

City Centre to Māngere – Establishment Unit delegations

In confidence

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Purpose

This paper seeks financial delegations for the Establishment Unit to be set up to progress the City Centre to Māngere Light Rail project CC2M, pursuant to Cabinet's decision on 29 March 2021.

Recommendations

It is recommended the Board:

- Subject to the conditions set out below, **delegates** to the Project Director of the Establishment Unit (with the power to sub-delegate) the power to incur all expenditure out of the NLTF funding approved by the Waka Kotahi Board at its meeting on 29 March 2021 that the Project Director determines is necessary or desirable to enable the Establishment Unit to carry out the project in accordance with the Terms of Reference, including entering into contracts and all other things necessary to give effect to this delegation.
- **Authorises** the Project Director to sub-delegate this power (but without any power of further sub-delegation) to any person within the Establishment Unit with the prior approval of the Waka Kotahi Chief Executive and subject to the same conditions.
- **Notes** that this delegation is subject to the following conditions:
 - The delegation is conditional on the approval of the Minister of Transport if this approval is required under section 73(1)(c) of the Crown Entities Act 2004;
 - All expenditure must be incurred in a manner that is consistent with approved procurement procedures as set out in the Waka Kotahi NZ Transport Agency Procurement Manual, or as advised and approved by Waka Kotahi.
 - Prior to committing any expenditure over \$5M, or executing contracts expected to exceed \$5M, the Project Director must consult with the General Manager Corporate Support of Waka Kotahi in relation to that expenditure.

Strategic relevance

Cabinet has prioritised progressing light rail from the City Centre to the airport in the next decade, as the first spine of a wider rapid transit network for Auckland. The project will be taken forward by an Establishment Unit, mandated by Cabinet and funded by the National Land Transport Fund (NLTF).

Background

Management has provided updates to the Board at its February and March meetings of the Minister's intention to take a paper to Cabinet to progress the CC2M project in the following way:

- **Set up an Establishment Unit** to provide the visible face of the project, and take forward work to resolve key outstanding questions in relation to project scope and delivery entity;
- **Take forward a business case**, initially led by the Establishment Unit, to ensure a robust process for determining the mode and alignment of a rapid transit solution, and as a basis for consultation, prior to detailed planning and investment decisions; and
- **Develop an inclusive governance structure** to oversee the first phase of a business case, involving key partners and with a strong focus on building social licence.

At its meeting on 25 March 2021, the Board approved funding to Waka Kotahi for the City Centre to Māngere of \$60 million at a funding assistance rate of 100% for the Establishment Unit phase, subject to approval by Cabinet to set up an Establishment Unit to progress the CC2M project. Cabinet made its decision on 29 March 2021 and it was publicly announced by the Minister on 30 March 2021.

This paper deals with financial delegations for the Establishment Unit, seeking to balance the need for the Establishment Unit to be able to operate, with the need for Waka Kotahi to have oversight of expenditure of the funding that it has approved. This oversight has been designed recognising that it is the role of the Establishment Unit Chair and Project Director to determine on what matters, and in what amounts, expenditure is required by the Establishment Unit to deliver the outcomes required by Cabinet and the project sponsors.

Key issues

The Independent Chair for the Establishment Unit has not yet been appointed, so a mobilisation team has been put in place to set up the Establishment Unit and prepare for the first deliverables

Absent an Independent Chair, permanent appointments cannot be made to the Establishment Unit and the unit's Board cannot be established.

Cabinet has directed the Ministry of Transport to work with Waka Kotahi, Auckland Council and Auckland Transport to set up the Establishment Unit. The Chief Executives are overseeing mobilisation and providing guidance and decisions as required. They have agreed to appoint Tommy Parker as the interim mobilisation lead. Mr Parker is a former Waka Kotahi senior executive, is on the board of Auckland Transport and is employed by Arup. Arup advised Waka Kotahi in the parallel process. Whilst Mr Parker was not intimately involved in the work, he is familiar with it.

Pending full establishment, delegations are being exercised by Lucy Riddiford, General Counsel Strategic Projects, in accordance with the Waka Kotahi delegations framework. Ms Riddiford is reporting to the Chief Executive of Waka Kotahi for the mobilisation phase.

The mobilisation team comprises employees from Waka Kotahi, Auckland Transport and Auckland Council.

Financial delegations will be required for the Establishment Unit

The Establishment Unit is mandated by Cabinet and the role and governance of the Establishment Unit will be set out in the Terms of Reference, which will be finalised by the sponsoring Ministers. The Board authorised the Waka Kotahi Chair to agree the final terms of reference for the Establishment Unit at its March 2021 meeting.

The Waka Kotahi Board will need to give financial delegations to the Establishment Unit and wishes to have oversight of expenditure of funding that it has approved from the National Land Transport Fund, so that it can discharge its statutory obligations.

Management proposes a level of delegation to the Project Director to incur expenditure, including entering into contracts. Waka Kotahi will be the contracting party. Management proposes that the Establishment Unit should consult with the GM Corporate Support prior to incurring any expenditure over \$5M, or executing contracts expected to exceed \$5M.

Reporting to the Board

Once the Independent Chair and the Project Director of the Establishment Unit have been appointed, it is recommended that Management agree with the Independent Chair and/ or the Project Director the reporting required by the Waka Kotahi board to enable it to have sufficient oversight of expenditure by the Establishment Unit. Such reporting could include:

- Forecast expenditure for the Establishment Unit;
- New contracts entered into in the relevant month and an estimate of the expected total expenditure under each contract;
- Performance of contracts entered into;
- The actual amounts incurred in the relevant month;
- Expenditure against budget, with an explanation of any material over or under spending;
- Progress of the Establishment Unit; and
- Any other matter reasonably requested by Waka Kotahi

Health & safety, customer/ stakeholder & environmental impact

The impact of this decision is considered by Waka Kotahi to be neutral in terms of health and safety, and the environment.

Related documents

City Centre to Māngere – next steps dated 24 February 2021

City Centre to Māngere update dated 25 March 2021