

SECTION B GOVERNANCE REPORT



REPORT FROM THE CHAIR

INTRODUCTION

I am pleased to present the 2013/14 annual report for the NZ Transport Agency.

As demonstrated in this report, the Transport Agency continues to successfully deliver against the milestones and targets we set in our *Statement of intent 2013-16*. We continue our strong delivery on the government's priorities for the land transport system with our emphasis on activities that support economic growth and productivity, improve road safety and deliver value for money.

Our achievements over the year highlight our focus on planning and delivering an integrated land transport network and services that provide transport users with increasingly safe, more efficient and more reliable travel across all transport modes. We do this alongside our partners across the transport sector. We design and deliver services

and solutions that put customers and communities at the heart of what we do while giving the best value for money.

I want to recognise the dedication of the Transport Agency's staff and my fellow Board members to helping create transport solutions for a thriving New Zealand; we are a strong team. The work programme ahead of us will continue to be ambitious, and I am confident we have the focus and capability to make it happen.



Chris Moller
Chair
NZ TRANSPORT AGENCY

BOARD MEMBERSHIP AND COMPOSITION

The Minister of Transport appoints up to eight independent non-executive members to the Board of the Transport Agency. Board members are appointed for up to a three-year period that may be extended. The Board selects the membership of its three committees.



BOARD FUNCTIONS

The Board performs five functions that direct the operations of the Transport Agency:

1. Setting sector and organisational direction.
2. Confirming service and financial performance targets.
3. Directing significant planning, investment and operational matters.
4. Assuring quality of key organisational systems, policies and processes.
5. Assessing progress against our strategy and plans.

The planning, investment and funding decisions the Board must make are set out in its significance policy; they include:

- approving annual budgets
- making significant funding decisions and awarding major contracts
- authorising changes to the organisational structure
- authorising significant changes to processes or procedures for the allocation of the National Land Transport Fund (NLTF)
- reviewing the performance and remuneration of the Chief Executive.

The Board sets clear policies that define the individual and collective responsibilities of committee management, operating structure, lines of responsibility and the areas of authority extended to each. Operational responsibility is delegated to the Chief Executive via a formal delegated authority framework. Day-to-day operations are managed by senior managers, led by the Chief Executive.

While the Board committees have no delegated authority, they help the Board by:

- assuring compliance with policies and controls
- monitoring and advising on delegated investment, operational procedures and projects
- reviewing the performance of the Chief Executive annually.

In summary, the Board is responsible for the success of the Transport Agency. The formal line of accountability to the Minister is through the Board's chair.

BOARD MEMBER REMUNERATION

The rates of remuneration for Board members are set by the Minister of Transport, in line with government rates for members' fees.

DISCLOSURE OF INTERESTS

Board members must complete a declaration of interests each year. An updated schedule of Board members' interests is tabled and reviewed at the opening of every Board meeting. The process is independently audited every year.

CODE OF CONDUCT

The Board formulated and adopted a code of conduct for its members in 2010. The code is based on best practice. It is informed by the State Services Commission's *Board appointment and induction guidelines* and by the Office of the Auditor-General's *Managing conflicts of interest: Guidance for public entities* and *Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968*.

BOARD ACTIVITY IN 2013/14

The Board held seven scheduled and four special meetings in 2013/14. The scheduled meetings were held in Wellington (2), Auckland (1), Hamilton (1), New Plymouth (1), Palmerston North (1) and by teleconference (1). The special meetings were all via teleconference. The Board considered 88 separate items. In February, the Board also held a workshop on direction and targets for 2014-18, covering strategic direction, service delivery and financial performance.

BOARD FUNCTION	HIGHLIGHTS
SETTING SECTOR AND ORGANISATIONAL DIRECTION	<ul style="list-style-type: none"> ▪ 2015-18 National Land Transport Programme (NLTP): <ul style="list-style-type: none"> – timeframes, processes and key decisions – early planning, investment signals and programme focus – focus on resilience activities ▪ Health and safety in employment <ul style="list-style-type: none"> – assessment and performance reporting framework – our role and responsibilities in health and safety – our health and safety policy ▪ Intelligent transport systems: making more effective use of technology ▪ Update on the establishment of the New Zealand Transport Ticketing Ltd (NZTTL) and public transport technology and ticketing ▪ Endorsement of the State Highway Procurement Strategy 2014 <ul style="list-style-type: none"> – state highway procurement continuous improvement plan – procurement review – project update ▪ Rail Safety Action Plan ▪ Funding assistance rates (FAR) review ▪ Joint resilience operating policy ▪ Local government reorganisation – principles for engagement ▪ Sector legislation and policy: update (2) ▪ 2014/15 legislative change programme
CONFIRMING SERVICE AND FINANCIAL PERFORMANCE TARGETS	<ul style="list-style-type: none"> ▪ <i>Statement of intent 2014-18</i> – reconfirming the goals, objectives and priorities, and related indicators and targets ▪ Confirming <i>Statement of intent 2014-18</i> and <i>Statement of performance expectations 2014-18</i>
SIGNIFICANT PLANNING, INVESTMENT AND OPERATIONAL MATTERS	<ul style="list-style-type: none"> ▪ Puhoi to Warkworth section of the Puhoi to Wellsford road of national significance (RoNS) – detailed business case ▪ Personalised plates litigation ▪ Hastings district request for additional maintenance and operations funding ▪ Christchurch earthquake reinstatement funding direction ▪ Transmission Gully public-private partnership (PPP) (6) ▪ Workshops – Auckland Council’s exploration of options for raising additional land transport revenue, and state highway resilience ▪ Auckland accelerated projects status report – variation to the NLTP and funding ▪ National Land Transport Fund (NLTF) revenue diversification
QUALITY ASSURANCE OF KEY ORGANISATIONAL SYSTEMS, POLICIES AND PROCESSES	<ul style="list-style-type: none"> ▪ Workplace health and safety update ▪ Economic evaluation policy and guidelines review ▪ Maximising employee engagement ▪ Improving the Transport Agency’s rail safety regulator function ▪ Implementing the public transport operating model (PTOM) ▪ NLTF long-term liability status update

BOARD FUNCTION	HIGHLIGHTS
ASSESSING PROGRESS AGAINST PLAN	<ul style="list-style-type: none"> ▪ Chief Executive's report (7) ▪ Quarterly progress report (4) ▪ Financial reports ▪ 2013 stakeholder engagement survey result ▪ Media and communications update (5) ▪ NLTF year-end update and forecast ▪ Operational and communications updates (2) ▪ Approval of the 2012/13 Annual Report ▪ Capital budget amendment covering road user charges and tolling systems changes ▪ Review of Board committee structure and functioning ▪ Instrument of Board delegation: Review of its fit to its purpose and terms used ▪ 2012-15 NLTP mid-term progress and 2015-18 NLTP development update ▪ 2012/13 Benchmarking Administrative and Support Services (BASS) results

BOARD AND BOARD COMMITTEE ATTENDANCE

BOARD MEMBER	BOARD COMMITTEE MEETINGS			BOARD MEETINGS	
	INVESTMENT AND OPERATIONS BOARD COMMITTEE	AUDIT, RISK AND ASSURANCE BOARD COMMITTEE	REMUNERATION AND HUMAN RESOURCES BOARD COMMITTEE	MEETINGS	TELE-CONFERENCES
Chris Moller (Board Chair)	3/3	3/4	3/3	6/6	5/5
Dame Patsy Reddy (Board Deputy Chair)			3/3	6/6	4/5
Gill Cox		4/4		6/6	5/5
Tony Lanigan	3/3			6/6	5/5
Jerry Rickman (Audit, Risk and Assurance Board Committee Chair)		4/4		6/6	5/5
Nick Rogers	2/2			4/4	4/5
Alick Shaw (Investment and Operations Board Committee Chair)	3/3		3/3	6/6	3/5
Adrienne Young-Cooper	3/3			6/6	5/5

INVESTMENT AND OPERATIONS COMMITTEE

The Investment and Operations Committee is the steward for the Transport Agency's investment decisions in the transport network. It oversees the performance of the Transport Agency's business operations, including its legislative and regulatory responsibilities, and the state highway business. The committee provides advice to the Board by making recommendations on funding applications, investment decisions and procurement proposals across all modes of transport, within delegations reserved for the Board.

The committee comprises four serving Board members and provides business stewardship and guidance on matters including:

- delivery of the National Land Transport Programme (NLTP) by approved organisations and adjustments to programmes to achieve longer term goals
- recommendations on procurement, tendering and commencement of state highway projects or other projects approved for funding
- property management and tendering processes, leases and contracts
- development of tolling operations, integrated ticketing systems, registry operations and the delivery of legislative compliance and regulated safety regimes
- establishment of appropriate regulatory governance and monitoring arrangements
- development and implementation of asset management strategies, risk assessment, environmental audit and performance monitoring of state highways.

The committee met three times during 2013/14.

AUDIT, RISK AND ASSURANCE COMMITTEE

The Audit, Risk and Assurance Committee is made up of three serving Board members. The committee is served by the Chief of Assurance and Risk and the Chief Executive. The Group Manager Organisational Support and Chief Financial Officer also attend meetings. The Ministry of Transport's Chief Executive has been appointed by the Board as a committee member, to facilitate his responsibilities under section 101 of the Land Transport Management Act 2003.

The committee's responsibilities include:

- achieving and maintaining confidence that the Transport Agency has suitable risk management practices¹
- monitoring and reviewing significant financial, reporting and other risks
- reviewing and approving the internal audit programme
- achieving and maintaining confidence that the internal audit process is independent, objective and effective
- monitoring and reviewing significant findings arising from internal audits
- reviewing the audit programme and monitoring the effectiveness of the external auditor
- receiving reports from the external auditor
- reporting an overview of the committee's activities to the Board.

The committee met four times during 2013/14. Meetings were timed to occur with the quarterly governance reporting process.

¹ The Transport Agency has adopted enterprise risk management (ERM), substantially incorporating the elements of the Joint Australian New Zealand International Standard AS/NZS ISO 31000:2009 *Risk management: Principles and guidelines*. ERM is an integrated and systematic approach to managing the organisation's risks, including strategic, tactical and operational risks.

REMUNERATION AND HUMAN RESOURCES COMMITTEE

This committee, along with the Chief Executive, provides strategic governance over human resources capability, remuneration, employment relations and key human resources strategies. The committee also helps the Board fulfil its responsibilities for remuneration of the Chief Executive and senior management.

To meet its strategic governance responsibilities, the committee:

- maintains awareness of human resources trends, benchmarks, issues and risks – including employee turnover and their engagement, internal capability and succession requirements
- provides advice and guidance where needed for human resource strategies, frameworks and policies, workforce and succession planning, performance management, remuneration, retention and engagement, employment relations, code of conduct and behavioural expectations, and development of human resources delegations
- recommends staff remuneration strategies and overall market position to the Board
- oversees organisational compliance with legal obligations.

To meet its responsibility for the Chief Executive's employment relationship and remuneration, the committee:

- establishes the annual key performance objectives for the Chief Executive and reviews the Chief Executive's annual performance against those objectives

- maintains an overview of trends and best practice in executive employment conditions and remuneration
- makes recommendations about the Chief Executive's performance assessment and remuneration, and consults with the State Services Commission about any proposed changes
- establishes and manages the process for Chief Executive recruitment and appointment, if needed.

The committee met three times during 2013/14.



BOARD MEMBER PROFILES

The Transport Agency is a Crown entity governed by a Board, which is appointed by the Minister of Transport.

CHRIS MOLLER, CHAIR (WELLINGTON)

Chris is a non-executive director who chairs the Boards of Meridian Energy Ltd and SKYCITY Entertainment Group Ltd. He is also a director of Westpac New Zealand Ltd. He was previously Chief Executive of the New Zealand Rugby Union, Deputy Chief Executive of Fonterra Co-Operative Group Ltd, and a director of a range of joint venture and subsidiary organisations within the New Zealand dairy industry, both domestically and internationally.

DAME PATSY REDDY, DEPUTY CHAIR (WELLINGTON)

Dame Patsy is a non-executive director and a qualified lawyer. She is Chair of the New Zealand Film Commission and is a director of Payments NZ Ltd and Active Equity Holdings Ltd. She is a chief Crown negotiator for Treaty of Waitangi settlements and a lead reviewer for the Performance Improvement Framework for the State Services Commission. Her previous directorships include Telecom Corporation of NZ Ltd, SKYCITY Entertainment Group Ltd, New Zealand Post and Air New Zealand Ltd.

GILL COX (CHRISTCHURCH)

Gill is a chartered accountant and business consultant. He chairs MainPower NZ Ltd, Transwaste Canterbury Ltd and Ngāi Tahu Farming Ltd. He is also a director of a number of large, privately held companies involved in various industries including manufacturing, warehousing and distribution, infrastructure and seafood. Gill is a member of the CERA Community Forum in Christchurch and the Greater Christchurch Education Advisory Board.

TONY LANIGAN (AUCKLAND)

Tony is a professional civil engineer (FIPENZ), project management consultant and former general manager with Fletcher Construction. Tony was Chancellor of Auckland University of Technology and a director of Infrastructure Auckland. He is currently Vice Chair of Habitat for Humanity in New Zealand and Chair of New Zealand Housing Foundation. He is a director of Watercare Services Limited. Tony was made a Member of the NZ Order of Merit in the 2013 New Year's Honours list for services to tertiary education and the community.

JERRY RICKMAN (HAMILTON)

Jerry is a chartered accountant and professional director. Jerry currently chairs the Boards of Alandale Life Care Ltd, HG Leach Ltd, Tidd Ross Todd Ltd, Spectrum Dairies Ltd and is a director of Power Farming Holdings Ltd. He was a member of Telecom's Independent Oversight Group. He has chaired the boards of Waikato Regional Airport Ltd, Waikato District Health Board, Innovation Waikato Ltd and EziBuy Holdings Ltd.

NICK ROGERS (AUCKLAND)

Nick Rogers is a geotechnical specialist with expertise in land stability, foundation support and natural disaster assessment. He has over 34 years' experience on major infrastructure projects and in conducting land damage assessments for the Earthquake Commission in New Zealand. He has also worked on projects across the Asia-Pacific region. Nick has been a director for Tonkin and Taylor and the international development consulting firm ANZDEC. Nick was made a Companion of the Queen's Service Order for his services in natural disaster assessment throughout New Zealand, and in the recovery work in Christchurch during and after the Canterbury earthquakes.

ALICK SHAW (WELLINGTON)

Chair of the Investment and Operations Board Committee

Alick has served as a councillor and Deputy Mayor of Wellington City. He is an accredited commissioner for hearings convened under the Resource Management Act, a member of the New Zealand Parole Board and has served on the Boards of a wide range of organisations in the sport, cultural and charitable sectors, council-controlled organisations, Crown entities and privately held companies.

ADRIENNE YOUNG-COOPER (AUCKLAND)

Adrienne is a businesswoman, professional director and an Accredited Fellow of the Institute of Directors. She has a 30-year career in resource management and planning – specialising in spatial planning, metropolitan growth and management (including infrastructure planning and large projects). Adrienne was the Deputy Chair of Auckland Regional Transport Authority (replaced by Auckland Transport) and was a Board member of Maritime New Zealand until 2011. Her experience and contribution in transport governance is extensive. She is Deputy Chair of Auckland Waterfront Development Agency Limited (Waterfront Auckland), Deputy Chair of Housing New Zealand Corporation and Chair of the Hobsonville Land Company Limited. She also serves on several charitable trusts.



NICK ROGERS



GILL COX



ALICK SHAW



CHRIS MOLLER
Chair



DAME PATSY REDDY
Deputy Chair



TONY LANIGAN



ADRIENNE YOUNG-COOPER



JERRY RICKMAN