

Treasury Board Charter

1 September 2010

This Board Charter sets out the role, responsibilities and operation of the Treasury Board ("the Board"). The Board is a governance advisory board that supports the Chief Executive ("CE") to set the Treasury's strategic direction and strengthen its performance. The Board is an innovation within the New Zealand Public Service and its role and operating practice may evolve over time. This Charter may be updated from time to time to reflect this.

1: Treasury Goals

Treasury's vision is to be a world-class Treasury working for higher living standards for New Zealanders. We aim to be a highly-engaged, relevant and respected economic, financial and regulatory policy advisor, making an impact on the issues that are important to New Zealanders. We support the Government to achieve its three key economic objectives: increasing New Zealand's productivity growth; maintaining high levels of employment; and reducing New Zealand's vulnerability to adverse events.

Further information on Treasury's goals and strategy can be found in the Statement of Intent.

2: Role and Structure of the Board

The Board is a governance advisory forum that works with the Secretary and the Executive Leadership Team to set the Treasury's strategic direction and strengthen its departmental performance, ensuring the Treasury has the capability to maximise its impact and deliver on its outcomes.

- *The Board aims to replicate the discipline provided by a private sector governance Board as far as possible within the public management system, to provide additional challenge, accountability and external expertise to the CE and the Executive Leadership Team (ELT).*
- *The Board's focus is organisational governance.* It will provide direction and testing on the issues that are of the highest significance or reputational impact for Treasury. It will give particular attention to where the organisation should focus its efforts in the medium/long term.
- *Treasury's internal structures remain responsible for management.* ELT and the Results and Resourcing Team (RRT) will work to deliver on the strategic direction set at the Board.
- *The Board will help ensure the Treasury's policy and operational functions are of a high quality through its organisational role, but it does not determine the nature of Treasury's policy advice or choices on operations. Where appropriate, the Board may provide direction and external testing on Treasury's approach, analysis and coverage in areas of significant policy-investment¹ or operations.*

¹ *For example, several years ago a Treasury Board might have challenged Treasury to invest more in analysis and advice on the robustness of our current tax system in the light of global trends that might undermine its revenue potential. However, the Board would not have been involved in the specific advice which the Treasury provided to Ministers in the context of the 2010 Budget package – a responsibility of Treasury management and staff.*

- *Board members are not expected to represent Treasury's views externally. External engagement is led by Treasury's senior management.*

In terms of statutory responsibilities and accountabilities:

- *The CE retains responsibility and accountability for decisions taken in the governance and management of Treasury. The CE's responsibilities under the State Sector Act (1988) and Public Finance Act (1989) include the effective and efficient operation of the department; the department's financial management; and fulfilling reporting obligations such as the Annual Report and the Statement of Intent. The Board is a governance advisory forum, and its decisions are taken under the authority and with the accountability of the CE, who may choose to act with or against the advice of the Board.*
- *The CE is responsible for advice to Ministers and for Treasury's relationship with the Minister of Finance (MoF) under the State Sector Act (1988). The Board will participate in strategy sessions with the Minister to understand his or her priorities, but will not provide Treasury policy advice.*
- *The State Services Commissioner is responsible for the appointment of the CE and for monitoring his or her performance under the State Services Act (1988). The Commissioner may seek the Board's input into the appointment of the CE.*

Board membership

The Board is chaired by the CE and includes the two Deputy Chief Executives (DCEs) and three non-executive members. The Chair will provide overall leadership to the Board, which includes ensuring the Board has a good mix of capable members and an effective governance culture. In meetings, the Chair will ensure discussions are appropriately challenging and productive and decisions are reached. The Chair will set the forward agenda for the meeting, to be discussed with the Board.

The non-executive members are appointed by the CE. Remuneration and terms of engagement will be set by the CE and outlined in a letter of engagement. Members will be subject to the State Services Code of Conduct and Treasury's Leaders' Charter when discharging their Board responsibilities.

The skills sought in the non-executive members may change over time to reflect the challenges and issues facing the Treasury. The skills sought in the initial members are:

- Strong governance skills;
- An understanding of private/public policy interface;
- A strong challenge role; and
- A commercial focus.

Board members may exhibit these skills to differing degrees to create a balanced team. All Board members are expected to play a full role in Board meetings.

Board secretariat

The Board will be supported by a secretariat of:

- Deputy Secretary, Strategy and Performance (who will attend Board meetings);
- Senior Analyst, Office of the Executive; and
- Executive Assistant.

The Board will have good access to senior management and key staff, facilitated by the secretariat. The secretariat will facilitate the flow of advice to the Board, commission work on behalf of the Board, prepare the forward agenda and minutes, and co-ordinate within Treasury on the Board's behalf where necessary.

Board meetings

Meetings will be held approximately monthly. At least initially there will be 10 – 11 Board meetings each year, with a break over the Christmas period. Members will use their best endeavours to attend Board meetings and to prepare thoroughly. Members are expected to participate fully, frankly and constructively in Board discussions and other activities. Members unable to attend a meeting will advise the Chair and Secretariat as early as possible.

The members of the Board will also participate in an annual strategy day with the Minister and RRT, and may on other occasions have access to key stakeholders including the Minister of Finance and central agency CEs. The strategy day would be an opportunity for the Board to hear the Minister's priorities, and he may at times wish to hear the Board's views on Treasury direction and performance.

Two or three meetings a year may be held outside Wellington. In the first year, these are likely to be held in Auckland and Christchurch. This would provide the Board with an opportunity to engage with business and community leaders, and this may result in additional Board commitments.

Subcommittees of the Board

The structure of Treasury's governance committees is currently under review and some may become subcommittees of the Board. In general, it is anticipated that subcommittees would include and possibly be chaired by non-executive members of the Board to facilitate good information flows.

3: Operation of the Board

The board procedures below are designed to support a constructive and challenging Treasury Board that makes a real contribution to the performance of the Treasury, while retaining consistency with the CE's statutory responsibilities. These procedures may change over time as the Board develops.

Board role in decision-making	
<i>What</i>	<i>Why</i>
The Board focuses on strategic governance issues. A matrix outlining the purview of the Board, ELT and RRT is attached as Annex One.	To optimise the Board's performance and ensure accountabilities are maintained.
Decisions at the Board are taken by consensus wherever possible.	Provides Board members with a genuine role in decision-making through influence. Helps establish a collegial team environment. Neither ELT nor the Board can be seen as simply 'rubber-stamping'.
Decisions at the Board are subject to 'ratification' by CE through confirmation of Board minutes.	Retains governance role of Board but makes clear that the final decision, and accountability, lies with the CE.
The Chair shall appoint a Deputy Chair from ELT, to act in the Chair's place by delegation or if the Chair is absent. A Board quorum will consist of a majority of Board members and at least two out of three ELT members, with any decisions subject to confirmation by the CE.	To retain clear accountabilities in the absence of the CE and/or other Board members.
Under urgency, decisions can be taken by ELT that would normally be canvassed at the Board, but should consult with Board members as far as possible.	To ensure timely decisions.
Where the CE takes a substantive decision at odds with the Board's recommendation: <ul style="list-style-type: none"> • The decision will still be informed by a Board discussion – the formal process will not be circumvented; • The CE/ELT is obliged to explain why they have taken the contrary decision at the earliest opportunity. 	Retains the Board's challenge role – the CE/ELT must account for any contrary decisions. Retains the CE/ELT's right to take an alternative decision, if necessary.

<i>Relationship with the Treasury</i>	
<i>What</i>	<i>Why</i>
<p>The Board should become familiar with issues of relevance to Treasury's business and the Board's strategic role in the business.</p> <p>Most contact will be with management, particularly senior management. Senior management and the secretariat will be the primary conduit of information.</p> <p>However, Treasury has an open culture and this would extend to the Treasury Board's non-executive members. Where required, contact with staff should be with the knowledge of ELT and should be facilitated by the Board's secretariat.</p>	<p>For the Board to operate effectively, it needs to receive the right information at the right time, without becoming bogged down in detail. There are some restrictions on non-executive members' involvement in Treasury business as they are not employees. However, Treasury values its culture of openness and over time Board members should become increasingly familiar with the work of the Treasury in the own right, to help them play an appropriate challenge role.</p>
<p>The Board can expect robust and free and frank advice from advisors, including the Secretariat, the Policy and Organisational Strategy Team, the Human Resources team, the Treasury Solicitor and the Chief Financial Officer, subject to any constraints of privileged or classified information. The Secretariat will facilitate this information flow.</p>	<p>To ensure a good flow of information to the Board.</p>
<p>Additional attendees will attend Board meetings only when they add specific information or expertise.</p>	<p>To assist in developing a culture of robust discussions.</p>
<p>ELT and the Board will communicate clear expectations to staff about the role and responsibilities of the Board and its non-executive members.</p>	<p>To ensure staff understand the Board's role in governance issues and decisions. To provide certainty for staff in the event they may be asked to engage with the Board and/or provide information to non-executive members.</p>
<p>Individual non-executive Board members may be asked to participate on specific Treasury issues or projects, but should generally not be asked to work closely within the organisation.</p>	<p>These board members can bring new skills and perspectives to Treasury's work, and it may be appropriate for individuals to have a greater role in some areas. This must be balanced with the Board's</p>

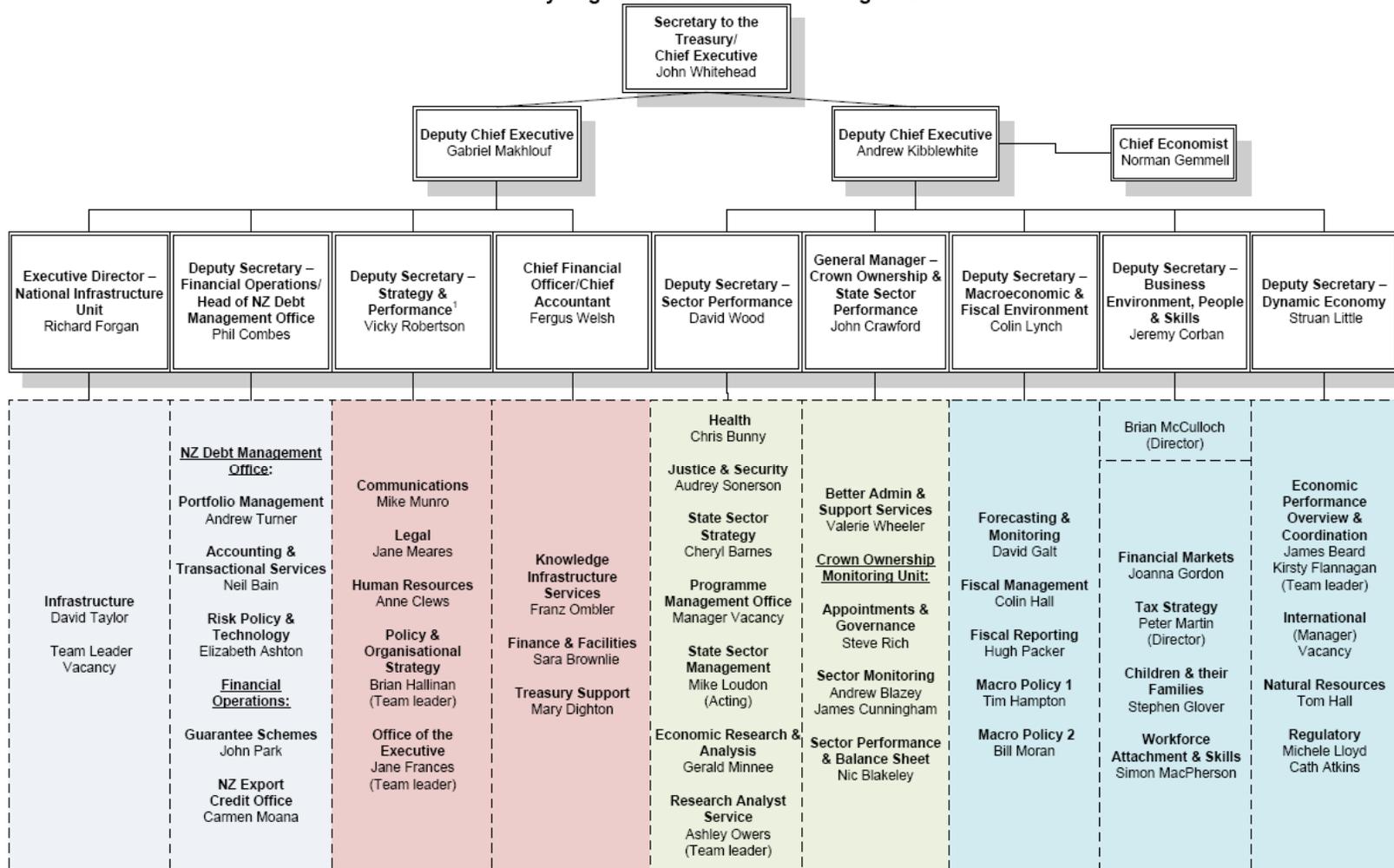
	<p>governance and challenge role and the need to maintain the independence of non-executive members.</p> <p>Where they undertake additional work on specific projects, their participation will be treated as a consultancy and subject to procurement rules and standard contracting and tendering processes.</p>
<i>Relationship with the Minister</i>	
<i>What</i>	<i>Why</i>
<p>The Board should familiarise itself with issues of concern to the Minister. The Board will have periodic Board sessions with the Minister, particularly on strategic direction and to discuss agency performance.</p>	<p>To be useful in its strategic role, the Board as a whole should understand the Minister's priorities and concerns. This will be subject to confidentiality and conflicts policies.</p>
<p>The Board and the Minister should maintain clarity on the role of the Board and its accountabilities. E.g.:</p> <ul style="list-style-type: none"> • Board discussions are not the same as CE/ELT discussions; • The MoF may request actions or advice from the Board, but accountability for delivering lies with the CE; • The Minister has no role in appointing or dismissing Board members; and • Need to delineate when the MoF may consult with a board member in their private capacity vs their role on the Treasury Board. 	<p>To reflect the requirements of the State Services Act, avoid potential tensions, and ensure a smooth transition to working with the Board structure.</p>
<i>External relationships</i>	
<i>What</i>	<i>Why</i>
<p>Non-executive board members are expected to refrain from a proactive and high-profile role in representing Treasury externally. While their appointment will be public knowledge, they will not engage with external parties in their capacity as Treasury Board members, except as part</p>	<p>Board members remain independent advisors who occupy other roles, and are not expected to carry Treasury views to the public.</p>

of Board functions.	
Board members are expected to “take care” that any external commentary does not undermine the Treasury’s goals, reputation, and the individual’s ability to serve on the Board.	Non-executive members’ other roles may include commentary in the public domain. This requires a measured approach to manage any conflict that may arise, without placing an undue burden on Board members.
A confidentiality deed will cover all Board information, discussions, and any information members may have incidental access to. Members need to maintain a Treasury Security Clearance.	To set clear expectations for protecting information.
Board members must declare all real, potential and perceived conflicts of interest. The Chair will determine how such conflicts are best managed (e.g. absence for discussions on a particular issues, not voting on that issue).	Standard practice. Consistent with SSC guidelines, this is an ongoing process.
Board members may accept other Board appointments as long as they are not in conflict with the member’s role on the Treasury Board, and do not detrimentally affect the member’s performance. Other appointments should be discussed with the Chair before being accepted.	To ensure high performance at the Treasury Board and manage any potential conflicts.
<i>Performance Management</i>	
<i>What</i>	<i>Why</i>
<p>The Chair will lead an annual process of evaluating the Board’s performance. The performance of the Board’s challenge role will be an explicit part of the Board’s performance management.</p> <p>This will be supplemented by brief stocktake discussions at each Board meeting.</p>	As Chair the CE is responsible for setting a constructive and challenging board dynamic, and ensuring the Board is adding value to the Treasury’s performance.

<p>The Board may provide input into the CE's appointment and performance monitoring processes, subject to the preferences of the State Services Commissioner.</p>	<p>To assist, as appropriate, with succession planning and business continuity.</p>
<p>The Board may provide input into the Deputy CEs' appointment and performance assessment processes, subject to the preferences of the CE.</p>	<p>To assist, as appropriate, with succession planning and business continuity.</p>

ANNEX TWO

The Treasury Organisational Structure - August 2010



(1) This portfolio also includes the following positions:
- Strategic Policy Advisor
- Change Implementation Advisor
- Risk Advisor

(2) Manager, State Sector Strategy is reporting to Deputy Secretary – Sector Performance as a temporary arrangement from February 2010

(3) Reports to Gabriel Makhoulf