

16 December 2021

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Chair
Auckland Transport

By email

Tēnā koe Adrienne

Letter of Expectation for 2022/23

This letter of expectation sets out the council's priorities and expectations to inform the development of Auckland Transport's draft Statement of Intent (SOI) for 2022-2025.

It sets out common expectations across all council-controlled organisations (CCOs), and expectations specific to Auckland Transport.

This builds from the workshop held on 10 November 2021 with the CCO Oversight Committee and CCO Board Chairs and Chief Executives, to discuss the strategic priorities for inclusion in letters of expectation. The content of this letter was approved by the CCO Oversight Committee on 14 December 2021, with delegation to myself and the Deputy Mayor to finalise and issue the 2022/23 letters of expectation.

Before addressing the expectations, I note that due to the uncertainty of the financial context the Committee also approved extensions of the statutory deadlines for the SOI process, as is allowed in the Local Government Act 2002, Schedule 8, section 4. This means the due dates for the process are:

- date of submission of the draft SOIs is 1 April 2022
- date when the boards must have considered shareholder feedback is 1 June 2022
- date for final submission of SOIs is 31 July 2022.

Please liaise with CCO Governance staff about ensuring these dates can be met. Council will likely consider its shareholder feedback on draft SOIs at the CCO Oversight Committee meeting of 26 April 2022.

Part I. Common expectations for all CCOs

Current state

The impacts of COVID-19 are ongoing on the council group and the community. Restrictions, labour market issues impacting the whole group and supply chain issues are resulting in delays and cost escalations for a number of work programmes and capital projects.

Decisions in the LTP anticipated the risk of further outbreak and provided for the impact to a certain extent but additional pressures are building up. We need to adjust our expectations accordingly on the delivery of existing programme and on new initiatives that we would clearly like to take.

Long after COVID-19 ceases to be a major threat to us, there will be the ongoing crisis caused by climate change. We cannot afford to put off any longer the action needed to avoid a climate disaster.

In addition, there are a range of reforms, strategic reviews and changes underway, such as the National Policy Statement on Urban Development (NPS-UD), and reforms of the Resource Management Act and three waters. These are also contributing to uncertainty and heavy workloads across the council group.

Given the high level of uncertainty ahead from COVID-19, it is important that we think carefully about how we might want to respond to short-term issues and long-term challenges strategically.

We look forward to continuing to work together with you on these key issues and identifying potential options available to the council group.

Mayor's proposal for the 2022/23 annual budget¹

As Mayor I have proposed items for consultation as part of the annual budget 2022/23 which at a high level include:

- a) a base budget package proposal based on the second year of the 10-year Budget 2021-2031, taking into account the impact of the COVID-19 Delta outbreak and current economic conditions
- b) a package of further climate actions in addition to the base budget proposal to reduce emissions and support adaptation.

It is expected that draft 2022-2025 SOIs will be consistent with the relevant aspects of the Mayoral proposal for the 2022/23 annual budget.

Under the Mayoral proposal, CCOs are also expected to work with council's Chief Executive to implement \$15m of permanent cost reductions in the form of efficiency savings and service reductions across the group in 2023/24, growing to \$30m per annum from 2024/25 onwards. It is proposed council will consult on a set of draft expenditure prioritisation criteria in the 2022/23 annual budget. The criteria will be applied to implement the cost reductions sought.

Working together to progress the agreed areas of focus for growth and development

With limited resources, the Long-term Plan programme focuses on agreed areas of focus for growth and development (North West, CRL stations, Auckland Housing Programme/Tamaki and Drury).

We expect that as a Council group there is a continued commitment to working together to efficiently plan for and prioritise growth and intensification. The monthly GM Housing Group is seen as a key mechanism for coordinating this activity and council's Chief of Strategy is to be consulted with for any development proposal which may not align with council's adopted plans and strategies.

The government's programme to accelerate the supply of housing will require the council group to work together in a coordinated and united way (including implementing the NPS-UD and submitting on new associated legislation). To support this work, CCO contribution is expected in:

¹ <https://ourauckland.aucklandcouncil.govt.nz/media/trclridg/annual-budget-2022-2023-mayoral-proposal-december-2021-final.pdf>

- developing the Auckland Future Development Strategy and additions to the Infrastructure Strategy
- reviewing of any plans and strategies is undertaken in an open and transparent manner
- sharing information in a timely manner across the council group to ensure monitoring, analysis and reporting is consistent
- participation in the further development of organisational strategic priorities (i.e., investment prioritisation) to assess and allocate funding and project creation and implementation.

Climate change and climate related disclosures

As highlighted in Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan, our climate is changing. Our emissions continue to rise, and we are seeing more extreme events regionally and around the world. We need to act now – and we must act fast. For Auckland our core goals are:

- to reduce our greenhouse gas emissions by 50 per cent by 2030 and achieve net zero emissions by 2050
- to adapt to the impacts of climate change by ensuring we plan for the changes we face under our current emissions pathway.

The Auckland Council group will be required to prepare a climate-related disclosure under the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill from FY23. The disclosure will need to be compliant with the climate disclosure reporting standards that will be aligned to the Taskforce on Climate-related Financial Disclosures (TCFD) framework.

In order for the group to achieve future compliance with the climate disclosure reporting standards, CCOs are expected to work with council to implement the underlying processes that will support the recommended disclosures of the TCFD framework. In addition, collaboration is required on the following enabling projects:

1. Complete a group climate change risk assessment using scenario analysis
2. Identify and implement a process for managing climate risks across the group
3. Complete a climate-risk governance assessment.

Māori outcomes

CCOs should continue to deliver:

- Māori outcomes
 - Kia Ora Tāmaki Makaurau – a Māori outcomes performance measurement framework: implementation/delivery/reporting/monitoring/evaluation across the council group
 - Māori outcomes portfolio - understanding BAU initiatives across the council group which predominantly contribute towards advancing Māori outcomes
- Achieving Māori Outcomes plans (previously named Māori Responsiveness Plans)
 - Delivery, monitoring, reporting
- Māori engagement
 - Developing an engagement approach for the council group
- Māori employment and development
 - Implementation of the Māori employment strategy – MAHI. The strategy is currently being revised.

Other group matters

There is an overall greater focus on **equity and communities in most need** and considering them in all decisions. This is driven by the direction set in the Auckland Plan 2050 and Infrastructure Strategy. This means thinking about who is experiencing barriers to participation and how we address that, whose voices are not being heard or represented; and how the services, programmes and facilities we provide reflect the diversity of Aucklanders we are here to serve.

Council and CCOs shall work in partnership on strategy development, planning and decisions that impact on the council's level of risk and/or level of investment (and affordability). This includes jointly agreeing principles, methodology, shared procurement of services and/or working groups, open and transparent data, and sharing internal work in confidence. The CCO Chief Executive group should have oversight of any joint strategy work.

Statement of Expectation

The CCO review also recommended the development of a Statement of Expectation. Unlike the letters of expectation, this is a tool provided for in legislation, and focusses on council's enduring expectations (e.g. no surprises principle and operating as a group) that have previously been included in the letters of expectation. The Statement of Expectation is more focused on how CCOs undertake their operations, rather than work programmes. This letter should be read alongside the Statement of Expectation².

Part II. Specific expectations for Auckland Transport

The specific expectations that Auckland Transport should reflect in your SOI are discussed below.

As we have discussed previously in workshops together, the broader context for AT is framed by three key things:

- responding to the **climate crisis** and the need to **reduce emissions and adapt**. Addressing the challenges that the climate emergency presents for Auckland is a priority for the council group. Te Tāruke-ā-Tāwhiri emissions target shows a clear expectation that the transport system will transform over the next decade.
- a continued **safety** focus across the transport system.
- AT's **capacity and capability to deliver on the capital programme**, given financing and funding constraints, both from COVID-19, but also limitations from main funders.

Therefore, the proposed priorities for the SOI 2022-2025 are:

- A continued focus on communicating the agreed vision for Auckland's mobility in the future, focused on public transport and greater use of walking, cycling and micro mobility.
- More specifically, the work programme should reflect the outcomes of the Transport Emissions Reduction Plan (TERP). Subject to the completion of TERP (alongside strategies relating to parking and the refreshed cycling programme business case) and agreed associated delivery resources and other associated changes, this is likely to mean:

² http://infocouncil.aucklandcouncil.govt.nz/Open/2021/06/CCO_20210622_AGN_10103_AT.PDF

- Maintenance or improvement of levels of service for public transport and active modes
- accelerated delivery of safe cycling infrastructure across Auckland
- implementation of the 2022 Parking Strategy
- demand management projects such as congestion charging and parking pricing initiatives as per the Parking Strategy – behaviour change and revenue.
- Continued efforts to achieve AT's ambitious Vision Zero Transport Safety Strategy of a 65% reduction in Deaths and Serious Injuries (DSI) between 2018 and 2030 – especially given recent reporting showing increases in DSI. This can also deliver wider benefits such as amenity improvements and emissions reductions.
- Clearly state agreed COVID-recovery targets for Public Transport, while maintaining a long-term vision of what a PT-oriented city will look like, and a pathway to implement such a vision.
- Continue to support wider transport projects around the city, in particular CRL and the need to get ready for its opening in 2025 (end of the period for this SOI).
- Capital rephasing/reprioritisation as required, reflecting the emissions and financial contexts.
- Council understands that AT is planning to review aspects of its governance. This should ensure that AT has structures and a culture that can deliver urgent transformation, and the changes to deliver this should be outlined through the SOI (An example might be: building into business cases direct consideration of emission and safety impacts and explain how all projects are consistent with the reduction pathways).

Clearly the highly constrained financial context will have a significant determination on the final nature of AT's work programme for the coming years. Where possible, public transport services should be maintained to ensure the city continues to progress towards a new model of mobility. Similarly, the financial situation and the importance of decarbonising the transport system mean that traditional approaches to functions such as renewals and maintenance of roading should be examined closely. Where possible, programmes of activities in the road corridor should be aligned if timing of upgrades and asset condition management can coincide, and funding considerations of our partner's permit.

Council looks forward to receiving a draft of Auckland Transport's Statement of Intent by 1 April 2022.

Staff are available to expand or explain aspects of this letter if required. Please contact Edward Siddle, Acting Manager CCO Governance and External Partnerships (edward.siddle@aucklandcouncil.govt.nz) to discuss.

Ngā mihi



Phil Goff
MAYOR OF AUCKLAND
 Copy as under

Copy to: Deputy Mayor Bill Cashmore, Chair CCO Oversight Committee
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