

Attachment One: Options Analysis

Option one: Status quo
Advantages: <ul style="list-style-type: none">• Has the potential to promote and encourage a board culture of constructive self-reflection, where regular performance reviews are seen as necessary to promote and deliver best practice and ongoing improvement• Aligns with expected practice for crown entities and listed companies internationally and in New Zealand• No impact on cost or resource requirements for CCOs or council Disadvantages: <ul style="list-style-type: none">• Lacks transparency for council as the shareholder around key review findings and how identified opportunities for improvement are addressed• Provides little opportunity for council to have input in relation to focus areas and criteria against which board performance is reviewed
Option two: Board-led performance reviews – with increased shareholder direction and input (recommended option)
Advantages: <ul style="list-style-type: none">• Has the potential to promote and encourage a board culture of constructive self-reflection, where regular performance reviews are seen as necessary to promote and deliver best practice and ongoing improvement• Increased alignment with expected practice for crown entities and listed companies internationally and in New Zealand, e.g.:<ul style="list-style-type: none">○ Recommended practice is to undertake annual board performance reviews○ Boards are typically directed to periodically undertake an external review• Allows council increased ability to provide direction and input• Improves transparency for council around key review findings, key focus areas for ongoing development and how review findings will be addressed Disadvantages: <ul style="list-style-type: none">• May have resource implications for CCOs boards due to the increased frequency of reviews• Likely to result in increased cost for CCOs due the requirement that reviews are periodically undertaken by an independent external party
Option three: Shareholder-led internal reviews of board performance
Advantages: <ul style="list-style-type: none">• Council has an increased sense of transparency around the process• Increased level of shareholder scrutiny may result in boards seeking to improve performance Disadvantages: <ul style="list-style-type: none">• Unlikely to promote and encourage a board culture of constructive self-reflection, where regular performance reviews are seen as necessary to promote and deliver best practice and ongoing improvement• Challenging for council as shareholder to undertake an objective performance review and the findings are likely to be perceived as lacking objectivity• Unlikely to secure buy-in from the board, which is seen as a key determinant of a successful board performance review• Likely to result in a compliance based response to the review, which is unlikely to result in real and on-going change

Option one: Status quo

- More likely to measure the performance of the organisation and infer performance of the board than to directly measure the performance of the board
- Some elements of board performance are likely to be difficult for council staff to observe; meaning that the review is unlikely to gain real insight on the less tangible behavioural and cultural elements of board effectiveness
- Board members are likely to be reluctant to raise sensitive issues with council staff
- Depending on the review methods, the review may be perceived, by board members as impacting on business as usual
- Would require the development of a comprehensive board performance framework, including, measures and is likely to require the collection of new information
- Council may not currently have capacity or the expertise to undertake shareholder-led board performance reviews
- Likely to have an impact on internal council resourcing; and as it is unlikely that this option could be managed within existing resource there would be cost implications

Option four: Shareholder-led external reviews of board performance**Advantages:**

- An external reviewer may be able to provide insight and comparative analysis based on sector expertise
- The use of an independent external party is likely to improve the perception of objectivity and may increase buy-in from the boards
- Increased level of shareholder scrutiny may result in boards seeking to improve performance

Disadvantages:

- Unlikely to promote and encourage a board culture of constructive self-reflection, where regular performance reviews are seen as necessary to promote and deliver best practice and ongoing improvement
- May not have full buy-in from the board; which is a key determinant of a successful board performance review
- Board members may be reluctant to raise sensitive issues
- May result in a compliance based response to the review; which is unlikely to result in real and on-going change
- Some elements of board performance are likely to be difficult for an external party to observe and evaluate
- Depending on the review methods, the review may be perceived, by board members as impacting on business as usual

Overview of likely resource and cost implications

Implications		Option 1	Option 2	Option 3	Option 4
CCO	Resource	<ul style="list-style-type: none"> No resource implications 	<ul style="list-style-type: none"> Some increase in resource may be required due to Increased frequency of reviews 	<ul style="list-style-type: none"> Some increase in resource may be required to facilitate share-holder led internal review 	<ul style="list-style-type: none"> Some increase in resource may be required to facilitate share-holder led external reviews
	Cost	<ul style="list-style-type: none"> No cost implications 	<ul style="list-style-type: none"> Will have cost implications to contract independent external reviewer(s) 	<ul style="list-style-type: none"> No significant cost implications 	<ul style="list-style-type: none"> No significant cost implications
Council	Resource	<ul style="list-style-type: none"> No resource implications 	<ul style="list-style-type: none"> Some impact on internal resources to manage input to review and increased reporting requirements Likely that this option could be managed within existing resource 	<ul style="list-style-type: none"> Increase in internal resource required to undertake shareholder led reviews Unlikely that that this option could be managed within existing resource 	<ul style="list-style-type: none"> Some increase in internal resource to facilitate and manage the external review process Likely that this option could be managed within existing resource
	Cost	<ul style="list-style-type: none"> No cost implications 	<ul style="list-style-type: none"> No significant cost implications 	<ul style="list-style-type: none"> Will have cost implications; to increase internal resource Unlikely that this option could be managed within existing budgets 	<ul style="list-style-type: none"> Will have cost implications to contract independent external reviewer(s) This option could be managed within existing budgets