

## 5. POLICY ON THE APPOINTMENT OF DIRECTORS: TRANSWASTE CANTERBURY LTD

<b>General Manager responsible:</b>	General Manager City Environment, DDI 941 8656
<b>Officer responsible:</b>	Manager City Water and Waste
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### PURPOSE OF REPORT

1. The purpose of this report is to seek the approval of the Joint Committee to; a revised policy on the appointment of directors to the Board of Transwaste Canterbury Ltd (TCL), the extension of the terms of the current directors and to the initiation of the process for appointment of directors to forthcoming vacancies on the Board of TCL.

### BACKGROUND

2. At its meeting on 9 October 2006 the Joint Committee resolved:

*"That staff of the constituent councils carry out a review of the former Canterbury Waste Subcommittee's policy of the appointment and remuneration of directors to Transwaste Canterbury Ltd and report that review back to the Canterbury Regional Landfill Joint Committee."*

3. The Canterbury Regional Landfill Joint Committee has delegated to it (refer clause 18 of the Constituting Agreement) all matters relating to participation in TCL including performing the obligations of the Councils under the Shareholders Agreement and appointing the nominee directors to the Board of TCL.
4. The Joint Committee appoints four of the eight directors on the TCL Board (group B directors) and the current directors and their terms are as follows:

<b>Name</b>	<b>Date Appointed</b>	<b>Term Expires</b>
Gill Cox (Chairman until 9.6.2008)	31.03.1999	17.03.2008
Gerry Clemens	31.03.1999	17.09.2009
Councillor Robbie Brine	17.03.2005	17.03.2008
Councillor Sally Buck	12.02.2007	17.03.2008

5. At its meeting on 20 September 2007 the Christchurch City Council considered a report on a review of the Christchurch City Council policy on the appointment and remuneration of directors to council organisations. The Christchurch City Council adopted a revised policy on the appointment of directors and noted that the Canterbury Regional Landfill Joint Committee intended to revise its director appointment policy. It resolved to request:

*"That the Canterbury Regional Landfill Joint Committee base its new appointments policy upon the principles and provisions of the revised policy adopted at its meeting."*

6. The main principles that underline the new revised Christchurch City Council policy are:
  - (a) Appointments will be made on the basis of merit.
  - (b) The Council will follow Corporate Governance best practice.
  - (c) The directors of Council controlled trading organisations will be appointed on the basis of the contribution they can make to the organisation, and not on the basis of representation.
  - (d) All the Council appointed directors must comply with the Council's Code of Conduct for directors.
7. Given the previous resolution of the Joint Committee, the request by the Christchurch City Council and the fact that the terms of three of the four directors of TCL appointed by the Joint Committee expire in March 2008, it is appropriate that the Joint Committee now review its policy on the appointment of directors and initiate the process for review/appointment for two director positions.



8. The previous policy on the appointment of directors was adopted by the Joint Committee on 9 June 2003. In considering a review of the existing policy two options are possible which would be consistent with the policy recently adopted by the Christchurch City Council.

**Option A**

9. The Joint Committee revises the present policy on the basis of the four directors appointed by the Joint Committee consisting of two external directors and two internal directors, as at present; or

**Option B**

10. The four directors appointed by the Joint Committee are all external directors as is the case with other Christchurch City Council CCTOs such as Christchurch Internal Airport Ltd, Orion, and the Lyttelton Port Company etc.
11. The above two options have therefore been drafted into the attached two revised policies (Attachments A and B) for consideration by the Joint Committee as follows:
12. Attachment A has been drafted on the basis of the Joint Committee appointing two external and two internal directors to TCL.
13. The main principles of the new policy are:
- The four directors appointed by the joint committee will consist of:
    - two internal appointees
    - two external appointees(similar to the present policy)
  - One internal appointee will represent the Christchurch City Council.
  - The second internal appointee will represent the four other remaining shareholder Councils.
  - Appointments will be made by the whole Joint Committee and the services of either a specialist consultant or the Governance Committee of Christchurch City Holdings Ltd will be utilised to assist in the process.
  - Appointments should be made on the basis of the contribution the candidate can make to TCL, not on the basis of representation, with the emphasis being on the commercial skills they would bring to the Board.
14. Attachment B has been drafted on the basis of all four directors appointed to the Board of TCL by the Joint Committee being external directors.
15. The main principles of this new policy are:
- The four directors appointed by the Joint Committee will consist of all external appointees.
  - Appointments will be made by the whole Joint Committee and the services of either a specialist consultant or the Governance Committee of Christchurch City Holdings Ltd will be utilised to assist in the process.
  - Appointments should be made on the basis of the contribution the candidate can make to TCL, with the emphasis being on the commercial skills they would bring to the Board.
16. The Joint Committee will need to consider and adopt/amend one of the attached revised policies. It must then decide on the option to use in the appointment process ie, either to utilise the services of a specialist consultant or the Governance Committee of Christchurch City Holdings Ltd. Members will recall that previously the services of Mr Mike Stenhouse of Sheffield Ltd were utilised in the evaluation of candidates.



17. A further issue relates to the terms of the existing directors and the need to stagger appointments to ensure to ensure continuity of service and experience on the Board. In respect to the term of the external directors this should be aligned to the AGM of TCL (held in October or November each year) as is normal corporate practice. It is proposed therefore that the terms of the existing directors be extended as follows, to ensure that the replacement of directors is spread as evenly as possible over the five-year period from 2008 to 2012.

**Mr Gill Cox**

18. Mr Cox's term expires on 17 March 2008. Mr Cox was appointed as Chairman of TCL for a one year term until 9 June 2008 by the Canterbury Waste Services Ltd directors (Canterbury Waste Services has the right to appoint the chair of the company for the two year period from June 2007 to June 2009).
19. It is desirable therefore that Mr Cox complete his current term as Chairman and also that his expertise and knowledge is not lost to the company given the large number of recent changes to the TCL Board. It is recommended therefore that the term of Mr Cox's appointment be extended until the AGM of TCL in October/November 2011 to allow for a better staggered replacement of directors going forward. This extension would be in conformity with the existing policy which does allow for an extension of term beyond nine years in exceptional circumstances.

**Mr Gerry Clemens**

20. Mr Clemens' term expires on 17 September 2009. It is suggested that this be extended to the date of the 2009 AGM for TCL (in October/ November 2009) to allow for the appointment for the following three year term to be from the AGM of the Company in 2009 to the 2012 AGM.

**Councillor Sally Buck**

21. In order to allow time for the appointment process to be completed it is recommended that this term be extended to 14 July 2008.

**Councillor Robbie Brine**

22. In order to allow time for the appointment process to be completed it is recommended that this terms be extended to 14 July 2008.

**FINANCIAL CONSIDERATIONS**

23. There are no direct financial issues involved with the adoption of the new policy. Directors fees are paid by TCL and the expenses of the recruitment process for new directors will need to be met regardless of whether a new policy is adopted. Using the services of an outside consultant is likely to occur costs in the vicinity of \$5-10,000 (which is not budgeted for and would need to be paid pro-rata by the shareholder Councils) whereas it is understood no direct costs would be involved for using the Christchurch City Holdings Ltd Governance Committee.

**LEGAL CONSIDERATIONS**

24. The Local Government Act 2002, clause 57, requires councils to adopt a policy regarding the appointment of directors to council organisations. It is appropriate therefore that the Joint Committee also has such a policy which may be adopted by a simple majority resolution without using the special consultative procedures.



## **STAFF RECOMMENDATION**

It is recommended that the Joint Committee:

- (a) Adopt the policy in Attachment A that the four director appointments made by the Joint Committee to the Board of TCL comprise two external and two internal directors as its revised policy on the appointment and remuneration of directors to Transwaste Canterbury Ltd.
- (b) Extend the terms of the current directors as follows:
  - (i) Mr Gill Cox to the date of the 2011 AGM of TCL.
  - (ii) Mr Gerry Clemens to the date of the 2009 AGM of TCL.
  - (iii) Councillor Sally Buck to 14 July 2008.
  - (iv) Councillor Robbie Brine to 14 July 2008.
- (c) Confirm the process to be used in the identification and evaluation of directors for the forthcoming vacancies on the Board of Transwaste Canterbury Ltd, and initiate this process to report back to a meeting of the Joint Committee prior to 14 July 2008.