



SECTION 11 — APPOINTMENT AND REMUNERATION OF DIRECTORS OF COUNCIL ORGANISATIONS

## 11.0 Appointment and Remuneration of Directors of Council Organisations Policy

This policy should be read in conjunction with the Council - Controlled Organisations (CCOs) and Council Organisations (COs) pages in the Financial Section of the 2009-19 LTCCP (Volume I).

### 11.1 Introduction

Council is required by Section 57 of the Local Government Act 2002 to 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;
- the appointment of directors to a council organisation;
- the remuneration of directors of a council organisation.

### 11.2 Definitions

The term "council organisation" ("CO") is used in the context of the definitions provided in Section 6 of the Act.

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

The Council has interests that fall in each of these categories. Attached is an appendix which provides a list of such organisations.

The following definitions are provided for guidance purposes only. Fuller definitions are provided in Section 6 of the Act.

#### Meaning of "Council Organisation"

In broad terms, a CO is an organisation in which the Council has a voting interest or the right to appoint a director, trustee or manager (however described). This is a wide-ranging definition, covering a large number of bodies.

#### Meaning of Council-Controlled Organisation

A CCO is a CO in which one or more local authorities control, directly or indirectly, 50% or more of the votes or have the right, directly or indirectly, to appoint 50% or more of the directors, trustees or managers (however described).

#### Meaning of Council-Controlled Trading Organisation

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



## 11.3 Council Controlled Organisations

Council owns a shareholding in the following organisations that are defined as CCOs by the Local Government Act 2002. These are:

- Waikato Regional Airport Ltd (Council owns 50% of the shareholding). This company manages and operates the Hamilton International Airport. Other shareholders of this company are:
  - Waikato District Council 15.625%
  - Matamata-Piako District Council 15.625%
  - Waipa District Council 15.625%
  - Otorohanga District Council 3.125%

Council must co-operate with the other shareholders for the appointment of directors. The Finance & Audit Committee of Council monitors the performance of Waikato Regional Airport Limited. The Council's shareholder representative is His Worship the Mayor or in his absence, the Deputy Mayor.

- Hamilton Properties Ltd (Council owns 100% of the shareholding). This company is retained as a dormant company to protect the tax losses that the company holds.
- Local Authority Shared Services Limited (Council owns 7.69% of the shareholding). This Company provides local authorities within the Waikato Region with shared services, particularly in respect of information collection and management with the purpose of reducing the cost of these services.

### 11.3.1 Skills Required

Council considers that persons to be considered for directorship must have the skills, knowledge and experience to:

- guide the organisation given the nature and scope of its activities;
- contribute to the achievement of the objectives of the organisation.

The Council considers that any person that it appoints to be a director of a CCO should, as a minimum, have the following skills:

- intellectual ability;
- an understanding of governance issues;
- either business experience or other experience that is relevant to the activities of the organisation (or both);
- sound judgement;
- a high standard of personal integrity;
- the ability to work as a member of a team.



### 11.3.2 Appointment of Directors

When vacancies arise in the CCO the Council will undertake the following process:

#### **Waikato Regional Airport Ltd**

The appointment of directors will be undertaken jointly with the other four shareholding councils. Nominations will be received from elected representatives from all current shareholders. The shareholders representatives will shortlist the nominations taking into account the skills required for the positions. The shareholder representatives will interview short listed nominations and a joint decision made for recommendation to the company AGM. The mix of skills and experience on the board will be taken into account, and consideration given to complementing and reinforcing existing skills and reducing known weaknesses where necessary.

#### **Hamilton Properties Ltd (HPL)**

Whilst HPL remains a dormant company, the directors will be His Worship the Mayor, the Chief Executive Officer and Messrs Walters and Brackenfrom Swarbrick Dixon (City Solicitors).

#### **Local Authority Shared Services Limited**

The constitution of the Company provides that six directors will be appointed from the shareholding local authorities with each director being the Chief Executive of Officer of that local authority. Hamilton City Council is entitled to appoint one director being the Chief Executive Officer. In addition, the Company may appoint up to three independent professional directors. The Chief Executive Officer or, in his absence, the Acting Chief Executive Officer is appointed proxy to vote on behalf of Hamilton City Council at the meetings of the Local Authority Shared Services Limited.

### 11.3.3 Final Appointment

The final appointment for directors for any CCO will be made in committee thus protecting the privacy and protecting the privacy of natural persons. Public announcements of the appointments will be made as soon as practicable after the Council and/or shareholding councils have made a decision.

### 11.3.4 Conflicts of Interest

The Council expects that directors of any CCO will avoid situations where their actions could give rise to a conflict of interest. To minimise these situations the Council requires directors to follow the provisions of the New Zealand Institute of Directors' Code of Ethics. All directors are appointed "at the pleasure of the Council" and may be dismissed for breaches of this code.

### 11.3.5 Remuneration

Remuneration of directors of CCOs is a matter of public interest. The Council, in conjunction with other shareholders, will set the director's remuneration by resolution at the Annual



General Meeting. On reaching a view on the appropriate level of remuneration for directors the shareholders representative will consider the following factors:

- the need to attract and retain appropriately qualified people to be directors;
- the level and movement of salaries in comparable organisations;
- the past performance of the organisation;
- the financial position of the organisation.

## 11.4 Council Organisations

### 11.4.1 Hamilton Riverview Hotel Limited (HRHL)

Council owns 42% of Hamilton Riverview Hotel Limited and in accordance with the joint venture agreement with the other owners, is entitled to appoint up to two of the directors. The Council's shareholder representative is His Worship the Mayor or in his absence, the Deputy Mayor.

#### 11.4.1.1 Skills Required

The Council considers that any person that it appoints to be a director of HRHL should, as a minimum, have the following skills:

- intellectual ability;
- an understanding of governance issues;
- either business experience or other experience that is relevant to the activities of the organisation (or both);
- sound judgement;
- a high standard of personal integrity;
- the ability to work as a member of a team.

#### 11.4.1.2 Appointment of Directors

Council considers that persons to be considered for directorship must have the skills, knowledge and experience to:

- guide the organisation given the nature and scope of its activities;
- contribute to the achievement of the objectives of the organisation.

The directors will be Michael Redman, whilst he is employed as Chief Executive Officer of Hamilton City Council, and one other appointed by Council at the triennial Council appointment meeting (or by notice of motion). Council will make the decision taking into account the skills required for the position at the triennial meeting or at a meeting following receipt of a notice of motion.



#### 11.4.1.3 Conflicts of Interest

The Council expects that directors of HRHL will avoid situations where their actions could give rise to a conflict of interest. To minimise these situations the Council requires directors to follow the provisions of the New Zealand Institute of Directors' Code of Ethics. All directors are appointed "at the pleasure of the Council" subject to the terms of the Chief Executive Officer's Individual Employment Contract and may be dismissed for breaches of this code.

#### 11.4.1.4 Remuneration

The Council, in conjunction with other shareholders, will set the director's remuneration by resolution at the Annual General Meeting. On reaching a view on the appropriate level of remuneration for directors the shareholders representative will consider the following factors:

- the need to attract and retain appropriately qualified people to be directors;
- the level and movement of salaries in comparable organisations;
- the past performance of the organisation;
- the financial position of the organisation.

Effective from the 3 November 2004, the elected representative who is appointed by Council as a director of HRHL shall receive 50% of the directors fee payable, with the other 50% retained by Council. Effective from 23 May 2007, the Chief Executive Officer will receive no additional compensation for the position of director, and any director's fees received are 100% retained by Council.

#### 11.4.2 Hamilton Fibre Network Ltd (HFN)

Hamilton City Council is a shareholder in Hamilton Fibre Network Ltd (HFN), along with Environment Waikato, University of Waikato, Waikato Institute of Technology and Telco Infrastructure Investments (the investment arm of Velocity Networks Ltd).

The Hamilton City Council appointed Director of the Hamilton Fibre Network is the Deputy Chief Executive, a position currently held by Mr Blair Bowcott. The Deputy Chief Executive receives no fees for this position.

#### 11.4.3 SODA Inc Limited

Hamilton City Council and Wintec have jointly established SODA Inc Limited, the City's new creative industries incubator, aimed at encouraging and enabling economically successful businesses within the creative industries sector, to thrive in Hamilton.

The Hamilton City Council appointed Director of SODA Inc Limited is General Manager Community Services, a position currently held by Ms Sue Duignan. The General Manager Community Services receives no fees for this position.



## **11.4.4 Other Council Organisations**

### **11.4.4.1 Introduction**

The Council has non-controlling interests in numerous COs. These are not-for-profit bodies.

Appointments to COs are made for a number of reasons. These include:

- to provide a means of monitoring where the Council has made a grant to that body;
- to enable Council involvement where the CO's activity is relevant to the Council;
- to satisfy a request from the CO that the Council appoint a representative;
- statutory requirements.

Appointments to a CO are generally for a three year term, and are made after the triennial Council elections at the triennial Council appointments meeting or at a meeting following receipt of a notice of motion.

Appointments will not extend beyond the Council's triennial term.

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

All appointments will be at the pleasure of Council.

### **11.4.4.2 Identification of required skills, knowledge and experience of CO Directors, and Appointment**

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.

Council will determine the required skills, knowledge and experience for each appointment. 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.

### **11.4.4.3 Remuneration of CO Directors**

CO directors appointed by the Council will receive the remuneration (if any) offered by that body.