

Five Star Programme Update

Purpose

The purpose of this report is to update the Board with respect to progress in developing a 5-Star partnership with the NZ Transport Agency (NZTA), and to outline the planned timeframe and implementation requirements for achieving 5-Star status.

Executive Summary

The 5-Star Programme is an initiative to implement a high quality streamlined business relationship between the NZTA and approved organisations, with a focus on the funding relationship through the National Land Transport Programme (NLTP).

The NZTA has strongly indicated a move away from funding inputs and measuring outputs to investing in outcomes, specifically the outcomes set out in the Government Policy Statement (GPS). The outcomes will be measured based on the levels of service delivered by the activities funded through the NLTP (i.e. the levels of safety improvements, travel time improvements, etc.) and by optimising the value for money achieved from these investments.

The 5-Star Programme is initially being developed collaboratively by both AT and the Highways and Network Operations group of NZTA (who are treated as an approved organisation in terms of NLTP funding) in cooperation with the Programming and Investment group of NZTA. The 5-Star Programme will be open to all Approved Organisations who meet the required standards and criteria to allow them the greater autonomy and financial delegation being proposed under a 5-Star partnership. However, Auckland Transport and the Highways and Network Operations group are likely to be the first to be endorsed as 5-Star partners as a result of the work being undertaken by both organisations.

The current NZTA funding relationship with Auckland Transport involves significant NZTA interaction in the programming and delivery stages of the Regional Land Transport Programme (RLTP) process, together with significant cash flow management, project reviews and output monitoring. Although time consuming, these processes do not necessarily maximise opportunities for AT and NZTA to add value during other stages of the RLTP development. Improving this relationship and the business processes to deliver an optimal investment result is the overarching objective of the 5-Star Programme.

5-Star Programme

The 5-Star Programme and the processes that will need to be introduced will provide for a more streamlined interaction model between the two organisations, allowing each to add value, avoid churn and unnecessary duplication. Ultimately to achieve this transformational change the roles and competencies within the organisations may need to be refined, but in terms of optimising the value for money from the limited funding available for land transport it is considered an imperative to deliver the 5-Star Programme of work.

Future Relationship Model

Part of the process of developing a mature relationship between the funder {NZTA and Auckland Council (AC)} and the provider (AT) is for each organisation to participate and interact where maximum value is derived from the interaction. To do this the provider needs to be able to demonstrate that they are capable, responsible, efficient, responsive, transparent, and successful without the intervention of the funder to engender confidence and trust.

As the starting point for the development of the 5-Star relationship the team has used the RLTP process from strategic direction setting to portfolio development, programming, delivery

and monitoring as the quasi value chain provided by the two organisations to inform and deliver how investments are implemented. The team working on the 5-Star Programme has constructed the MAX (maximum value added) model below, which represents an option for NZTA and AT to work together on the RLTP process and maximise the value added by NZTA. The team consider that this option will provide the optimal form of 5-Star interaction, as set out in the following table:

Stage of RLTP		NZTA Interaction	Interaction and Value Add
Strategic direction		NZTA to provide early signals on GPS content. AT consider possible Auckland share of NLTP. AT develop an Integrated Transport Plan to respond to and deliver on Auckland Plan and regional objectives (as well as being consistent with GPS requirements).	Most interaction
Portfolio development		AT develops packages, projects and activities in line with the Integrated Transport Plan. NZTA involvement limited to Board endorsing this plan. AT review the portfolio in terms of NZTA funding potential. NZTA and AT develop a programme based on shared outcomes and expected LOS for draft RLTP. Preliminary funding negotiations occur.	Some interaction
Programming		Funding agreed and RLTP included in NLTP. After this there is minimal interaction and only when essential for partnership. AT to moderate programme of work to ensure delivery on both the Auckland Plan and the agreed RLTP outcomes.	Minimal interaction
Delivery		Only when essential for partnership	
Monitoring		Monitoring is focused on successful delivery of agreed outcomes and related LOS, and monitoring is directly fed back into the decision making process.	Most interaction

Figure 1: MAX Model

The MAX model focuses on the funding aspects of the relationship between AT and NZTA. In order to implement this model the first stage is to obtain increased funding delegation from NZTA (as described below). An increased funding delegation by July 2012 is proposed, so that AT can use these delegations during the 2012-15 NLTP. However, the full 5-Star relationship will take longer to develop and put in place. Therefore, the programme is:

- (a) what needs to be done to obtain the increased funding delegation by July 2012, and
- (b) what needs to be achieved to obtain full 5-Star accreditation after that date.

Increased Funding Delegation (Block Funding)

Part of the progression to greater autonomy (and 5-Star status) is for AT to seek greater financial delegation over the funding provided from NZTA through the NLTP.

Block funding is an agreement for financial delegation to an Approved Organisation by NZTA on a programme of work, with a funding allocation made to that programme at the time the NLTP is approved. Under the block funding approach NZTA will give delegated financial responsibility to the Approved Organisation in question to manage the agreed programme of work so that the Approved Organisation can make changes and adjustments to the programme without prior approval of NZTA. If block funding were approved for AT the financial

cut-off for individual projects and the level of risk that AT can or wants to manage has to be considered along with the consequences of that risk.

The NZTA Board has recently agreed that delegated authority can be put in place for all Approved Organisations that meet the necessary requirements for individual activities up to \$5 million, and these requirements are based on the 5-Star Programme standards and criteria.

Therefore there is an opportunity with the development of 5-Star Programme for Auckland Transport to achieve block funding from NZTA for all of the Auckland RLTP activities except those that are greater than \$5M (and this limit could increase over time) or those that deal with high risk.

In order to be granted delegated authority to use block funding the Approved Organisation has to be able to demonstrate that they have high quality processes for all business decisions concerning the transport activities funded from the NLTP. This includes high quality processes for setting the strategic direction and outcomes, the assembly of the RLTP, land use and transport integration, and all other aspects of a high quality approach to decision making and management.

The performance measures for activities that are block funded will be the outcomes produced based on the levels of service delivered.

AT can examine the Highways and Network Operations group's approach to block funding, which is recognised as being successful, and model the approach on this example. The Highways and Network Operations group are able to demonstrate how the block funded activities are adding value to their overall programme of work, and AT can adapt the Highways and Network Operations evaluation and prioritisation processes.

Auckland Transport Implementation Plan

To achieve 5-Star status AT is undertaking a gap analysis to compare the current funding relationship and business processes with the processes needed under a 5-Star model. This will allow development of an implementation plan that will enable AT to gain increased funding delegation and after that to gain 5-Star accreditation. The initial focus will be on the funding aspects of the relationship, but in the longer term the 5-Star partnership will cover all aspects of the relationship, including the One Network approach to managing transport for Auckland.

The 5-Star implementation plan will involve the development of policy, processes and procedures for:

- Implementation of strategic direction based on the Auckland Spatial Plan, Government Policy Statement, etc.
- Development of the Long Term Plan, Integrated Transport Plan, RLTP, Activity Management Plans, Annual Plan, etc.
- RLTP assembly, initiation, evaluation, option choice, finalisation and programme agreement
- RLTP management, overview, analysis, monitoring, adjustment and modification, and post implementation review

NZTA Headway Programme

At the same time that the 5-Star Programme is being developed and introduced, the NZTA has several business improvement projects underway, and these are being coordinated under what is called the Headway Programme. These are on similar timelines to the 5-Star Programme of work and complement what is required to implement the 5-Star Programme of work.

The objective of the 5-Star and Headway Programmes is to have processes, people and structures in place to consistently deliver measurable value for money outcomes aligned with regional, national and organisation strategy. There are 13 Headway projects in total and among them are the five reviews highlighted in the diagram below, most of which are of interest to AT. The five reviews are transport planning, project development, maintenance and operations flat lining, professional services, and workforce planning, and of these the transport planning review will be the most critical to AT.

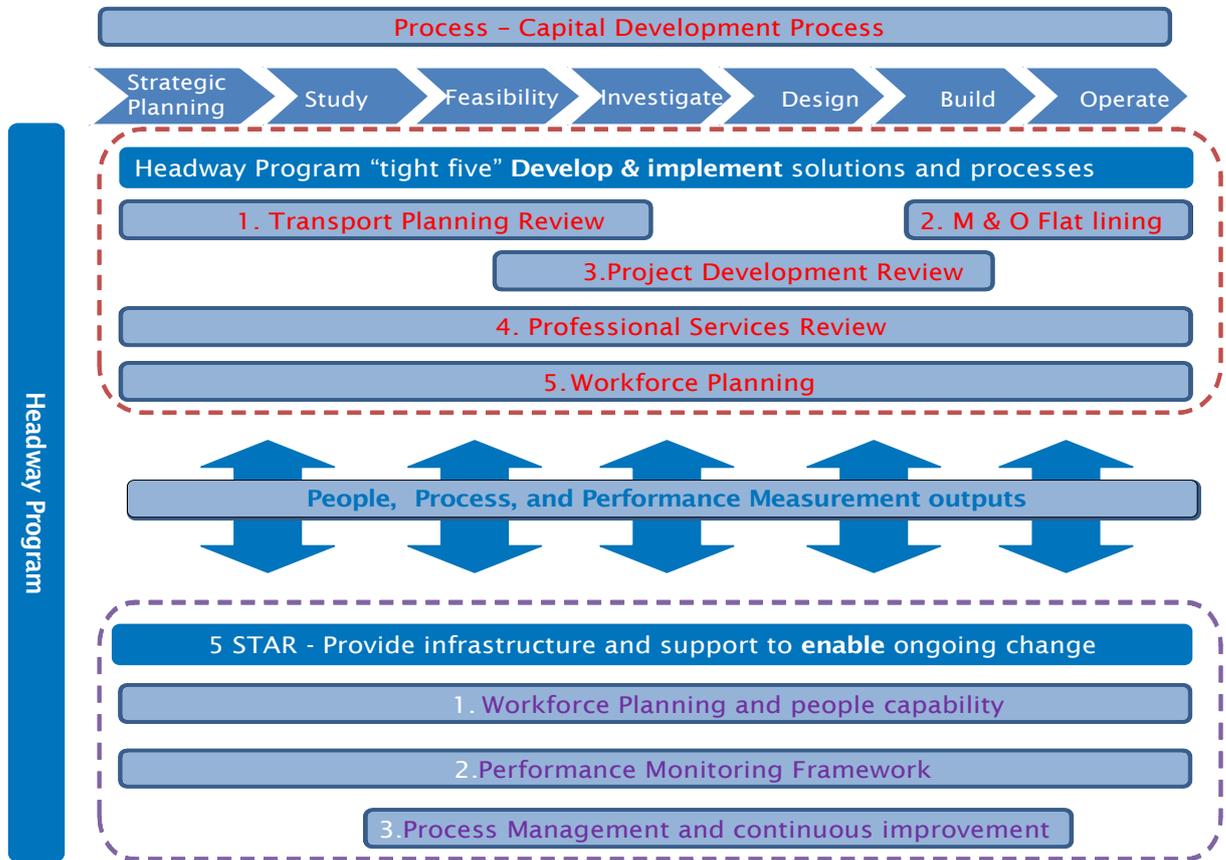


Figure 2: Headway Program

Auckland Transport has representation on the transport planning review, and is seeking input into some of the other key reviews where they are critical to the success of implementing the 5-Star Programme.

The transport planning review is significant as it impacts on the portfolio development stage of the RLTP process. In particular this review will impact on the strategic direction setting for the RLTP including the setting of investment priorities, the development of the plans that are inputs into the Integrated Transport Plan, the setting of “levels of service” for activities and the identification of deficiencies and improvements.

Next Steps

- 1) Progressing with NZTA the accreditation of Auckland Transport as a 5-Star partner
- 2) Development of an implementation plan for the business changes required to become a 5-Star partner

Recommendations

It is recommended that the Auckland Transport Board receives this paper.

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