

### 13. REPORT FROM CHRISTCHURCH CITY HOLDINGS LIMITED

<b>Officer responsible</b> Chief Executive, Christchurch City Holdings Limited	<b>Authors</b> Bob Lineham, DDI 941-8411 Richard Simmonds, DDI 941-8817
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The purpose of this report is to recommend a new policy on the appointment and remuneration of directors, as required by the Local Government Act 2002.

#### BACKGROUND

Section 275 of the Local Government Act 2002 requires the Council to adopt a policy on the appointment and remuneration of directors by 30 June 2003 in accordance with section 57(1). It has been deemed appropriate for CCHL to perform the initial work on this and then make a recommendation to the Council.

Section 57(1) provides:

*"A local authority must adopt a policy that sets out an objective and transparent process for:*

- *The identification and consideration of the skills, knowledge and experience required of directors of a council organisation; and*
- *The appointment of directors to a council organisation; and*
- *The remuneration of directors of a council organisation".*

The Council has an existing policy on the appointment of directors. However, the provisions of the new Local Government Act, and in particular the new definitions of council organisations ('COs'), council-controlled organisations ('CCOs') and council-controlled trading organisations ('CCTOs'), introduce new complexities, necessitating amendments to the existing policy.

For reference purposes, a copy of the existing Council policy is attached.

#### COs, CCOs AND CCTOs

Pages 1 and 2 of the draft policy set out brief definitions of COs, CCOs and CCTOs. A formal review is under way to identify all organisations falling within these categories but, purely for guidance purposes, the following table provides three examples of each:

<b>Council organisations</b>	<b>Council-controlled organisations</b>	<b>Council-controlled trading organisations</b>
<ul style="list-style-type: none"><li>• Age Concern</li><li>• Canterbury Sports Foundation</li><li>• Recovered Materials Foundation</li></ul>	<ul style="list-style-type: none"><li>• Canterbury Development Corporation</li><li>• Destination Christchurch Charitable Trust</li><li>• Riccarton Bush Trust Board</li></ul>	<ul style="list-style-type: none"><li>• Christchurch International Airport Ltd</li><li>• Red Bus Ltd</li><li>• Jade Stadium Ltd</li></ul>

#### FEATURES OF NEW POLICY

In formulating the updated policy, the opportunity has been taken to make a few suggested amendments to current practice for the Council's consideration. These include:

- The inclusion of a statement of general principles.
- The principle that all directors are appointed to CCTOs through CCHL recommendation (ie. no direct Council appointments).
- Councillor directors (if any) on CCTOs to be appointed on the basis of the CCTOs' normal AGM and retirement by rotation cycles – not as a separate exercise following the triennial Council elections.
- A principle that normally one director on a CCTO should have a particular strength in terms of his/her understanding of the wider public interests of its shareholder.

- No distinction to be made in respect of CCHL directors' fees between external and Councillor directors (in common with other CCTOs).
- CCHL to pay at least part of any corporate governance training required for CCHL directors.
- All Councillor directors of CCHL (including incumbents, if standing again) to go through the triennial interview and reappointment process.
- Appointments to Council organisations to be classified as strategic or non-strategic. Only the former to receive Council meeting allowances.

#### **FUTURE REVIEW**

Corporate governance practices are continually evolving, and the Council itself will be considering potentially significant changes to its own structure within the next few months. These changes could affect the Council's approach to director appointments. CCHL therefore recommends that the policy be formally reviewed in twelve months time.

#### **Staff**

- Recommendation:**
1. That the Council consider and approve the attached draft policy.
  2. That the policy be reviewed in 12 months' time.

#### **Chair's**

- Recommendation:** That the above recommendation be adopted.