

8. APPOINTMENT OF COUNCILLOR DIRECTORS TO CHRISTCHURCH CITY HOLDINGS LIMITED AND SUBSIDIARIES FOLLOWING THE ELECTION

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PURPOSE OF REPORT

1. The purpose of this report is to:
 - (a) advise the Council on the recommended process for the appointment of Council Directors to the Christchurch City Holdings Ltd (CCHL) Board immediately following the Council election in October 2007.
 - (b) to recommend the appointment of the Council Appointments Committee, and the membership of the Committee.
2. If approved by this meeting of the Council, the Mayor and all Councillors will be circularised seeking expressions of interest with a view to the interviews for the four CCHL positions taking place and the Council Appointments Committee making its recommendation to the Council in December.

STAFF RECOMMENDATION

It is recommended that the Council:

- (a) Appoint a Council Appointments Committee to recommend to the Council the appointment of four members of the Council to the CCHL Board in accordance with the Council's 2007 Policy of Appointment and Remuneration of Directors.
- (b) Appoint a member of the Council who is not seeking appointment to the CCHL Board, a recently retired Councillor and an external experienced director as members of the Committee.
- (c) Appoint Mr Bruce Irvine, the Chairperson of CCHL, as a member of the Committee.
- (d) Retain Mr Mike Stenhouse of Sheffield Ltd to assist the Council Appointments Committee regard the appointment process.

BACKGROUND

4. In September 2007 the Council adopted a revised Policy on Appointment and Remuneration of Directors. Such a Policy is required by the Local Government Act 2002 and is attached.
5. As this Policy has been formally adopted and published by the Council, it is important that a practical process for implementing it in relation to the Council member appointments to CCHL be clearly understood and established before the new Council commences the process of appointment of Councillors to CCHL following the election.
6. Paragraph 18 of the Policy notes that the CCHL constitution provides:
 18. *The CCHL constitution provides that Council directors must resign on a date specified by the Council being no later than three months after the triennial Council elections, although they may offer themselves for re-appointment. The date selected will be chosen to allow time to select Council directors for appointment as replacement directors in accordance with this policy.*

The current Council directors are Councillors Corbett and Wells, and Mr Garry Moore. It is anticipated that the "resignation date specified by the Council..." in paragraph 18 will be set when the Council considers the Committee's recommendations in December.

7. Paragraph 14-17 of the 2007 Policy covers the appointment of CCHL directors as follows:
 14. *The CCHL constitution provides for a maximum of eight directors and it is intended that it comprises a mix of four Council and four non-Council directors. It is critical to the success of this board that it has a composition which is capable of maintaining the confidence of both the Council and the subsidiary companies.*
 15. *The Council will establish a Council Appointments Committee immediately after the triennial Council election to recommend to the Council the appointment of Council and non Council Directors to CCHL. This committee will be comprised of four members who are not seeking appointment to the CCHL Board. Where possible the committee members will include the current chair of CCHL, a Councillor, a recently retired Councillor and an external experienced director.*
 16. *In the process of selecting Council and non Council directors the Council Appointments Committee will first determine the required skills, knowledge and experience which is necessary for an effective board. In general terms, the Committee will apply similar criteria to potential candidates to those used by CCHL in its assessment of candidates for other CCTOs. However, where necessary the Committee will also take into account a candidate's potential to quickly acquire business and financial skills, as well as his or her existing skills and experience. The candidates' skills must be relevant to the requirements of CCHL in terms of its governance and provide as far as possible that there is a suitable cross- section of skills available at the board table which is capable of meeting the normal criteria of good governance.*
 17. *The committee will use the services of a specialist consultant in making an assessment of the suitability of candidates."*
8. Paragraph 16 states that the Committee will apply similar criteria to potential candidates to those used by CCHL in the assessment of candidates for other CCTO's. In this regard paragraphs 46-47 of the Policy provides:
 46. *The mix of skills and experience on the CCTO board will be taken into account, and consideration given to complementing and reinforcing existing skills and reducing known weaknesses where necessary.*

47. *In general terms, the following qualities are sought in directors of CCTOs:*
- (a) Intellectual ability.*
 - (b) Commercial experience.*
 - (c) Understanding of governance issues.*
 - (d) Sound judgement.*
 - (e) High standard of personal integrity.*
 - (f) Commitment to the principles of good corporate citizenship.*
 - (g) Understanding of the wider interests of the publicly-accountable shareholder.*

Discussion

9. The Policy notes that it is important that the Council Appointments Committee comprises members who have experience in the selection of directors and it is preferable that all members of the Committee be those who have the confidence of the Council. The Policy provides that where possible the members of the Committee be the current Chair of CCHL, Mr Bruce Irvine, a Councillor, a recently retired Councillor and an external experienced director. Since this is a Council committee it is necessary that at least one member of the Committee is a current Councillor.
10. It is recommended that the Council Appointments Committee be assisted by Mike Stenhouse of Sheffield Consulting who has assisted this process in the past and is experienced in assisting CCHL with the selection of directors for the subsidiary companies.
11. In accordance with the Policy the Appointments Committee will make recommendations regarding the Council directors to be appointed to CCHL for final decision by the Council.

PROCESS FOR CCHL DIRECTOR APPOINTMENTS

12. Registrations of interest from Councillors who wish to be considered for appointment to CCHL will be called for the four Council positions on the CCHL Board shortly after this meeting of the Council. The Committee, with the assistance of the management consultant, will then consider those applications and make recommendations to the Council for approval to the Council's December meeting.
13. Assuming the selection process can be completed in the time frame, the Annual Meeting of CCHL will be held after the new appointments have been approved and the new directors will take office following that annual meeting. The existing CCHL Board will remain in office until that time. However, the Annual General meeting must be held before the end of December.

APPOINTMENT OF EXISTING DIRECTORS TO SUBSIDIARY COMPANY BOARDS

14. Two Councillors (Councillors Cox and Sheriff) are directors of subsidiary companies (Vbase and Orion respectively) and have been appointed for specific terms. These terms end at the next AGM of the company.
15. The Council's 2007 Policy is clear that appointments to these boards (and all other boards) will be subject to the criteria set out in the policy and there is no specific provision for the appointment of Councillors to the boards of these operating companies. Some Councillors may of course meet the criteria in the policy. The policy is based on the skills needs of each board and not on the basis of representation. This is in the interest of the efficient operation of the companies.
16. The policy provides for CCHL to review the composition of boards and where appropriate reappoint existing directors for a further term. CCHL will undertake this review of all director positions held by the current Councillors at the time that the appointments expire and in accordance with the policy exercise the right to reappoint where appropriate. As provided by the policy, any new appointments will be recommended to the Council for approval.