

8. REPORT FROM CHRISTCHURCH CITY HOLDINGS LIMITED

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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 the avoidance of doubt, this policy applies to appointments to COs by Community Boards as well as by the Council itself.

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:

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

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.
- An option for the Council to place certain CCOs (e.g. Canterbury Development Corporation) under the same regime as CCTOs for the purposes of determining the remuneration of the boards of such bodies.

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 12 months' time.

The Committee devoted some time to reviewing the draft policy and is recommending a number of changes to the draft prepared by CCHL. The draft policy incorporating the changes recommended by the Committee is attached.

- Recommendation:**
1. That the draft policy, as amended, be approved.
 2. That the policy be reviewed in 12 months' time.