

## CC2M Approach to Governance

<b>Reason for this briefing</b>	The Ministry is preparing to mobilise the next phase of the CC2M project and would like to begin engaging with other agencies on their potential roles. Before doing that, we would like your feedback on the draft governance structure we have developed.
<b>Action required</b>	Consider the proposed governance structure for CC2M and forward this briefing to the Minister of Finance.
<b>Deadline</b>	Monday 25 May 2020
<b>Reason for deadline</b>	To allow time to engage with agencies before a Cabinet decision

### Contact for telephone discussion (if required)

Name	Position	Telephone	First contact
Steph Ward	Project Director- Auckland Light Rail	██████████	✓
Bryn Gandy	Deputy Chief Executive	██████████	

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### MINISTER'S COMMENTS:

<b>Date:</b>	21 May 2020	<b>Briefing number:</b>	OC200395
<b>Attention:</b>	Hon Phil Twyford Minister of Transport	<b>Security level:</b>	COMMERCIAL IN CONFIDENCE

### Minister of Transport's office actions

- Noted*
 *Seen*
 *Approved*
- Needs change*
 *Referred to*
- Withdrawn*
 *Not seen by Minister*
 *Overtaken by events*

## Purpose of report

1. We have previously advised you on the importance of robust governance for a project of the scale and complexity of CC2M (ref OC200235). We have now developed our proposed approach and would welcome your feedback before we test it with other agencies.

## Principles for CC2M governance

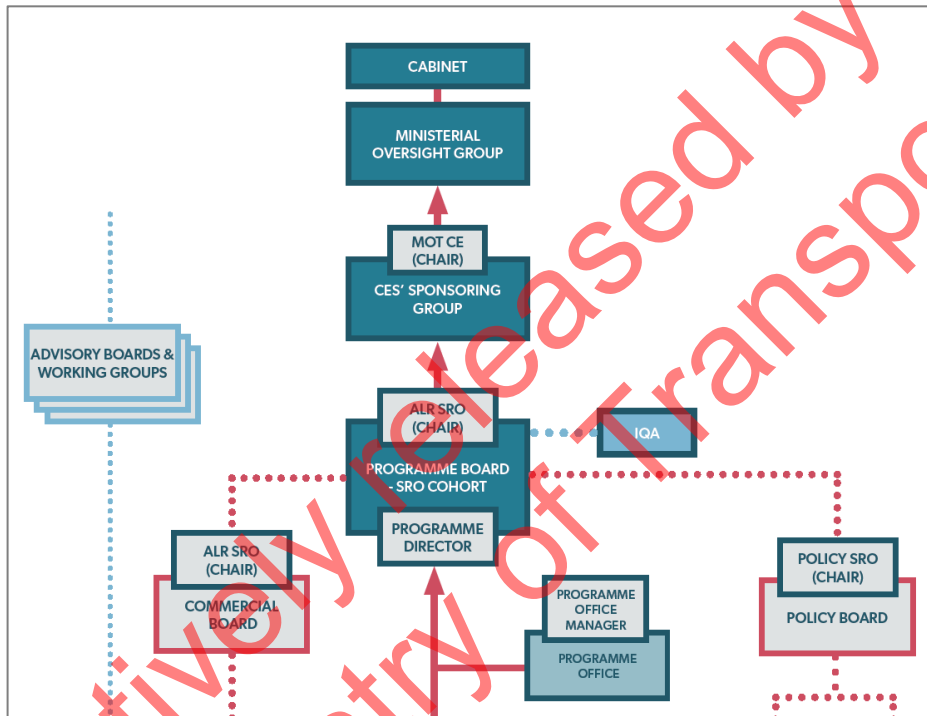
2. CC2M is a unique project in the early stages of development. It is the first project of its type in New Zealand and it requires a significant policy programme to facilitate its delivery, alongside the design, construction and operation of a rapid transit system and large scale urban development. There are numerous agencies across local and central government that have a direct interest in the project and whose functions will be shaped by it, including MoT, MHUD, Kāinga Ora, Auckland Transport, Auckland Council and KiwiRail.
3. The importance of strong governance is among the strongest and most consistent lessons from overseas light rail projects. The Ministry has sought specialist advice on the appropriate governance structure for CC2M. This takes into account good governance principles, as well as what has worked in other projects with similarities to CC2M. We have put emphasis on the following principles for our proposed governance structure:
  - 3.1. A multi-agency approach to reflect the broad range of interests in CC2M.
  - 3.2. A flexible structure that can transition over time as CC2M develops.
  - 3.3. A leadership and oversight function, within the parameters set by Cabinet, and not a consultation forum. This means that:
    - 3.3.1. Stakeholder engagement is a key priority for the programme, but is carried out separately from governance (i.e. governance and stakeholder management are not conflated)
    - 3.3.2. Members must have sufficient authority to commit resources, agree policy and resolve critical risks or remove barriers to success within their own organisations or areas of responsibility.
  - 3.4. A clear authorising environment that is simple to navigate to allow timely decisions.
  - 3.5. A focus on the success of CC2M i.e. project governance rather than organisational governance. The governance structure needs to provide sufficient independence to ensure options, trade-offs and priorities are considered objectively and fairly ensuring that New Zealand's overall interests are fundamentally at the heart of decision-making.
  - 3.6. Strong and effective links to organisational governance so organisational impacts are known and members are empowered to make decisions.
  - 3.7. Members with the competence, influence and diversity to ensure oversight of the work is appropriate for an Auckland-based rapid transit and urban development project with a large policy programme.

## Taking a programme approach

4. We recommend a programme approach as the most suitable structure for CC2M. This structure should always be as lean as possible to support timely decisions, balanced with the level of probity and oversight required to manage the risk, uncertainty, scale, and complexity of the investment.

5. A key challenge and risk for the project is that it is not a standard commercial process. Policy and commercial rights and concessions will be negotiated together. Both streams of work are significant, and a programme approach is needed to enable each to proceed quickly, and for the interaction between policy and commercial issues to be managed.
6. We anticipate that Ministers will want confidence that the structure supports your responsibilities, and that you have access to the information and advice you need for decision-making as part of the project delivery. [REDACTED]
7. Attached to this briefing is an A3 summary of the proposed programme structure and the key components are summarised below.

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Ministerial Oversight Group

8. We recommend that Cabinet delegates certain decisions to a small group of Ministers. Matters of the highest strategic significance and matters beyond the authority of the Secretary for Transport will be discussed at this group. Matters for discussion are likely to involve significant policy and legislative change, or major budget-related approvals or changes. The Ministerial Oversight Group would determine which matters, if any, need to be brought to the attention of Cabinet.
9. We envisage the group would meet on an as-needed basis at key decision points, or for the Secretary for Transport to provide an update on progress, strategic risks and any other significant matter.

Chief Executives' Sponsoring Group

10. The primary purpose of the Chief Executives' Sponsoring Group is to provide strategic oversight and leadership to ensure the Government's expectations for the CC2M programme are met. They would meet quarterly, or as needed, to review progress and resolve any strategic issues.
11. The intention is that there would be a high degree of delegation down to the Programme Board so this group would be reserved for resolving major issues between agencies and providing strategic direction to the programme.

### Programme Board

12. The purpose of the Programme Board is to support the Senior Responsible Owner (SRO) to drive the programme forward, and ensure that the objectives, outcomes, and expected benefits of the Government's investment are successfully achieved. Every member must always act in the best interests of the Crown, the people of Auckland and New Zealand.
13. The project will have significant implications for a number of agencies, and the membership is described as an "SRO Cohort". This reflects that the individual members will each be leading change in their own agency, as well as contributing to governance of the CC2M project. An example is Auckland Transport, where delivery by either potential partner will entail change to the functions of AT within the transport system, as well as AT establishing what it needs to manage its role in a new Auckland mass transit network.
14. The Programme Board will need to have sufficient delegation to make timely decisions. It will include members from the agencies that have the greatest interest in CC2M and can contribute to its success; for example agencies that will be impacted operationally or have responsibility for policy areas that need to be reviewed to facilitate the project. It would also have external members who bring significant experience in major project delivery, construction, urban development and finance.
15. The Programme Board would oversee a series of projects that would cover both the commercial negotiations with the preferred delivery partner and various policy and operational projects required to deliver the project. New projects could be added over the life of the programme as required and some projects would be wound down when complete.

### **Timing**

16. The programme governance structure would be in place until at least construction starts on CC2M, at which point the governance arrangements would be reviewed. It is likely that some form of enduring governance will be required to monitor the Crown's interests in CC2M and ensure the Crown upholds any commitments it makes through the negotiation period.
17. It is anticipated that activities on CC2M will start within days of the Cabinet decision on a preferred delivery partner and therefore it will not be possible to establish the full governance structure in this small period of time. We recommend that an interim arrangement is put in place and this then transitions to the full governance structure over a period of weeks. The interim arrangement would include:
  - 17.1. Joint Ministers.
  - 17.2. Chief Executives of the Ministry of Transport and Ministry of Housing and Urban Development.
  - 17.3. A temporary Programme Board of senior officials from the Ministry of Transport and MHUD and one external member.
  - 17.4. A commercial negotiation team.

### **Membership of the governance structure**

18. We would like to start engaging with agencies to test the proposed governance structure and start identifying individuals for each component of the structure.
19. Key considerations are:
  - 19.1. Agencies that can materially contribute to the success of the programme or are important in the management of programme risk should be included.

19.2. We would like to limit the number of members so that governance is efficient and effective.

20. The Secretary for Transport has advised that a closely partnered approach with key agencies including MHUD, Auckland Transport and Auckland Council is necessary for the project to be delivered successfully.

21. [Redacted]

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**Recommendations**

22. The recommendations are that you:

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- (a) **Provide** feedback on the proposed programme governance structure for CC2M, [Redacted] Yes/No
- (b) **Forward** this briefing the Minister of Finance for consideration. Yes/No

Steph Ward  
Auckland Light Rail project team

Bryn Gandy  
Deputy Chief Executive

**MINISTER'S SIGNATURE:**

**DATE:**

Proactively released by the Ministry of Transport