

Entered by Board Secretary

Board Governance Framework and Committee Structure Review

For decision:

For noting:

Ngā tūtohunga / Recommendations

That the Auckland Transport Board (board):

- a) Approve revisions to the board governance framework of the organisation, including the board meeting schedule, incorporation of regional and site visits, meeting with the Independent Statutory Māori Board, and director development.
- b) Approve the establishment of a new board committee structure, replacing all existing board committees, comprised of the following:
 - i. People committee (chair: Dr. Jim Mathers; members: Adrienne Young-Cooper (ex officio), Wayne Donnelly).
 - ii. Finance and Assurance committee (chair: Mary-Jane Daly; members: Adrienne Young-Cooper (ex officio), Dame Paula Rebstock, Kylie Clegg).
 - iii. Design and Delivery committee (chair: Wayne Donnelly; members: Adrienne Young-Cooper (ex officio), Kylie Clegg, Darren Linton).

Te whakarāpopototanga matua / Executive summary

1. A new chair of Auckland Transport (AT) was appointed effective 1 January 2020. With the benefit of six months of insights into the current AT board governance framework, it is now proposed to implement several enhancements with the following objectives:
 - i. To provide increased clarity of role and responsibility of the board and board committees to perform the governance role of the board.
 - ii. To ensure fair allocation of workload and to best leverage the varied expertise of all directors.
 - iii. To increase the organisational knowledge of the board and to enable new methods for directors to gain insights into the operations of AT.

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2. The Institute of Directors New Zealand *Four Pillars of Effective Board Governance* provides a useful reference point when considering an approach to organisational governance (refer to Attachment 1 for further details). The proposed changes outlined are aligned to the principles of the Four Pillars.
3. It is proposed to maintain the total number of board meetings per annum at eight, but not run on a six weekly cadence. This means meetings will be scheduled in February, April, June, July, August, September, October and December. This cadence will enable management to continue to engage with the board on submissions and approvals in a timely fashion. It is also proposed that the open board meeting will occur ahead of the closed meeting, which is the opposite of the current approach, with the purpose of more efficient utilisation of director availability. This new cadence would commence in January 2021.
4. It is also proposed to disestablish the existing board committees of the Finance Capital and Risk Committee (FCRC), the Customer and Innovation Committee (CIC) and the Safety and Human Resources Committee (SHRC) and for them to be replaced by a new People committee (meeting at least three times per year), a new Finance and Assurance committee (meeting at least three times per year) and a Design and Delivery committee (with meetings to be scheduled to match the board meeting dates outlined above). The new committee meeting structure will commence in August 2020. Safety and Health & Safety will remain a responsibility of the entire board, and under these items of board champions.

Ngā tuinga ō mua / Previous deliberations

5. Nil.

Te horopaki me te tīaroaro rautaki / Context and strategic alignment

6. AT is a statutory body corporate and a council-controlled organisation established under section 38 of the Local Government (Auckland Council) Act 2009 (Act). AT is 100% owned by Auckland Council (being itself a statutory body corporate established under section 6 of the Act).
7. The board has statutory responsibility for the affairs and activities of the organisation, which in practice is achieved through delegation to the chief executive and others who are charged with the day-to-day leadership and management of the organisation.
8. The board governs AT with an emphasis on serving the legitimate interests of Auckland Council as owner of AT and accounting to Auckland Council fully for the performance of the organisation and for the board's stewardship of that performance.
9. This proposal is designed to improve the governance effectiveness of the board and to enable it to be able to discharge its obligations more efficiently. It is also aligned with the broader governance improvements underway at AT, including the recent introduction of a new board report template and executive leadership team and group manager board report writing training.

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Ngā matapakinga me ngā tātaritanga / Discussion and analysis

Board governance framework

10. There will be eight board meetings per year (in February, April, June, July, August, September, October and December). Three of the eight meetings would be held in regional locations, with the remainder continuing to be held at 20 Viaduct Harbour Avenue. Regional meetings will facilitate access to work programmes in the areas visited as well as engagement with local boards.
11. Two, full day programmed site visits will be organised per annum, with mandatory attendance for all directors. This will enable directors to have direct access to AT work sites, engage with AT staff and undertake due diligence on health and safety matters.
12. The current board reporting framework (i.e. those reports provided for director information at every board meeting) is being reviewed and a separate proposal put to directors for approval.
13. Director development will also be reviewed and a new programme put in place incorporating a mix of time in the organisation and professional development.

New board committee structure

14. An overview of the scope of each of the new proposed committees is provided in Attachment 2.
15. The primary purpose of adopting the new committee framework is to:
 - i. Have fewer and shorter committee meetings, thus optimising the use of director and management time; and
 - ii. Enabling more focus on board decision making and the role of board oversight.
16. Outcomes which will be enhanced through the new committee framework are:
 - i. Greater clarity on the role of governance versus management in a special purpose organisation such as AT;
 - ii. Increased clarity on the roles and responsibilities reserved to the board;
 - iii. More efficient governance processes including speed of decision making, greater focus on key strategic issues and challenges and assisting management (particularly the executive) to be more effective;
 - iv. Ensuring reasonable time demands on directors;
 - v. Enabling directors to be more engaged and knowledgeable of the organisation;
 - vi. Creating closer connections to the communities we serve and our elected bodies and members; and
 - vii. Giving greater effect to Tiriti duties and Māori outcomes.

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17. No committee meeting will last longer than four hours duration in total. Directors who are not members of a particular committee are nonetheless welcome to attend committee meetings as their availability allows.
18. The proposal will necessitate a review of committee charters which will be undertaken by the Governance team.
19. Terms of reference of committees will be reviewed at their first meetings and recommended back to the board.

Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
The change does not improve the governance effectiveness of AT, or degrades it.	A review will be undertaken within 3 months of implementation and director views canvassed. Improvements or adjustments to the model will be made as required.

Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts

20. The proposal is intended to reduce demands on both director and management time and ensure a more efficient governance model.

Ngā whaiwhakaaro o te taiao me te panonitanga o te āhuarangi / Environment and climate change considerations

21. Fewer committee meetings will assist with reduced travel for directors and therefore contribute to a minor reduction in carbon emissions. There is a potential for this to be offset through a minor increase in carbon emissions from the use of vehicles utilised for regional and site visits.

Ngā reo o mana whenua rātou ko ngā mema pooti, ko ngā roopu kei raro i te maru o te Kaunihera, ko ngā hāpori katoa / Voice of mana whenua, elected members, Council Controlled Organisations, customer and community

22. N/A.

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Ngā whaiwhakaaro haumaruru me ngā whaiwhakaaro hauora / Health, safety and wellbeing considerations

23. N/A.

Ā muri ake nei / Next steps



24. Subject to board approval, the new committee structure will be implemented from August 2020 onwards, with a revised board meeting structure to commence from January 2021 onwards.

25. All board and committee charters will be reviewed and refreshed to accommodate the changes outlined.

Te whakapiringa / Attachment

Attachment number	Description
1	Institute of Directors <i>Four Pillars of Effective Board Governance</i>
2	Scope of Proposed Committees

Te pou whenua tuhinga / Document ownership

Submitted by	Andrew Downie Governance Lead	
Approved for submission	Shane Ellison Chief Executive	

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Attachment 1: Institute of Directors *Four Pillars of Effective Board Governance*

The proposals outlined in this report are aligned with the Institute of Directors *Four Pillars of Effective Board Governance*, an extract of which is provided below:

Good governance is the effective separation, management and execution of the relationship, duties, obligations and accountabilities of an entity, such that the entity is best able to fulfil its purpose. Thus good governance exists to add value. The board, as a key agent of good governance, adds value when its actions as a board further the achievement of the entity's purpose. Adding value is not one of several things that a board does, it is what a board does, and it is achieved in four critical areas:

1. Determination of purpose

A value adding board leads the exploration and development of, and signs off on, a company's purpose, goals and its strategy to achieve those goals.

2. Governance culture

A value adding board works well as a team that deals effectively with the right issues at the right time and in the right manner. It operates within a high performance culture that celebrates debate, thoughtful challenge and dissent, commitment, candour and trust. In particular, this culture is characterised by effective relationships within the board and with management, shareholders and other stakeholders.

3. Holding to account

A value adding board holds management strictly and continuously to account through informed, astute, effective and professional oversight. It does not do management's job but it ensures purpose and strategy are understood by management and implemented according to a clear plan with proper resource deployment, task allocation and performance management. Board and management responsibilities are clearly demarcated through delegated authorities and policies. CEO selection, scrutiny and succession processes are thorough and ongoing.

4. Compliance

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A value adding board ensures the company is, and remains, solvent. It ensures the probity of financial reports and processes and the accuracy of compliance with regulatory environments. It ensures that all risks, existing and prospective, affecting the company's ability to fulfil its fundamental purpose are identified and managed.

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Attachment 2: Scope of Proposed Committees

People Committee

The proposed scope of responsibilities for the People Committee will include but not be limited to the following matters. The People Committee will act on behalf of the board to:

- Manage the recruitment and interview process for the chief executive.
- Approve and recommend to the board the appointment and terms of appointment (including remuneration) of the chief executive.
- Provide oversight of the performance of the chief executive, including setting of performance objectives and assessment against these.
- Provide oversight of organisational remuneration policy.
- Provide oversight of appointment and remuneration of executive leadership team members.
- Provide oversight of organisational people and culture metrics, including dashboard performance, ensuring compliance with legislative requirements and diversity and inclusion.

Note that reporting on health and safety matters will continue to be provided directly to the board, to enable directors to fulfil their obligations in this area.

Finance and Assurance Committee

The proposed scope of responsibilities for the Finance and Assurance Committee will include but not be limited to the following matters. The Finance and Assurance Committee will act on behalf of the board to:

- Review the annual financial plan.
- Perform a compliance and assurance function.
- Provide oversight of risk and audit reporting.
- Provide oversight of all financial matters.

Design and Delivery Committee

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The proposed scope of responsibilities for the Design and Delivery Committee will include but not be limited to the following matters. The Design and Delivery Committee will act on behalf of the board to:

- Enable the core delivery planning function of the organisation.
- Review the annual programme of capital works.
- Support executive with strategy development.
- Support the organisation's continued focus on improving customer experience and service delivery.
- Recommend to the board the approval of programmes and projects.
- Review and monitor delivery of all programmes and projects.

Note that financial reporting (including performance against budget) will continue to be provided directly to the board.