

4 March 2021

OC210167

Hon Michael Wood
Minister for Transport

cc Peter Mersi
 Chief Executive and Secretary for Transport

Developing the governance model for the indicative business case of the City Centre to Māngere light rail project

Snapshot

We have called this meeting to discuss with you feedback heard from partner agencies regarding the governance structure for the City Centre to Māngere light rail project. We are seeking your steer on some of the issues raised to inform the pending Cabinet paper.

Time and date	9:00am, 4 March 2021
Venue	By Zoom
Officials attending	Peter Mersi, Bryn Gandy, Siobhan Routledge (Ministry of Transport) Richard May, Carl Devlin, Lucy Riddiford (Waka Kotahi)

Contacts

Name	Telephone	First contact
Siobhan Routledge	[REDACTED]	✓
Lucy Riddiford (Waka Kotahi)		

Developing the governance model for the indicative business case of the City Centre to Māngere light rail project

Key points

- We have been engaging with the partner agencies of the City Centre to Māngere light rail project (CC2M) on the governance structure you have proposed. This has raised some issues we would like to work through with you prior to finalising the Cabinet paper on this.
- The key issues we are working through are:
 - The nature of the Auckland local government representative on the Sponsors Group
 - Providing for role clarity on the Governance Board
 - Achieving delegated authority for the chief executives on the Governance Board.
- Working with Waka Kotahi, we have identified options to address the feedback we have heard. We would like your steer on the best solutions.

What we have heard from you

- 1 You have given us direction on how to structure the governance model that will guide and direct the development of the CC2M indicative business case (IBC). You requested a draft terms of reference for the governance structure for this, and that this accompany the Cabinet paper that is currently under development to present the way forward for this process.
- 2 Please see attached a first draft of these terms of reference (annex 1). There are two versions of these terms of reference (reflecting two different models for configuring the governance structure). We are looking forward to discussing this with you when we meet on Thursday 4 March.
- 3 The key objectives that you would like to achieve in the governance structure include:
 - an inclusive approach that allows for the views and interests of key agencies and communities to be appropriately reflected
 - a collaborative approach amongst partner agencies, so that they are working towards the best outcome for Auckland and New Zealand ('best for project') and have a 'one team' culture
 - an approach that builds high levels of social license through extensive community and stakeholder engagement
 - an approach that provides Ministers with sound information upon which to make enduring and transparent decisions on the project, having taken account of Auckland local government's long term interests and the implications for Auckland
 - a simplified and streamlined structure that allows for clear lines of accountability and nimble decision-making

- a structure that is 'fit for purpose' for an approximate 6 month timeframe, and that can transition then to a structure that is appropriate for the more technical work involved in a detailed business case and delivery.

Addressing feedback from partner agencies

- 4 As part of the process for developing the Cabinet paper we are consulting with other central and Auckland local government agencies. Please see attached a summary of the feedback we have heard from Treasury and the Infrastructure Commission (annex 2).
- 5 When we meet it will be useful to work you through key points of feedback we have heard to date (noting that discussions with Auckland Transport and Auckland Council in particular are at an initial stage). Working with Waka Kotahi we have identified potential ways forward to address the feedback received. We need your steer on how you would like to address these issues.

Key issues we are working through

The nature of the Auckland local government representative on the Sponsors Group

- 6 There are choices to be made about the role of the Auckland local government representative on the Sponsors Group. One perspective recognises the significance of this project to Auckland, its city shaping role, very long-term impacts and the importance of arriving at a decision that is best for Auckland. Ultimately Cabinet will be the final decision-maker, but having local government representation on the Sponsors Group would give Cabinet assurance that the decision is best for and supported by Auckland. This is also another mechanism to build social licence.
- 7 On the other, Auckland local government representation may present challenges. In particular, that representative will still have to work with council to achieve mandate to fulfil their responsibilities on the Sponsors Group.
- 8 To address this, we suggest the Auckland local government representative be invited to work closely with the ministers as a joint sponsor of the project. This enables a focus on political alignment for the project while enabling ministers to cleanly retain accountability for the final advice recommended to Cabinet.

Role clarity on the Governance Board

- 9 We acknowledge and understand your intent to have an inclusive Governance Board. The challenge with the model you have put forward is that it brings together officials (chief executives from Auckland Transport, Waka Kotahi, Auckland Council and the Ministry of Transport) with elected members/stakeholders (local board member, iwi representative).
- 10 The challenge is maintaining the inclusive structure where the various interests are all given a fair voice while providing high levels of role clarity and accountability to members. Ultimately this will come down to an effective chair working with people who are participating in the process in the spirit that is required and who feel accountable for the success for the work.

- 11 We have identified two options of how the Governance Board could be structured that should support the chair in this role.
- Option 1: retain the single Governance Board while giving different members different decision-making responsibilities. Officials would have the broadest set of responsibilities including endorsing the IBC and confirming it has been developed according to best practice. Elected members/stakeholders would have fewer responsibilities, focused on their roles of bringing the views of their communities to the table and ensuring strategic objectives are aligned to these.
 - Option 2: create two groups providing for a cleaner separation between officials and elected members/stakeholders with a core group and a strategic advisory group. Role responsibilities would be the same as for option 1.

Achieving delegated authority for the governance structure

- 12 We will need to ensure the chief executives/senior representatives who are on the Governance Board and have their own boards to report to, have the necessary delegated authority to effectively participate in the decision-making, particularly on the endorsement of the IBC.
- 13 To inform their decision-making and ensure the chief executives/senior representatives know they are properly representing the views of their agencies, it will be important for the chief executives/senior representatives to keep their boards apprised of the work and that the Establishment Unit engages directly with agencies. This will be important to ensure the IBC is supported by the partner agencies and to flag concerns early. A key role of the independent chair will be to identify where there are points of alignment and different views so that the Sponsors Group can be confident in their recommendations to Cabinet.
- 14 We need to clarify how far the Governance Group's endorsement of the IBC goes. It will either support the conclusions of the IBC (and thereby the shortlisted options), or endorse the robustness of the IBC including how well it has been developed in accordance with the Governance Board's objectives. We will continue to work closely with Auckland Transport on this.

Transitioning to a skills based governance structure

- 15 While it is important to have an inclusive governance model as the IBC is developed, it is recommended to transition to a model more fit for purpose for project delivery once the IBC has been agreed. It will be critical to the effective delivery of the project to move to a skills based board for project delivery.

Draft: Terms of Reference for the governance structure taking forward the indicative business case for CC2M

Annex 2

Summary of feedback from Infrastructure Commission and Treasury

Infrastructure Commission

- The IBC should not restrict its focus for delivery entity options, but consider all appropriate options.
- The independent chair should be a subject matter expert, or supported by someone with that expertise.
- Governance Board members should be appointed under a framework clarifying the roles and experience required and not qualifying a result of being a stakeholder.
- It is important to have clear terms of reference setting out the roles and responsibilities of the governance structure.
- Caution against the appointment of individuals to the Governance Board who would better advise the Governance Board as part of a strategic advisory group (local board member and iwi representation).
- Suggest the Establishment Unit, while housed in Waka Kotahi, be accountable directly to the Governance Board and Sponsors Group, not the Waka Kotahi Board.

Treasury

This is a high-level summary of what the Ministry of Transport currently understands the views of Treasury to be. It should be noted they are Treasury's preliminary views based on the information provided to-date and are not exhaustive.

- Determining mode and route alignment goes beyond what would be expected in an indicative business case. Therefore this responsibility will need to be specified for the Establishment Unit in their terms of reference.
- Governance Board members need to be empowered to make decisions and have full accountability for the project and work of the Establishment Unit. Mixing officials and elected members/stakeholders does not enable this and risks slowing down decision-making.
- The role of elected members/stakeholders is critical to the project, the Governance Board will rely on them to provide direction to inform the project.
- Concerned about the transport only focus of the project, noting the importance of urban development to the project and how this forms a key element of the economic business case.