



Policy on the appointment and remuneration of directors of Council organisations

A policy setting out a process for the appointment and remuneration of appropriately qualified directors of Council organisations

Draft

This policy replaces the Policy on the Appointment and Remuneration of Directors, issued on 30 June 2003 (report 03.350) and amended on 18 November 2004 (report 04.657) and 7 July 2006 (report 06.327).

Date adopted by Council:

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1. Purpose

The purpose of this policy is to set out, in accordance with section 57(1) of the Local Government Act 2002 (the Act), an objective and transparent process for:

- identification and consideration of the skills, knowledge and experience required of directors of Council organisations;
- appointment of directors to Council organisations; and
- remuneration of directors to Council organisations.

2. Principles

The appointment and remuneration processes for directors of council organisations will:

- be objective and transparent, while protecting individual privacy;
- manage conflicts of interest appropriately¹;
- take into account the context in which the Council, as a publicly accountable body, must operate; and
- be made on the basis of skills, knowledge and experience, having regard to the nature of the council organisation and the Council's overall objectives.

3. Definitions

Refer to section 6 of the Act for full definitions of the following terms but, in summary:

“Council” is the Greater Wellington Regional Council.

“Council organisation” (CO) is an organisation where the Council controls one or more of the votes *or* has the right to appoint one or more of the directors, trustees or managers.

The Act also creates two sub-categories of COs – “council-controlled organisations” (CCOs) and “council controlled trading organisations” (CCTOs).

A “CCO” is a CO in which one or more local authorities control 50% or more of the votes or have the right to appoint 50% or more of the directors, trustees, or managers.

A “CCTO” is a CCO that operates a trading undertaking for the purpose of making a profit.

¹ Refer to the Auditor-General's *Guidance for members of local authorities about the law on conflicts of interest: June 2007*.

“Director” includes trustees, managers, or office holders of a CO (however described).

4. CCTOs

The Council’s CCTOs are:

- WRC Holdings Ltd
- Pringle House Ltd
- Port Investments Ltd
- Greater Wellington Transport Ltd
- Greater Wellington Infrastructure Ltd
- Greater Wellington Rail Ltd.

The Council’s holding company, WRC Holdings Ltd, is the main mechanism by which the Council manages its equity investments. WRC Holdings Ltd wholly owns the remaining CCTOs.

4.1 CCTO board membership

The CCTOs will share a common board of directors, comprising:

- the Council Chairperson (Chairperson of the common board);
- the Deputy Chairperson;
- two other Councillors; and
- two external appointments.

This board composition has the following advantages:

- having a majority of elected members on the board of directors of WRC Holdings Ltd ensures the Council has direct control (in addition to other indirect control it can exercise through the company Constitution and Statement of Intent) over the holding company and its assets, for which the directors are accountable;
- external appointments provide an independent overview and bring in key business skills; and
- having a common board of directors for the remaining CCTOs promotes efficiency as all meet at the same time and there are linkages between the companies.

4.2 Process for the appointment of CCTO directors

Each triennium, the Council Chairperson, Deputy Chairperson, and two other councillors are appointed to the boards of CCTOs. The remaining external (i.e. non-elected) appointments on the CCTO boards are filled using the following process:

- (a) Determination of the skills, knowledge or experience required for the position² is delegated to a Nominations Evaluation Group comprising:
- the Council Chairperson,
 - the Council Deputy Chairperson, and
 - the Chief Financial Officer.

In general, the following qualities are sought in directors of CCTOs:

- (i) competence, including intellectual ability;
- (ii) sound judgement;
- (iii) high standard of personal integrity;
- (iv) ability to devote time and attention to entity;
- (v) understanding of governance issues;
- (vi) leadership and strategic thought; and
- (vii) commercial/business experience, including previous experience as a director.

The mix of skills and experience on the CCTO board will also be taken into account, and consideration given to complementing and reinforcing existing skills and reducing known weaknesses where necessary.

- (b) The Nominations Evaluation Group will then determine the process for selection of suitable candidates, including whether:
- (i) external assistance (e.g. a specialist consultant) is required;
 - (ii) to approach government agencies, the Institute of Directors, or territorial authorities for nomination of candidates; and
 - (iii) whether candidates should be identified through direct approach, advertisement, or both. In most cases, the vacant CCTO board position will not be advertised, as this would

² Reference is made to current best practice in this area, as encapsulated in Institute of Directors' guidelines and other relevant material.

not normally be expected to add any significant value to the process.

- (c) Following the search process, the Nominations Evaluation Group will draw up a shortlist of candidates. The Nominations Evaluation Group will interview each shortlisted candidate, decide its preferred candidate, check all references and report to the Policy, Finance and Strategy Committee.
- (d) The Policy, Finance and Strategy Committee will then make a recommendation to Council. The report will be public excluded in order to protect the privacy of the individual concerned. The Council will consider the report and make its decision.
- (e) Public announcement of the appointment will be made as soon as practicable after the Council has made its decision.

4.3 Reappointment

Where a non-elected member seeks or is proposed for reappointment as a director of a CCTO, the Chairperson of the CCTO board will provide a confidential report to the shareholders outlining such matters as:

- whether the skills of the incumbent add value to the board;
- whether there are other skills the board needs;
- succession issues; and
- the overall contribution the individual has made to the board.

Reappointments may be made if the benefit of the reappointment is considered to outweigh the potential advantages of seeking and appointing a new candidate. Where reappointment is considered appropriate, a recommendation shall be made to Council.

4.4 Remuneration of CCTO directors

Elected members who are also directors of CCTOs receive travelling expenses (mileage and parking) based on the rates applicable to members of Council. Directors of CCTOs who are not elected members of Council will receive directors' fees as approved by the Council from time to time, in addition to travel expenses.

Periodically, normally every three years, the Council will review the level of remuneration for directors of CCTOs. In performing its review the Council will, normally on the basis of external advice, take account of:

- the need to attract and retain appropriately qualified directors;
- the nature of activities undertaken by each of the CCTOs;

- the extent of input expected from non-elected directors; and
- the synergy achieved from effectively running the CCTOs closely together.

The Council also supports the payment by CCTOs of directors' liability insurance and the indemnification of directors.

4.5 CentrePort Ltd

4.5.1 Introduction

Although CentrePort Ltd is not a CCTO³, the policies covering the appointment and remuneration of directors are similar. It therefore makes sense to include CentrePort Ltd within this policy framework.

CentrePort Ltd operates much in the same way as a CCTO with a non-executive board of directors.

4.5.2 Identification of required skills, knowledge and experience of CentrePort Ltd directors

The mix of skills and experience on the CentrePort Ltd board will be reviewed from time to time and consideration given to complementing and reinforcing existing skills where necessary.

The required skills, knowledge and experience for director appointments to CentrePort Ltd are assessed in the first instance by a Screening Group comprising:

- the Chairperson of Port Investments Ltd;
- the Chairperson of Horizons MW⁴; and
- the Chairperson of CentrePort Ltd,

External assistance is used by the Screening Group when required.

The identification of potential directors includes direct approach, advertisement or both (to be determined by the Screening Group).

The screening of potential directors (including conducting interviews) will be conducted by the Screening Group seeking the attributes set out in 4.2(a)(i)-(vii) above.

Elected members of the Council are not considered for appointment to the Board of CentrePort Ltd.

The Screening Group will report its recommendations to both shareholders for approval prior to any appointment being made.

³ Centreport Ltd is exempted from the definition of a CCTO through the exclusion of port companies under section 6(4) of the Local Government Act 2002

⁴ Horizons MW is the promotional name of the Manawatu-Wanganui Regional Council.

Existing directors routinely retire by rotation and offer themselves for re-election at the company's Annual General Meeting. Re-election may follow the process and criteria outlined in 4.3 above.

4.5.3 Remuneration of CentrePort Ltd directors

Each year at the Annual General Meeting the shareholders approve the level of remuneration for the directors of CentrePort Ltd. Where necessary, the Council will seek external advice in relation to exercising a judgement about the appropriateness of the remuneration being sought.

The remuneration is reviewed in the context of industry and other commercial practice and trends.

5. Wellington Regional Stadium Trust

5.1 Introduction

Wellington Regional Stadium Trust (Trust) is not a CCO as the provisions of the Wellington Regional Council (Stadium Empowering) Act 1996 are a self containing statutory code.⁵ However, in terms of a process for appointments it is treated as a CCO to include it within this policy framework.

The Council jointly appoints trustees with the Wellington City Council pursuant to the Trust Deed. To qualify, a trustee must be a resident of the Wellington Region.

5.2 Identification of required skills, knowledge and experience of trustees

The mix of skills and experience on the Trust Board is reviewed at least annually and consideration given to complementing and reinforcing existing skills and reducing known weaknesses where necessary.

The required skills, knowledge and experience of trustees appointed to the Trust are assessed in the first instance by the Trust Chairperson in conjunction with the two settlors (WCC/WRC).

In general terms the following qualities are sought in the trustees of the Trust:

- the attributes set out in 4.2(a)(i)-(vii) above;
- entrepreneurial flair; and
- understanding the wider interests of the two settlor Councils.

Of the trustees appointed to the Trust Board at any one time, the two settlors can appoint one councillor from each Council to help ensure the interests of the two settlors are protected and to assist communication between the Trust and the settlors.

⁵ *CIR v Wellington Regional Stadium Trust* 6/9/05, CA164/04.

Recommendations for appointment of trustees are made to each Council prior to any appointment being made.

Each year existing trustees routinely retire by rotation and offer themselves for re-election. Re-election is considered in the context of 4.3 above.

5.3 Remuneration of trustees

From time to time the scale of payments to trustees is reviewed by the two settlors. Where necessary the Council will seek external advice on this matter.

All trustees (including councillors) are subject to the same payment basis with the exception of the Trust Chair who receives proportionately more consistent with the role.

6. Regional EDA Ltd

Regional EDA Ltd is a CCO, which acts as a regional economic development agency, in the form of a not-for-profit company, to implement the economic development components of the Wellington Regional Strategy (WRS). The WRS Committee resolved an appointment process for board members of the Regional EDA Ltd; this process is described in Attachment 1 to Report 07.121.

7. COs

7.1 Introduction

The Council has non-controlling interests in numerous COs. These are generally not-for-profit bodies and appointments to COs are made for a number of reasons. These include:

- to enable Council involvement where the COs activity is relevant to the Council;
- to satisfy a request from the CO that the Council appoint a representative; and
- statutory requirements.

Appointments to a CO are generally for a three year term, and are made after the triennial Council elections.

The Council endeavours to minimise the number of appointments where the benefit to the Council of such an appointment is minimal.

7.2 Identification of required skills, knowledge and experience of CO directors

The range of reasons for the appointment of Council representatives to COs results in a wider range of desired attributes for appointees to these bodies.

The Council determines the required skills, knowledge and experience for each appointment in accordance with the nature of the entity and the role to be fulfilled. Candidates are not restricted to Councillors – in some cases, it may be more appropriate to appoint Council staff or external people with affiliations to the Council.

The Council Chairperson makes recommendations to the full Council for final approval prior to any appointments being made.

7.3 Remuneration of CO directors

CO directors appointed by the Council receive the remuneration (if any) offered by that body. However, if such directors are councillors, they are only entitled to receive normal Council travelling allowances. The same applies to Council staff members appointed to such bodies.

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