

X December 2016

Margaret Devlin
Chair
Watercare Services Limited
BY EMAIL

Tēnā koe Margaret,

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 Watercare

Council's expectation is that Watercare plays a full role in aligning its plans with Council's development plans and growth areas. As with Auckland Transport and the other CCOs, you need to see your role not just as an agency delivering water services, but as contributors to place making and urban development and regeneration.

Three examples where we expect coordination and collaboration are:

- Working collaboratively with Council and other CCOs on the Housing Infrastructure Fund, so that we optimise the benefits which Council can generate from any investment from this Fund.
- I expect your staff to proactively participate in the Central Interceptor Optimisation working group and willingly explore all options so that a jointly agreed solution is brought to council approval. This project is a combined endeavour of council and Watercare and we will be participating in decision-making so that the best option for the group is chosen. We have taken note of the scope and timing changes to this project of late and are concerned about the impacts on growth in the isthmus. This is an example of how we wish you to focus on the needs of council as the shareholder, as well as the direct customers of Watercare.
- How 'out of sequence' future urban development should be considered and what response should be given to developers on these types of locations. Council may seek to develop guidelines with Watercare on this, so that we avoid the situation where different members of the council group give different responses to developers. Interim water and wastewater solutions may please developers who are seeking to have land zoned out of sequence, but can have a longer term impact on the rest of the group.

Watercare also has a role in guarding a critical natural asset. We would like to see the SOI contain a narrative about the demand management measures the organisation has already taken and will continue to take in future. It is important that the good work in this area and the value it delivers is visible to residents and ratepayers. Any trade-offs between cost and attaining more aggressive reductions in use should be discussed with Council.

Finally, Council requires Watercare to make significant progress this year on working towards completion of a Maori Responsiveness Plan.

I acknowledge that these are challenging issues for Watercare, which will require a change in organisational culture so that Watercare both sees itself, and is seen by others, as a fully participating member of the Council Group.

I look forward to working with the Watercare 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. Raveen Jaduram, Chief Executive, Watercare