

X December 2016

Dr Lester Levy
Chair
Auckland Transport
BY EMAIL

Tēnā koe Lester,

Letter of Expectations 2017/2018

This Letter of Expectation sets out the ways in which the Council expects our Group culture to operate, as well as specific priorities for the Group, and particular messages for your organisation. I invite you to consider these expectations as you prepare your organisation's draft Statement of Intent (SOI) for the 2017/18 financial year.

This letter has been informed by discussions with my fellow Councillors on ways to enhance the transparency of group operations, ensure strategic alignment between our organisations, and lift performance.

General messages

The Council is ultimately responsible for the activities of the Group, from a financial, performance and reputational perspective. We are therefore looking to Council-controlled Organisations (CCOs) to take active steps to build cultures and behaviours within their organisations that reinforces accountability to the Council. This will require active leadership from your board and senior executive team.

The extent to which collaboration across the Group is deepened over the triennium will be a key indicator of our progress.

Residents and ratepayers do not want our organisations to act as separate, autonomous entities. They expect the Group to act as "one council" across our joint work programmes, and in our interactions with central government, stakeholders, iwi and the public. I would like to remind you of this expectation. This applies not just to how we conduct ourselves on major projects and programmes, but also on simple matters such as how we reinforce our common identity through our organisational marketing and branding.

The public has a reasonable expectation CCOs will be responsive to their customers, and to Auckland's elected members.

At all times our focus needs to be on our customers, both in our direct interactions with them, and through achievement of broader outcomes across the group. Your SOI should outline the steps you are taking to improve your engagement and responsiveness to customers and the wider public, including performance metrics that will measure your progress in improving their quality and impact.

Local Boards are an important part of Auckland Council's shared governance model, and as a council organisation, you need to remember they are elected members with decision making responsibilities. Your SOI should outline how you will continue to build your engagement and partnerships with Local Boards.

One key area is Local Board plans, which are a statutory requirement of the Local Government (Auckland Council) Act. Your SOI should reflect an ongoing commitment to be involved with the development of these Plans, where requested. This will help to ensure that Local Boards have the best information available while their plans are in their formative stages.

I will be expecting you to work more closely with Council and the other CCOs, and strategically align your operations to Council-mandated strategies and policies. In order to drive greater alignment of our collective plans and strategies, you should anticipate the Council will make greater use of section 92 of the Local Government (Auckland Council) Act.

Our other general expectations for the year and, where relevant, for inclusion in the SOI are:

- Continue to work with council on the development of the refreshed Auckland Plan, and ensure alignment of your own plans with it.
- Contribute to the development of new performance metrics and indicators which will meaningfully measure your impact, and ensure alignment of these with the refreshed Auckland Plan and the upcoming Long-term Plan 2018 – 2028.
- Outline in your SOI how your organisation contributes positively to local place making and urban regeneration, and how your decision-making is influenced by these priorities

Finance and value for money

Our expectation is you will support a drive to greater transparency in budgeting and reporting in 2017/18. To this end, we invite you to set out your activities in the SOI in sufficient detail for the public to have a good understanding about the services you provide, their cost, and their impact. The general principle is that unique activities should be separately identified wherever practical, rather than being bundled into large general activity groups.

Council also needs to have visibility of the risks facing the group. We expect you to report to Council not only your achievements (which remain important), but also the issues, opportunities, and risks you are facing.

With respect to major investments, we want to see a group-wide strategic perspective incorporated into business cases. Major decisions you are intending to make will need to be tested across affected CCOs and Council. Some reporting may also be done collectively, especially on major projects, reflecting the new committee structure that has been established.

In the 2017 calendar year your participation will be needed in the design and implementation of Group wide policies on:

- Business cases (covering content, processes, decision-making thresholds)
- Group procurement
- Treasury
- Insurance
- Sensitive spending (including travel, hospitality and gifts)

You will also be expected to promote value for money by:

- benchmarking frontline and back office expenditure, including a commitment to regularly publish your results on your website
- holding administrative and corporate spending at or below 2016/17 levels
- collaborating with, and at times leading, group shared services and procurement activity
- actively cooperating with any service delivery reviews (section 17A, LGA) relating to your organisation

- outlining in your SOI the detail of efficiency programmes to drive down business costs.

Key focus areas for Auckland Transport

Transport, alongside housing, is Auckland's most significant challenge and underpins many of the outcomes council is seeking to achieve for Auckland. Auckland Transport also represents council's largest investment. Ultimately it is the council's elected members who are accountable to the public in terms of the effectiveness and efficiency of this spend.

As a general point, Council expects the Board to have good visibility over operational decision-making.

Auckland Transport is not just acting as transport planners, but as placemakers (in conjunction with local boards) urban regenerators, and a major contributor to improving Auckland's environmental sustainability. We invite you to broaden your perspective beyond transport models and engage with Council, its plans, and the other CCOs. This will require a courageous balancing of movement and place, and bold commitment to reallocating road space towards public transport and active modes.

Auckland's growth means the efficiency of our existing transport network needs to be constantly improved. The bus network is the backbone of public transport, and this needs to be recognised in your priority setting. We invite you to consider expanding bus lane networks, extending bus lane operating hours and removing or modifying on-street parking. We recognise that while it is important that Auckland Transport makes evidence based decisions, these can be challenging as conflicts arise between perceived local needs and network priority. A stronger focus on effective communication, consultation, and problem solving is needed. We would welcome a discussion on how we could support you in this.

Council would like to see the draft SOI highlight Auckland Transport's commitment to working with the council on strategic issues and giving effect to existing strategies. Council would also like a commitment from Auckland Transport to operating in a 'no surprise' manner through indicating to council as early as possible Auckland Transport operational decisions that are likely to have significant strategic implications. Some specific examples in the near term are:

- the recent work undertaken by Auckland Transport in relation to the city centre's transport network has strategic implications for the City Centre Master Plan, and should be resolved through a refresh of that Plan rather than through decisions made just by Auckland Transport
- the work undertaken by Auckland Transport in greenfield growth areas needs to be consistent with adopted Council land use strategies, including the Unitary Plan and the Future Urban Land Supply Strategy (FULSS).

Other key focus areas for inclusion in your SOI include:

- Ensuring there is alignment between the refreshed Auckland Plan, the Long-term Plan (LTP) and the upcoming Regional Land Transport Plan (RLTP): the RLTP must reflect the council's direction as articulated in the LTP and a refreshed Auckland Plan. Alignment includes using the same budget information across all three plans.
- Work collaboratively with council and other CCOs on the Housing Infrastructure Fund.
- Work with Council to implement and embed the strategic approach and recommendations of ATAP, including addressing the funding gap.
- provide technical advice on new technologies and demand management options, including higher vehicle occupancy and smarter transport pricing, and any other innovations that allow us to move beyond just investment in physical infrastructure to solve the issues associated with Auckland's growth.

- providing greater transparency in relation to asset management, maintenance and renewals, to build confidence that value for money is being achieved in this area. This includes reaching agreement with New Zealand Transport Agency (NZTA) on levels of service and funding requirements as part of developing the LTP
- aggressively pursuing strong growth in public transport use and active modes with refreshed targets, particularly through ensuring the new public transport network is successfully implemented with a strong customer focus.
- ensuring full value is obtained from council's very large investment in rail electrification by reducing journey times, particularly through shorter dwell times at stations and more efficient rail operations
- ensuring good progress is maintained on delivering early works for the City Rail Link and preparation for the project's main works
- maintaining momentum on delivering the cycling programme, incorporating priority for cycling and walking into projects, and building the case for a continuation of central government's Urban Cycleways Fund beyond 2018.
- continuing to work towards completion of AT's Maori responsiveness Plan.

Council is looking to see better, and earlier, engagement from Auckland Transport with Local Boards. Auckland Transport should actively consider which of its decision-making powers it could delegate to local boards. This needs to be done within the constraints created by the regulatory environment, safety considerations and, where applicable, the role played by NZTA in decision making. Auckland Transport's management of the roading corridor impacts on Local Boards' ability to make decisions relating to matters that are their responsibility. For instance, place making is the responsibility of Local Boards, but they have no decision-making power over the road corridor in town centres.

Finally, you will be aware that on occasion there are debates within the Group about possible alternative uses of land designated for transport purposes. We would welcome a discussion with you about possible avenues for managing these issues in way that minimises disruption to planning or operations across the Group.

The priorities set out in this letter will be challenging, and require difficult choices. However, Council's expectation is that this can be achieved if the organisation continues to reorient itself towards the priorities which have been set out in the Auckland Plan and other strategic planning documents.

I look forward to working with the Auckland Transport board and receiving the draft SOI by 1 March 2017.

Sincerely,

Phil Goff
MAYOR OF AUCKLAND

cc. Deputy Mayor Bill Cashmore
 cc. Stephen Town, Chief Executive Auckland Council
 cc. David Warburton, Chief Executive, Auckland Transport