

5. REVIEW OF CITY COUNCIL POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS

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PURPOSE OF REPORT

1. The purpose of this report is to recommend to the Council, **for approval**, a revised City Council Policy on Appointment and Remuneration of Directors to Council Organisations.

EXECUTIVE SUMMARY

2. The current Council policy on Appointment and Remuneration of Directors was adopted by the Council in May 2003 with the intention that it be reviewed after a period. Christchurch City Holdings Limited (CCHL) has recommended that the Council now review this 2003 policy before the election in October 2007 so that the practice approved by Council in 2004 in relation to the appointment of Directors of Christchurch City Holdings Limited, can be formally included in this policy for application after the elections in 2007.
3. CCHL is recommending a number of changes in the revised policy (**Attachment A**) and these are referred to in the report below, and are also underlined in the attached draft policy.

FINANCIAL IMPLICATIONS

4. There are no increased financial implications from the adoption of the recommendations.

Do the Recommendations of this Report Align with 2006-16 LTCCP budgets?

5. Yes.

LEGAL CONSIDERATIONS

6. This policy meets the requirement of the Local Government Act 2002 that requires the Council to adopt a Director's Appointment and Remuneration Policy.

Have you considered the legal implications of the issue under consideration?

7. Yes.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

8. Yes.

Do the recommendations of this report support a level of service or project in the 2006-16 LTCCP?

9. Not applicable.

ALIGNMENT WITH STRATEGIES

10. Not applicable.

Do the recommendations align with the Council's strategies?

11. Not applicable.

CONSULTATION FULFILMENT

12. Not applicable.

STAFF RECOMMENDATIONS

It is recommended that the Council:

- (a) Adopt the attached draft Christchurch City Council policy on the Appointment and Remuneration of Directors to commence on 1 November 2007.
- (b) Note that the Canterbury Regional Landfill Joint Committee intends to review its Directors Appointment Policy in early 2008.
- (c) Request the Canterbury Regional Landfill Joint Committee to base its new Appointments Policy upon the principles and provisions of the revised policy attached to this report.

BACKGROUND

STATUTORY PROVISIONS

13. The Local Government Act 2002 requires the Council to adopt a policy regarding the appointment of directors to Council organisations.
14. The Act defines Council organisations as being any organisation where the Council has the right to have a vote in the organisation's affairs, or has the right to appoint one or more Directors, Trustees or Managers of that organisation however they may be called.
15. This definition of Council organisations includes many community groups where the Council appoints a Councillor, Community Board member or officer as a member of the governance body of that organisation.
16. The phrase 'Council Organisation' also includes Council controlled organisations where the Council has the majority voting rights, or has the ability to appoint the majority of the Directors, Trustees or Managers.
17. 'Council controlled organisations' also include the 'Council controlled trading organisations' which carry out trading activities for a profit.
18. All of these various types of 'Council organisations' are listed in Appendix A to the draft policy attached to this report. The policy states any new 'Council organisations' would also be subject to the terms of the attached draft policy.
19. Section 57 of the Local Government Act sets out the requirement for the Council to adopt the policy and it provides:

Appointment of Directors

- (1) *A local authority must adopt a policy that sets out an objective and transparent process for:*
 - (a) *the identification and consideration of the skills, knowledge, and experience required of directors of a council organisation.*
 - (b) *the appointment of directors to a council organisation.*
 - (c) *the remuneration of directors of a council organisation.*
 - (2) *A local authority may appoint a person to be a director of a council organisation only if the person has, in the opinion of the local authority the skills, knowledge, or experience to:*
 - (a) *guide the organisation, given the nature and scope of its activities.*
 - (b) *contribute to the achievement of the objectives of the organisation.*
20. It will be noted that the Council is required to adopt the policy. There is no requirement in the Local Government Act for the Council to adopt this policy through the special consultative procedure or any other legal procedure. So the policy can be adopted by a majority resolution of the Council.

2003 POLICY

21. At its meeting in May 2003 the Council adopted the Council Directors Appointment and Remuneration Policy as required by the Local Government Act 2002. That 2003 policy is the current policy.

22. At the time of adoption of that 2003 policy the report to the Council noted:
- The principle that all Directors are appointed to Council controlled trading organisations through a recommendation by Christchurch City Holdings Limited (CCHL).
 - That Council Directors (of any) of the Council controlled trading organisations are appointed on the basis of that organisation's normal AGM and its retirement by rotation cycles. Those appointments are not linked to the triennial Council elections.
 - A principle that normally one director on a Council controlled trading organisations 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 Council directors, and this also applies to Council controlled trading organisations.
 - That CCHL pays at least part of any corporate governance training required for CCHL directors.
 - That all Council directors of CCHL (including incumbent, if standing again) are to go through the training and re-appointment process after each Council election.
23. These points listed above in paragraph 22 have been carried forward in to the attached draft policy.

DRAFT APPOINTMENT POLICY 2007

24. Attached is the revised draft Directors Appointments Policy. CCHL has seen the content of the draft policy and agrees with it.
25. The key changes in the attached 2007 draft Policy from the 2003 policy are:
- Amendments to reflect recent changes to the CCHL constitution approved by the Council on 5 October 2006.
 - The amendment needing to be reflected in this policy was the removal of the requirement that non councillor directors retire after each triennial election, and replaced with a provision that such non Councillors have a normal rotation cycle.
 - Reference to the appointments of the CCHL Chairperson and that Chairperson's succession planning policy.
 - Provision of more detail for the appointment of CCHL directors through the use of a Council Appointments Committee, which was also the process used for the first time after the 2004 elections. It should be noted that this committee has provision for external appointments to assist in the selection process.
 - Reflecting the new process for the rotation of the non Councillor Directors as provided for in the changes in the CCHL constitution.
 - A new section on the removal of CCHL directors.
 - Separate provision for the appointment of independent directors for the Lyttelton Port Company as a listed company on the New Zealand Stock Exchange.
 - General tidy up, clarification and general editing.
26. The new provisions in the 2007 policy reflecting those changes above are underlined.
27. While CCHL is the shareholder of most of the Council controlled trading organisations the Council itself still continues as a shareholder of Tuam Ltd, Tuam 2 Ltd, Christchurch City Facilities Limited, Vbase No 2 Ltd (formally Jade Stadium Limited) and Vbase Limited. The attached draft 2007 policy makes it clear that the appointments process set out in that policy applies equally to those companies which are owned by the Council. The policy also provides that CCHL will make the recommendations to the Council for the appointment of new Directors to those directly owned Council companies, in the same way that CCHL makes recommendations for Director appointments in respect of companies which are owned by CCHL itself.

TRANSWASTE CANTERBURY LTD

28. The 2003 policy does not apply directly to Transwaste Canterbury Ltd (which is a Council controlled organisation). This is because the appointment process of Council Directors to Transwaste Canterbury Ltd is carried out through the Canterbury Regional Landfill Joint Committee acting under delegated authority from this Council and the other Councils that are members of that joint committee. Membership of the joint committee is made up from representatives of the Ashburton District Council, Hurunui District Council, Selwyn District Council, Waimakariri District Council and this Council..
29. The five Councils comprising the Landfill Joint Committee have the right to appoint four directors to the Transwaste Board. The five Councils are bound by section 57 of the Local Government Act regarding these appointments. The Joint Committee's policy is based upon this Council's 2003 policy.
30. The joint committee has responsibility to appoint four directors to the Transwaste Board and had adopted its own appointment practice of approving two Council directors (one from Christchurch City and one from one of the other Councils) and two external directors as the Committee's representatives on the Transwaste Board.
31. I understand that the Joint Committee intends to review its own Directors Appointments Policy early next year in time for that policy to apply to appointments the Joint Committee will need to make next year.
32. It is considered appropriate that the Joint Committee's Appointment Policy is aligned with the principles of this Council's Policy and accordingly this report contains a recommendation requesting the Committee to base its new policy upon the principles and provision of this Council's policy.
33. At present the Joint Committee's Appointment Policy provides that only the City Council representatives on the Joint Committee can vote on this Council's appointment of directors to Transwaste Canterbury Ltd. As can be seen from the attached policy this is an exception to the Council's general practice with all other Council Controlled Organisations, and the Council may wish to review this exception as part of the review of the attached policy and advise the Joint Committee accordingly.