complex challenges such as climate change and land management by helping us find smarter, more efficient solutions driven by advanced insights and data analysis.

Getting started with AI now positions us to adopt innovations as they emerge in the coming months and years. All the major technology players are making substantial investments in AI and offering upgrades every three to six months. As enterprise-grade GenAI becomes more accessible and powerful, we want to be ready to adopt at pace.

Avoiding AI is not an option, and failing to take action creates risk. Software commonly used in offices, including but not limited to Microsoft and Adobe products, are increasingly embedding AI into their tools. Even in offices where access to this functionality is limited, research shows that the majority of knowledge workers are bringing their own AI to the office.⁶ Now that AI has become ubiquitous, the challenge is to find safe and productive ways to use it, capture the benefits, and put in place governance and controls to manage risks.

For all of these reasons, we have an AI Strategy that commits us to being an exemplar. In July, CLT approved our AI Strategy, which sets out Council's aspirations for AI adoption, including but not limited to partnering with others and being an exemplar for AI use in local government in Oceania. Being an exemplar means achieving a level of capability that is worthy of being copied. It also means proactively telling Council's AI adoption story, sharing knowledge and IP, and gaining recognition as a leader in AI.

2.2 Investment objectives

Over the longer term, CLT has agreed its desired longer term benefits from being an exemplar. These are captured in a Benefits Map provided in Appendix A. It includes:

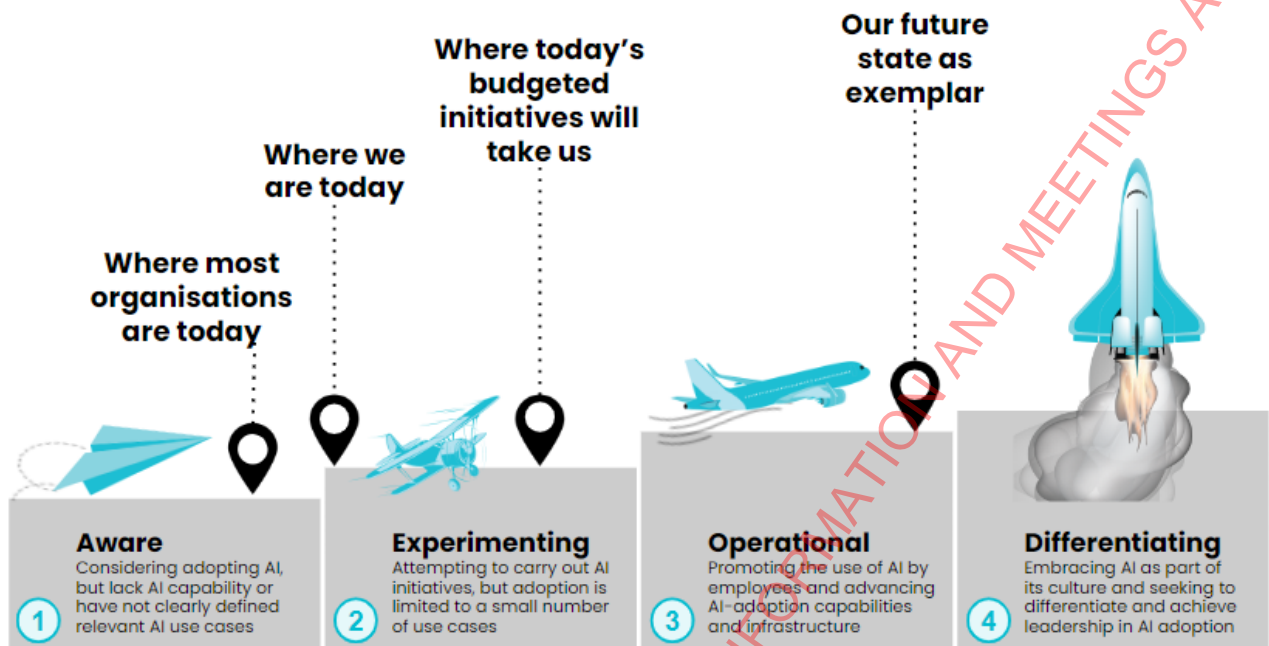
- **Economic cashable benefits** - changes that directly affect our budget, including increasing revenue and decreasing costs
- **Economic non-cashable benefits** - financial returns that cannot be cashed out, including freeing up staff time for more value-add activities, and avoiding costs
- **Non-economic quantitative benefits** - non financial benefits that can be measured, including reduced processing times and staff learning new skills

Council's current investments in technology and change are necessary but not sufficient for achieving Council's desired future state as an AI exemplar. The GoDigital+ programme aims to integrate digital technology across all business areas. This investment focuses on upgrades to critical enterprise products such as Customer Relationship and Asset Management, which are likely to have AI features embedded in them. While these GoDigital+ investments will contribute to Council's maturity, they will not bring Council to its desired level of maturity as depicted below. A more detailed description of this diagram is in Appendix B.

⁶ Microsoft. (2024). *AI at work is here—Now comes the hard part*. Microsoft WorkLab.

41<https://www.microsoft.com/en-us/worklab/work-trend-index/ai-at-work-is-here-now-comes-the-hard-part>

Figure 2: Council's pathway to exemplar



A next phase of the AI-Volution Project will move Council closer to its desired future state as an exemplar. Notably, this requires moving beyond point solutions and adopting AI enterprise-wide, including for end-to-end processes and user stories. It also requires supporting broader business impacts, including but not limited to the customer experience and workforce, and collaborating with stakeholders and external partners to drive knowledge sharing and agility.

A next phase will create fiscal headroom for ongoing investment as part of a rolling programme. By focusing on targeted initiatives that deliver immediate, tangible savings and efficiencies, Council can increase productivity and strengthen its cash flow. These immediate cashable benefits will enable Council to support more ambitious, high-value AI initiatives in subsequent phases. While shorter term investments will emphasise cashable savings, changes must be consistent with the longer term desired non-financial benefits. Examples of these include reducing end-to-end processing times, improving data quality and timeliness, and increasing automation/self service, as outlined in the Benefits Map in Appendix A.

A next phase of work will also build Council's capability to deliver change more independently and with decreasing dependence on external support. External support is the most expensive component of our investment in change. As we execute a rolling programme of change, the more we do ourselves, the more benefits we can retain, and the more likely we are to have attractive rates of return. In this phase, Council team members can strengthen their skills in developing AI Assistants and supporting change. Council can also use this phase to strengthen investment management and control practices, including but not limited to benefits management.

2.3 Related policies and programmes

A comprehensive scan of related policies and programmes confirms there are no conflicts and that the next phase of work supports the aims of other initiatives. The three most relevant of these are as follows:

- **AI Strategy:** A next phase of work can support the execution of this strategy, including but not limited to identifying and improving processes that can benefit from AI solutions to achieve productivity and efficiencies, and providing our teams with the right tools and skills

- **Business Process Optimisation Programme:** Council has a team completing business process optimisation as a service to Directorates. Some of the processes this team may be asked to optimise may also be opportunities to use AI
- **CCaaS Project:** AI Assistants in this phase can help staff respond to customer inquiries, which should provide insights into how Council can use AI in customer service in the future

A longer list of internal and external policies and programmes and a description of their relationship to the next phase is included in Appendix C.

2.4 Risks

A risk is something that may or may not occur in the future and that can have an impact on the success of this investment. The top five risks identified to date are provided below with a recommended response.

Table 2 - Risks and recommended response

#	Description	Recommended Response
1	Resourcing: <i>If</i> Council cannot identify available resources with the right skills to support this phase, <i>then</i> there may be project delays and reduced opportunities to achieve the targeted level of benefit	<ul style="list-style-type: none"> • Accept the preferred option, which is preferred in part because of the limits and manageability of its scope and resource requirements • Note the project team will report back to CLT on Council resourcing arrangements prior to mobilising the team
2	Elected member support: <i>If</i> elected members are not comfortable with the use of AI and the proposed next phase of work, <i>then</i> the preferred option may not proceed	<ul style="list-style-type: none"> • Invite the CEO and Director of Strategy & Engagement to brief elected members on the project • Note the CEO and Director of Strategy & Engagement will confirm the support of elected members and the Independent Chair of Audit and Risk support prior to mobilising the team
3	Commercial arrangements: <i>If</i> commercial arrangements are not agreed between Council and third parties in a timely manner, <i>then</i> there may be delays in the project start and reduced opportunities to achieve the targeted level of benefit	<ul style="list-style-type: none"> • Note that while commercial arrangements were not finalised at the time this document was written, the SRO has progressed discussions with appropriate suppliers • Note that PwC has confirmed its willingness to continue the partnership on a fees at risk basis, subject to finalising commercial terms • Note that Director of Strategy & Engagement will finalise commercial arrangements once Council resourcing and elected member support is confirmed

#	Description	Recommended Response
4	<p>Benefits management: <i>If</i> Council does not strengthen and adhere to required benefits management practices, <i>then</i> targeted benefits may not be captured, and the phase may not be self-funded</p>	<ul style="list-style-type: none"> • Accept the preferred option, which is preferred in part because of the investment in advice on enhanced investment controls, including benefits management • Invite the project team to report back on practical next steps for realising phase benefits
5	<p>Newness of AI: <i>If</i> point solutions do not function as expected, <i>then</i> there may be delays to implementation or less benefits realised than estimated</p>	<ul style="list-style-type: none"> • Note that as an early adopter, Council should expect to need to learn and pivot throughout its AI adoption. It would be ill advised to pursue an inflexible approach. • Note that benefit estimates are based on point solutions, most of which have had small proof of concept / demos to demonstrate a high likelihood of increasing productivity • Agree the project should take a flexible approach to the work to maximise benefits for Council, even if this requires scope and other changes as the team learns more about how to use AI at Council over the course of this phase.

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3. Options Analysis

This section of the investment case provides the economic case for investment. It includes the options evaluation criteria, a description of the options, and the results of the options assessment.

3.1 Evaluation criteria

CLT agreed to five factors for assessing the relative attractiveness of each of the options. These are summarised in the table below, and a more detailed description of how harvey balls are used to rank options is set out in Appendix D.

Table 3 - Evaluation criteria definitions

#	Criteria	Definitions
1	Alignment with short term investment objectives <i>Strategic case</i>	Extent to which an option: <ul style="list-style-type: none"> • Moves Council closer to being an exemplar • Delivers economic benefits that can be reinvested in future phases as part of a rolling programme • Builds Council's capability to deliver change more independently
2	Contribution to longer term strategy and benefits <i>Strategic case</i>	Extent to which an option contributes to the targeted financial and non-financial long term benefits as set out in the Benefits Map (see Appendix A)
3	Economic benefits <i>Economic case</i>	Extent to which an option: <ul style="list-style-type: none"> • Delivers an attractive Rate of Return (RoR) • Provides a material amount of economic benefit • Identifies future economic benefits for subsequent phases to support a rolling programme
4	Manageability <i>Commercial and management cases</i>	Extent to which: <ul style="list-style-type: none"> • Implementation is reasonable and manageable by December 2024 • Risks are manageable • Capability is available in house or through suppliers • An option lays the foundation for the manageability of future phases
5	Affordability <i>Financial case</i>	Extent to which an option: <ul style="list-style-type: none"> • Is self-funding over time with limited risk to achieving benefits • Has internal funding available that is not at risk • Minimises reliance on external financing (e.g. debt)

3.2 Options development

Options are based on combinations of five scope areas. These five scope areas are described in the table below.

Table 4 - Five potential scope areas

#	Scope item	Variations considered
1	<p>Adopt OTS GenAI tools enterprise-wide Council provides staff with one or more off the shelf (OTS) GenAI tools across Directorates and supports upskilling.</p>	<p>Variations can be based on the scale of licence provision:</p> <ul style="list-style-type: none"> All staff with laptops (80% of all staff / 500 employees) <p>OR</p> <ul style="list-style-type: none"> Limited number of staff (25% of all staff / 150 employees) who are selected based on priority roles, functions, or teams
2	<p>Build and implement a portfolio of point solutions Council builds a set of AI Assistants to automate selected tasks. These are designed to get short term benefits at a relatively low cost, also known as “quick wins”</p>	<p>Variations can be based on the number of point solutions:</p> <ul style="list-style-type: none"> All twelve point solutions prioritised by Directorates (see Appendix E for detail) <p>OR</p> <ul style="list-style-type: none"> Concentrating on a smaller number of point solutions (six)
3	<p>Progress a portfolio of solutions for end-to-end, x-Directorate processes Council explores how to use AI solutions to optimise selected processes from start to finish across functions from an end user perspective. Note that the work is analysis and a report back to CLT to request additional investment in process automation.</p>	<p>Variations can be based on the number of E2E processes in scope:</p> <ul style="list-style-type: none"> All seven processes prioritised across Directorates (see Appendix E for detail) <p>OR</p> <ul style="list-style-type: none"> Concentrating on a smaller number of processes (three)
4	<p>Enhance Council’s investment planning and control practices Council explores targeted improvements to how it delivers change and its benefits.</p>	<p>Variations are based on the amount of work completed:</p> <ul style="list-style-type: none"> Recommendations only <p>OR</p> <ul style="list-style-type: none"> Recommendations and implementation
5	<p>Share Council’s AI adoption story and IP externally Council takes targeted action to share and promote Council’s approach and IP for AI adoption and pursues recognition through industry awards</p>	None

3.3 Options descriptions

Including the Base Case (status quo), this investment case assesses five options that feature increasing levels of investment in AI-based change and Council capability. The table below describes these options. They were developed in part through a CLT workshop on 16 September, 2024. Note that options two through five are all inclusive of GoDigital+.

Table 5 - Option descriptions

#	Option and description	Scope
1	<p>GoDigital+ (base case) <i>Council continues its current tech and process investments as currently budgeted and/or planned. There is no additional investment in AI-based change. This option is aka "status quo."</i></p>	<ul style="list-style-type: none"> • GoDigital AI investments: <ul style="list-style-type: none"> ○ CCX (CRM, pools, bookings) ○ Contact Centre as a Service (CCaaS) ○ HRIS ○ Assets and facilities management • Investments in addition to GoDigital that are currently planned / budgeted: <ul style="list-style-type: none"> ○ BPO programme ○ AI Navigators current activities (M365 Copilot & ChatGPT Teams pilot) ○ Enterprise-wide roll out of AI business rules and risk training ○ AI Strategy Action Plan 2024/2025 (governance and risk systems, people and culture interventions, data and info management changes, and partnerships) ○ Go Get Replacement
2	<p>Narrow set of quick wins <i>Council maximises short term economic returns and minimises scope. There is no investment in planning for future opportunities or better capabilities.</i></p>	<ul style="list-style-type: none"> • Six of twelve point solutions: Build and implement the six point solutions most likely to create the greatest benefit
3	<p>Portfolio of GenAI solutions <i>Council launches a self-funding phase to realise immediate gains and set out a plan for a next phase with even greater benefits. There is no investment in building capabilities for investment planning and control or telling Council's AI story externally.</i></p>	<ul style="list-style-type: none"> • Chat-based tool for 150 staff: Roll out an OTS GenAI tool to a limited number of staff (25% of all staff) • All twelve point solutions: Build and implement all twelve point solutions • Three of seven E2E process solutions: Assess three point solutions and bring CLT an investment case for automation

#	Option and description	Scope
4	<p>Balanced portfolio of solutions and capability building</p> <p><i>This option extends Option 3 by starting to share Council's AI story and providing recommendations for building Council investment delivery capabilities. Recommendations are subject to CLT approval.</i></p>	<p>Same as above</p> <p>AND</p> <ul style="list-style-type: none"> • Investment & planning practice advice: Develop recommendations for CLT consideration and make additional investments subject to a checkpoint with CLT • Share AI story
5	<p>Broad discovery and implementation</p> <p><i>This option extends Option 4 by giving more staff access to a GenAI tool, assessing seven rather than three processes, and including implementation activities for better investment delivery and control practices.</i></p>	<p>Same as above</p> <p>AND</p> <ul style="list-style-type: none"> • Chat-based tool for 500 staff: Roll out an OTS GenAI tool to all staff with laptops (80% of all staff) • All seven E2E process solutions: Assess seven point solutions and bring CLT an investment case for automation • Investment & planning practice improvements. Implement the recommendations approved by CLT

3.4 Options assessment

Prior to completing an assessment against the evaluation criteria, the GoDigital+ (Base Case or status quo) option was discounted based on its inability to deliver on Council's objective of being an exemplar in its use of AI. As stated in the Case for Change, Council's current investments in technology and change are necessary but not sufficient for achieving the Council's AI Strategy and its ambition of being an AI exemplar.









Based on the agreed selection criteria, the preferred option is Option 4: Balanced portfolio of GenAI solutions and capability.

The table below provides the conclusions of the options assessment for the remaining four options. It demonstrates that Option Five is not attractive because based on its scope and cost, it is neither affordable nor manageable.









When comparing the remaining three options, *Option Four: Balanced portfolio of GenAI solutions and capability* is the most attractive for the following reasons:

- **Alignment with short term investment objectives:** It makes a *greater contribution* because, unlike the other two options, it builds Council's capability to deliver change more independently by providing advice on enhanced investment planning and control
- **Contribution to longer term strategy and benefits:** It makes a *greater contribution* because, it moves Council closer to being an exemplar not only by advancing E2E process change, but also by building a more strategic, innovative, and disciplined organisation regarding AI-based change
- **Economic benefit:** It provides *equal or better economic benefit* as the other options
- **Manageability:** The *scope of the phase is as manageable* as the other options, and it makes a *greater contribution to the manageability of future phases* in a rolling programme because it provides advice to enhance investment planning and control
- **Affordability:** It is *as affordable* as the other options





Figure 3 - Options assessment

Options / Criteria	2 - Narrow set of quick wins <i>This option includes building and implementing six point solutions that are selected based on minimising scope and maximising economic benefits</i>	3 - Portfolio of GenAI solutions <i>This option includes a chat-based tool for 150 staff; twelve point solutions and an assessment of three E2E process solutions</i>	4 - Balanced portfolio of GenAI solutions and capability building <i>This option extends Option 3 by starting to share Council's AI story and providing recommendations for building Council investment delivery capabilities. Recommendations are subject to CLT approval prior.</i>	5 - Broad discovery and implementation <i>This option extends Option 4 by giving more staff access to a GenAI tool, assessing seven rather than three processes, including implementation activities for better investment delivery and control practices.</i>
Estimated project cost	s7(2)(b)(ii)			
Alignment with short term investment objectives <i>Strategic case</i> Extent to which an option: <ul style="list-style-type: none"> Moves Council closer to being an exemplar Delivers economic benefits that can be reinvested in future phases as part of a rolling programme Builds Council's capability to deliver change more independently 	 Creates economic benefits but has a limited impact on Council becoming an exemplar and limited impact on building its internal capability to deliver change more independently.	 Creates economic benefits and supports Council to be an exemplar, but has limited impact on Council's internal capability to deliver change more independently.	 Creates economic benefits and supports Council to be an exemplar, and has a positive impact on Council's internal capability to deliver change more independently through investment planning and control advice.	 Creates economic benefits and supports Council to be an exemplar, and has a positive impact on Council's internal capability to deliver change more independently through investment planning and control advice.
Contribution to longer term strategy and benefits <i>Strategic case</i> Extent to which an option: <ul style="list-style-type: none"> contributes to the targeted financial and non-financial long term benefits as set out in the Benefits Map 	 A focus on short term financial benefits with limited impact on other benefit types.	 Directly supports financial benefits; moves beyond point solutions to consider more fundamental E2E business changes, which helps move Council from experimenting with AI to being an exemplar.	 Same as 3 and moves Council closer to being an exemplar not only by advancing E2E process change but also by building a more strategic, innovative, and disciplined organisation in executing change.	 Same as 3 and moves Council closer to being an exemplar not only by advancing E2E process change but also by building a more strategic, innovative, and disciplined organisation in executing change.

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Options / Criteria	2 - Narrow set of quick wins <i>This option includes building and implementing six point solutions that are selected based on minimising scope and maximising economic benefits</i>	3 - Portfolio of GenAI solutions <i>This option includes a chat-based tool for 150 staff; twelve point solutions and an assessment of three E2E process solutions</i>	4 - Balanced portfolio of GenAI solutions and capability building <i>This option extends Option 3 by starting to share Council's AI story and providing recommendations for building Council investment delivery capabilities. Recommendations are subject to CLT approval prior.</i>	5 - Broad discovery and implementation <i>This option extends Option 4 by giving more staff access to a GenAI tool, assessing seven rather than three processes, including implementation activities for better investment delivery and control practices.</i>
Economic benefits <i>Economic case</i> Extent to which an option: <ul style="list-style-type: none"> • Delivers an attractive Rate of Return (RoR) • Provides a material amount of economic benefit • Identifies future economic benefits for subsequent phases to support a rolling programme 				
Manageability <i>Commercial and management cases</i> Extent to which: <ul style="list-style-type: none"> • Implementation is reasonable and manageable by December 2024 • Risks are manageable • Capability is available in house or through suppliers • An option lays foundation for manageability of future phases 	 <p>Manageable and likely to be implemented within timeframe. Does not lay a foundation for manageability of future phases.</p>	 <p>Manageable and likely to be implemented within timeframe. Does not lay a foundation for manageability of future phases.</p>	 <p>Manageable within the given timeframe; Risks are manageable; Develops the foundation for future phase manageability.</p>	 <p>Faces considerable risks or capability challenges that make it difficult to achieve implementation within the given timeframe.</p>

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Options / Criteria	2 - Narrow set of quick wins <i>This option includes building and implementing six point solutions that are selected based on minimising scope and maximising economic benefits</i>	3 - Portfolio of GenAI solutions <i>This option includes a chat-based tool for 150 staff; twelve point solutions and an assessment of three E2E process solutions</i>	4 - Balanced portfolio of GenAI solutions and capability building <i>This option extends Option 3 by starting to share Council's AI story and providing recommendations for building Council investment delivery capabilities. Recommendations are subject to CLT approval prior.</i>	5 - Broad discovery and implementation <i>This option extends Option 4 by giving more staff access to a GenAI tool, assessing seven rather than three processes, including implementation activities for better investment delivery and control practices.</i>
Affordability <i>Financial case</i> Extent to which an option: <ul style="list-style-type: none"> Is self-funding over time with limited risk to achieving benefits Has internal funding available that is not at risk Minimises reliance on external financing (e.g.debt) 	 Self funding over time with limited risk; internal funding available and not at risk; no external financing is required	 Self funding over time with limited risk; internal funding available and not at risk; no external financing is required	 Self funding over time with limited risk; internal funding available and not at risk; no external financing is required	 Partially self funding or not self funding; funding sources uncertain and at risk; external financing may be required



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4. Commercial Viability

This section of the investment case provides the commercial case for investment. It includes a brief analysis of the current market to understand what technologies and services are available and what they might cost.

4.1 Procurement strategy and market analysis

At the time of development of this Investment Case, commercial focus is on two providers:

- OpenAI (ChatGPT)
- Microsoft (MS 365 Copilot).

The solutions delivered by these respective providers are currently the subject of the AI Navigators trial and are considered the most appropriate as per project requirements. Potential use of either of these providers is to be determined based on the preferred solution/s selected as part of approval of this Investment Case.

Should HCC proceed with ChatGPT Teams, its procurement strategy will likely involve working with PwC for implementation. This approach would likely involve pursuing a tender exemption, as PwC was extensively involved in the first three stages of the AI-Volution Project, were previously engaged by HCC for involvement and is therefore highly familiarised with the work and has the expertise and prior experience to deliver it.

Less procurement is anticipated in the advent MS Co-pilot is selected, since HCC already holds licenses, resulting in minimal activity required to operationalise the tool.

In the advent that consultancy services are required to progress the next phase, HCC will continue to partner with PwC to implement solutions. This partnership model was established during the first three stages of the project. However it is likely Council will need to confirm a procurement exemption given PwC's fee and the nature of the relationship. This will be sought once the investment case is approved.

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The principles underpinning the partnership model are outlined in the graphic below:

-  **Sharing benefits and risks:** Partners understand and agree the key drivers for the relationship for each other. Both partners are committed to.
-  **Sharing intellectual property:** Council would like to access PwC's global knowledge and frameworks for successful implementation of AI and change; PwC would like to use knowledge and IP developed together with Council to benefit its work with other clients addressing similar challenges.
-  **Learning together:** Technology in general, but GenAI in particular, is changing rapidly. Both of our organisations are early adopters, managing ambiguity and sharing lessons learnt as we go. Neither partner will have all the answers, and both partners will problem solve and learn together.
-  **Taking an iterative, stage-gated approach:** Working iteratively means working to continuously refine our solutions and ways of working based on feedback, insights, and emerging opportunities. Together with stage gates for decisions, iteration helps maintain the flexibility needed in a rapidly changing environment.
-  **Bringing the best of our people:** Because this partnership is an investment of strategic importance for both parties, both Council and PwC will commit to freeing the time of their best talent and making appropriate time available to get work completed to agreed timeliness and quality expectations.
-  **Taking a reasonable approach:** We will work collaboratively to find cost-effective solutions that deliver value within the constraints of available budget and human effort for both partners.
-  **Being transparent:** Cost model and cost drivers are clear, transparent, well understood and shared; early and frequent communication with the requirement of 'no surprises' is always at the fore.
-  **Supporting and challenging each other:** Thoughtful critique and guidance will provide the foundation for well informed decisions. A high level of support, engagement and challenge will be upheld by both partners, underpinned by mutual respect.

New roles comprising the internal HCC project team are likely to be sourced from within the organisation. This is anticipated to be x3 positions:

- Project lead
- Analysts x2.

This will offset some consultancy at-risk fees (PwC), as outlined below in 4.3, as the greater the extent of works delivered in-house, the fewer external consultancy services are required.

4.2 Contractual options (risk sharing, etc)

Should HCC and PwC continue with their partnership into delivery, this arrangement would be formalised as part of a contract specifying benefit sharing obligations relating to when HCC pays, when benefits are realised and other technicalities. PwC fees would not be paid until benefits are realised and it will be investing on an at risk basis. s7(2)(b)(ii)

4.3 Payment options and mechanisms

Project costs will be covered through a combination of:

- Consultancy at-risk fees
- HCC at-risk OPEX (which could be covered on a risk basis if there is sufficient confidence in the return and payback period)
- Potential external investment (anticipated minimal).

s7(2)(b)(ii)

Delivery of any of the options outlined in this Investment Case will be treated as OPEX.

5. Affordability

This section provides the financial case for the preferred option. It includes the total estimated costs of delivering the preferred option and the approach for funding these costs.

5.1 Costs

The estimated cash cost for the next phase is s7(2)(b)(ii) This first-year estimate comprises:

- Software licences - s7(2)(b) in additional spend, with s7(2)(b) of licenses already budgeted for the first year (s7(2)(b) annual spend, based on a total of 150 user licences)
- External consultant project costs - s7(2)(b)(ii)
- External contractor costs - s7(2)(b)

Cash costs are external expenses that are not currently budgeted, with internal costs made up of Council staff being temporarily deployed to the project. Costs are calculated on the basis of a joint team of Council and external consulting staff working together to deliver the phase over a ten-week period.

- **Internal costs** are based on the estimated value of Council staff working on the core team. These will be staff redeployed for the period of the work without any backfilling and are **non-cash costs**.
Note that when activities are deemed to be part of a team’s existing role (e.g. P&C will manage union relations for the project), related staffing costs have not been included.
- **External costs** are made up of unbudgeted software licence fees (for an OTS AI tool for 25% of Council staff), and external consultant and contractor’s costs; these are **cash costs**.

The total cost estimate includes project management across each of the in-scope areas. It does not include any further or ongoing costs associated with the project. If there were to be any further costs relating to staff capacity release, then this will need to be taken into consideration at that time.

With the addition of Council time, the total estimated (cash and non-cash) cost to deliver the preferred option is s7(2)(b)(ii) The table below provides a breakdown of the internal and external project costs by scope item. Where staff in existing roles will complete a scope item as part of their BAU role, zero FTEs are shown.

Table 6 - Preferred option: indicative core project team resource costs by scope item

INDICATIVE Core team	Council (internal, non-cash)			External (cash)		
	Scope item	Time (weeks)	FTE	\$000	Time (weeks)	FTE
0. Project & Change Management	10	1	s7(2)(b)(ii)	10	1.5	s7(2)(b)(ii)
1. Adopt OTS GenAI tools	10	0	s7(2)(b)(ii)	10	0.8 ⁸	s7(2)(b)(ii)

Note the affordability case has had inputs rounded to the nearest \$10,000, except where costs are known budgets such as Contractor/ Consultant fees which have been rounded to the nearest \$1,000.

External Contractor will primarily support the OTS adoption but will work flexibly across workstreams.

s7(2)(b)(ii)

INDICATIVE Core team	Council (internal, non-cash)			External (cash)			
	Scope item	Time (weeks)	FTE	\$000	Time (weeks)	FTE	\$000
enterprise-wide							
2. Build and implement 12 point solutions	10	1	s7(2)(b)(ii)	10	1.8	s7(2)(b)(ii)	
3. Progress a portfolio of solutions for end-to-end, x-Directorate processes	6	1		6	1.3		
4. Enhance investment planning and control practices	4	0		4	1		
5. Share Council's AI adoption story and IP externally	10	0		10	0		
Total in \$000							

5.1.1 Cost assumptions

The key assumptions used to build the cost estimates are as follows:

Table 7 - Key cost assumptions

The average cost of Council staff per FTE	s7(2)(b)(ii) (per annum)
The average cost of an external consultant per FTE	s7(2)(b)(ii) (per day)
Licence fee for an OTS AI tool per FTE	s7(2)(b)(ii) (per annum)

In addition, the cost estimate assumes that:

- All costs are operating expenditure; there is no capex required.
- The point solutions will be built using the OTS GenAI tool selected, with licences paid on an annual basis.
- Time will be made available from non-project staff to provide ad hoc support (for example Information Services support for software licences, communications & engagement input, and access to SMEs from the business).

5.2 Funding

The project is self funding through economic benefits realised from the work. The proposed approach uses these benefits to fund both the project and ongoing operating costs. The preferred funding option relies on recycling these benefits and must be self-financing

over three fiscal years, from the start of the project to the end of FY2027. It must also be affordable within current cash flow constraints.

The estimated return on investment will cover project costs, annual software licences, and yield an additional net saving of \$1,116,000 for reinvestment in further AI opportunities.

The estimated total annual economic benefit is \$720,000. Economic benefits are estimated on the basis of time saved for each point solution. The benefits also include any external costs that are expected to be reduced. The table below shows that the team expects to release capacity equivalent to 5 FTEs of Council staff, reducing the equivalent of 1.5 FTE in contractor time, and target an additional \$50k in savings from bringing work in-house that is currently outsourced.

Table 8 - Estimated annual economic benefits (savings) from the 12 point solutions

Scope item	Impacted		Saving	
	FTE equivalent		FTE equivalent	\$000
FTE savings (capacity release)	20.1		5.0	400
External savings (contractors - cashable)	1.5			270
Other expenditure savings (external spending - cashable)				50
Total				720

The key assumptions used to build to estimate savings are as follows:

Table 9 - Savings assumptions

The average value cost of Council staff per FTE	\$80,000 (per annum)
FTE capacity release as a percentage of total identified effort	25%
Realised external cost savings as a percentage of total identified	100%

Benefits are driven by the implementation of twelve AI Assistants as point solutions.

Directorates each shared ideas for point solutions and prioritised these in workshops. Point solutions automate higher volume activities that can make use of GenAI capabilities, including Deep Retrieval and Augmentation. A full list of proposed point solutions is provided in Appendix E.

The proposed option has a rate of return on investment of 370% within three years.

Under the proposed funding model, the gross economic benefits realised over this period would be §7(2)(b)(ii). This represents a rate of return on investment against the (cash) project costs of approximately 370%.

There are minimal impacts on cash flow as consulting fees, constituting the majority of cash costs, are paid out of benefits generated.

The maximum cash flow impact under the proposed model would be the §7(2)(b)(ii) needed to pay for the first year of software licences and contractor expenses in quarter 2 of the current financial year. Overall, the preferred solution will be cash flow positive by FY26. Licences may also be procured on a monthly basis at a slightly higher overall cost.

A commercial model is proposed which defers the payment of external consultant’s costs until Council has the opportunity to pursue the benefits made possible by the AI Assistants. This model will substantially mitigate the cash flow risk for the Council. It will also incentivise the implementation of ‘quick win’ opportunities for both the Council and the Consultant. This will be important to build confidence and momentum for future opportunities, and will also generate funds for future investments.

On this basis, the preferred solution is affordable and presents a strong return on investment.

Table 10 - Net economic benefits (FY25 to FY27)

\$000s	FY25			FY26	FY27	Total
	Q2	Q3	Q4			
Savings		180	180	720	270	s7(2)(b)(ii)
Operating costs	(30)			(90)	(90)	
Project costs (cash)	s7(2)(b)(ii)					
Success fee retainer	s7(2)(b)(ii)					
Net cashable benefit	s7(2)(b)(ii)					

5.2.1 Affordability assumptions

The key assumptions used to build the proposed affordability model are as follows:

Table 11 - Key savings assumptions

The return on investment period	Up to 3 years
Success fee retainer as percentage of total consulting costs	100%
Success fee payment return as percentage of benefits realised	75%
Success fee bonuses payable for higher benefits realised	0%

Council will need to invest s7(2)(b)(ii) up front in year one. This amount will cover the cost of a Contractor (s7(2)(b)(ii)) and the unbudgeted component of the cost of licences for the first year of an OTS Chat based tool for 150 staff (s7(2)(b)(ii)).

Benefits estimates are reasonable. Most of the point solutions have had some development completed to demonstrate the likelihood of benefits, and the Council teams responsible have helped develop, test, and confirm staff time and other resource estimates.

A reasonable approach has been adopted to quantifying the value of the cashable benefits. The modelling assumes a 25% capacity release for activities automated with point solutions. In addition, other likely cashable benefits have not been included:

- The revenue-generating benefits for some of the solutions.
- Benefits arising from transferring solutions to other areas of the Council.
- Any benefits realised from other scope items (including benefits realised from the roll out of the OTS GenAI tool).

5.3 Sensitivity analysis

The cost and savings estimates have a low level of sensitivity. Neither of the two external cost components are cost sensitive. The consultant’s costs are based on an agreed

daily rate and will be capped. The software licence costs are a best estimate, but are unlikely to differ in any material way.

Any sensitivity on the benefits side is likely to be upside (i.e. actual benefits realised are greater than estimated), due to a reasonable estimate of time savings realised, and other potential cashable benefits not being included in estimates.

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6. Project Delivery

This section of the document provides the management case for investment. It contains an overview of the project approach, timeline, and governance. It also describes the approach to practices related to te ao Māori and Te Tiriti, change management, and project management.

6.1 Approach

Activities and outputs are organised into four workstreams. These are:

1. **Chat tool roll out:** Supporting the adoption of an OTS GenAI tool enterprise wide to ~25% of our employees in selected roles.
2. **AI Assistants:** Building and implementing a portfolio of point solutions (12).
3. **Discovery:** Identifying opportunities for further AI adoption across end-to-end processes (3), and to improve Council's Investment Planning and Control practices.
4. **Project and change management:** Delivering the project and change activities to successfully deliver the project brief, including external promotion of the project.

Work will be completed by a joint Council and PwC team. The proposed resourcing plan follows a "two in the box" approach, with the SRO and Project Lead roles held jointly by HCC and PwC team members, fostering shared responsibility and expertise.

All workstreams, with the exception of *Chat tool roll out*, are completed by teams with staff from HCC and PwC. The Chat tool roll out will be completed by BAU staff with leadership from an independent subcontractor. While PwC will not be directly involved in this work, PwC is committed to supporting HCC's success across all workstreams and can provide ad hoc advice as needed, and will help integrate and coordinate the work across all workstreams.

As it has in previous stages, the core team will build skills and capabilities relevant for future phases of design and implementation. The joint team will learn from each other. Council team members share business knowledge and technical skills, and PwC team members share knowledge, experience, and IP. In the previous stage, PwC provided instructor-led training on Change Management and on Agile methods. It also shared its IP on Responsible AI and AI risk management frameworks and approaches as well as training for prompt engineering.

In this next phase of work, Council capability building will continue to focus on change management and Agile; new skill areas to develop will include developing GPTs/AI Assistants and investment planning and control mechanisms. There will be a special focus on benefits management.

The team will take an Agile approach where appropriate. This phase will more deliberately incorporate some Agile methods. For example, AI Assistants will be designed based on user stories, and they will be developed iteratively in a series of three sprints. These sprints will allow PwC team members to support increasing levels of autonomy for Council team members, applying a "watch one, learn one, do one" approach across these.

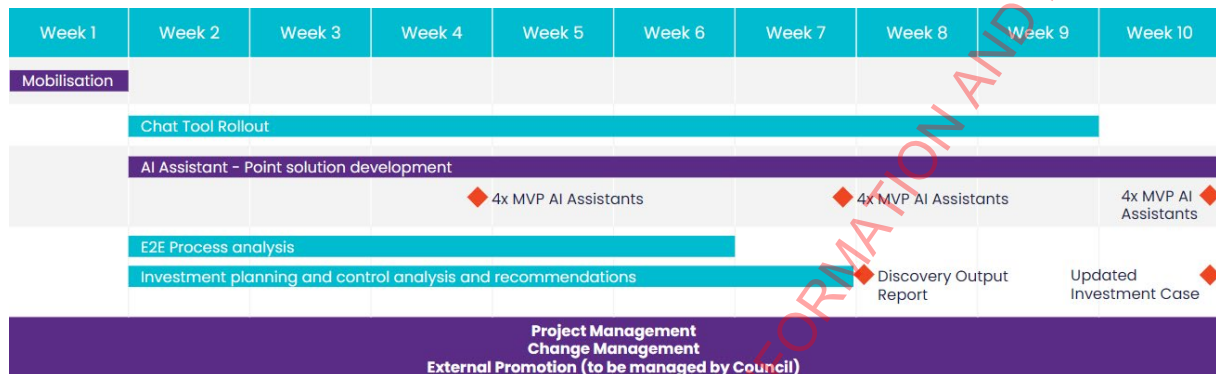
The major assumptions and constraints have been confirmed with CLT. These were shared at a workshop on 16 August, 2024 for confirmation.

- Phase one is a first phase in a multi-year journey to becoming an exemplar
- Phase one should be completed this calendar year (2024)
- All use of AI will have a "human in the loop" with no direct external customer interaction
- The priority investment objective for phase one is to better position Council to:
 - Move closer to being an exemplar in its use of AI
 - Deliver economic benefits that can be reinvested in future phases as part of a rolling programme

- Build Council’s capability to deliver change more independently and with decreasing dependence on external support

6.2 Timeline

Work can be completed over ten weeks, with completion targeted this calendar year. Workstreams can be completed in parallel as depicted in the high level schedule below. The major milestones are the delivery of the first set of AI Assistant MVPs in week 4, additional Assistants and the E2E process discovery and investment planning and control report in week 7; and final MVP Assistants and a revised investment case for E2E process solutions in week 10.



A more detailed timeline can be found in Appendix F.

6.3 Governance

Governance arrangements from earlier stages of the AI-Volution Project will continue into this next phase, with CLT continuing to be the Steering Committee. These arrangements are described in more detail in the AI-Volution Steering Committee Terms of Reference. Highlights are as follows:

- The Steering Committee meets at key project milestones based on an agreed forward schedule of meetings. It comprises the Corporate Leadership Team (CLT), which meets every two weeks. CLT convenes as the AI-Volution Steering Committee at this time based on prior agreement regarding availability on the agenda. The Steering Committee can also meet out of cycle when required.
- The Sponsor will continue to be the Chief Executive of Hutt City Council. A Sponsor provides resources, support, and overall strategic direction for the project.
- The Senior Responsible Officer (SRO) will continue to be the Director of Strategy & Engagement. An SRO is responsible for delivering a project and its objectives. This role will be shared with the PwC representative responsible for our partnership with them on this project.

6.4 Te ao Māori and Te Tiriti

The work programme includes working collaboratively with the Tumuaki Māori to develop and follow business rules to support AI use that is tika and pono. Council’s Te Herenga Kairangi Māori Strategy and its AI Strategy both require that Council’s use of AI is tika and pono. Council’s AI Policy establishes guidelines to support ethical and legal use of AI technologies within Council and its wholly owned CCOs, and this policy explicitly references the Te Herenga Kairangi Māori Strategy.

At the time this document was written, Council was drafting AI business rules to provide instruction to staff on how to apply the policy. These guidelines will include input from the Tumuaki Māori, and considerations are likely to include but will not be limited to:

- Translation to te reo Māori
- Generation of Māori content, including but not limited to art, design, and stories

- The sovereignty of Māori data - The Research Ethics Policy, Privacy Policy and Data Strategy are applied to all operational work where hapori Māori data is applicable, as per Te Herenga Kairangi. Māori have rights over their own data - its collection, ownership and application. HCC has discussed this with Mana Whenua at its quarterly hui. Making Māori data available to Māori is a key challenge for Councils (and other organisations) due to privacy requirements, etc, but remains a priority for Māori. There are also challenges with data or information relating to mātauranga Māori, as this is often tacit knowledge and not recorded.
- The use of any content (e.g. whakataukī) that is considered a gift or taonga

Planned activities for the next phase of work include engaging with the Tumuaki Māori on the use cases and solutions being designed and implemented to gain insights on appropriate use of AI and te ao Māori and Te Tiriti implications. Given the newness of the technology, activities in the next phase of work related to te ao Māori and Te Tiriti are expected to help inform the AI business rules and underpin Council's leadership in AI as an exemplar.

6.5 Change management

In parallel with the development of this document, the AI-Volution team has developed a change approach, with a focus on our pou and values and the foundational principles in our AI Strategy. This approach leverages PwC's NextGen Change Approach, which is designed to deliver holistic, scalable activities suitable for iterative and ongoing change, which is appropriate for supporting people through AI-based change.

The proposed Change Approach is available as a separate document. The activities it identifies can provide the foundations of activity required to successfully embed AI across Council. Once the chosen option is confirmed, further detailed work will be required to confirm change activities, timelines, and resources.

6.6 Project management approach

The project is a minor project and will be delivered in line with Council's existing Project Delivery Lifecycle, with the incorporation of Agile methods as appropriate. Support will be provided by the Enterprise Project Management Office (EPMO), offering guidance in project, programme, and portfolio management and controls to provide consistency and adherence to best practices.

A detailed Project Brief will be developed for each phase of the project, which will outline in more detail the agreed scope, activities, and outputs of the phase.

Key roles and responsibilities for this project include:

- **Chief Executive, HCC** - Accountable for the overall success of the project. Oversees progress and acts as a champion for AI across HCC. Escalation point for the project, should the project breach agreed tolerances
- **HCC CLT** - Aligns the project with organisational strategy and compliance with policy; makes good use of Council assets; maintain project focus on its goal and outcomes; verify project progress against its Plan
- **SRO** - The SRO directs the team's alignment with overall organisational goals. They understand the organisation's needs, customer expectations and market trends. Also responsible for maintaining the partnership arrangement.
- **Project Lead** - Provides day-to-day management for the project and direction to the team
- **Workstream Lead** - Manages the workstream to which they are allocated to deliver the activities and outputs in line with the agreed plan
- **Change and Comms Lead** - Works with Council stakeholders to deliver change and communications activities to support the successful roll-out of the AI assistants and the chat-based tool, and to promote the project externally

In addition to the roles outlined above, further project support and SME roles will be required to support successful delivery of the project. The size and shape of the project team may evolve depending on the phase of the project in order to deliver the defined scope.

6.6.1 Risk and issue management

The AI-Volution Project will be managed in accordance with HCC's standard Risk Management Framework. Risks and issues have been identified and are recorded in the Risk and Issue Register (in the Project Controls Book) alongside any dependencies and assumptions. Risks and issues will be regularly reviewed and updated and/or escalated as required.

Specific risks associated with the implementation of individual options, as outlined in this Investment Case, also form part of the feasibility assessment for each of those items as part of the options analysis.

Additionally, as AI is an emerging area of technology, HCC has been working to develop additional risk management material relating specifically to the governance of AI-related risk – the AI Risk and Governance Policy and Guidelines. It is anticipated that risks associated with and arising from works relating to the delivery of this project will be managed in accordance with this guidance material.

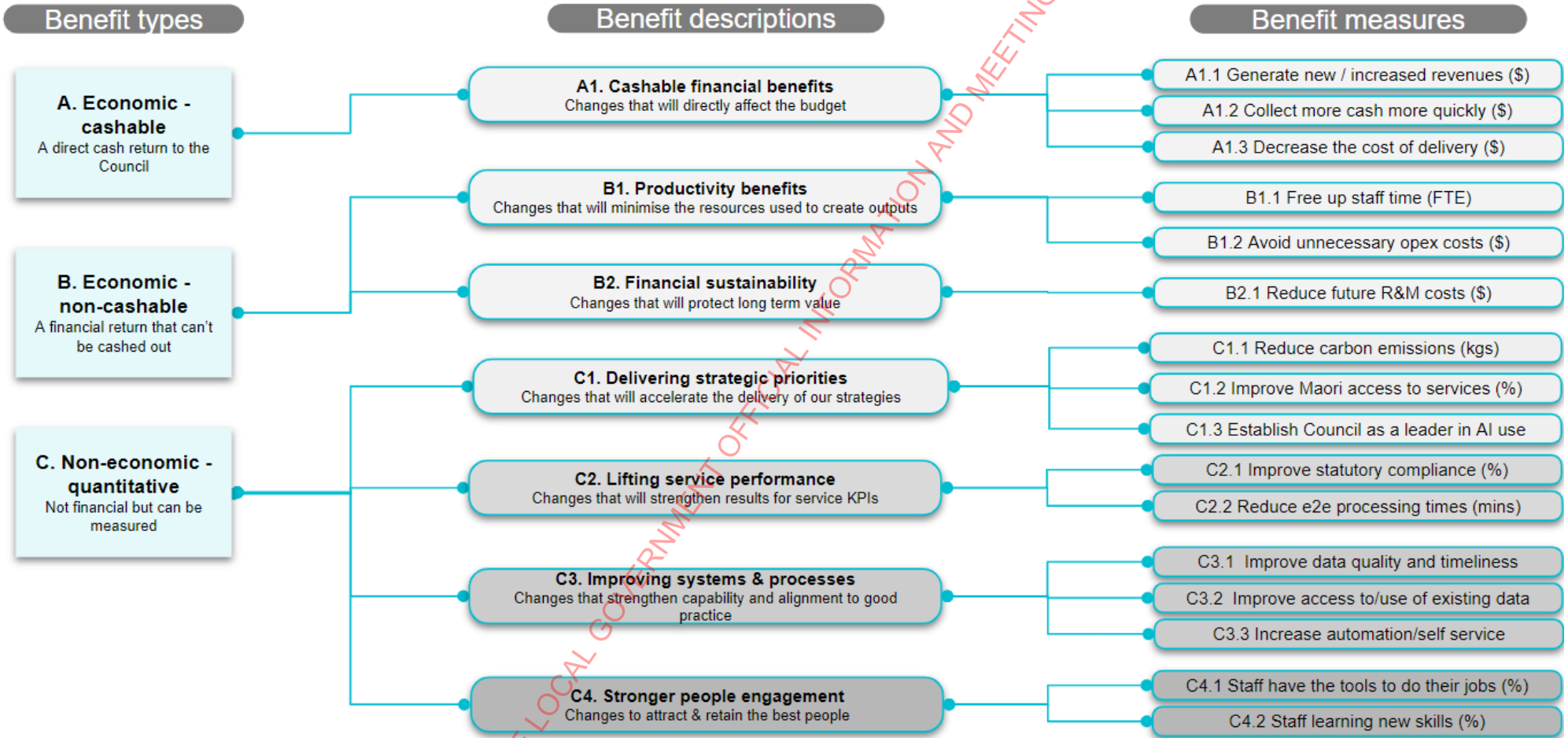
6.6.2 Benefits management

Benefits for the AI-Volution Project have been identified and will be managed in alignment with HCC's Benefits Management Framework. A Benefits Map has been developed following a workshop with the project team and is included at Appendix A. A Benefits Management Plan is being developed separately.

As per the framework, benefits will be refined and tracked throughout the project's lifecycle, ensuring all economic, non-economic, and quantitative benefits are captured and managed effectively.

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Appendix A: AI-Volution Project Benefits Map



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Appendix B: Capability Maturity Model

Key:

Achieved or exceeded target
On track to achieve with current investments
Needs new investment to reach strategic target
Beyond what is targeted

	1 Aware Considering adopting AI, but lack AI capability or have not clearly defined relevant AI use cases.	2 Experimenting Attempting to carry out AI initiatives, but adoption is limited to a small number of use cases.	3 Operational Promoting the use of AI by employees and advancing AI adoption capabilities and infrastructure.	4 Differentiating Embracing AI as part of its culture and seeking to differentiate and achieve market leadership in AI adoption.
Strategy Understanding the implications of AI on the business and having deliberate response that demonstrates vision and value	<ul style="list-style-type: none"> Starting to understand industry disruption and impacts for the organisation Starting to identify needed shifts to adopt AI-related change in pockets of the organisation, but these are not assessed enterprise-wide or broadly agreed Recognising the need to align AI-based change with organisational objectives and values Agreeing the need for an AI Strategy but do not yet have a written document Acknowledging the need to invest in AI, but do not yet understand potential value 	<ul style="list-style-type: none"> Exploring AI's impact with growing interest Prioritising specific use cases Investing selectively in a handful of AI initiatives Implementing basic benefits management practices to understand ROI of early AI investments Acknowledging the need to develop an enterprise-wide AI Strategy Identifying leaders who can have an ongoing strategic leadership role for AI 	<ul style="list-style-type: none"> Having a fact-based understanding of the level of disruption and opportunity for the industry and the business Having a future view on for the organisation, including a target operating model and basic investment planning and controls Having a written enterprise-wide AI Strategy aligned with strategic objectives and organisational values Having an agreed programme of investment underway, including cross-functional AI solutions Actively building organisational flexibility to withstand ongoing disruption Having robust benefits management for AI investment 	<ul style="list-style-type: none"> Actively monitoring trends and having the flexibility to respond quickly Embedding AI in the organisation's overall strategy Exploring opportunities for business model reinvention Having a portfolio or programme of investment featuring proactive, innovative strategic responses to opportunities Monitoring investments with comprehensive performance and benefits measurement
Responsible AI Upholding integrity and trust by adhering to ethical, security, and regulatory standards	<ul style="list-style-type: none"> Recognising the need for ethical, transparent, and compliant AI practices but lacking a framework or approach Identifying initial steps for governance, risk, and data security & privacy, with limited documentation or implementation for design and use of AI solutions Beginning to explore fairness, transparency, and bias mitigation by considering ethical implications of AI use cases 	<ul style="list-style-type: none"> Starting to adopt ethical, transparent, and compliant AI practices Defining governance structures and risk management practices for design and use of AI solutions Defining expectations of staff regarding risk of errors / hallucination and therefore the need for appropriate human review in AI processes Undertaking early efforts in implementing data security & privacy frameworks, or adapting existing data security & privacy frameworks for AI Establishing initial measures for fairness, transparency, and bias mitigation Starting to implement explainability in AI models where appropriate 	<ul style="list-style-type: none"> Staying up to date on technology, legal, and regulatory updates Actively integrating ethical, transparent, and compliant AI practices across the organisation; expanding programmes for compliance and regulatory alignment Implementing comprehensive governance structures and robust risk management practices for design and use of AI solutions Encouraging fairness, transparency, and bias mitigation by introducing measures and promoting model explainability Having an approach to building and maintaining stakeholder trust Having a approach for tagging AI generated content for better transparency Aligning with chosen industry good practice AI frameworks (e.g. NIST responsible AI framework) 	<ul style="list-style-type: none"> Embedding ethical, transparent, and compliant AI practices into the organisational culture to support responsible AI usage and regulatory compliance Implementing advanced governance and risk management practices for design and use of AI solutions, and proactively managing data security & privacy Promoting fairness, transparency, and bias mitigation through comprehensive practices that focus on high model explainability and setting industry standards Proactively engaging with stakeholder to understand and manage trust issues
People & Culture Preparing the workforce and organisation to embrace AI's transformative impact on work	<ul style="list-style-type: none"> Recognising a potential workforce impact, but have not agreed the nature of this impact or changed hiring or recruiting practices Having limited workforce planning to date and limited in house capability Having limited in house change management capability and no agreed methodology to support people through change Having no plan in place to build AI skills across the workforce 	<ul style="list-style-type: none"> Using initial AI investments to understand workforce impact and effective methods for building skills Providing training to employees involved in early AI investments and considering options for broader training Beginning to consider workforce implications of implementing AI-based solutions at scale, but do not yet have a comprehensive approach and have not formulated insights and choices for the business Starting to organise the change management capability required to support the workforce through AI-based change 	<ul style="list-style-type: none"> Having enterprise-wide AI training for employees Executing an agreed change management approach across the AI programme of investment Aligning the workforce with expected future needs Starting to move beyond role, impact, skills and knowledge to also consider cultural interventions Starting to use newer approaches to change to support AI adoption: <ul style="list-style-type: none"> Structuring around skills and capabilities (rather than job families and hierarchies) Supporting shifts in employee mindsets to help to replace fear with curiosity, promote experimentation and learning, and spark intrinsic motivation for change Moving to a less controlling and more enabling leadership style 	<ul style="list-style-type: none"> Actively investing in the skills employees need to thrive in an AI-based world Proactively managing organisational culture to support strategy execution Structuring around skills and capabilities (rather than job families and hierarchies) Maintaining employee mindsets characterised by curiosity, experimentation and learning, and intrinsic motivation for change Maintaining a less controlling and more enabling leadership style
Partnership & Collaboration Joining forces with developers, SMEs, other organisations to stay at the forefront of AI	<ul style="list-style-type: none"> Recognising the need to engage with technology partners, but lack strong relationships Considering potential SMEs for AI advice Recognising the potential value of sharing knowledge with other organisations. 	<ul style="list-style-type: none"> Understanding partnering options, their strengths, and where partners can add the most value Starting to engage a select number of technology partners to access skills and expertise Establishing initial partnerships with SMEs for AI guidance and advice Beginning to explore opportunities for AI knowledge sharing with other organisations 	<ul style="list-style-type: none"> Engaging multiple technology partners and developer networks to accelerate AI development Making AI investments in light of vendor roadmaps Forming robust partnerships with SMEs for continuous AI guidance and support Initiating limited knowledge sharing and collaboration with other organisations Taking advantage of opportunities to make investments together with partners 	<ul style="list-style-type: none"> Actively engaging a formal network of technology partners and developer communities to drive AI innovation and product development Leveraging strategic partnerships with SMEs to remain at the cutting edge of AI advancements Promoting regular knowledge sharing with other organisations Cultivating market presence as an authority on AI Understanding how to work with partners effectively to support benefits realisation
Technology & Data Having the infrastructure and data practices necessary to enable AI	<ul style="list-style-type: none"> Recognising the infrastructure (hardware and software) required to run AI applications Understanding the need for exploration and adoption of emerging AI technologies Understanding the need to build and tailor AI programmes to organisational needs Recognising the need for effective data management and AI utilisation but lacking a defined strategy and robust processes 	<ul style="list-style-type: none"> Setting up the necessary technology infrastructure for pilot AI applications Exploring emerging AI technologies and their potential applications Initiating efforts to build and customise AI applications for specific needs Starting to implement basic data management practices and defining initial steps for an enterprise-wide data strategy to support AI initiatives 	<ul style="list-style-type: none"> Using AI features embedded in enterprise applications (e.g. CRM HRIS) Integrating a comprehensive, standardised AI technology infrastructure across the organisation Adapting to emerging AI technologies proactively Developing scalable AI programmes Establishing comprehensive data management systems and an enterprise-wide data platform, promoting automation and digitisation for seamless data flows Integrating AI into E2E processes and systems Governing technology and models 	<ul style="list-style-type: none"> Embedding advanced AI technology infrastructure as a core organisational component Proactively exploring and adopting the latest AI technologies and innovations Continuously fine-tuning and developing custom AI models Maintaining a robust enterprise-wide data platform to promote high data quality and accessibility, and leveraging AI for enhanced data analysis and decision-making.

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Appendix C: Related policies and programmes






#	Policy or programme	Description	Relationship
A. External policies and programmes			
A1	<u>Remote inspections requirement</u>	The Government (Building and Construction Minister Chris Penk) is advancing a requirement for building consent authorities to use remote inspections by default to streamline home building	Building consents are up for consideration as an end-to-end process. Council would need to adapt its building consent processes to incorporate remote inspections.
A2	<u>One-stop-shop fast track consenting regime</u>	The Government (RMA Minister Chris Bishop and Regional Development Minister Shane Jones) are establishing a faster process for consenting major projects in New Zealand	Building consents and resource consents are up for consideration as end-to-end processes. This policy would likely reduce the time and complexity involved in obtaining consents for large developments.
A3	Simpli (building consents)	An innovative partnership between Building Consent Authorities (BCAs), government departments, agencies, businesses and organisations to improve performance, consistency and service delivery across the regulatory environment. 30 BCAs across the country are involved.	Council would collaborate with others in the partnership to streamline regulatory procedures, improve service delivery, and moves to align HCC's building consent processes with national standards and best practices. The work spans multiple local government organisations and the interrelation between it and AI is not yet defined, at the stage.
A4	<u>Local Water Done Well</u>	A New Zealand government initiative aimed at replacing the previous Three Waters reform, empowering councils to establish council-controlled organisations (CCOs) for delivering safe and reliable water services.	This initiative is a significant transition for Council. While most of the operational changes will affect Wellington Water, AI may be useful in supporting Council to complete needed analysis and strategy development.
B. Internal policies and programmes			
B1	AI Strategy	A strategy designed to enhance service delivery and decision-making by integrating AI tools in a way that aligns with sustainability goals.	A next phase of work can support the execution of this strategy, including but not limited to identifying and improving processes that can benefit from AI solutions to achieve efficiencies and savings, and providing our teams with the right tools and skills

#	Policy or programme	Description	Relationship
B2	<u>Te Herenga Kairangi</u>	Hutt City Council's Māori strategy, guided by the principles of Te Tiriti o Waitangi. It aims to protect and uphold the tino rangatiratanga (self-determination) of iwi and hapū over their taonga, including data, te reo Māori, and mātauranga Māori.	The project must align with the principles of Te Tiriti o Waitangi, ensuring that the use of AI is tika and pono. Council's AI Policy, explicitly references the Te Herenga Kairangi Māori Strategy. Planned activities for the next phase include engaging with the Tumuaki Māori to gain insights on appropriate use cases and solutions, which will help inform the AI business rules.
B3	CRM/RFS (part of GoDigital)	The upgrade and integration of core CRM systems to enhance service delivery, improve customer engagement, and equip staff with the tools needed for efficient operations.	The team will need to be mindful of the go-live date in June/July 2025 as well as the potential future opportunities with a CRM in the technology roadmap.
B4	Contact Centre as a Service (CCaaS) (part of GoDigital)	This RFQ sought proposals to look at alternative options for our call centre software with a core focus on its ability to integrate with our new Dynamics 365 RFS and CRM system.	AI features of existing products are being evaluated as part of the CCaaS analysis along with the ability to integrate with external AI products. AI Assistants in this phase can help staff respond to customer inquiries, which should provide insights into how Council can use AI in customer service in the future.
B5	HRIS (part of GoDigital)	A project that ensures Human Resources and Payroll systems are fit for purpose, enhance the employee experience, enable access to workforce data and are compliant with the relevant legislation.	The future selection of the HRIS platform and approach may impact some of the AI Assistants and E2E analysis as this will determine data availability and connections. The future platform may integrate with external AI products.
B6	AI Navigators	A group is evaluating two AI tools: ChatGPT and Copilot over six weeks. The trial aims to assess the effectiveness and usability of each tool across different tasks and scenarios.	Trial participants evaluating the effectiveness and usability of AI tools, acting as a SME group/champions for whichever OTS AI tool solution is selected by CLT, as per this Investment Case.
B7	Business Process Optimisation (BPO) Programme	A team completing business process optimisation as a service to Directorates, on a request basis.	It is possible that AI tools could have a significant impact on how processes are improved during the later phases of BPO. Some of the






#	Policy or programme	Description	Relationship
			processes this team may be asked to optimise may also be opportunities to use AI.
B8	Go Get Replacement	The system currently in place at Council is at the end of its useful life and a replacement solution is required. A solution has not yet been identified.	AI solutions may be included as part of the replacement options analysis as either AI features of existing products or as a custom build end to end system.

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Appendix D: Evaluation criteria with harvey ball definitions

Criteria	Definitions					
Alignment with short term investment objectives <i>Strategic case</i>	Extent to which an option: <ul style="list-style-type: none"> Moves Council closer to being an exemplar Delivers tangible benefits that can be reinvested in future phases as part of a rolling programme Builds Council's capability to deliver change more independently 	Has a direct contribution to all three short term investment objectives	Has a direct contribution to two of the three short term investment objectives	Has a direct contribution to only one of the three short term investment objectives	Has only an indirect impact on the short term investment objectives	Does not contribute to any of the three short term investment objectives directly or indirectly
Contribution to longer term strategy and benefits <i>Strategic case</i>	Extent to which an option contributes to the targeted financial and non-financial long term benefits as set out in the benefits map	Directly contributes to the full set of targeted benefits	Directly contributes to many but not all of the targeted benefits	Directly contributes to some benefits and indirectly supports others	Makes only an indirect contribution to some of the targeted benefits	Does not contribute to targeted benefits directly or indirectly
Economic benefits <i>Economic case</i>	Extent to which an option: <ul style="list-style-type: none"> Delivers an attractive RoR Provides a material amount of economic benefit Identifies future benefits for subsequent phases to support a rolling programme 	Delivers an attractive RoR and a material amount of economic benefit, and it identifies future benefits	Delivers an attractive RoR and a material amount of economic benefit, but it does not identify future benefits	Only identifies future benefit opportunities	Has limited direct relevance to economic benefits	Has no relevance to economic benefits

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Criteria	Definitions					
Manageability <i>Commercial and management cases</i>	Extent to which: <ul style="list-style-type: none"> Implementation is reasonable and manageable by December 2024 Risks are manageable Capability is available in house or through suppliers An option lays foundation for manageability of future phases 	Fully manageable within the given timeframe, with risks well-contained and capabilities available in-house or through suppliers; lays foundation for manageability of future phases	Manageable and likely to be implemented within timeframe, but some risks or capability gaps may need to be addressed; lays foundation for manageability of future phases	Manageable and likely to be implemented within timeframe. Some risks or capability gaps may need to be addressed OR does <u>not</u> lay foundation for manageability of future phases	Somewhat manageable, but risks or capability gaps may delay implementation or require additional resources or time	Unmanageable within the given timeframe, with critical risks or capability gaps making timely implementation highly unlikely
Affordability <i>Financial case</i>	Extent to which an option: <ul style="list-style-type: none"> Is self funding over time with limited risk to achieving benefits Internal funding is available and not at risk Minimises reliance on external financing (e.g. debt) 	Self funding over time with limited risk; internal funding available and not at risk; no external financing is required	Self funding over time with some risk to benefits; internal funding available with some risk; no external financing is required	Partially self funding with benefits at risk; funding available with risk; no external financing is required	Partially self funding or not self funding; funding sources uncertain and at risk; external financing may be required	Not self funding; funding source not identified; external financing is required

Key:  Fully aligned  Mostly aligned  Partially aligned  Slightly aligned  Not aligned

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Appendix E: Addressable Spend

The table below outlines the addressable spend based on the estimated level of activity and external costs that the proposed point solution assistants will deliver.

Proposed Point solutions	Council Employees	Council Employees	Other Contractors	Other Expenses	Total
	Potential FTE productivity increase(total)	\$000s	\$000 (total)	\$000s	\$000s
Comms and Engagement Drafting Assistant ¹⁰	0.7	s7(2)(b)(ii)			
Council Meeting Minute Drafting Assistant	0.5				
Survey and Consultation Report Drafting Assistant	0.8				
Project Documentation Drafting Assistant	1.1				
Council-owned Lease Drafting Assistant	3.0				
Finance Respond to Inquiry Assistant	3.7				
Resource Consent Respond to Inquiry Assistant	3.0				
Building Consent Respond to Inquiry Assistant	3.0				
Track & Tree Pruning Respond to Inquiry	0.8				

¹⁰ Comms and Engagement has 1.5 FTE of contractors

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Proposed Point solutions	Council Employees	Council Employees	Other Contractors	Other Expenses	Total
Assistant		s7(2)(b)(ii)			
Traffic Management Plans (TMPs) Review Assistant	0.5				
Building Consent Vetting Assistant	3.0				
Council-owned Lease Review Assistant	0.0				
Total	20.1				

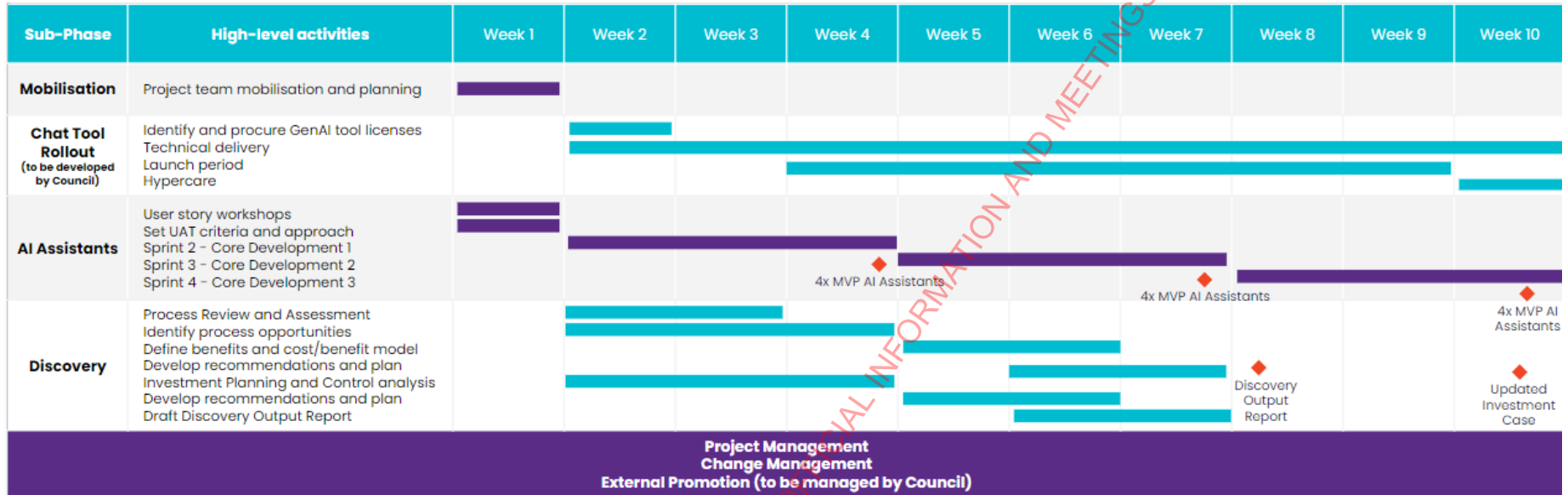
Proposed E2E x-Directorate processes	Council Employees	Council Employees	Other Contractors	Other Expenses	Revenue	Total
	Potential FTE productivity increase (total)	\$000s	\$000 (total)	\$000s	\$000s	\$000s
LIM (team only)	3.5	s7(2)(b)(ii)				
Resource Consents	16.0					
Contact Centre	11.8					
Building Consents	40.8					
Quarterly Performance Reporting	0.5					
Dog Registration						
Recycling Contamination	5.0					

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Proposed E2E x-Directorate processes	Council Employees	Council Employees	Other Contractors	Other Expenses	Revenue	Total
Total	46.3	s7(2)(b)(ii)				

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Appendix F: Proposed project schedule



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CLT minutes – 23 September 2024 – AI-Volution Investment Case:

Approval Paper - AI-volution Final Investment Case

Gemma Birse and Valerie Wheeler (PwC) joined the meeting for this item.

Valerie took CLT through the investment case.

Feedback provided was:

- Re-order bullet points as per other parts of the report to have Move Council closer to being an exemplar further down.
- Kelly to send out Organisational Design Principles (completed);

s7(2)(f)(i)



- Kelly noted the average salary at Council is around \$79K and this may be a more appropriate figure to base the economic case on. PwC noted this is unlikely to have a material impact.
- Jo noted that we will need to put in more controls (for example in recruitment) to achieve benefits of project
- Lyndon noted the need to factor in the cost of added support for new systems and technologies. He noted these are currently not costed in the proposal. Enhancements are also not costed. Was noted that these aspects will be considered in resourcing matters coming back to CLT on 15 October.
- Jarred noted there is a briefing of members on 9 October on AI generally, and a session with the Mayor and CE plus the Chair of Audit and Risk is recommended to take them through the investment case;
- Jarred noted that the initial view is that the Chief Executive has delegated authority to make decisions on progressing with this project. It is an operational matter which could be shared with elected members as opposed to seeking approval. This will be confirmed following CLT(Jarred);
- Risks on capability and capacity identified when currently workload taken into account;
- There were some questions about Appendix E and it not being clear what this was. It was explained that the appendix titled “benefit inputs” shows the indicative number of roles currently performing tasks which AI assistants could support. The

economic case for this project is based on capturing savings of 20% of these roles (5 FTE out of a total of 20 identified).

CLT agreed with option four and to pick up member issues.

MOTION

The Corporate Leadership Team:

- a. approved Option Four: Balanced portfolio of solutions and capability and noted this option is self-funding over time based on a proposed funding model that defers the payment of external consultant costs until benefits are realised;
- b. noted that preliminary costings as per the paper;
- c. agreed to work starting on 14 October, 2024 subject to:
 - i. delegated decision-making to be confirmed with an agreement on an appropriate procurement process to be determined;
 - ii. informing and/or confirming support of elected members and the Independent Chair of Audit and Risk;
 - iii. confirming Council resourcing to commence the next phase of work;
 - iv. confirming commercial arrangements (subject to appropriate procurement process) and terms between Council and PwC including a high level plan for benefits realisation.
- d. noted that the AI-Volution Project team will be invited to report back on these matters on 7 October, 2024.

RESOLVED

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CLT Meeting 25 February 2025

Discussion paper - AI Investment Case Project and AI Risk Management Framework

Valerie Wheeler, Orla Gallagher (PWC) and Chris Nelson joined the meeting for this item.

An update was provided on progress on AI. It was noted Council now has 160 licences for AI products in use. Council is starting to see the benefit of people integrating AI with their everyday work. There is a lot of interest from other Councils and businesses, such as Trade Me, on what Hutt City Council is doing with AI, indicating how far ahead we are

Valerie Wheeler updated CLT on the progress of the investment case project.

Bruce Hodgins and Frances Gregory have been asked to look at using AI for Council's pre-election report.

Chris updated CLT on the AI risk management framework. He noted that the framework encompasses previously disparate updates and allows for easy access.

The framework includes AI guidelines for staff including privacy and security, the establishment of an AI governance group, an AI risk tiering model and the additional AI on Council's strategic risk register. The AI policy had been updated to prevent non-approved tools.

DeepSeek is a new AI tool that was emerging. It has been blocked by Council's firewall.

It was noted that with CLT approving this update, communication to staff would be aligned.

MOTION

CLT:

- a. noted the steps to complete phase 1, including an updated investment case for a next phase of work;
- b. agreed with the strategic changes since we drafted the previous investment case and how these should be considered in the investment case update;
- c. agreed that Council's ambition is still to be an AI exemplar;
- d. noted the significant progress since October 2024 in becoming an exemplar;
- e. noted the proposed scope areas for assessment in the investment case;
- f. noted the proposed timeline for completion of the investment case;
- g. approved the AI Risk Management Framework, including two new elements:
 - i. Establishment of the AI Governance Group
 - ii. AI Traffic Light/risk tiering approach;
- h. Approved updates to the Policy; and
- i. Noted the update provided on DeepSeek.

RESOLVED

CLT minutes from 7 April 2025

Discussion papers – AI-Volution Artificial Intelligence Project Investment Case (Stage 4, Phase 2)

Chris Nelson and Valerie Wheeler from PwC joined the meeting. They presented the latest developments in the AI-Volution Project. The investment case summary highlighted refined options influenced by the Corporate Leadership Team feedback, featuring new options with more aggressive payback periods. Building consenting has been removed from the process improvement scope to streamline efforts.

Corporate Leadership Team members expressed satisfaction with the project's progress and its visible benefits. They recommended that savings from the project be documented in the Audit & Risk report to demonstrate fiscal prudence. The discussions also underscored the importance of maintaining flexible timelines to accommodate team targets without compromising on efficiency. It was noted that project governance should focus on quick benefit realisation, with PwC potentially providing staggered resource support to manage costs effectively.

Action Required: AI-Volution Project to incorporate initial work to progress target operating model conversations with the aim of improving efficiency and removing costs in light of impending regional water decision and impact on council.

MOTION

The Corporate Leadership Team:

- a) approved the preferred option in the investment case: *Continuous process innovation with broad GenAI tool adoption (Option 4)*;
- b) noted that the estimated project cost is s7(2)(b)(ii). The annual economic benefit is estimated to be s7(2)(b)(ii), with s7(2)(b)(ii) being cashable. It is estimated to be cash flow positive by within three financial years;
- c) noted that this option is affordable based on being self-funding over time. While HCC will invest at risk OPEX up front, this will be recouped through realisation of financial benefits;
- d) noted an AI update will be submitted to the Audit and Risk Subcommittee on 23 April 2025; and
- e) approved work starting on 11 April 2025, subject to:
 - i) confirming delegated decision making to commence this project and agreeing an appropriate procurement process.
 - ii) confirming Council resourcing to commence the next phase of work.
 - iii) confirming commercial arrangements and terms between Council and PwC agreement to a high-level plan for benefits realisation.

RESOLVED



Memo

To: Jarred Griffiths, Director, Strategy & Engagement

CC: HCC Procurement

From: Gemma Birse, Head of EPMO

Date: 01/10/24

Security level: In Confidence

Exemption to tender for AI-Volution Artificial Intelligence Project – Design, Build & Implementation

Endorsed By:

Director, Strategy & Engagement
 Jarred Griffiths (Manager/Budget Holder)



Date 03/10/2024

Fortune Tlapi Head of Procurement

Date 03/10/2024

Compliant tender exemption

Non-Compliant tender exemption

Action:

Based on the reason(s) outlined in this memo, please approve this exemption to a competitive tender process for the AI-Volution Artificial Intelligence (AI) Project – Design, Build and Implementation, specifically regarding Hutt City Council (HCC) engaging PricewaterhouseCoopers (PwC) to undertake consultancy services relating to delivery works.



I, Jarred Griffiths, approve the recommended approach as outlined in this memo.



Signature

04/10/2024.
Date

At the time the AI-Volution Project was initiated, high-level market analysis identified PwC as the most efficient provider of services relating to stages 1-3. HCC held a pre-existing relationship with PwC, which had recently undergone its own project to implement AI-based change. PwC, therefore, was determined to be the best-placed provider of consultancy services in the AI space. In addition, the value of the stage1-3 engagement totalled s7(2)(b)(ii) OPEX. As per HCC's procurement rules, this meant the engagement did not need to go to tender, as the threshold is \$25,000.

Reasons for a Direct Source Approach

1. HCC has already engaged PwC to undertake stages 1-3 of the AI-Volution Project. It therefore is intimately connected both to HCC's AI work programme, as well as the Council itself. It has also recently delivered its own project relating to AI-driven change at PwC, making it an expert in the field of AI delivery.
2. This phase of the project is anticipated to cost s7(2)(b)(ii) OPEX. Of this, s7(2)(b)(ii) of external consultant project costs would only be released to PwC on realisation of financial benefits. This approach, therefore, provides high value for money.
3. HCC and PwC have a longstanding relationship fostered via joint work as part of other ventures. Both stages 1-3 and delivery are predicated by a strategic partnership between the two organisations. The two organisations have good experience working with one another and staff and culture are compatible across both.
4. A strategic partnership exists between HCC and PwC, established as part of stages 1-3 of the Ai-Volution Project. This commercial arrangement is unique and PwC regularly have invested beyond what they are being paid as a result of this work, meaning that the engagement is highly economical. The details of this strategic partnership and how it relates to stage 4 will be defined as per contractual arrangements to be developed pending approval of this tender exemption.

Financial Commitment:

The estimated cash cost for the next phase is s7(2)(b)(ii) OPEX. This first-year estimate comprises:

- Software licences - s7(2)(b) annually (ongoing, based on a total of 150 user licences)
- External consultant project costs - s7(2)(b)(ii) (this engagement)
- External contractor costs - s7(2)(b)(ii)
- Internal HCC costs - s7(2)(b)(ii)

Recommendation

It is recommended that, for the reasons outlined in this memo, this tender exemption be approved.

RELEASED UNDER THE LOCAL GOVERNMENT OFFICIAL INFORMATION ACT 1987



Fw: [EXTERNAL] DRAFT Letter of Engagement attached

From Jarred Griffiths <Jarred.Griffiths@huttcity.govt.nz>

Date Fri 2024-10-25 12:02

To Jake Davis <Jake.Davis@huttcity.govt.nz>

Can we please save this (both the LoE and Jo's email) in the confidential project folder

Ngā mihi,

Jarred Griffiths ([He/Him](#))

Kaihautu Rautaki me nga Hononga | Director Strategy and Engagement

Te Kaunihera o Te Awa Kairangi | Hutt City Council, 30 Laings Road, Private Bag 31912, Lower Hutt 5040, New Zealand

Kawereo: s7(2)(a) **Paetukutuku:** www.huttcity.govt.nz



From: Jarred Griffiths <Jarred.Griffiths@huttcity.govt.nz>

Sent: 25 October 2024 12:01 PM

To: Orla Gallagher (NZ) <orla.m.gallagher@pwc.com>

Cc: Valerie Wheeler (NZ) <valerie.a.wheeler@pwc.com>; Ben Wakely (NZ) <ben.m.wakely@pwc.com>; Jake Davis <Jake.Davis@huttcity.govt.nz>

Subject: Fw: [EXTERNAL] DRAFT Letter of Engagement attached

Kia ora Orla,

Please see approval from Jo below, no changes required to draft - though appreciate a final for our records.

Ngā mihi,

Jarred Griffiths ([He/Him](#))

Kaihautu Rautaki me nga Hononga | Director Strategy and Engagement

Te Kaunihera o Te Awa Kairangi | Hutt City Council, 30 Laings Road, Private Bag 31912, Lower Hutt 5040, New Zealand

Kawereo: s7(2)(a) **Paetukutuku:** www.huttcity.govt.nz



From: Jo Miller <Jo.Miller@huttcity.govt.nz>
Sent: 25 October 2024 11:35 AM
To: Jarred Griffiths <Jarred.Griffiths@huttcity.govt.nz>
Subject: Re: [EXTERNAL] DRAFT Letter of Engagement attached

I had a good read of the hard copy of this and as discussed , am happy to approve . Thanks J, Jo

Ngā mihi nui

Jo Miller

Tumu Whakarae
Chief Executive Officer

Hutt City Council, 30 Laings Road, Hutt Central, Lower Hutt 5010, New Zealand

T: 04 570 6773 | M: s7(2)(a)

W: www.huttcity.govt.nz

Follow me on Twitter [@jomillernz](https://twitter.com/jomillernz)



From: Orla Gallagher (NZ) <orla.m.gallagher@pwc.com>
Sent: 18 October 2024 4:24 PM
To: Jarred Griffiths <Jarred.Griffiths@huttcity.govt.nz>
Cc: Valerie Wheeler (NZ) <valerie.a.wheeler@pwc.com>; Ben Wakely (NZ) <ben.m.wakely@pwc.com>
Subject: [EXTERNAL] DRAFT Letter of Engagement attached

Jarred,

It was great seeing you yesterday.

Please find attached our draft Letter of Engagement for your review. Once we have your input and feedback we will get a final, dated and unwatermarked, version over to you.

Really looking forward to working with you on this project!

Ngā mihi

Orla

--

Orla Marie Gallagher

Director
PwC | Workforce Consulting
Te Whanganui-a-Tara | Wellington Office
Email: orla.m.gallagher@pwc.com Mobile: +64 27 489 0260 PricewaterhouseCoopers
New Zealand 10 Waterloo Quay, Levels 2-4

PwC acknowledges the mana whenua of Te Āti Awa and Taranaki Whānui as the custodians of the land on which our Te Whanganui-ā-Tara office is based.

At PwC we work flexibly - so whilst it suits me to send this email now, I do not expect a response or action outside of your own working hours

This email message and attachments are confidential to our organisation and may be subject to legal privilege. If you have received this email in error, please advise the sender immediately and destroy the message and any attachments. If you are not the intended recipient you are notified that any use, distribution, amendment, copying or any action taken or omitted to be taken in reliance of this message or attachments is prohibited. An electronic communication is not received by PwC until the contents of that communication have come to the attention of the person who is the addressee of the electronic communication. Only PwC partners or principals have authority to enter into legal obligations on behalf of PwC member firms. If you are an existing client, this email is provided in accordance with the latest terms of engagement which we have agreed with you. Prior to opening this email or any attachment, please check them for viruses.

PwC is not responsible for: (i) any viruses in this email or any attachment; or (ii) any effects this email or any attachments have on your network or computer system.

<DRAFT- Phase 2 letter of engagement XX 10 24.docx.pdf>



Jarred Griffiths
Director, Strategy and Engagement
Hutt City Council
30 Laings Road
Hutt Central
Lower Hutt 5010

25th October 2024

Strategic Partnership and AI Preparation

Dear Jarred,

I am sending you this engagement document so we can begin the next stage of work in our strategic partnership. This engagement document is our offer to enter into an agreement with you about the work described below.

You can accept it in writing. A return email from someone authorised to do that is enough, or you can accept it by continuing to instruct us on our work.

Once accepted, it records the 'engagement,' which is the entire agreement between us about our work described below. It replaces any earlier agreements or representations and can only be changed (or rights under it assigned) if we both agree in writing.

The engagement is between **Hutt City Council** ("Council") and **PricewaterhouseCoopers Consulting** (New Zealand) LP ("PwC").

Background

Council has begun preparing for AI-based change. In the longer term, Council is pursuing an ambition to be an exemplar in using AI and using its transformative power to deliver public good. In the shorter term, AI-based change can also help Council respond to fiscal constraint, growth in service demand, and increasing customer expectations.

Earlier this year, PwC and Council completed the first three stages of the AIvolution Project as depicted in the diagram below: Mobilisation, Foundational Steps, and Due Diligence and Planning.



PricewaterhouseCoopers Consulting (New Zealand) LP, 15 Customs Street West, Private Bag 92162, Auckland 1142 New Zealand | T: +64 9 355 8000, www.pwc.co.nz



Commencing a next stage of work

On 23 September 2024, CLT approved an Investment Case for a first phase of *Stage Four: Design, Build, and Implementation*. The objectives of this phase are to:

- Deliver economic benefits that can be reinvested in future phases as part of a rolling programme
- Build Council's capability to deliver change more independently
- Move Council closer to being an exemplar in its use of AI

To achieve these objectives, the project team will:

- Work with Directorates to design, build, and implement AI assistants that can deliver productivity benefits.
- Complete discovery work and update the AIvolution Investment Case to support decision-making on:
 - Process improvements for three end-to-end processes
 - Investments that can build Council's capability to deliver change more independently and with less dependence on external support

This next phase of our work together will be organised into four workstreams:

- **Workstream one: Chat tool rollout.** Supporting the adoption of an OTS GenAI tool enterprise wide to ~25% of employees in selected roles
- **Workstream two: AI Assistants.** Building and implementing a portfolio of point solutions
- **Workstream three: Discovery.** Identifying opportunities for further AI adoption across end-to-end processes and for improving Council's Investment Planning and Control practices
- **Workstream four: Project and Change Management.** Delivering the project management and change management activities needed to successfully deliver the project brief, including external promotion of the project.

At the end of this phase, the team will seek CLT approval for the next phase in a rolling programme of work. At this time, Council and PwC can confirm the commercial arrangements of any future work together.

PwC's role in each workstream

Council and PwC will mobilise a joint team that lets our two organisations work together to complete workstreams two, three, and four as described above. As a strategic partner, PwC will support the integration of work across all four workstreams, but it will not have a direct role in two areas:

- **Workstream one: Chat tool rollout.** Council will plan and complete this workstream without PwC team member support
- **Workstream four: Project and Change Management.** Council will own the implementation of the change management activity related to the chat tool rollout. In addition, activity within work stream 4 relating to external promotion, which involves sharing Council's AI story and IP with other local government entities in Oceania, will be completed by in-house Council resource, and PwC is not expected to support this activity under this contract.

Timeline

The engagement will begin on 29 October, 2024. Workstreams can be completed within ten weeks, but with the seasonal break, this engagement is expected to be complete the week of 20 January, 2024.

PwC offices will close from the end of day Friday, 20th December, 2024 and reopen on Monday, 13th January, 2025 for our annual summer shutdown. It is anticipated that PwC participation in this phase will pause during this period.



Joint Team Outputs by Workstream

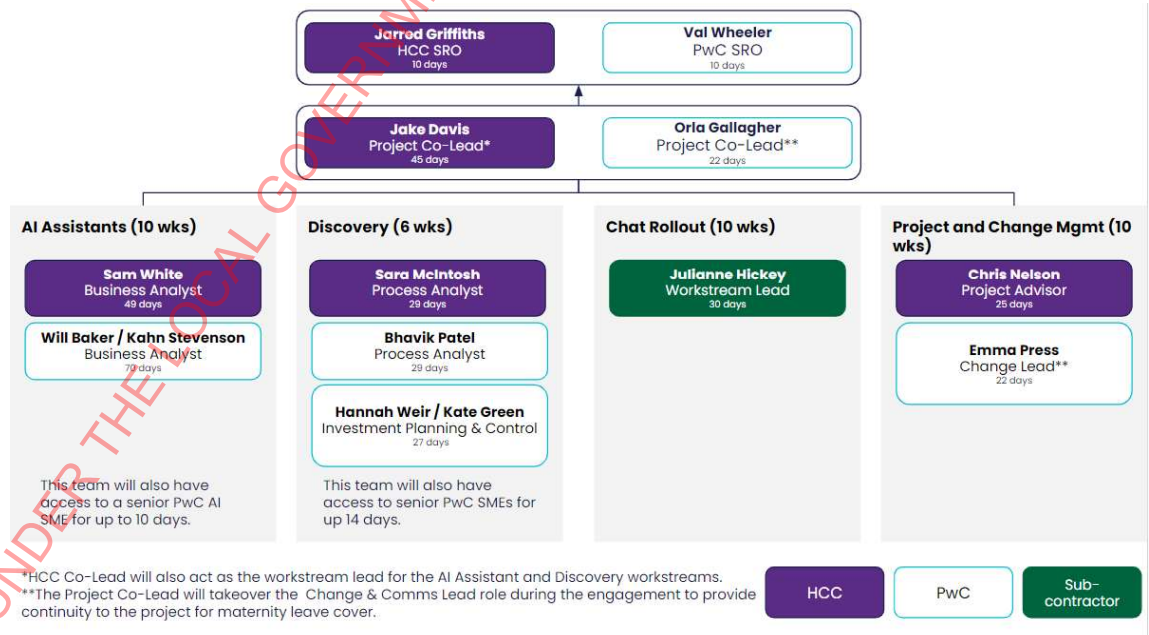
The table below sets out the outputs that Council and PwC will complete together:

Workstream 2 - AI Assistants	Workstream 3 - Discovery	Workstream 4 - Project & Change Management
<ul style="list-style-type: none"> Use Case Canvas for each AI Assistant MVP AI Assistants Supporting documentation for AI Assistants Testing plan and materials Hand off to product owners 	<ul style="list-style-type: none"> Discovery Output and Investment Planning and Control Recommendations Report 	<p>Project management</p> <ul style="list-style-type: none"> Project Brief & Plan Weekly Status Reports Materials as required to report to CLT Updated Investment Case <p>Change management</p> <ul style="list-style-type: none"> Change Management Plan for AI Assistants Leadership Engagement Plan Project Brief for next phase

The project brief will contain a more detailed breakdown of activities needed to create the above outputs.

Team structure

Work will be completed by a joint Council and PwC team. The proposed resourcing plan follows a "two in the box" approach, with the SRO and Project Lead roles held jointly by HCC and PwC team members, fostering shared responsibility and expertise.



This diagram shows that Council will assign 3 FTEs (i.e. 152 days effort) to be part of the Joint Core Team (depicted in purple). In addition, Council will contract with a subcontractor for up to 30 days to support the Chat Tool Rollout workstream (depicted in green).



Some Council staff who are not in the core team will be needed to support the completion and success of this phase. These are as follows:

- CPO and CFO - Empowered and available to drive the identification and realisation of benefits, providing practical assistance and challenge to budget holders
- Information Services Delivery Team - Support to deliver Chat Tool rollout, in particular providing end-user access to tools / licences, training or other technology enablement activity
- AI Assistant Product Owners - Provide inputs and validation for the design and development of the AI Assistants and own the AI Assistant once it is built
- End-users/ Testers - Support beta-testing of the AI Assistants
- People and Change Team - Manage relationships and engagement with Unions and redeployment activity as required. Lead delivery of change and learning and development activity
- Comms and Engagement - Delivery of external promotion activity as described in workstream four
- Office of the CE - Support for external promotion activity
- HR SME - Provide HR guidance and support to the project with a focus on HR change and engagement with Unions and other external bodies
- Finance SME - Provide commercial support and ensure the project stays on budget. Provide inputs to development of benefits and updates to the Investment Case
- Risk SME - Provide oversight and guidance in relation to risk management across the project.
- Te Tira Māori - Provide guidance to the project in relation to Māori engagement and Te Ao Māori and Te Tiriti considerations.

Assumptions

1. Phase one is a first phase in a multi-year journey to becoming an exemplar
2. All use of AI in this phase will have a “human in the loop” with no direct external customer interaction
3. CLT will be the decision-maker for future investments in AI
4. There will be the sharing of intellectual property between Council and PwC. Council will access PwC’s global knowledge and frameworks for successful implementation of AI and change; PwC will retain and use knowledge and IP developed together with Council to benefit its work with other clients addressing similar challenges
5. All outputs will be Council rather than PwC branded, and content will reflect the decisions of Council and not necessarily the advice of PwC
6. Council will:
 - Provide PwC team members with all Council technology, including but not limited to access to relevant AI tools at Council (e.g. GPT Teams for developing AI Assistants)
 - Share data in a timely manner (i.e. in line with the agreed timeline)
 - Make decisions in a timely manner (i.e. in line with the agreed timeline)
 - Openly share Council business knowledge
 - Support PwC team members in navigating the Council environment
 - Provide capable resources required to complete the work in a timely fashion, as described in the project brief
 - Adhere to agreed principles regarding benefits management:
 - Incentives are aligned across parties delivering benefits: Executives, Project Team, Vendors
 - Parties are outcome rather than output focused - i.e. they commit to targeted benefits but are flexible regarding how these are achieved
 - Benefits must be owned by Directorates who undertake the activities being optimised
 - When Directors receive investment (e.g. through AI Assistants), they return savings to



- the centre for reinvestment in agreed priorities
 - Baselines and targets are to be set and agreed in advance of design and build
 - Execute agreed tactics effectively for benefits management:
 - Performance Management
 - SROs (Jarred and Val) to have benefit targets in their performance expectations
 - CLT members with AI Assistant investments in their Directorate to have related benefit targets in their performance expectations
 - Vacancy / Hiring Management. Empower CPO to:
 - Hold on approving recruitment to vacancies where AI Assistants are expected to offer productivity gains
 - Influence JDs for any advertised roles in light of a need to have more generic/flexible, skill-based roles
 - Measurement
 - Set baseline measures for each AI Assistant across the agreed metrics in the approved Benefits Map
 - Agree targets for AI Assistants as part of more detailed scoping in the mobilisation phase (e.g. reduce processing times, reduce human effort by 25%, increase adherence to policies and standards)
 - Budget Management
 - Empower CFO and CPO to be a “critical friend” to CLT members to support them in realising targeted savings from within their Directorate.
 - Empower CFO to:
 - Work with Directors to reduce budgets once tools are operational and it is reasonable to achieve benefits through attrition and/or redeployment; this will be done transparently and with appropriate engagement with the business and the chief executive
 - Creates a pool of cash for reinvestment in CLT priorities
 - Confirm achievement of benefit targets
- 7. Council confirms that the appointment of PwC to support the development of an updated investment case for end-to-end process and capability change will not be an impediment to PwC's ability to separately enter into an agreement to support the design and implementation of these changes.
- 8. PwC team members will not work during the PwC Summer shutdown period (Friday, 20th December 2024 to Monday, 13th January, inclusive) unless mutually agreed in advance with Council.

Fees and invoicing

This section has four parts: Acceptance Criteria for AI Assistants, Acceptance of Invoices, Invoice Schedule and Managing Additional Costs Associated with Timeline Delays.

Acceptance Criteria for the AI Assistants

We agree to use agile principles, including the goal of launching AI Assistants that are Minimal Viable Products (MVPs). An MVP is a working product that can deliver value. It is accepted for implementation and refined over time.

At the beginning of each sprint, we will agree the scope of each AI Assistant with both the product owner and the Council SRO (Jarred Griffiths) on a 'Use Case Canvas'. This canvas will also capture the benefits the AI Assistants can target.



We will compile and share weekly status reports with you which detail the progress of work and the accumulated total of hours and fees.

At the completion of each sprint, when an AI Assistant is being handed over to the product owner, we will come to mutual agreement on the potential benefit of that AI Assistant over a two year period. This will be shared with the Council SRO (Jarred) along with the total cost of the sprint.

For the avoidance of doubt, it is Council and not PwC who is responsible for taking action to pursue the benefits made possible by the AI Assistants.

In the event that we create an AI Assistant with the potential to drastically exceed our benefits modelling, we will continue to create AI Assistants using time and materials up to the agreed amount in our capped fee.

In the event that we reach the end of our projected timeline and we have not yet created AI Assistants that deliver the necessary value to reasonably cover our fees over a two year period, PwC will have the opportunity to continue to work beyond the capped fee agreed (with no additional cost to you) and beyond the agreed timeline with needed Council support and input, until the AI Assistants which can pursue those outcomes have been built so that we can invoice for our fees.

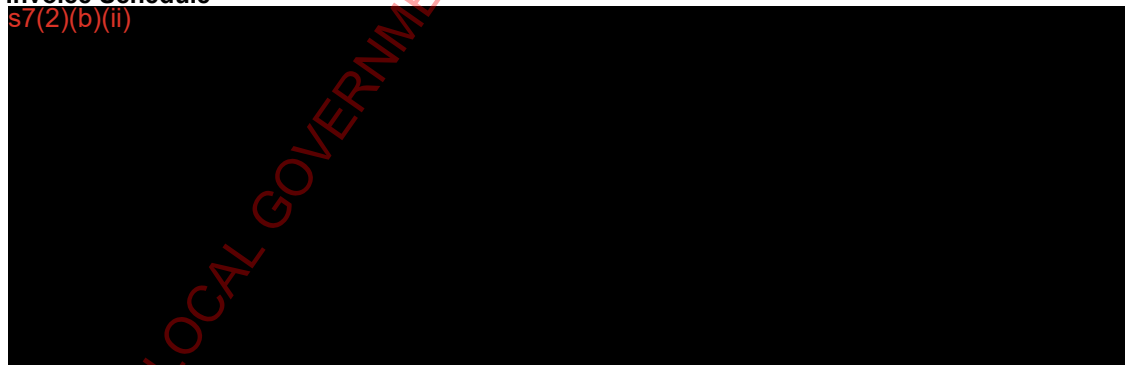
Acceptance of Invoices

Invoices are accepted by Council when:

- 1) PwC has completed work on a time and materials basis to the value of that invoice
- 2) PwC and Council, through the SRO, Jarred Griffiths, agree that the benefit of AI Assistants can be equal or greater than the invoice total over two fiscal years if Council implements effectively.

Invoice Schedule

s7(2)(b)(ii)



Our invoices are due for payment within 14 days of the invoice date.

Managing Additional Costs Associated with Timeline Delays

We are committed to working with you at pace to deliver this work and need Council to agree to commit to the timelines as detailed in this document.

In the event that project delivery is delayed due to circumstances caused by HCC and beyond PwC's control, PwC reserves the right to revert to charge HCC at our standard rates for any additional work required. This ensures that PwC's resources are adequately compensated for any unforeseen delays and additional efforts necessitated by such delays.

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Hutt City Council
October 2024

To identify and mitigate any possible delays, we will share weekly status reports with you detailing delivery progress and identifying any required decisions by Council or risks and issues which need mitigation.

If a timeline problem arises that has a material impact on PwC costs, we will bring it to your attention. We will quantify the cost to PwC and we will discuss and agree on remedies. If it is necessary for PwC to increase hours, we will mutually agree the hours and cost ahead of work taking place.

Terms of Business

Our terms of business at <https://www.pwc.co.nz/services/consulting/consulting-terms-of-business.html> on the date we sent this email are part of this engagement document.

Please pay particular attention to clauses 2, 3, 4 and 6 which deal with:

- Your responsibilities—such as providing us true and accurate information (we will not independently audit or verify the accuracy of this information)
- Limits on who can place reliance on our services or on any oral advice
- Restrictions on your disclosure of our work to others
- Limits to our liability in relation to the services provided under this engagement

If you have any questions regarding the content of this letter, please feel free to contact me.

Yours sincerely,

s7(2)(a)



Val Wheeler

Ben Wakely

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Memorandum

Corporate leadership team

Meeting date:	25 February 2025
Director:	Jarred Griffiths Director, Strategy & Engagement
Paper author:	AI-Volution Project Team
Subject:	AI-Volution update

Purpose (Executive Summary)

1. The purpose of this memo is to update Hutt City Council's (HCC) Corporate Leadership Team (CLT) on the progress of the AI-Volution Project and seek direction on next steps to close out the current phase. It also seeks approval from CLT for the establishment of HCC's Artificial Intelligence (AI) Risk Management Framework, updates to the AI Policy (the Policy) and provides an update on emergent AI-related risk (DeepSeek), as well as the mitigations taken to date and next steps.
2. Specifically, this paper:
 - a. Seeks agreement from CLT on the following:
 - i. The strategic changes since the previous investment case and how these should be reflected in the investment case update
 - ii. That Council's ambition remains to be an AI exemplar
 - iii. The progress made to date in achieving exemplar status.

- iv. The proposed scope areas for assessment in the upcoming investment case
 - v. The proposed timeline for completing the investment case and securing approval for the next phase.
- b. Provides an update on the steps required to close out Phase 1, including finalising an updated investment case for the next phase of work.
 - c. Seeks approval for AI Risk Management Framework, including two new elements:
 - i. Establishment of the AI Governance Group
 - ii. AI Risk Tiering Framework (Traffic Lights)
 - d. Provides an update to the Policy, including AI Guidelines for Staff.
 - e. Provides an update on an emergent AI-related risk (DeepSeek), the mitigations taken to date and next steps.

Recommendations

- 1. That CLT:
 - a. **Note** the steps to complete phase 1, including an updated investment case for a next phase of work
 - b. **Agree** the strategic changes since we drafted the previous investment case and how these should be considered in the investment case update
 - c. **Agree** that Council's ambition is still to be an AI exemplar
 - d. **Notes** the significant progress since October 2024 in becoming an exemplar
 - e. **Note** proposed scope areas for assessment in the [possibly describe as future/upcoming to distinguish from the existing investment case] investment case
 - f. **Note** the proposed timeline for completion of the [similar to above – future/upcoming] investment case

g. Approve the AI Risk Management Framework, including two new elements:

- i. Establishment of the AI Governance Group
- ii. AI Traffic Light/risk tiering approach

h. Approve updates to the Policy

i. Note the update provided on DeepSeek.

Does this also require a Council decision No

Click or tap to enter a date.

Is this going to a Council briefing No

Click or tap to enter a date.

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Background/Discussion

The AI-Volution Project

2. In early 2024, Council commenced foundational work to get started with GenAI, including educating leaders, developing an AI strategy (the Strategy), establishing Responsible AI policies and practices, piloting GenAI tools, and developing an initial investment case for GenAI-based change.
3. It is recognised that adopting AI will be a multi-year investment journey with no clear finish line or end state. As technology changes and as the organisation, community, and policy environment change, HCC will revisit where it invests in operational change.
4. To manage change and uncertainty, Council decided to organise investment into a rolling programme of AI-based change. A rolling programme features short phases of design and implementation. At the end of each phase, the team reflects on lessons learnt, scans the environment for new circumstances and opportunities, and seeks approval for the next phase of investment with an updated investment case.
5. Phase 1 of the AI-Volution Project commenced in October 2024 and has achieved the following:
 - a. Supporting the rollout of a GenAI chat tool to 150 users, which saves staff on average ~1 hour per day on general tasks like email composition
 - b. Delivering 15 AI Assistants to 72 staff, which is estimated to save ~9,500 hours per year staff time on specific tasks such as drafting communications plans, drafting meeting minutes, and reviewing decision papers
 - c. Identifying end-to-end process improvements, including specific opportunities to automate work to save time and achieve other benefits
 - d. Upskilling Council staff on AI tools and AI-based change so that Council is less reliant on external skills
 - e. Moving Council closer to being an AI exemplar across a range of practices, including but not limited to risk management, use case prioritisation, and staff skill development

- f. Strengthening Council’s management of AI risks through responsible use

Steps we are taking to close out Phase 1

- 6. Phase 1 of the AI-Volution project is substantively complete with AI tools being rolled out to ~150 users, and 15 AI Assistants being created. There are two activities the project team is progressing to conclude Phase 1 of the project. These two activities are the creation of an investment case for the next phase and developing a project brief for the preferred option.
- 7. Completing phase one also requires finalising AI risk related activities.

Changes to our business context since CLT approved phase one

- 8. The operating environment has changed since we wrote our last investment case, and this necessitates updating the investment case for CLT to consider investment in further phases of work.
- 9. The table below captures some of these changes and how the investment case should respond.

Category	Change Since Previous Phase	Investment Considerations
Political	<ul style="list-style-type: none"> • The next phase of work will be completed in the lead up to the pre-election and election period 	<ul style="list-style-type: none"> • Engage current elected officials on scope and likely impact of next phase • Reduce/ stop phase two activity by July 2025 • Plan for potential changes in direction post election
Economic	<ul style="list-style-type: none"> • The economic environment has continued to deteriorate since Council commenced its AI work. NZ experienced a deepening recession in 2024, cost of living pressures continue to impact households, and local councils (including Hutt City Council are facing sustained financial pressure to meet 	<ul style="list-style-type: none"> • Provide options with cashable benefits to give leaders choices • Seek creative sources of funding, such as partnership, to support affordability and ROI for AI-Volution activities

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	<p>service and infrastructure demands.</p> <ul style="list-style-type: none"> • Ongoing expectations to make operational savings each budget cycle creates more urgency for cashable savings 	
<p>Operational</p>	<ul style="list-style-type: none"> • Council now has a critical mass of staff using GenAI in their daily work and able to build AI Assistants • Council has begun embedding agile methods, including a backlog, iterative development, and Product Owners • At the time this document was written, Council was considering the establishment of a dedicated internal innovation function 	<ul style="list-style-type: none"> • Where is it possible to build on emerging Council capabilities and minimise cost by using internal resources for AI-Volution activities? • How can AI-Volution work with different initiatives across Council to support agile methods and innovation?
<p>Technological</p>	<ul style="list-style-type: none"> • GenAI tools are more powerful and are priced differently • New systems are going live in proximity to the next phase of work (Genysis, HRIS, CRM) 	<ul style="list-style-type: none"> • Do GenAI license arrangements still make sense, or are there ways to get better value? • Are proposed investments in process improvements cannibalising the benefits of upcoming system upgrades?
<p>Legal / Regulatory</p>	<ul style="list-style-type: none"> • Globally, governments are investigating DeepSeek and banning use for government employees • Two of the EU AI Act's provisions came into effect on February 25. One <u>requires AI literacy building</u> and another <u>prohibits some AI Practices</u> 	<ul style="list-style-type: none"> • How is Council staying up to date with legal and regulatory trends and stakeholder expectations?

Council's ambition to be an AI exemplar and its progress to date

10. At our meeting on 16 September 2024, CLT agreed its ambition to be an exemplar, and it defined the practices it needed to build across five dimensions: Strategy, Responsible AI, People and Culture, Partnership and Collaboration, and Technology and Data. Agreed practices are provided in an appendix.
11. Since then, Council has made progress made against all five dimensions. The table below summarizes the practices that were not in place in October 2024 but that are in place today.

Dimension	Progress
Strategy	<ul style="list-style-type: none"> Prioritising specific use cases Investing selectively in a handful of AI initiatives Implementing basic benefits management practices to understand ROI of early AI investments
Responsible AI	<ul style="list-style-type: none"> Defining governance structures and risk management practices for design and use of AI solutions Defining expectations of staff regarding risk of errors / hallucination and therefore the need for appropriate human review in AI processes
People & Culture	<ul style="list-style-type: none"> Beginning to consider workforce implications of implementing AI-based solutions at scale, but do not have a comprehensive approach and have not formulated insights and choices for the business Starting to organise the change management capability required to support the workforce through AI-based change Having enterprise-wide AI training for employees
Partnership & Collaboration	<ul style="list-style-type: none"> Having a better understanding partnering options, their strengths, and where partners can add the most value
Technology & Data	<ul style="list-style-type: none"> Setting up the necessary technology infrastructure for pilot AI applications Initiating efforts to build and customise AI applications for specific needs

Developing an Investment Case for the next phase of AI-Volution

12. As with the case for the previous phase, the team plans to bring CLT clear investment choices and plans to codesign these choices with CLT (as occurred during the design of the previous phase of work).

13. The project team are proposing to base options around investment in three broad scope areas **scope** areas:
 - a. GenAI tool provision: Council supports the uptake of enterprise-grade tools (MS365 Copilot and ChatGPT Enterprise)
 - b. AI Assistants: Council develops and expands the portfolio of AI Assistants
 - c. End-to-end (E2E) process improvements: Council progresses a portfolio of E2E process improvements
14. The AI-Volution team is currently scheduled to hold a working session on options development and evaluation with CLT on 10 March and plans to seek a decision on the preferred option on 24 March. In the meantime, the team will be engaging with individual CLT members to get input as appropriate.
15. The table below provides a more detailed timeline.

Dates	Activities
24th Feb (today)	CLT Meeting to test major assumptions, including strategic environment, ongoing commitment to being an exemplar in AI, potential scope areas for the next phase, and the plan to complete the case
10th March	Working session with CLT to agree the options assessment criteria and codesign options. The plan is to do an interactive session similar to the lego exercise in the previous investment case development
25 February - 24 March	Individual sessions with CLT members as appropriate to support investment case development
24th March	CLT Meeting seeking approval the Investment Case

AI Risk Management Framework

16. Since 2024, HCC has embraced the adoption of AI. The AI-Volution Project has seen the delivery of numerous AI-related changes, supported by numerous other AI-related works, including the Strategy and Policy.
17. AI is now integral to the way many staff members undertake their work. The organisation’s own position on AI has changed since implementation began, in terms of both utilisation and broader strategic outlook and risk appetite.

18. The Strategy and the Policy both state they require ongoing and regular updates to cover the rapidly-evolving nature of AI.
19. Updates to the AI Risk Policy are now required to reflect the current state of AI usage at HCC, specifically:
 - a. Development of a comprehensive AI Risk Management Framework
 - b. Numerous broader strategic changes.
20. Some of the changes to the Policy have been made in response to new AI tools, such as DeepSeek. This memo contains an update on the risk posed by DeepSeek and Council's actions to date.
21. AI carries risk and the Strategy and Policy require comprehensive risk and governance arrangements. These are the guardrails for the responsible and ethical use of AI by staff at HCC.
22. To date, AI risk management and governance work has been undertaken iteratively, alongside the AI-Volution Project. Some outputs were urgently required, such as the Traffic Lights and the AI Governance Group Terms of Reference.
23. There is a requirement to formalise these outputs and consolidate them under a single risk management framework. Because outputs are currently fragmented, there is a risk staff are not being given consistent guidance, exposing HCC to unnecessary risk.
24. The proposed AI Risk Management Framework (attached at Appendix 1) brings together these elements into a single model.
25. The AI Risk Management Framework consists of:
 - a. The Strategy
 - b. The Policy (updated as at February 2025)*
 - c. AI Guidelines for Staff (updated as at February 2025)*
 - d. Staff training/development
 - e. Privacy and security arrangements
 - f. AI Governance Group*

- g. Traffic Lights*
- h. HCC Strategic Risk Register

*New or updated outputs, pending approval via this memo.

26. This comprehensive approach to AI risk management gives effect to the Strategy and Policy and enables HCC to continue using AI safely, while protecting staff and the organisation. It also reinforces Council's position as a responsible AI user, aligning with best practice principles as reviewed by PwC, our strategic partner. Strengthening AI risk management settings safeguards HCC's ambition to be an AI exemplar, ensuring robust governance and accountability as AI adoption progresses.

Update to AI Strategy & Policy

27. The AI Risk Management Framework consolidates some pre-existing AI-related material, including the Strategy and the Policy.

28. AI is a rapidly-evolving technology and HCC's own position was always likely to change because of this. The Strategy and Policy require regular updates as a result.

29. To reflect both a broader shift in HCC's outlook on AI, as well as changes brought about via the development of the AI Risk Management Framework, an update to several key areas within the Policy is proposed. This also includes an update to the AI Guidelines for Staff, appended to the Policy.

30. Key changes to the Policy include:

- a. **Approved tools vs non-approved tools definition** – The Policy (and AI Guidelines for Staff) now includes a clear definition around what is an HCC-approved AI tool and what is a non-approved tool.

Approved tools:

- i. HCC ChatGPT Teams
- ii. HCC Microsoft CoPilot Pro.

Non-approved tools:

- iii. Any other AI tool outside of HCC's current suite of approved tools.

AI confidentiality guidance has also been updated accordingly and the Policy now states **only approved tools can be used for HCC work**. The **use of non-approved tools for Council-related business is no longer permitted**.

This change was made following the emergence of the DeepSeek AI tool. The Policy and AI Guidelines for Staff previously stated both types of AI could be utilised for Council business, given commercial or sensitive data was anonymised or removed when being entered into a non-approved tool. However, the risk presented by DeepSeek required this to be tightened, pending input from CLT and the organisation's overall risk appetite, i.e., around the use of non-approved tools by staff for Council business.

- b. **Inclusion of AI Risk Management Framework** – The Policy explicitly references the AI Risk Management Framework, including requiring adherence to the Traffic Lights.
- c. **Labelling of AI content** – The Policy now states that, where content is written solely by AI with limited human review or editing, users should clearly indicate when content has been generated with AI assistance. Previously, the Policy stated users must label all AI-generated content.

This change reflects the degree to which AI is now embedded within Council.

Emergent AI Risk – DeepSeek

- 31. DeepSeek is a Chinese AI company. In late January 2025, DeepSeek launched its latest model, comparable to OpenAI's latest ChatGPT model but at a significantly lower cost. This resulted in significant disruption within the market and widespread media attention.
- 32. Despite the surge of popularity for DeepSeek, experts have cautioned against its widespread adoption, citing privacy, security and ethics concerns.
- 33. DeepSeek's privacy policy states its servers are in China. Collected data is subject to local laws, enabling the Chinese government more ready access to stored information. Testing shows DeepSeek heavily censors some politically sensitive material.
- 34. DeepSeek collects text or audio input, prompts, uploaded files, feedback, chat history, or other content provided by users, as well as information regarding

device model, operating system, keystroke patterns/rhythms, IP address, and system language. DeepSeek's privacy policy makes no mention of server security or encryption. There appears to be no opt-out clause for users not wishing to have their data accessed for training.

35. DeepSeek's emergence occurred during the development of the AI Risk Management Framework and updates to the Policy. At the time, neither the Policy nor AI Guidelines for Staff prevented staff from using DeepSeek for Council-related business. Owing to the privacy and security challenges DeepSeek presented, this was deemed an unacceptable risk.
36. A decision was jointly made by the AI-Volution project, with support from Information Services, to proactively block DeepSeek on the firewalls, preventing access to staff.
37. It is acknowledged blocking individual tools is not likely to be feasible or long-term solution, with more new tools likely to emerge. Given this, it was proposed to update the Policy to differentiate between approved and non-approved tools and no longer allow staff to use non-approved tools for Council-related business. This provides a long-term, principles-based solution.
38. Pending approval of the AI Risk Management Framework and the changes to the Policy, work will commence on providing updated guidance to staff on the differentiation between approved and non-approved tools and their use for Council business.
39. On an ongoing basis, settings will be actively stewarded by the AI Governance Group.

Consultation

40. The following stakeholders have either been engaged as part of the delivery of these updates:
 - a. AI-Volution Project team
 - b. EPMO
 - c. Information Services
 - d. Risk & Assurance.

Risks

41. All project risks are being managed in line with the Council's best practice.
42. Note, the measures contained within this memo are intended to help mitigate some enterprise-wide risks relating to AI. One of the components of the AI Risk Management Framework is the inclusion of an AI risk in the HCC Strategic Risk Register, due in March-April 2025.

People implications

43. People & Capability will be engaged to assist with deployment of new guidance to staff.

Financial implications

44. The AI-Volution Project has identified several financial benefits that will be realised through this work. To support this, a tailored benefits management system was developed in collaboration with the EPMO, P&C, and Finance, as Council had no existing framework for this complex approach. Benefit realisation activities are already underway. While this phase of the project transitions to BAU, these activities currently remain with the EPMO. The 15 AI Assistants which have been rolled out to 72 end users have identified \$900k, representing . ~9,500 hours, approx the equivalent of 5.2 FTE, in potential benefits over the next two years.
45. To date, the project has incurred s7(2)(b)(ii) OPEX costs, inclusive of consultancy services (to be back paid via realisation of financial benefit) and internal resourcing.

Technology and Privacy implications

46. Note, some of the updates contained within this memo are intended to help mitigate some privacy and data risks relating to AI at Council.

Climate change implications

47. Nil.

Health, Safety and Security implications

48. Nil.

49. Note, some of the updates contained within this memo are intended to help mitigate some privacy and data risks relating to AI at Council.

Communication and Engagement

50. Comms & Engagement will be engaged to assist with deployment of new guidance to staff.

Next steps

51. Pending approval of the AI Risk Management Framework and changes to the Policy, numerous activities will take place, including:

- a. Associated comms & Engagement activities, including updates to the 'AI at Council and the AI-Volution Project' Te Pātaka page
- b. Updates to all training materials on AI
- c. Establishment of the AI Governance Group meeting cadence
- d. Addition of AI risk to the HCC Strategic Risk Register
- e. Engagement with CLT in both individual sessions and in the next two CLT meetings

Attachments

52. There are 3 attachments to this paper:

Attachment 1: Updated Capability Maturity Matrix

Attachment 2: AI Risk Management Framework

Attachment 3: AI Policy (updated).

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AI-Volution Artificial Intelligence Project

Investment Case

Prepared by:	AI-Volution Artificial Intelligence Project Team
Prepared for:	Corporate Leadership Team
Date:	3 April, 2025
Version:	2
Status:	
Template version:	

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AI-Volution Artificial Intelligence Project Investment Case

Document Information

	Position
Document ID	AI-Volution Artificial Intelligence Project Investment Case
Document Owner	Project Co-Sponsors
Issue Date	3 April, 2025
File Name	AI-Volution Artificial Intelligence Project Investment Case

Document History

Version	Issue Date	Changes
Phase One: Balanced Portfolio of Solutions and Capability Building		
0.1 Storyboard / first pass	5 July 24	Key messages drafted for introduction, strategic case, and economic case; other sections scoped
0.2 Second pass	22 Aug 24	Draft of text and diagrams for introduction, strategic case, and economic case
0.4 Third pass	13 Sept 24	Refined introduction, strategic case, and economic case and draft of remaining content based on SRO feedback;
0.5	17 Sept 24	Revised content based on CLT workshop, meeting on te ao Maori and Te Tiriti considerations, and feedback. Content was shared with the CEO, CFO, CPO, Pou Reo me Ōna Tikanga and Tumuaki Māori
1.0 Sept 2024 Final	19 Sept 24	Revised version with the preferred option: "Balanced portfolio of solutions and capability building." which was approved by CLT. Was accompanied by a separate A3 Exec Summary.
Phase Two: Continuous Process Innovation with Broad GenAI Tool Adoption		
1.1 First draft of updates	14 February 25	Updates and key messages drafted for introduction and the strategic and economic cases
1.2	26 March 25	Updates based on CLT / Steering Committee decisions
1.3	30 March 25	Updates based on HCC SRO feedback
2	2 April 25	Final updates based on final feedback

Document Review

Role	Name	Review Status
Project Co-Sponsor	Jarred Griffiths, HCC	Not yet approved
Project Co-Sponsor	Val Wheeler, PwC	Not yet approved

Document Sign-off

Role	Name	Sign-off Date
Chief Executive, HCC	Jo Miller	Not yet approved

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1. Introduction

This section of the document provides the purpose of the document, background information, a high level description of the proposed investment, the investment process to date, and next steps.

1.1 Purpose of this document

This investment case seeks approval for investment in the next phase of the AI-Volution Artificial Intelligence Project. Decisions sought are:

- **Agree** that Option Four: Continuous process innovation with broad GenAI tool adoption is the preferred option
- **Note** the estimated project cost of s7(2)(b)(ii) and the payback period of ~3 years
- **Note** that there are also non-cashable time savings and potential revenue gains not included in the s7(2)(b)(ii) p.a. estimate
- **Agree** to invest s7(2)(b)(ii) up front in year one to cover external costs
- **Note** that identified risks are manageable. Uncertainties can be resolved by descoping the building consent process improvement work that may be completed as part of the Go Get system replacement, completing work prior to the election brownout period, and including external support for benefits realisation and organisation design to help us realise cashable benefits from this phase.
- **Agree** to work starting on 11 April, 2025 subject to finalising commercial arrangements
- **Direct** the AI Volution Project team to provide fortnightly updates

1.2 Background

In early 2024, Hutt City Council (Council) commenced foundational work to get started with GenAI, including educating leaders, developing an AI strategy, establishing Responsible AI policies and practices, piloting GenAI tools, and developing an initial investment case for GenAI-based change.

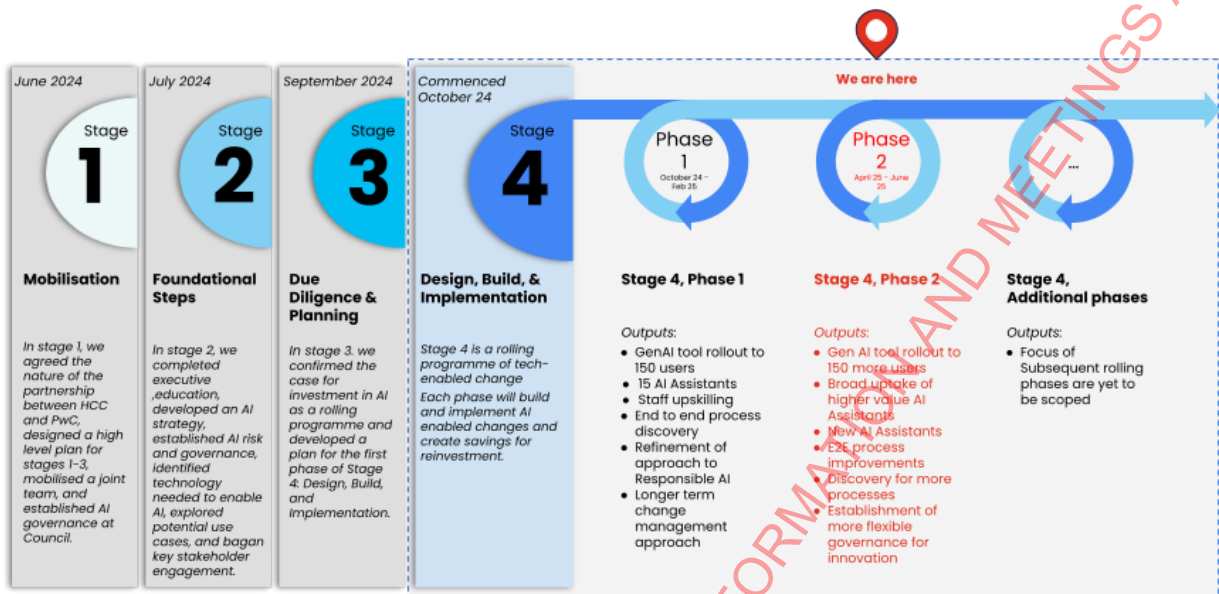
Council recognises that adopting AI will be a multi-year investment journey with no clear finish line or end state. As technology changes and as the organisation, community, and policy environment change, Council will revisit where it invests in operational change.

To manage change and uncertainty, Council has decided to organise investment into a rolling programme of AI-based change. A rolling programme features short phases of design and implementation. At the end of each phase, the team reflects on lessons learnt, scans the environment for new circumstances and opportunities, and seeks approval for the next phase of investment with an updated investment case. A rolling programme also allows Council to manage the project risks by providing frequent off ramps.

Phase one of this rolling programme was completed in March 2025. The scope of this phase included rolling out 150 licences of a chat-based tool to staff, developing and implementing AI Assistants, assessing potential E2E process solutions, developing Council's capability to deliver change, and developing this investment case.

As depicted in the timeline diagram below, at the time this document was written, the AI-Volution Team was wrapping up Phase One and supporting CLT decision-making for Phase Two.

Figure 1: AI-Volution Programme



1.3 Proposed investment

This Investment Case recommends Option Four: Continuous process innovation with broad GenAI tool adoption for the next phase of investment in AI based change. This next phase has the following objectives:

- Continue to move Council closer to being an exemplar
- Continue to deliver financial benefits that can be reinvested
- Continue to build Council capability to deliver change more independently and with decreasing dependence on external support
- Reinvent services and the customer experience

The scope of this phase includes optimising and expanding staff use of GenAI tools and launching a rolling automation work programme under its own flexible governance arrangement to pursue both productivity and service gains.

1.4 Process to date and next steps

This section sets out the approach to developing this investment case, decisions made during its development, and next steps after its approval.

1.4.1 Approach to developing this investment case

The approach to this investment case is consistent with the approach used to develop the previous iteration. The major features are as follows:

1. Content is high level, with the document being ~20 pages in length
2. Content is based on indicative rather than detailed evidence
3. The document is concise and in plain English
4. The Steering Group (CLT) provides feedback on major inputs to this document (e.g. options selection criteria and options) as they are developed
5. Each Directorate has opportunities to provide input into AI investment opportunities
6. Analysis builds on work completed to date, including the Council's AI Strategy and Responsible AI policy

1.4.2 Decisions to date

At the time this document was submitted for approval, CLT had already come to agreement on many of the decisions necessary to approve this investment. These decisions are listed below.

Table 1: Decisions to date

#	Decision	Date
1	Approved the partnership with PwC (including in principle agreement on commercial arrangements for design and implementation)	18 June, 2024
2	Approved the AI Strategy	1 July, 2024
3	Approved the AI risk and governance approach	1 July, 2024
4	Approved the AI-Volution Project Benefits Map	15 July, 2024
5	Approved the AI-Volution Project Service Prioritisation Framework	15 July, 2024
6	Approved the definition of “exemplar” for AI adoption	16 September, 2024
7	Approved the AI Risk Management Framework, including establishment of the AI Governance Group, traffic lights, and updates to the Policy	24 February 2025
9	Agreed that phase one objectives and targeted benefits were achieved	24 February 2025
8	Agreed potential scope for phase two	24 February 2025
10	Agreed the investment objectives for phase two	10 March 2025
11	Agreed options selection criteria for phase two	10 March 2025
12	Agreed high level phase two options	10 March 2025
13	Agreed four options to be evaluated in the investment case	24 March 2025

1.4.3 Next steps

Once the decisions sought in this investment case are made, the next steps in the process are as follows:

- Finalise Council resourcing
- Finalise procurement
- Mobilise team

2. Case for Change

This section of the investment case provides a strategic case for investment, including the strategic context, investment objectives, related policies and programmes, and risks.

2.1 Strategic context

We play an important role for our residents. We foster a connected, resilient, and inclusive city where all our residents can thrive. Our role includes but is not limited to infrastructure and public works, community services and facilities, and regulatory and environmental services.

Our community is a hub for innovation, and it deserves an innovative Council. Lower Hutt has a diverse economy and a strategic industrial hub, displaying ~20% higher-than-average productivity in science, technology, and high-value manufacturing sectors¹. Home to organisations like GNS Science, our city is seeing the emergence of new niche industries such as renewable energy, biotechnology, and advanced materials. Council needs to adopt cutting edge technologies to provide a modern, fast-paced environment that fosters continued growth and development.

We are at the forefront of adoption in local government, and we are committed to being an exemplar in our use of GenAI. We have a leading practice Responsible AI regime, and we are one of a small number of organisations in New Zealand implementing GenAI tools at scale, automating processes E2E with AI, and demonstrating tangible benefits. We have a clear vision on what practices we want to adopt as an exemplar regarding strategy, Responsible AI, people and change, partnerships and collaboration, and data and technology as set out in Appendix B: GenAI Capability Maturity Model.

We are using GenAI today to strengthen our productivity. Financial constraints and the rising expectations of our customers and our people make it an important time to equip our people with leading technology and find ways to do more for less. We have invested in building the skills of our people in using GenAI tools to be more productive in their day-to-day work, and we have adopted AI Assistants to support the speed, accuracy, and cost of service delivery.

We believe in the transformative power of AI for delivering public good. AI can help us address complex challenges with advanced insights and emerging GenAI capabilities. For example, lessons learnt from recent floods in the Hawke's Bay show that communication is critical in a disaster. At the time this document was written, Council had applied for the Bloomberg Mayor's Challenge for funding and other support for the development of an Emergency Response Assistant that can streamline information collection and provide relevant updates to affected residents in multiple languages and cultural contexts.

Technology has changed since we wrote our last investment case, and so have we. The table below summarises the major changes considered during the development of this investment case.

Table 2: Changes since the last Investment Case and response

Category	Change Since Previous Phase	Responses
Political	<ul style="list-style-type: none"> The next phase of work will be completed in the lead up to the pre-election and election period 	<ul style="list-style-type: none"> Engage current elected officials on scope and likely impact of next phase Reduce/ stop phase two activity by July 2025

Infometrics. (n.d.). *Industry productivity: Lower Hutt City*. Infometrics. <https://rep.infometrics.co.nz/lower-hutt-city/productivity/industry-productivity?compare=new-zealand>

		<ul style="list-style-type: none"> Plan for potential changes in direction post election
Economic	<ul style="list-style-type: none"> Many local governments are increasing rates, which is creating hardship for residents already dealing with cost of living rises Baseline saving targets for next FY creates more urgency for cashable savings 	<ul style="list-style-type: none"> Provide options with productivity benefits and give leaders recommendations on how to redeploy resources Explore the future workforce needs and costs for Council given its commitment to automation with GoDigital and AI-Volution Seek creative sources of funding for innovation, such as partnership to support affordability and ROI for AI-Volution activities
Operational	<ul style="list-style-type: none"> Council now has a critical mass of staff using GenAI in their daily work and able to build AI Assistants Council has begun embedding agile methods, including a backlog, iterative development, and Product Owners At the time this document was written, Council was considering the establishment of a dedicated internal innovation function 	<ul style="list-style-type: none"> Where possible, build on emerging Council capabilities and minimise cost by using internal resources for AI-Volution activities Work with different initiatives across Council to support agile methods and innovation
Technological	<ul style="list-style-type: none"> GenAI tools are more powerful and are priced differently New systems are going live in proximity to the next phase of work (Genesys, HRIS, CRM) 	<ul style="list-style-type: none"> Revisit if GenAI license arrangements still make sense, or are there ways to get better value Check to see if proposed investments in process improvements are cannibalising the benefits of upcoming system upgrades
Legal / Regulatory	<ul style="list-style-type: none"> Globally, governments are investigating DeepSeek and banning use for government employees Two of the EU AI Act's provisions came into effect on February 25. One requires AI literacy building and another prohibits some AI practices 	<ul style="list-style-type: none"> Stay up to date with legal and regulatory trends and stakeholder expectations

2.2 Investment objectives

This section of the document describes investment objectives and achievements to date as well as the investment objectives for the next phase.

2.2.1 Investment objectives and achievements to date

The first phase of the AI-Volution Project was completed in February 2025 and realised its three investment objectives. These were as follows:

- Move Council closer to being an exemplar
- Deliver economic benefits that can be reinvested

- Build Council capability to deliver change more independently and with decreasing dependence on external support

A description of how each of these objectives was achieved is provided below.

The recently completed phase of AI-Volution moved Council closer to being an exemplar. As depicted in the diagram below, the previous phase moved Council closer to a desired end state where it promotes the use of AI by staff and advances its AI adoption capabilities and infrastructure. Highlights of new practices established in phase one are as follows, and a full summary is provided in Appendix B:

- Prioritising specific use cases
- Implementing basic benefits management practices to understand ROI
- Defining governance structures and risk management practices for design and use of AI

Figure 2: Council’s pathway to exemplar



The recently completed phase kicked off an “invest to save” approach as part of a rolling programme. Across the staff supported to use Microsoft 365 Copilot and ChatGPT Team, an estimated 44,000 hours of work with an estimated value of \$1.9m has been saved annually. Council has committed to remove \$400,000 of this freed time from budgets through attrition and vacancies over a two year period. Phase one also identified opportunities for future productivity gains of an estimated 26,000 hours of staff time.

The recently completed phase also built Council’s capability to deliver change more independently and with decreasing dependence on external support. Council has built skills for building and using GPTs with Product Owners, end users, and AI Assistant developers. It has also enhanced its skills in Agile, change management, benefits management, and Responsible AI practices. These skills are important for retaining the gains made to date and for future initiatives because external support is the most expensive component of our investment in change. As we execute a rolling programme of change, the more we do ourselves, the more benefits we can retain, and the more likely we are to have attractive rates of return.

2.2.2 Investment objectives for the next phase

The next phase of investment in AI-Volution can build on successes of the previous phase. This next phase is an opportunity to be bolder by:

- Acting on opportunities to integrate GenAI features into E2E processes
- Making AI-based changes that are customer-facing now that we are more confident with the technology and have established an approach for managing risk and the responsible use of AI
- Embracing increasingly agile ways of working now that we have worked across the business using Sprints, Product Owners, and other features of Agile
- Using more internal and fewer external resources where we have built the right skills, further deepening our experience and capability

The next phase of AI-Volution will feature the same three investment objectives as phase one and a new investment objective regarding service improvement. The four investment objectives are as follows:

- Continue moving Council closer to its ambition of being an exemplar and maintain the early adopter status Council has built to date
- Continue delivering financial benefits that can be reinvested
- Continue building Council capability to deliver change more independently and with decreasing dependence on external support
- Reinvent services for better service performance and a better customer experience

Council is targeting five practices in the next phase to move closer to being an AI exemplar. These are as follows:

1. *Strategy*: Having robust benefits management for AI investment
2. *People and culture*: Using initial AI investments to understand workforce impact and effective methods for building skills
3. *People and culture*: Having enterprise-wide GenAI access and training for employees
4. *Partnership and collaboration*: Beginning to explore opportunities for AI knowledge sharing with other organisations
5. *Technology and data*: Integrating AI into E2E processes and systems

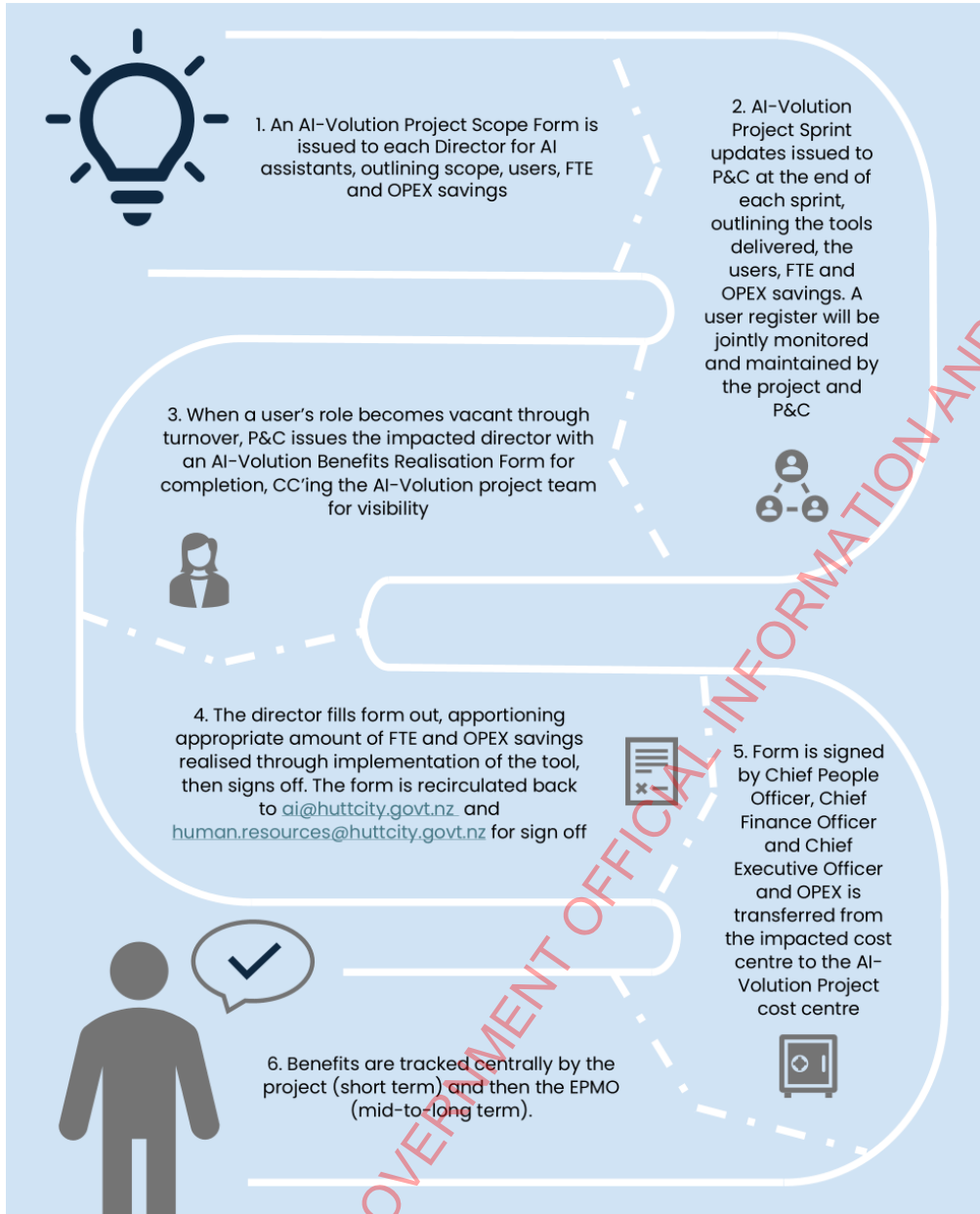
The full capability maturity model is provided in Appendix B.

Leaders from across the business will be engaged in strategy and operating model working sessions during this phase. Topics will include but not be limited to the design of our innovation function, our future workforce, and partnership and collaboration. This work will be important in supporting us to move beyond productivity in our adoption of innovation and AI-based change.

2.2.3 Evolving our approach to achieving benefits from innovation

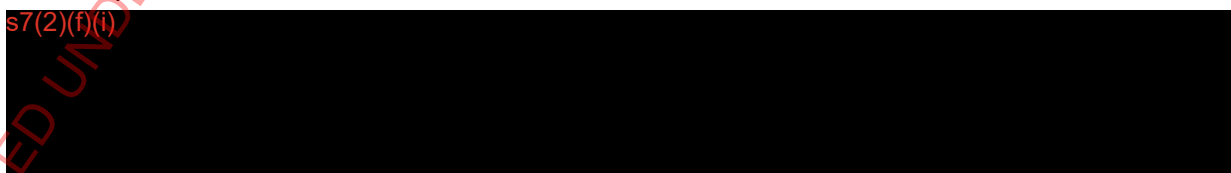
The previous phase established a robust process for seeking cashable benefits from AI Assistants and has already started reducing headcount. We have reduced headcount by two FTE where teams had vacancies and AI Assistants have reduced the need for human effort. Our target is a total of 5 FTEs, and our process for achieving it is depicted below.

Figure 3: AI Volution Benefits Realisation Process



It will take time to reach the phase one cashable savings target of \$400k pa from AI Assistants. As depicted above, time savings are only cashable when FTE or other costs are taken out of budgets. Based on CLT agreement to only release FTEs through attrition, achieving cashable savings will take time. In the Phase One Investment Case, the agreed timeframe is two years.

We expect it will be easier to find cashable savings from phase two E2E process improvements than phase one AI Assistants. E2E process improvements will provide a bigger productivity boost to a smaller number of roles, making it easier to redeploy resources to other priorities.



Given the urgent need for cashable savings, CLT will decide the timing and location of cashable savings through headcount reductions during this phase. Some teams are

completing high priority core business activities and are under significant delivery pressure. While automation can create time savings for these activities, it may not be appropriate to reduce headcount in the teams completing these activities in the short term. CLT will agree how to respond to opportunities that result from time freed from process automation (e.g. headcount released vs redeployed to other activities within Council), and CLT will agree to the timing of those activities and how to manage risks.

In the longer term, CLT will be able to make decisions about cashable savings in the context of broader operating model choices. In particular, CLT will benefit from choices about:

- *Our response to recent budget reductions:* Identifying where to remove costs requires agreeing to our lower priority areas of expenditure, including potential cuts to non-core activities as called for by central government, but these were not yet agreed at the time this document was written

s7(2)(f)(i)

2.3 Related policies and programmes

A comprehensive scan of related policies and programmes confirms there are no conflicts and that the next phase of work supports the aims of other initiatives. The most relevant of these are as follows:

- **AI Strategy:** A next phase of work can support the execution of this strategy, including but not limited to identifying and improving processes that can benefit from AI solutions providing teams with the right tools and skills
- **Bloomberg Mayor's Challenge:** Council has submitted an application to gain funding and technical support for an Emergency Response Assistant that can streamline information collection and provide relevant updates to affected residents in multiple languages and cultural contexts. Finalists will be selected shortly, and a next phase of work can provide the support of a broader AI programme to the Bloomberg/Emergency Response Assistant initiative.

A longer list of internal and external policies and programmes and a description of their relationship to the next phase is included in Appendix C.

2.4 Risks

A risk is something that may or may not occur in the future and that can have an impact on the success of this investment. Risks are about uncertainty, and effects can be positive (i.e. new opportunities) and effects can be negative (e.g. delays or cost overruns). The top risks identified to date are provided below with a recommended response.

Table 3 - Risks and recommended response

#	Description	Recommended Response
1	Ongoing support for uptake of AI solutions. <i>If Council does not provide ongoing monitoring and support for the uptake of chat tools and the AI Assistants, then it may not get desired benefits or make progress as an exemplar</i>	<ul style="list-style-type: none"> • Approve the preferred option, which includes resources to track and monitor adoption
2	Benefits management: <i>If Council does not strengthen and adhere to required benefits management practices, then targeted benefits may not be captured, and the phase may not be self-funded</i>	<ul style="list-style-type: none"> • Approve the preferred option, which includes support from a benefits SME as well as organisational design support as part of the process improvement team
3	Process management. <i>If Council does not invest in enhanced process management capabilities, then investments in process improvements through AI Assistants and other automation in the AI-Volution Programme may be lost</i>	<ul style="list-style-type: none"> • Approve the preferred option, which includes support from a benefits SME as well as organisational design support as part of the process improvement team
5	Resourcing: <i>If Council cannot identify available resources with the right skills to support this phase, then there may be project delays and reduced opportunities to achieve the targeted level of benefit</i>	<ul style="list-style-type: none"> • Accept the preferred option, which is preferred in part because of the limits and manageability of its scope and resource requirements
5	Proximity of election (Oct 25). <i>If the programme team requires decisions in the pre-election period and election period, these decisions and the phase itself may be delayed.</i>	<ul style="list-style-type: none"> • Approve the preferred option, which avoids the preferred option by completing before July 2025
6	Newness of AI: <i>If point solutions do not function as expected, then there may be delays to implementation or less benefits realised than estimated</i>	<ul style="list-style-type: none"> • Note that as an early adopter, Council should expect to need to learn and pivot throughout its AI adoption. It would be ill advised to pursue an inflexible approach • Agree the project should take a flexible approach to maximise benefits for Council, even if this requires changes as the team learns more about how to use AI at Council during this phase
7	Bloomberg Mayor's Challenge: <i>If Council is a finalist in March 2025, then there may be a need to mobilise a team for the development of the Emergency Management Assistant</i> <i>If Council is not a finalist, then there may be an opportunity to develop an</i>	<ul style="list-style-type: none"> • Note that decisions on finalists are expected in March 2025 • Accept the risk that there may or may not be Bloomberg resources for additional scope in the AI-Volution programme to complete the work in our Mayor's Challenge application

#	Description	Recommended Response
	Emergency Management Assistant without Bloomberg resources	

draft

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3. Options Analysis

This section of the investment case provides the economic case for investment. It includes the options evaluation criteria, a description of the options, and the results of the options assessment.

3.1 Evaluation criteria

CLT agreed to six factors for assessing the relative attractiveness of each of the options. These are summarised in the table below, and a more detailed description of how harvey balls are used to rank options is set out in Appendix D.

Table 4 - Evaluation criteria definitions

#	Criteria	Definitions
1	Alignment with short term investment objectives <i>Strategic case</i>	Extent to which an option: <ul style="list-style-type: none"> Continues moving Council closer to its ambition of being an exemplar and maintains the early adopter status Council has built to date Continues delivering financial benefits that can be reinvested Continues building Council capability to deliver change more independently and with decreasing dependence on external support Reinvents services for better service performance and a better customer experience
2	Contribution to longer term, non financial strategic objectives <i>Strategic case</i>	Extent to which an option contributes to the targeted non-financial long term benefits as set out in the Benefits Map (see Appendix A): <ul style="list-style-type: none"> Strategic priorities (including AI exemplar) Service improvements System and process improvement Staff engagement
3	Economic benefits <i>Economic case</i>	Extent to which an option: <ul style="list-style-type: none"> Delivers an attractive Rate of Return (RoR) Provides a material amount of economic benefit Identifies future economic benefits for subsequent phases to support a rolling programme
4	Short term manageability <i>Commercial and management cases</i>	Extent to which: <ul style="list-style-type: none"> Implementation approach and activities are reasonable and manageable by July 2025 in a way that accommodates the election period Stakeholders and end users are receptive to change, and the plan can support people through change effectively Risks are manageable

		<ul style="list-style-type: none"> Capability is available in house or through suppliers
5	Longer term manageability <i>Commercial and management cases</i>	Extent to which an option lays the foundation for the success and manageability of future phases
6	Affordability <i>Financial case</i>	Extent to which an option: <ul style="list-style-type: none"> Has a payback period of ~3 years Has only manageable risks associated with achieving benefits

3.2 Investment choices

There are four main choices about what work to do, what changes to complete, and how. These choices are as follows:

- To what extent should Council equip staff with GenAI tools and drive uptake?
- To what extent should Council drive the development and uptake of higher value AI Assistants?
- How much E2E process innovation does Council want to undertake?
- What approach does the Council want to take to process innovation?

The table below describes these four choices together with variations on the level of investment in each.

Table 5 - Choices regarding a next phase of investment in AI

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	Choice	Level of Investment		
#	Name	Variation 1	Variation 2	Variation 3
1	GenAI tool provision Equip staff with GenAI tools for everyday productivity, which is estimated to save users ~1hr per day.	Maintain current 150 licenses	Increase by 150 licenses (covering all potential users)	N/A
2	AI Assistants Maintenance of existing AI Assistants and the creation of new ones. Note that staff can build their own Assistants at their own discretion; this scope area refers to support for those higher value AI Assistants that offer significant benefits. Phase One of AIVolution developed 15 of these.	Maintain the existing suite of 15 AI Assistants built in phase one with the current user base. Light touch support to product owners.	Rollout existing 15 AI Assistants built in phase one to more staff who would benefit from using them.	Build new AI Assistants in organised Sprints as we did in phase one and scale across the organisation.
3	End-to-end process innovation Improve processes from start to finish to realise efficiencies and service improvements.	Improve only the very lowest risk process improvements from phase one: LIMS, Resource Consent, Dog Registration and Building Consents (front administration only).	Make some of the higher risk improvements to the building consents process (vetting, customer inquiry, remote inspections).	Complete discovery for future process improvement opportunities.
4	Oversight for end-to-end process innovation Provide oversight, resources, and mandate to the team doing end-to-end process innovation with the goal of balancing the need for direction and control with the desire for rapid time to benefits.	Maintain the status quo, with stage gates at the end of each phase where the team returns to CLT to share results of the previous phase and seek approval for a subsequent phase.	Set up more flexible oversight arrangements for a rolling programme of process improvement that is faster and more agile than what we have today. This is likely to include governance with delegated authority from CLT.	N/A

3.3 Option descriptions

This investment case assessed five options that feature increasing levels of investment in AI-based change. The table below describes these options. They were developed in part through a CLT workshop on 12 March, 2025.

Because Council agreed to a rolling programme of AI-based change in September 2024, this option set does not feature a “Do Nothing” option. All options include appropriate levels of

project and change management activity, including benefits management. Activity levels change across options, and these activities are included in estimated option costs.

Table 6 - Option descriptions

#	Option and description	Scope
1	<p>Minimum investment <i>six working weeks</i> <i>with ~12 month payback period</i></p>	<p>GenAI tool provision Existing 150 licenses only A small Council team monitors usage and supports skills development and uptake</p> <p>AI Assistants Scale usage of higher value AI Assistants within 150 license envelope Monitor usage and support uptake of existing AI Assistants Provide adoption support to existing Product Owners</p> <p>E2E Process Innovation LIMS process only Benefits management and organisation design</p> <p>Process oversight Continued oversight at CLT level</p> <p>Exclusions Additional Gen AI licenses, process improvement beyond LIMS, process discovery, Council process upskilling, set up of a continuous process innovation, investment case for a future phase, building new AI Assistants in organised Sprints</p>
2	<p>Minimum investment + <i>six working weeks</i> <i>with ~15 month payback period</i></p>	<p>GenAI tool provision Same as above</p> <p>AI Assistants Same as above</p> <p>E2E Process Innovation Same as above + inclusion of dog registration process improvements</p> <p>Process oversight Same as above</p> <p>Exclusions Additional licenses, consenting processes, process discovery, Council process upskilling, set up of a continuous process innovation, investment case for a future phase, building new AI Assistants in organised Sprints</p>
3	<p>Continuous process innovation <i>six working weeks</i> <i>with ~21 month payback period</i></p>	<p>GenAI tool provision Same as above</p> <p>AI Assistants Same as above</p> <p>E2E Process Innovation Same as above +Resource consent process improvements +Discovery for additional processes +Council process improvement upskilling</p> <p>Process oversight</p>

#	Option and description	Scope
		Set up of more agile process innovation governance Other scope items Investment case for next phase Strategic working sessions on special topics Exclusions Additional Gen AI licenses Building new AI Assistants in organised Sprints
4	Continuous process innovation with broad GenAI tool adoption <i>six working weeks</i> <i>~38 month payback period</i>	GenAI tool provision Same as above AI Assistants Same as above E2E Process Innovation Same as above Process oversight Same as above Other scope items Same as above Exclusions Additional Gen AI licenses Building new AI Assistants in organised Sprints
5	Maximum scope All the scope items workshopped with CLT <i>ten working weeks</i> <i>~3 year payback period</i>	GenAI tool provision Same as above AI Assistants Same as above E2E Process Innovation Same as above +Building consent process improvements Process oversight Same as above Exclusions Building new AI Assistants in organised Sprints

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3.4 Options assessment

As a first step in options assessment, Option Five: Maximum Scope was discounted based on uncertainty regarding the timing and scope of the Go Get Replacement.

Unlike the other options, this option includes improvements to the building consent process. While we agreed to analyse the building consent process in the previous phase, and the benefits of process improvements are very attractive, there is uncertainty regarding the scope and timing of the Go Get Replacement, creating risk that benefits will be double counted. Without having confidence in benefits, this option was deemed unaffordable given CLT direction to take an “invest to save” approach to this phase. The cost of an additional scope item, a new set of AI Assistant Sprints, also contributed to this option being unaffordable. s7(2)(b)(ii)

Based on an assessment against the remaining options, the preferred option is Option Four: Continuous process innovation with broad GenAI tool adoption. Option four is different from the remaining three other options because it includes the purchase of GenAI tool licenses for a broad base of staff. This feature has a positive impact on the following selection criteria relative to other options:

- **Alignment with short term investment objectives:** one of these objectives is “move Council closer to its ambition of being an exemplar and maintain the early adopter status Council has built to date,” and Option Four gets the best assessment against this criterion from implementing GenAI tools at scale (i.e. including the purchase of 150 more licenses)
- **Contribution to longer term non-financial strategic objectives:** one of these longer term objectives is “stronger people engagement,” including giving staff new skills and better tools to do their jobs. Option Four gets the best assessment against this criterion from implementing GenAI tools at scale
- **Longer term manageability:** It makes a *greater contribution* to the manageability of future phases in a rolling programme because the implementation of GenAI tools at scale creates enterprise-wide readiness for innovation through not only skill development but also shifting mindsets and culture









s7(2)(b)(ii)

If the scope of the phase was stripped down to only the process team and LIMs, dog registration, and resource consents were included, s7(2)(b)(ii)


This cost reduces ROI and lengthens the payback period, but it is still in the preferred option because that option is affordable and because it makes the greatest strategic contribution. In particular, as discussed above, the provision of 150 more GenAI licenses has us implementing at scale and supporting all of our people in roles that can make use of GenAI to do so. This investment is fundamental to our pursuit of AI exemplar status and to lay the groundwork for ongoing innovation.

The table below provides a summary of the assessment of the four options. More detail on the definitions of each harvey ball against each of the selection criteria is provided in an appendix.

Table 7 - Options assessment

Options / Criteria	1. Minimum investment	2. Minimum Investment +	3. Continuous process innovation	4. Continuous process innovation and broad GenAI tool adoption
Estimated cost	s7(2)(b)(ii)			
Estimated duration <i>in working weeks</i>	6 weeks	6 weeks	6 weeks	10 weeks
Estimated payback period	~12 months	~15 months	~21 months	~38 months
Alignment with short term investment objectives <i>Strategic case</i>	 Directly contributes to cashable savings, but service improvements are limited to LIMs. This option has relatively limited impact on Council becoming an exemplar or developing internal skills.	 Directly contributes to cashable savings, but service improvements are limited to LIMs and dog registration. This option has relatively limited impact on Council becoming an exemplar or developing internal skills.	 Directly contributes to cashable savings and service improvements across LIMs, dog registration, and resource consents, and Council builds process innovations skills. Not providing access to GenAI tools across Council limits impact on becoming an exemplar.	 Makes the biggest contribution to all four short term investment objectives.
Contribution to longer term non financial strategic objectives <i>Strategic case</i>	 Impact on service and process improvements limited to LIMs. This option has relatively limited impact on Council becoming an exemplar or engaging staff.	 The addition of dog registration process improvement has limited impact on long term strategic impact of this option relative to option one.	 Addition of resource consents, broader process discovery, and the set up of a continuous process innovation function can have a bigger impact than options one and two on process and service improvements as strategic long	 Relative to option three, has a bigger impact on staff engagement and exemplar status because it extends GenAI tool access through an additional 150 licenses.

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			term priorities.	
Economic benefits <i>Economic case</i>	s7(2)(b)(ii), s7(2)(f)(i)			
Short term manageability <i>Commercial and management cases</i>	Scope is minimised to the lowest risk activities and those with the most support from stakeholders; capability to deliver is available.	Scope is only slightly larger than option one, and short term manageability is the same as option one.	Scope is manageable, but there is some uncertainty regarding the availability of Council resources to work alongside external SMEs to build E2E process skills.	Scope is manageable, but there is some uncertainty regarding the availability of Council resources to work alongside external SMEs to build E2E process skills.
Longer term manageability <i>Commercial and management cases</i>	 Does not lay a foundation for future phases.	 Does not lay a foundation for future phases.	Lays foundation for future phases by building Council process skills and developing an investment	Goes further than option 3 to lay foundation for future phases by giving staff GenAI skills and tools

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			case for future phases.	enterprise-wide.
Affordability <i>Financial case</i>	Has a payback period under 3 years, and risks associated with LIMs and benefit targets are limited.	Has a payback period under 3 years, and risks associated with LIMs and dog registration benefit targets are limited.	Has a payback period under 3 years, and risks associated with benefit targets are limited but manageable.	Has a payback period of ~3 years, and risks associated with benefit targets are limited but manageable.

Key:  Fully aligned  Mostly aligned  Partially aligned  Slightly aligned  Not aligned

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4. Commercial Viability

This section of the investment case provides the commercial case for investment. It includes a brief analysis of the current market to understand what technologies and services are available and what they might cost.

4.1 Procurement strategy and market analysis

At the time of development of this Investment Case, commercial focus continues to be on the following two providers:

- OpenAI (ChatGPT)
- Microsoft (MS 365 Copilot).

The solutions delivered by these respective providers were the subject of both the AI Navigators trial and the first phase of delivery of the AI-Volution Project and are considered the most appropriate as per project requirements.

Delivery of this phase of the project is contingent on working alongside PwC and this approach will involve pursuing a tender exemption. PwC has delivered two phases of the AI-Volution Project and remains strategically embedded in the work. s7(2)(b)(ii), s7(2)(f)(i)



The partnership model established during the first four stages of the project will remain in effect. The principles underpinning the partnership model are outlined in the graphic below:

	Sharing benefits and risks: Partners understand and agree the key drivers for the relationship for each other. Both partners are committed to.
	Sharing intellectual property: Council would like to access PwC's global knowledge and frameworks for successful implementation of AI and change; PwC would like to use knowledge and IP developed together with Council to benefit its work with other clients addressing similar challenges.
	Learning together: Technology in general, but GenAI in particular, is changing rapidly. Both of our organisations are early adopters, managing ambiguity and sharing lessons learnt as we go. Neither partner will have all the answers, and both partners will problem solve and learn together.
	Taking an iterative, stage-gated approach: Working iteratively means working to continuously refine our solutions and ways of working based on feedback, insights, and emerging opportunities. Together with stage gates for decisions, iteration helps maintain the flexibility needed in a rapidly changing environment.
	Bringing the best of our people: Because this partnership is an investment of strategic importance for both parties, both Council and PwC will commit to freeing the time of their best talent and making appropriate time available to get work completed to agreed timeliness and quality expectations.
	Taking a reasonable approach: We will work collaboratively to find cost-effective solutions that deliver value within the constraints of available budget and human effort for both partners.
	Being transparent: Cost model and cost drivers are clear, transparent, well understood and shared; early and frequent communication with the requirement of 'no surprises' is always at the fore.
	Supporting and challenging each other: Thoughtful critique and guidance will provide the foundation for well informed decisions. A high level of support, engagement and challenge will be upheld by both partners, underpinned by mutual respect.

New roles comprising the internal HCC project team are likely to be sourced from within the organisation. This will offset some consultancy at-risk fees (PwC), as outlined below in 4.3,

as the greater the extent of works delivered in-house, the fewer external consultancy services are required.

4.2 Contractual options (risk sharing, etc)

Should HCC and PwC continue with their partnership into the second phase of delivery, this arrangement would be formalised as part of a contract specifying benefit sharing obligations relating to when HCC pays, when benefits are realised and other technicalities. PwC fees would not be paid until benefits are realised and it will be investing on an at risk basis. s7(2)(b)(ii)

s7(2)(b)(ii)

4.3 Payment options and mechanisms

Project costs will be covered through a combination of:

- Consultancy at-risk fees
- HCC at-risk OPEX

s7(2)(b)(ii)

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5. Affordability

This section provides the financial case for the preferred option. It includes the total estimated costs of delivering the preferred option and the approach for funding these costs.

5.1 Costs

The estimated cash cost for the next phase is s7(2)(b)(ii). This estimate comprises:

- Chat tool software licences: s7(2)(b)(ii) annually (ongoing, based on a total of 150 new user licences)
- E2E process automation software licences: s7(2)(b)(ii) annually (ongoing based on a total of 5 premium connectors, noting that this is for APIs, not human users)
- External consultant project costs: s7(2)(b)(ii)
- Redundancy costs (s7(2)(f)(i)): s7(2)(b)(ii)

Cash costs are external costs, and internal costs are made up of Council staff being temporarily deployed to the project. Costs are calculated on the basis of a joint team of Council and external consulting staff working together to deliver the phase.

- Internal costs are based on the estimated value of Council staff working on the core team. These will be staff redeployed for the period of the work without any backfilling and are non-cash costs.

Note that when activities are deemed to be part of a team’s existing role (e.g. P&C will manage union relations for the project), related staffing costs have not been included.

- External costs are made up of software licence fees (for an OTS AI tool for 150 Council staff), and external consultant costs; these are cash costs.

The cost estimate includes project management. It assumes P&C will be able to oversee any work done by the change management resource in relation to redeployment (this resource has a matrixed reporting line into both AI-Volution Council SRO, Jarred Griffiths and the Chief People Officer, Kelly Alkema) and that any union engagement activities will be managed by the P&C team.

With the addition of \$60,000 in Council internal staff time, the total estimated (cash and non-cash) cost to deliver the preferred option is s7(2)(b)(ii). The table below provides a breakdown of the internal and external project costs by scope item. Where staff in existing roles will complete a scope item as part of their BAU role (e.g. union engagement), zero FTEs are shown.

Table 8 - Preferred option: indicative core project team resource costs by scope item

INDICATIVE Core team	Council (internal, non-cash)			External (cash)		
	Time (days)	FTE	\$000	Time (days)	FTE	\$000
WS1: Adoption team	48	1.6	s7(2)(b)(ii)	5	0.2	s7(2)(b)(ii)
WS2: End-to-end process Improvement Team	72	2.4	s7(2)(b)(ii)	94	3.1	s7(2)(b)(ii)

INDICATIVE Core team	Council (internal, non-cash)			External (cash)		
	Workstream	Time (days)	FTE	\$000	Time (days)	FTE
WS3: AI Volution Management & Development	15	0.5	s7(2)(b)(ii)	0	0	s7(2)(b)(ii)
Project Leadership (Co-Leads)	12	0.4	s7(2)(b)(ii)	12	0.4	s7(2)(b)(ii)
Total in \$000	147	4.9	s7(2)(b)(ii)	111	3.7	s7(2)(b)(ii)

Cost assumptions have been agreed during the development of this case. The key assumptions used to build the cost estimates are set out below.

Table 7 - Key cost assumptions

The average value of redeployed Council staff per FTE	s7(2)(b)(ii)
Licence fee for an OTS AI tool per FTE	s7(2)(b)(ii)
Licence for for premium connectors (for E2E processes)	s7(2)(b)(ii)
Redundancy costs (3 months per FTE released)	s7(2)(b)(ii)

In addition, the cost estimate assumes that:

- All costs are operating expenditure; there is no capital expenditure required.
- The end to end process enhancement solutions will be built using the Power Platform tool selected, with costs for any premium connectors required paid on an annual basis.
- Estimates for premium connector costs needed for the LIM process improvements only.
- Time will be made available from non-project staff to provide ad hoc support (for example Information Services support for software licences, communications & engagement input, and access to SMEs from the business).

5.2 Financial benefits

Estimated financial benefits are based on implementing improvements across three processes. These were identified during phase one process discovery activities, which found 18 opportunities across 7 processes with the potential to save ~30,000 hours valued at \$1.4m (noting that these figures are gross). Only three of these processes are in scope for improvement in this phase: LIMs, dog registration, and resource consents.

It is expected that the bulk of the financial benefits will come from improving the LIMs process. s7(2)(f)(i)

s7(2)(f)(i)

The total figure for estimated time savings is considered conservative. It does not include the time taken outside the specialist LIMs team to complete the LIMs process, which is unmeasured at the time this document was written but known to be significant. Time savings calculations also exclude benefits from scaling AI Assistants and providing a chat-based tool to all staff who could benefit from using one in completing their role at Council.

The estimated cashable benefit is s7(2)(f)(i) [redacted]
s7(2)(f)(i) [redacted]

It is also deemed conservative because there is potential for cashable savings through the other process improvements and potential revenue upside from premium pricing. There is also potential for the process used to date to get cashable savings from AI Assistants to realise more savings as AI Assistants are scaled further in phase two. This process is described in the strategic case and not repeated here.

Over time, the project will be self-funding through economic benefits realised from the work. The payback period is 38 months, after which Council saves \$200,000 annually.

5.4 Funding

Council will need to invest s7(2)(b)(ii) **up front in year one.** This amount will cover the cost of the up-front consulting fees s7(2)(b)(ii) the end-to-end system connectors s7(2)(b)(ii) redundancy costs for released FTEs s7(2)(b)(ii) and the cost of licences for the first year of an OTS Chat based tool for 150 staff s7(2)(b)(ii). These funds will be treated as at-risk to Council and will be paid upfront.

The project is self funding through economic benefits realised from the work. As discussed, the proposed approach uses these benefits to fund both the project and ongoing operating costs. The preferred funding option relies on recycling these benefits and must be self-financing over 38 months from the start of this phase of the project. It must also be affordable within current cash flow constraints. Any at risk funds investment by Council to cover project costs at this stage of the project are anticipated to be recouped over time as part of that benefit realisation.

5.5 Sensitivity analysis

The cost estimates have a low level of sensitivity. Neither of the two external cost components are cost sensitive. The consultant's costs are capped, and the software licence costs are unlikely to differ in any material way.

s7(2)(f)(i) [redacted]

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6. Project Delivery

This section of the document provides the management case for investment. It contains an overview of the project approach, timeline, and governance. It also describes the approach to practices for change management and project management.

6.1 Approach

Activities and outputs are organised into three workstreams. These are:

1. *Adoption:* Increasing daily use of chat-based tools and AI Assistants for better staff skills, productivity, and innovation. This work includes supporting adoption for the ~150 existing licenses, plus providing an additional 150 licenses, supporting user skill development, and scaling existing AI Assistants.
2. *End-to-End Process Automation:* Designing and delivering benefits from process improvements in a rapid and continuous manner. This involves automating selected processes (e.g., LIM reports, Dog Registration, and Resource Consents) and establishing more flexible oversight arrangements to sustain ongoing process improvements.
3. *AI Volution Management & Development:* Managing this phase, supporting decisions at the Corporate Leadership Team (CLT), and planning for the next phase of work, including developing the updated Investment Case and Project Brief.

Work will be completed by a joint Council and PwC team. The proposed resourcing plan follows a "two in the box" approach, with the SRO and Project Lead roles held jointly by HCC and PwC team members, fostering shared responsibility and expertise.

Work will be completed by a joint Council and PwC team. As in Phase One, a "two in the box" approach applies, with Senior Responsible Officer (SRO) and Project Lead roles being shared by Council and PwC team members to encourage shared responsibility and expertise. However, unlike Phase One, the Adoption workstream will primarily be delivered by Council staff, with PwC providing ad hoc advisory support (up to ~5 days of effort), as needed. PwC will still help integrate and coordinate efforts across all three workstreams.

As it has in previous stages, the core team will build skills and capabilities relevant for future phases of design and implementation. The joint team will learn from each other. Council team members share business knowledge and technical skills, and PwC team members share knowledge, experience, and IP. In the previous stage, PwC provided instructor-led training on Change Management and on Agile methods. It also shared its IP on Responsible AI and AI risk management frameworks and approaches as well as training for prompt engineering. In this next phase of work, Council will continue to build these skills and also work with PwC to build its skills in E2E process improvement.

This phase is also an opportunity to continue building Agile practices. In particular, this phase Council will shift from stage gates at the end of each phase of AIVolution to making rapid and continuous decisions about process improvement with an "AI Factory" model. This model works on a dynamic backlog of process automations, noting that this will be a new way of working for Council and consistent with its desire to have more innovation and pace.

6.2 Timeline

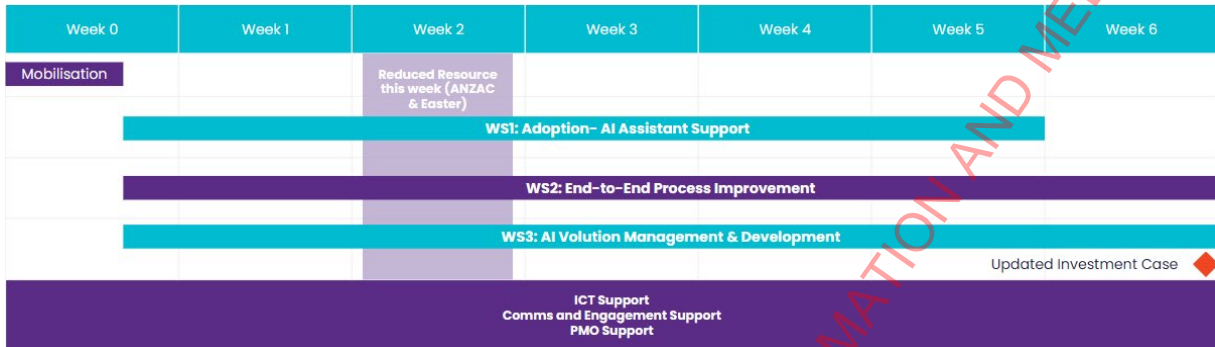
Work can be completed over approximately six weeks, aligned to Council's priorities and resources, with completion targeted this calendar year. Activities from all three workstreams will be delivered in parallel. Key milestones include:

- Mobilising and finalising detailed planning

- Standing up the new Innovation Oversight Group
- Completing iterative sprints for End-to-End Process Automation
- Rolling out or reallocating additional licenses and scaling existing AI Assistants
- Delivering “Come Think With Us” sessions for strategic AI exploration
- Preparing the Investment Case and Project Brief for the next phase

Workstreams can be completed in parallel as depicted in the high level schedule below.

Figure 4: Phase two timeline



A more detailed timeline can be found in Appendix F.

6.3 Governance

Governance arrangements from earlier stages of the AI-Volution Project will continue into this next phase, with CLT continuing to be the Steering Committee. These arrangements are described in more detail in the [AI-Volution Steering Committee Terms of Reference](#). Highlights are as follows:

- The Steering Committee meets at key project milestones based on an agreed forward schedule of meetings. It comprises the Corporate Leadership Team (CLT), which meets every two weeks. CLT convenes as the AI-Volution Steering Committee at this time based on prior agreement regarding availability on the agenda. The Steering Committee can also meet out of cycle when required.
- The Sponsor will continue to be the Chief Executive of Hutt City Council. A Sponsor provides resources, support, and overall strategic direction for the project.
- The Senior Responsible Officer (SRO) will continue to be the Director of Strategy & Engagement. An SRO is responsible for delivering a project and its objectives. This role will be shared with the PwC representative responsible for our partnership with the Council on this project.

A new governance layer, the Innovation Oversight Group, will be introduced in this phase. While overtime this governance group will have a broader mandate, for this phase it will have delegated authority from CLT to oversee end-to-end process decisions in a flexible and continuous manner. This group meets frequently (every two weeks, or as needed) to provide direction, clear roadblocks, and maintain delivery momentum—especially for the End-to-End Process Automation workstream.

6.4 Project management approach

The project is a minor project and will be delivered in line with Council’s existing Project Delivery Lifecycle, with the incorporation of Agile methods as appropriate. The Enterprise Project Management Office (EPMO) will continue to provide oversight and ensure alignment with Council’s project management standards.

A detailed Project Brief is developed for the next phase of this project, which will outline in more detail the agreed scope, activities, and outputs of the phase.

Key roles and responsibilities for this project include:

- **Chief Executive, HCC** - Accountable for the overall success of the project. Oversees progress and acts as a champion for AI across HCC. Escalation point for the project, should the project breach agreed tolerances.
- **HCC CLT** - Aligns the project with organisational strategy and compliance with policy; makes good use of Council assets; maintain project focus on its goal and outcomes; verify project progress against its plan.
- **CFO** - Empowered and available to drive the identification and realisation of benefits, providing practical assistance and challenge to budget holders.
- **Innovation Oversight Group** - The Innovation Oversight Group will be the decision-maker in relation to end-to-end process decisions and has delegated authority from CLT to do so.
- **SROs** - The SRO directs the team's alignment with overall organisational goals. They understand the organisation's needs, customer expectations and market trends. Also responsible for maintaining the partnership arrangement.
- **SROs (shared by Council & PwC)** - Responsible for delivering on the project's objectives and ensuring alignment with organisational goals.
- **Project Co-Leads (shared by Council & PwC)** - Day-to-day management of the project, including risk and issue oversight, stakeholder engagement, and quality control.
- **Workstream Leads (Council & PwC as applicable)** - Drive the activities, outputs, and deliverables for each workstream.

In addition to the roles outlined above, further project support and SME roles will be required to support successful delivery of the project. The size and shape of the project team may evolve depending on the phase of the project in order to deliver the defined scope.

6.4.1 Risk and issue management

The AI-Volution Project will be managed in accordance with HCC's standard Risk Management Framework. Risks and issues have been identified and are recorded in the Risk and Issue Register (in the Project Controls Book) alongside any dependencies and assumptions. Risks and issues will be regularly reviewed and updated and/or escalated as required.

Specific risks associated with the implementation of individual options, as outlined in this Investment Case, also form part of the feasibility assessment for each of those items as part of the options analysis.

Additionally, as AI is an emerging area of technology, HCC has been working to develop additional risk management material relating specifically to the governance of AI-related risk – the AI Risk and Governance Policy and Guidelines. It is anticipated that risks associated with and arising from works relating to the delivery of this project will be managed in accordance with this guidance material.

6.4.2 Benefits management

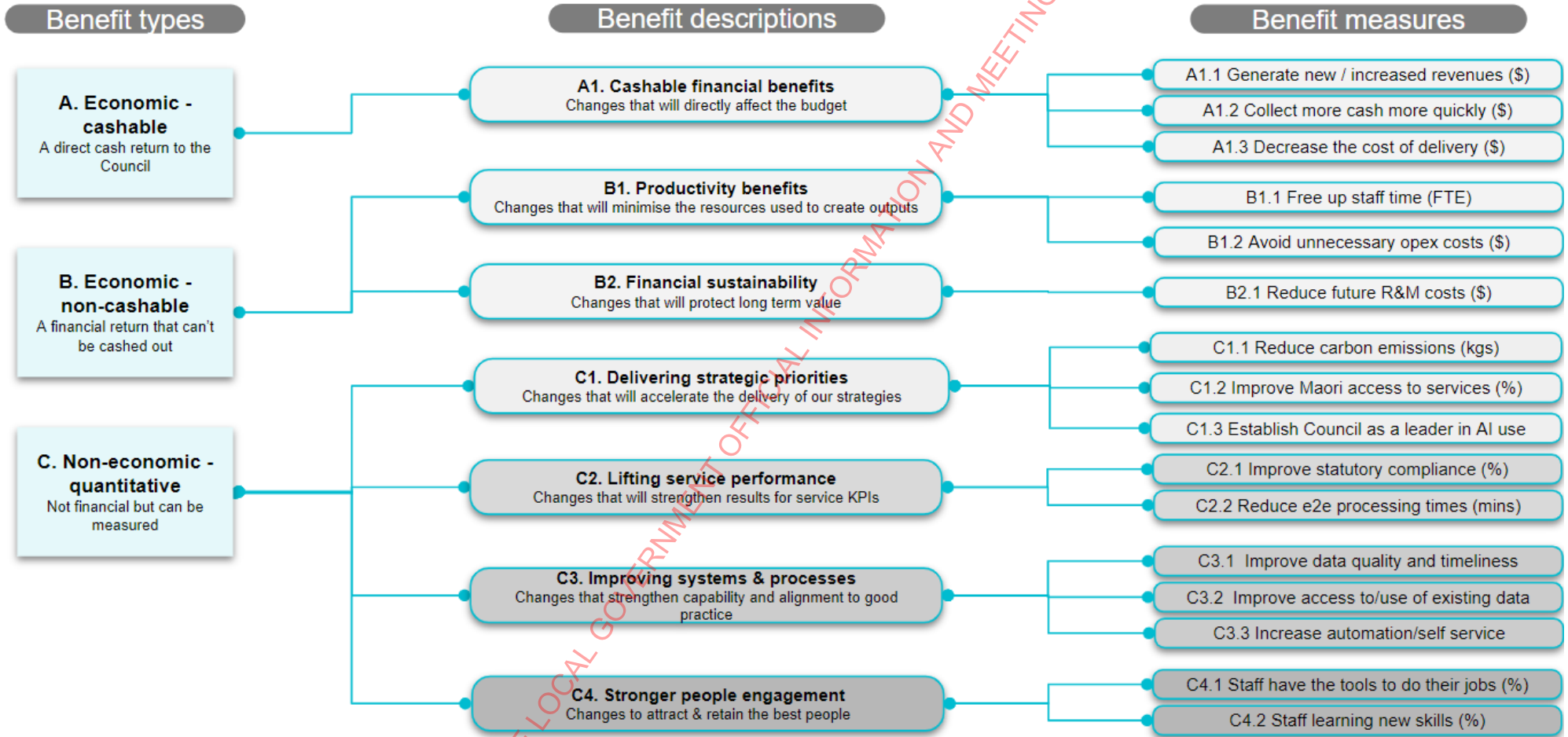
Benefits for this project have been identified and will be managed in alignment with Council's Benefits Management Framework. A Benefits Map has been developed following a workshop with the project team and is included at Appendix A. A Benefits Management Plan is being developed separately.

As per the framework, benefits will be refined and tracked throughout the project's lifecycle, ensuring all economic, non-economic, and quantitative benefits are captured and managed effectively.

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Appendix A: AI-Volution benefits map



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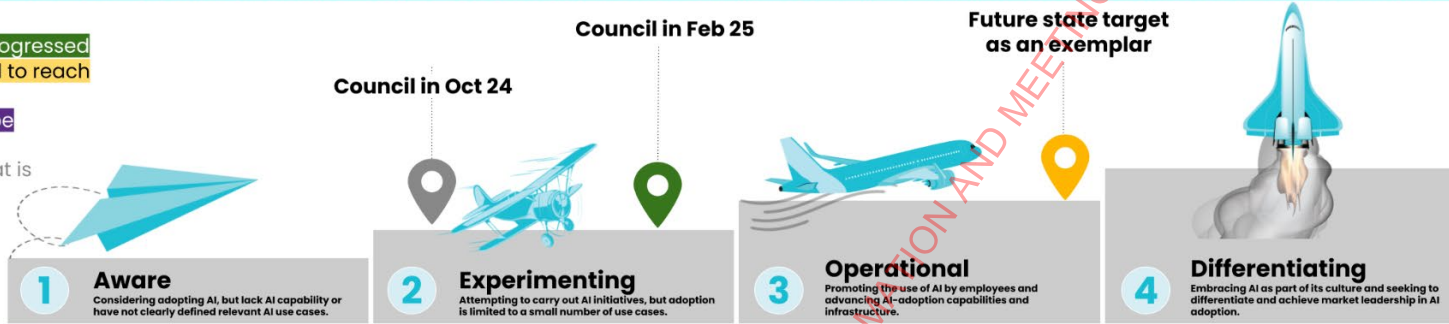
Appendix B: GenAI capability maturity model

Key:

Practices we have progressed
Practices still needed to reach exemplar target

Practices which will be targeted in Phase 2

Below or beyond what is targeted



	1 Aware Considering adopting AI, but lack AI capability or have not clearly defined relevant AI use cases.	2 Experimenting Attempting to carry out AI initiatives, but adoption is limited to a small number of use cases.	3 Operational Promoting the use of AI by employees and advancing AI-adoption capabilities and infrastructure.	4 Differentiating Embracing AI as part of its culture and seeking to differentiate and achieve market leadership in AI adoption.
Strategy <i>Understanding the implications of AI on the business and having deliberate response that demonstrates vision and value</i>	<ul style="list-style-type: none"> Starting to understand industry disruption and impacts for the organisation Starting to identify needed shifts to adopt AI-related change in pockets of the organisation, but these are not assessed enterprise-wide or broadly agreed Recognising the need to align AI-based change with organisational objectives and values Agreeing the need for an AI Strategy but do not yet have a written document Acknowledging the need to invest in AI, but do not yet understand potential value 	<ul style="list-style-type: none"> Exploring AI's impact with growing interest Prioritising specific use cases Investing selectively in a handful of AI initiatives Implementing basic benefits management practices to understand ROI of early AI investments Acknowledging the need to develop an enterprise-wide AI strategy Identifying leaders who can have an ongoing strategic leadership role for AI 	<ul style="list-style-type: none"> Having a fact-based understanding of the level of disruption and opportunity for the industry and the business Having a future vision for the organisation, including a target operating model and basic investment planning and controls Having a written enterprise-wide AI Strategy aligned with strategic objectives and organisational values Having an agreed programme of investment underway, including cross-functional AI solutions Actively building organisational flexibility to withstand ongoing disruption Having robust benefits management for AI investment 	<ul style="list-style-type: none"> Actively monitoring trends and having the flexibility to respond quickly Embedding AI in the organisation's overall strategy Exploring opportunities for business model reinvention Having a portfolio or programme of investment featuring proactive, innovative strategic responses to opportunities Monitoring investments with comprehensive performance and benefits measurement
Responsible AI <i>Upholding integrity and trust by adhering to ethical, security, and regulatory standards</i>	<ul style="list-style-type: none"> Recognising the need for ethical, transparent, and compliant AI practices but lacking a framework or approach Identifying initial steps for governance, risk, and data security & privacy, with limited documentation or implementation for design and use of AI solutions Beginning to explore fairness, transparency, and bias mitigation by considering ethical implications of AI use cases 	<ul style="list-style-type: none"> Starting to adopt ethical, transparent, and compliant AI practices Defining governance structures and risk management practices for design and use of AI solutions Defining expectations of staff regarding risk of errors, hallucination and therefore the need for appropriate human review in AI processes Undertaking early efforts in implementing data security & privacy frameworks, or adopting existing data security & privacy frameworks for AI Establishing initial measures for fairness, transparency, and bias mitigation Starting to implement explainability in AI models where appropriate 	<ul style="list-style-type: none"> Staying up to date on technology, legal, and regulatory updates Actively integrating ethical, transparent, and compliant AI practices across the organisation; expanding programmes for compliance and regulatory alignment Implementing comprehensive governance structures and robust risk management practices for design and use of AI solutions Encouraging fairness, transparency, and bias mitigation by introducing measures and promoting model explainability Having an approach to building and maintaining stakeholder trust Having an approach for tagging AI generated content for better transparency Aligning with chosen industry good practice AI frameworks (e.g. NIST responsible AI framework) 	<ul style="list-style-type: none"> Embedding ethical, transparent, and compliant AI practices into the organisational culture to support responsible AI usage and regulatory compliance Implementing advanced governance and risk management practices for design and use of AI solutions, and proactively managing data security & privacy Promoting fairness, transparency, and bias mitigation through comprehensive practices that focus on high model explainability and setting industry standards Proactively engaging with stakeholder to understand and manage trust issues
People & Culture <i>Preparing the workforce and organisation to embrace AI's transformative impact on work</i>	<ul style="list-style-type: none"> Recognising a potential workforce impact, but have not agreed the nature of this impact or changed hiring or recruiting practices Having limited workforce planning to date and limited in-house capability Having limited in-house change management capability and no agreed methodology to support people through change Having no plan in place to build AI skills across the workforce 	<ul style="list-style-type: none"> Using initial AI investments to understand workforce impact and effective methods for building skills Providing training to employees involved in early AI investments and considering options for broader training Beginning to consider workforce implications of implementing AI-based solutions at scale, but do not have a comprehensive approach and have not formulated insights and choices for the business Starting to organise the change management capability required to support the workforce through AI-based change 	<ul style="list-style-type: none"> Having enterprise-wide AI training for employees Executing an agreed change management approach across the AI programme of investment Engaging the workforce with expected future needs Starting to move beyond role, impact, skills and knowledge to also consider cultural interventions Starting to use newer approaches to change to support AI adoption <ul style="list-style-type: none"> Structuring around skills and capabilities (rather than job families and hierarchies) Supporting shifts in employee mindsets to help to replace fear with curiosity, promote experimentation and learning, and spark intrinsic motivation for change Moving to a less controlling and more enabling leadership style 	<ul style="list-style-type: none"> Actively investing in the skills employees need to thrive in an AI-based world Proactively managing organisational culture to support strategy execution Structuring around skills and capabilities (rather than job families and hierarchies) Maintaining employee mindsets characterised by curiosity, experimentation and learning, and intrinsic motivation for change Maintaining a less controlling and more enabling leadership style
Partnership & Collaboration <i>Joining forces with developers, SMEs, other organisations to stay at the forefront of AI</i>	<ul style="list-style-type: none"> Recognising the need to engage with technology partners, but lack strong relationships Considering potential SMEs for AI advice Recognising the potential value of sharing knowledge with other organisations 	<ul style="list-style-type: none"> Understanding partnering options, their strengths, and where partners can add the most value Starting to engage a select number of technology partners to access tools and expertise Establishing initial partnerships with SMEs for AI guidance and advice Beginning to explore opportunities for AI knowledge sharing with other organisations 	<ul style="list-style-type: none"> Engaging multiple technology partners and developer networks to accelerate AI development Making AI investments in light of vendor roadmaps Forming robust partnerships with SMEs for continuous AI guidance and support Initiating limited knowledge sharing and collaboration with other organisations Taking advantage of opportunities to make investments together with partners 	<ul style="list-style-type: none"> Actively engaging a formal network of technology partners and developer communities to drive AI innovation and product development Leveraging strategic partnerships with SMEs to remain at the cutting edge of AI advancements Promoting regular knowledge sharing with other organisations Cultivating market presence as an authority on AI Understanding how to work with partners effectively to support benefits realisation
Technology & Data <i>Having the infrastructure and data practices necessary to enable AI</i>	<ul style="list-style-type: none"> Recognising the infrastructure (hardware and software) required to run AI applications Understanding the need for exploration and adoption of emerging AI technologies Understanding the need to build and tailor AI programmes to organisational needs Recognising the need for effective data management and AI utilisation but lacking a defined strategy and robust practices 	<ul style="list-style-type: none"> Setting up the necessary technology infrastructure for pilot AI applications Exploring emerging AI technologies and their potential applications Initiating efforts to build and customise AI applications for specific needs Starting to implement basic data management practices and defining initial steps for an enterprise-wide data strategy to support AI initiatives 	<ul style="list-style-type: none"> Using AI features embedded in enterprise applications (e.g. CRM, HRIS) Integrating a comprehensive, standardised AI technology infrastructure across the organisation Adapting to emerging AI technologies proactively Developing scalable AI programmes Establishing comprehensive data management systems and an enterprise-wide data platform, promoting automation and digitisation for seamless data flows Integrating AI into E2E processes and systems Governing technology and models 	<ul style="list-style-type: none"> Embedding advanced AI technology infrastructure as a core organisational component Proactively exploring and adopting the latest AI technologies and innovations Continuously fine-tuning and developing custom AI models Maintaining a robust enterprise-wide data platform to promote high data quality and accessibility, and leveraging AI for enhanced data analysis and decision-making

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Appendix C: Related policies and programmes

#	Policy or programme	Description	Relationship
A. External policies and programmes			
A1	<u>Remote inspections requirement</u>	The Government (Building and Construction Minister Chris Penk) is advancing a requirement for building consent authorities to use remote inspections by default to streamline home building.	Building consents are up for consideration as an end-to-end process. Council would need to adapt its building consent processes to incorporate remote inspections.
A2	<u>One-stop-shop fast track consenting regime</u>	The Government (RMA Minister Chris Bishop and Regional Development Minister Shane Jones) are establishing a faster process for consenting major projects in New Zealand.	Building consents and resource consents are up for consideration as end-to-end processes. This policy would likely reduce the time and complexity involved in obtaining consents for large developments.
A3	Simpli (building consents)	An innovative partnership between Building Consent Authorities (BCAs), government departments, agencies, businesses and organisations to improve performance, consistency and service delivery across the regulatory environment. 30 BCAs across the country are involved.	Council would collaborate with others in the partnership to streamline regulatory procedures, improve service delivery, and moves to align Council's building consent processes with national standards and best practices. The work spans multiple local government organisations and the interrelation between it and AI is not yet defined, at the stage.
A4	<u>Local Water Done Well</u>	A New Zealand government initiative aimed at replacing the previous Three Waters reform, empowering councils to establish council-controlled organisations (CCOs) for delivering safe and reliable water services.	This initiative is a significant transition for Council. While most of the operational changes will affect Wellington Water, AI may be useful in supporting Council to complete needed analysis and strategy development.
B. Internal policies and programmes			
B1	AI Strategy	A strategy designed to enhance service delivery and decision-making by integrating AI tools in a way that aligns with sustainability goals.	A next phase of work can support the execution of this strategy, including but not limited to identifying and improving processes that can benefit from AI solutions to achieve efficiencies and savings, and providing our teams with the right tools and skills

#	Policy or programme	Description	Relationship
B2	<u>Te Herenga Kairangi</u>	Council's Māori strategy, guided by the principles of Te Tiriti o Waitangi. It aims to protect and uphold the tino rangatiratanga (self-determination) of iwi and hapū over their taonga, including data, te reo Māori, and mātauranga Māori.	The project must align with the principles of Te Tiriti o Waitangi, ensuring that the use of AI is tika and pono. Council's AI Policy, explicitly references the Te Herenga Kairangi Māori Strategy. Planned activities for the next phase include engaging with the Tumuaki Māori to gain insights on appropriate use cases and solutions, which will help inform the AI business rules.
B3	CRM/RFS (part of GoDigital)	The upgrade and integration of core CRM systems to enhance service delivery, improve customer engagement, and equip staff with the tools needed for efficient operations.	The team will need to be mindful of the go-live date in June/July 2025 as well as the potential future opportunities with a CRM in the technology roadmap.
B4	Contact Centre as a Service (CCaaS) (part of GoDigital)	This RFQ sought proposals to look at alternative options for our call centre software with a core focus on its ability to integrate with our new Dynamics 365 RFS and CRM system.	AI features of existing products are being evaluated as part of the CCaaS analysis along with the ability to integrate with external AI products. AI Assistants in this phase can help staff respond to customer inquiries, which should provide insights into how Council can use AI in customer service in the future.
B5	HRIS (part of GoDigital)	A project that ensures Human Resources and Payroll systems are fit for purpose, enhance the employee experience, enable access to workforce data and are compliant with the relevant legislation.	The future selection of the HRIS platform and approach may impact some of the AI Assistants and E2E analysis as this will determine data availability and connections. The future platform may integrate with external AI products.
B6	AI Navigators	A group is evaluating two AI tools: ChatGPT and Copilot over six weeks. The trial aims to assess the effectiveness and usability of each tool across different tasks and scenarios.	Trial participants evaluating the effectiveness and usability of AI tools, acting as a SME group/champions for whichever OTS AI tool solution is selected by CLT, as per this Investment Case.
B7	Business Process Optimisation (BPO) Programme	A team completing business process optimisation as a service to Directorates, on a request basis.	It is possible that AI tools could have a significant impact on how processes are improved during the later phases of BPO. Some of the

#	Policy or programme	Description	Relationship
			processes this team may be asked to optimise may also be opportunities to use AI.
B8	Go Get Replacement	The system currently in place at Council is at the end of its useful life and a replacement solution is required. A solution has not yet been identified.	AI solutions may be included as part of the replacement options analysis as either AI features of existing products or as a custom build end to end system.
B9	Bloomberg Mayor's Challenge	Council has submitted an application to gain funding and technical support for an Emergency Response Assistant that can streamline information collection and provide relevant updates to affected residents in multiple languages and cultural contexts. Finalists will be selected in March 2025	If Council is selected as a finalist, Bloomberg Mayor's Challenge-related activities will be managed within the AI-Volution Programme

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Appendix D: Evaluation criteria with harvey ball definitions

Criteria	Definitions	●	◐	◑	◒	○
Alignment with short term investment objectives <i>Strategic case</i>	Extent to which an option: <ul style="list-style-type: none"> ● Continues moving Council closer to its ambition of being an exemplar and maintains the early adopter status Council has built to date ● Continues delivering financial benefits for reinvestment ● Continues building Council capability to deliver change more independently and with decreasing dependence on external support ● Reinvents services for better service performance and a better customer experience 	Makes a direct contribution to all four short term investment objectives	Makes a direct contribution to three of the four short term investment objectives	Makes a direct contribution to only one or two of the four short term investment objectives	Makes only an indirect impact on the short term investment objectives	Does not contribute to any of the four short term investment objectives directly or indirectly

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Criteria	Definitions	●	◐	◑	◒	○
<p>Contribution to longer term non-economic strategic objectives <i>Strategic case</i></p>	<p>Extent to which an option contributes to the non-financial long term benefits as set out in the benefits map</p>	Directly contributes to the full set of targeted non-economic benefits	Directly contributes to most but not all of the targeted non-economic benefits	Directly contributes to some non-economic benefits and indirectly supports others	Makes only an indirect contribution to some of the targeted non-economic benefits	Does not contribute to targeted non-economic benefits directly or indirectly
<p>Contribution to Economic benefits <i>Economic case</i></p>	<p>Extent to which an option:</p> <ul style="list-style-type: none"> Delivers an attractive RoR Provides a material amount of economic benefit Identifies future benefits for subsequent phases to support a rolling programme 	Delivers an attractive RoR and a material amount of economic benefit, and it identifies future benefits	Delivers an attractive RoR and a material amount of economic benefit, but it does not identify future benefits	Only identifies future benefit opportunities	Has limited direct relevance to economic benefits	Has no relevance to economic benefits
<p>Short term manageability <i>Commercial and management cases</i></p>	<p>Extent to which:</p> <ul style="list-style-type: none"> Implementation approach and activities are reasonable and manageable by July 2025 in a way that accommodates the election period Stakeholders and end users are receptive to change, and 	Fully manageable within the given timeframe, with risks well-contained and capabilities available in-house or through suppliers	Manageable and likely to be implemented within timeframe, but some risks or capability gaps may need to be addressed	Manageable and likely to be implemented within timeframe. Some risks or capability gaps may need to be addressed	Somewhat manageable, but risks or capability gaps are likely to delay implementation or require additional resources or time	Unmanageable within the given timeframe, with critical risks or capability gaps making timely implementation highly unlikely

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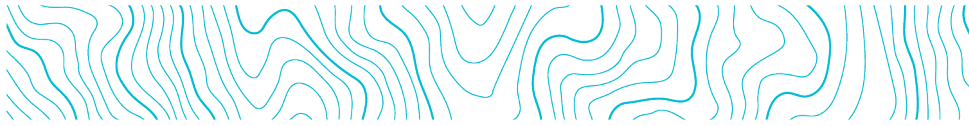
Criteria	Definitions	●	◐	◑	◒	○
	the plan can support people through change effectively <ul style="list-style-type: none"> • Risks are manageable • Capability is available in house or through suppliers 					
Longer term manageability <i>Commercial and management cases</i>	Extent to which an option lays foundation for manageability of future phases. Considerations include planning, capability building, tech or data readiness, workforce readiness, stakeholder engagement, change leadership	Comprehensively lays foundation for the manageability and success of future phases	Establishes some preconditions for the manageability and success of future phases; remaining gaps can be filled and are not expected to delay or otherwise diminish the success of the next phase	Establishes a limited number of preconditions for the success of future phases; consideration is required on how to fill these to avoid delay or other impacts on future phases	Minimal impact on the longer term manageability and success of future phases. The timeliness and success of future phases are at risk.	Does not contribute to the feasibility of future phases; future phases will be delayed or otherwise diminished
Affordability <i>Financial case</i>	Extent to which an option: <ul style="list-style-type: none"> • Has a payback period of ~3 years • Has risk associated with achieving targeted cashable benefits 	Has a payback period of ~3 years with low risk of not achieving benefits	Has a payback period of ~3 years with medium risk of not achieving benefits	Has a payback period of ~3 years with significant risk of not achieving benefits	Has a payback period of ~3 years with significant risk in achieving benefits	Not self funding within 3 years

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Appendix E: Proposed project schedule

Workstream	High-level activities	Week 0	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Project Management	Project team mobilisation and planning	[Bar]						
	Weekly Reporting		◆		◆		◆	
	Support to CLT reportbacks							◆
	Draft Investment Case & Project brief for the next phase				[Bar]			
Chat Tool Access & Uptake	Licence allocation/ reallocation	[Bar]						
	Monitor and report usage	[Bar]						
	Usage interventions	[Bar]						
End to End Processes	Process Validation	[Bar]						
	Process Design	[Bar]						
	Technical Design & Development		[Bar]					
	Develop & Test			[Bar]				
	Test				[Bar]			
	Go Live					[Bar]		
	Discovery for additional processes		[Bar]					
Establish E2E oversight group		[Bar]						
Other		ICT Support Comms and Engagement Support PMO Support						

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Memorandum

Corporate leadership team

Meeting date:	7 April 2025
Director:	Jarred Griffiths Director Strategy & Engagement
Paper author:	Chris Nelson, Principal Advisor – EPMO
Subject:	Title: AI-Volution Artificial Intelligence Project Investment Case (Stage 4, Phase 2)

Purpose (Executive Summary)

The purpose of this paper and attached Investment Case is to seek formal approval from the Corporate Leadership Team (CLT) for investment in the AI-Volution Artificial Intelligence Project.

Recommendation(s)

1. That CLT:

- **Agree** to the preferred option in investment case: Continuous process innovation with broad GenAI tool adoption (Option 4).
- **Note** that the estimated project cost is s7(2)(b)(ii) The annual economic benefit is estimated to be s7(2)(f)(i) being cashable. It is estimated to be cash flow positive by within an three financial years.
- **Note** that this option is affordable based on being self-funding over time. While HCC will invest at risk OPEX up front, this will be recouped through realisation of financial benefits.

- **Note** an AI update will be submitted to the Audit and Risk Subcommittee on 23 April 2025
- **Agree** to work starting on 11 April, 2025, subject to:
 - Confirming delegated decision making to commence this project and agreeing an appropriate procurement process
 - Confirming Council resourcing to commence the next phase of work
 - Confirming commercial arrangements and terms between Council and PwC agreement to a high-level plan for benefits realisation.

Does this also require a Council decision No

Click or tap to enter a date.

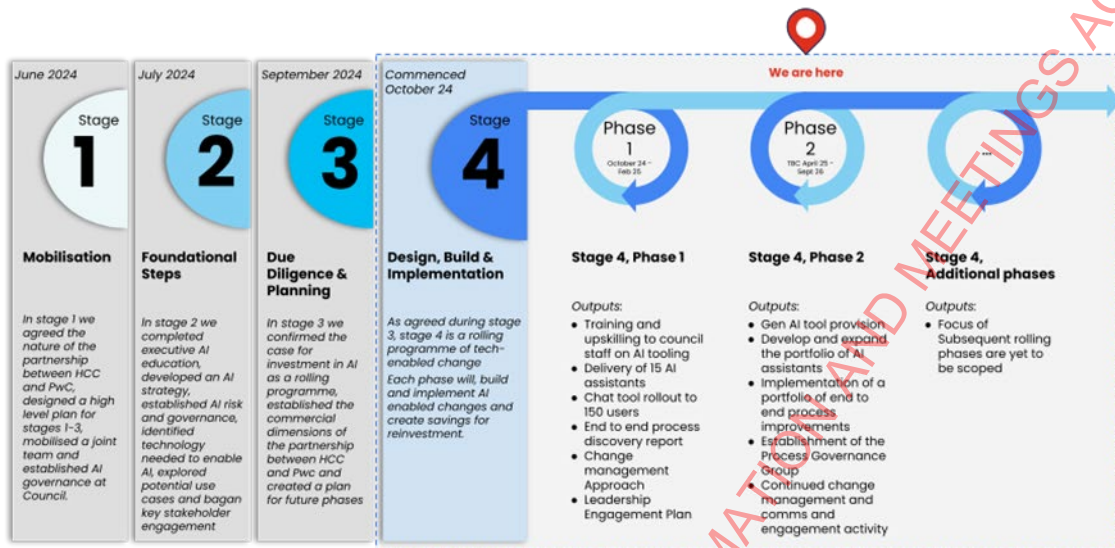
Is this going to a Council briefing Yes

Click or tap to enter a date.

Background/Discussion

2. In June 2024, Hutt City Council (HCC) and PricewaterhouseCoopers (PwC) agreed to embark on a strategic partnership that supports Council to adopt artificial intelligence (AI).
3. It was envisioned that the resulting AI-Volution Project would be split into four stages as depicted below. The following has since been completed:
 - a. Due diligence and planning
 - b. Phase 1: Design, build, and implementation
4. The team is now preparing (subject to CLT agreement) to commence the second phase of the delivery stages, Stage 4, Phase 2.

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5. Following the approval of the AI-Volution investment case for delivery, the project commenced Stage 4, Phase 1 in October 2024. This phase took approximately 10 weeks and ran from mid-October 2024 through until early-mid January 2025 to factor in the holiday closedown period. It was noted that the conclusion of stage 4, phase 1 provided a natural 'off ramp' for both parties. However, indications are that Council and PwC both have the appetite to continue progressing the strategic partnership.

6. The next phase of work for AI-based change (the subject of this paper) includes the following:

- a. Supporting the adoption of MS365 Copilot and/or ChatGPT for a further 150 licence holders.
- b. Scaling of existent AI Assistants to further Council officers beyond what was originally envisioned in the prior delivery phase.
- c. Process improvements for four core service areas: Limited Information Memorandum (LIM) reports, dog registration, building consents, and resource consents.
- d. Discovery work for additional process areas: This includes early-stage research and analysis to identify other processes that may benefit from future AI-related improvements.
- e. Establishing new oversight arrangements: Design and implementation of more agile, fit-for-purpose governance or

oversight mechanisms to support ongoing process improvement work, particularly where AI and automation is involved.

- f. Up to four workshops or sessions will be held to explore key strategic topics related to Council's ambition to be an AI exemplar. These may include areas such as the role of innovation, strategic cost-out opportunities, workforce implications, future operating models, and partnership strategies.

Consultation

7. The following stakeholders have either been engaged or were actively involved with delivery of Stage 1-3 works as part of the project team:
 - a. Chief Financial Officer
 - b. Information Services (including GoDigital)
 - c. Te Tira Māori
 - d. People & Capability.
8. This project has been shaped by extensive consultation across the organisation during the first two phases. This included requests for written outputs from directorates, prioritisation workshops with 'Heads Of' leaders, validation of the shortlisted items within each directorate, and engagement with business units to map end-to-end processes.
9. There is also anticipated to be further engagement and more detailed communications and change management to support the project, should it be approved to proceed to delivery.

Risks

10. All project risks are being managed in line with the Council's best practice. Risks and mitigations are set out in more detail in the Investment Case.

People implications

11. s7(2)(f)(i)

12. To support this, the project will include a dedicated change management resource to ensure Council meets its responsibilities to staff and manages these changes in a responsible and well-supported way.

Financial implications

13. The total estimated costs for delivery phase 2 of the AI-Volution Project are s7(2)(b)(ii), as outlined in the table below:

Project element	Cost	Recurring?
PwC fees	s7(2)(b)(ii)	No
Chat tool licence costs (first year)	s7(2)(b)(ii)	Per annum
E2E process automation software licences	s7(2)(b)(ii)	Per annum
Redundancy costs s7(2)(f)(i)	s7(2)(b)(ii)	No
Internal Council resource	s7(2)(b)(ii)	No
Total	s7(2)(b)(ii)	

14. The value of total time freed is estimated at s7(2)(f)(i). Processes in scope are LIMs, Dog Registrations and Resource Consents. It is expected most benefits will come from automating the LIMs process s7(2)(f)(i). A conservative estimate of the amount of cashable benefit is s7(2)(f)(i).

15. If CLT approves to progress the preferred option, Council will confirm an appropriate procurement approach which is likely to involve a tender exemption given the nature of this arrangement.

16. PwC has delivered two phases of the AI-Volution Project and remains strategically embedded in the work. s7(2)(b)(ii)

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s7(2)(b)(ii)

Legal implications

17. N/A

Technology and Privacy implications

18. All options comprising this Investment Case have been considered from the perspective of technical feasibility, which forms part of the overall feasibility for that particular option.
19. Dependent on the preferred options, chosen as part of this Investment Case, Privacy Impact Assessments will be completed as required, in line with HCC's privacy policies and guidance.
20. Information Services has been represented as part of the project team for the first three stages of the project.

Climate change implications

21. An indicative risk has been added to the project risk register regarding climate change impacts stemming from these works: "IF the implementation of AI tools significantly increases carbon emissions, THEN it could conflict with the Council's goal of reducing its carbon footprint, potentially undermining its sustainability objectives".
22. The following mitigations have been developed for this risk: "Incorporate sustainability considerations into the AI implementation strategy by prioritising energy-efficient AI solutions and using cloud-based services with strong environmental credentials. Additionally, align AI adoption with broader sustainability initiatives to ensure that the Council's commitment to reducing carbon emissions remains on track".

23. As the project progresses through Delivery and work continues to progress, more will become known about this risk and uncertainty will reduce.

Health, Safety and Security implications

24. Dependent on the preferred options, chosen as part of this Investment Case, Security Risk Assessments will be completed as required, in line with HCC's privacy policies and guidance.

Communication and Engagement

25. A Communications Plan has been developed for the project. as part of the first three stages. This plan will be utilised should the project commence to Deliver pending approval of this Investment Case.

Next steps

26. Delivery of a preliminary suite of investments is anticipated to commence on 11 April 2025 and take six weeks to implement. Throughout this period, the project will report regularly to CLT, which will act as its ultimate escalation point and delegated authority.

Attachments

27. There is/are attachment(s) to this paper:

Attachment 1: AI-Volution Project Investment Case Summary

Attachment 2: AI-Volution Project Investment Case



Memo

To: Jarred Griffiths, Director, Strategy & Engagement

CC: HCC Procurement

From: Chris Nelson, Principal Advisor, EPMO

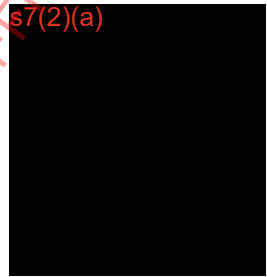
Date: 08/04/25

Security level: In Confidence

Exemption to tender for AI-Volution Artificial Intelligence Project – Design, Build & Implementation (Phase 2)

Endorsed By:

Jarred Griffiths Director, Strategy & Engagement (Manager/Budget Holder)



Date 14/04/2025

Fortune Tlapi Head of Procurement

Date 09/04/2025

Action:

Based on the reason(s) outlined in this memo, please approve this exemption to a competitive tender process for the AI-Volution Artificial Intelligence (AI) Project – Design, Build and Implementation (Phase 2), specifically regarding Hutt City Council (HCC) engaging PricewaterhouseCoopers (PwC) to undertake consultancy services relating to delivery works.

I Jarred Griffiths, (appropriate DFA Holder) approve the recommended approach as outlined in this memo.



14/04/2025

Signature

Date

Comments:

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Purpose:

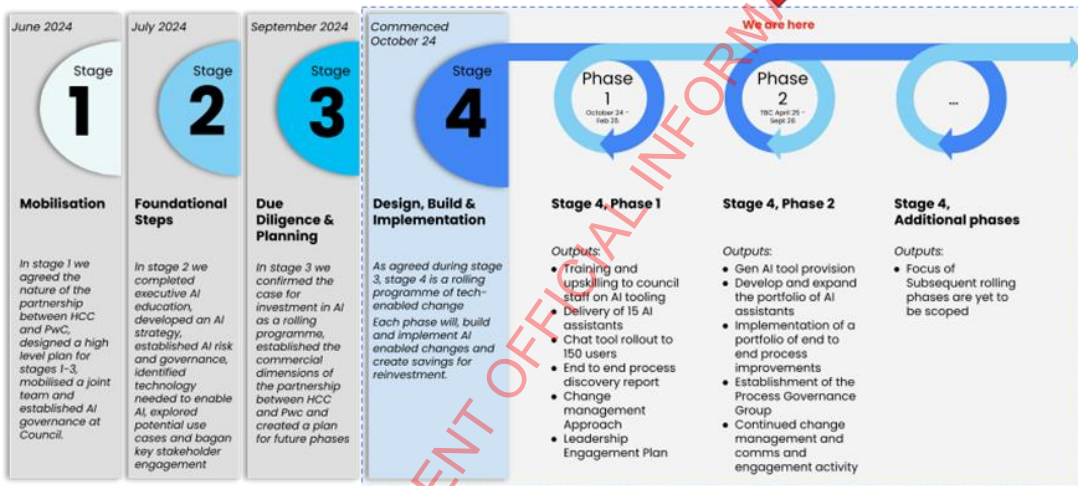
The purpose of this memo is to seek an exemption from going to an open market tender for consultancy services relating to the AI-Volution AI Project – Design, Build and Implementation (Phase 2).

Background

In June 2024, Hutt City Council (HCC) and PricewaterhouseCoopers (PwC) agreed to embark on a strategic partnership that supports Council to adopt artificial intelligence (AI).

It was envisioned that the resulting AI-Volution Project would be split into four stages as depicted below. The following has since been completed:

- Stages 1-3: Due diligence and planning
- Stage 4, Phase 1: Design, build, and implementation (first phase).



At the 7 April 2025 meeting of the Corporate Leadership Team (CLT), in its capacity as the AI-Volution Project Steering Committee, CLT agreed to a next phase of work for AI-based change (the subject of this tender exemption request). This phase includes the following:

- Supporting the adoption of MS365 Copilot and/or ChatGPT for a further 150 licence holders (to a total of 300).
- Scaling of existent AI Assistants to further Council officers beyond what was originally envisioned in the prior delivery phase.
- Process improvements for four core service areas: Limited Information Memorandum (LIM) reports, dog registration, building consents, and resource consents.
- Discovery work for additional process areas: This includes early-stage research and analysis to identify other processes that may benefit from future AI-related improvements.
- Establishing new oversight arrangements: Design and implementation of more agile, fit-for-purpose governance or oversight mechanisms to support ongoing process improvement work, particularly where AI and automation is involved.
- Up to three workshops or sessions will be held to explore key strategic topics related to Council’s ambition to be an AI exemplar. These may include areas such as the role of innovation, strategic cost-out opportunities, workforce implications, future operating models, and partnership strategies.

At the time the AI-Volution Project was initiated, high-level market analysis identified PwC as the most efficient provider of services relating to stages 1-3. HCC held a pre-existing relationship with PwC, which had recently undergone its own project to implement AI-based change. PwC, therefore, was determined to be the best-placed provider of consultancy services in the AI space. In addition, the value of the stage1-3 engagement totalled s7(2)(b)(ii) s7(2)(b)(ii). As per HCC's procurement rules, this meant the engagement did not need to go to tender, as the threshold is \$25,000.

Consultancy costs related to Stage 4, Phase 1 engagement (prior phase) totalled s7(2)(b)(ii). PwC was engaged to undertake this work via tender exemption. This was owing to, at a high level:

1. PwC involvement as part of Stages 1-3
2. High value for money
3. The strong relationship between PwC and HCC
4. The unique strategic partnering model between PwC and HCC, which saw the former invest substantially beyond contract.

Many of the above reasons form the basis for the continued approach regarding PwC for the next phase of delivery.

Reasons for a Direct Source Approach

1. HCC has already engaged PwC to undertake the first two phases (Stages 1-3 and Stage 4, Phase 1) of the AI-Volution Project. It therefore is deeply connected both to HCC's AI work programme, as well as the Council itself. It has also recently delivered its own project relating to AI-driven change at PwC, making it an expert in the field of AI delivery.
2. The total estimated PwC costs from this phase of the project is s7(2)(b)(ii). Of this, s7(2)(b)(ii) is being put by PwC at risk and would only be released on realisation of financial benefits. s7(2)(b)(ii)
3. The All of Government (AoG) rates have a standard and maximum rate depending on the level of a resource. s7(2)(b)(ii)
4. HCC and PwC have a longstanding relationship fostered via joint work as part of other ventures. The AI-Volution Project is predicated on a strategic partnership between the two organisations. The two organisations have good experience working with one another and staff and culture are compatible across both.
5. A strategic partnership exists between HCC and PwC, established as part of the discovery phase of the AI-Volution Project. s7(2)(f)(i)

Financial Commitment:

The total expected value of the contract is est. s7(2)(b)(ii) as outlined in the table below:

s7(2)(b)(ii)



Recommendation

It is recommended that, for the reasons outlined in this memo, this tender exemption be approved.

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