



NOTICE OF SPECIAL MEETING

COUNCIL CONTROLLED ORGANISATIONS GOVERNANCE SUBCOMMITTEE

I hereby give notice that pursuant to Standing Order 14.1(b)(ii) a Special Meeting of the Council Controlled Organisations Governance Subcommittee will be held on:-

DATE: **Tuesday, 17 December 2002** **TIME:** **9.30 am**

VENUE: **Civic Centre, 6 Waipareira Avenue, Lincoln, Waitakere City**

to consider:

1. appointment of Chairperson;
2. appointment of Deputy Chairperson;
3. determine process for selection and appointment of Trustees to Enterprise Waitakere;
4. North Shore City's invitation for a joint Working Party on appointment of Directors to Techscape Limited;

and to take any necessary action connected therewith.

17 December 2002

Sharon Simiona
COMMITTEE SECRETARY
Telephone (09) 836 8000 extn 8820

MEMBERSHIP:

Councillors	JM	Clews, QSO, JP
	AC	Fenton
	JP	Lawley
	GB	Presland
	GW	Russell
	DA	Yates, JP

Mayor, Bob Harvey, QSO, JP (ex officio)

(Quorum 4 members)

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(The reports and recommendations contained in all agendas are reports and recommendations only and are not to be construed, in any way, as Council policy until adopted.)

**AGENDA FOR A SPECIAL MEETING OF THE COUNCIL CONTROLLED ORGANISATIONS
GOVERNANCE SUBCOMMITTEE TO BE HELD IN THE CIVIC CENTRE,
6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY,
ON TUESDAY, 17 DECEMBER 2002
COMMENCING AT 9.30 AM.**

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1 APOLOGIES



2 ELECTION OF CHAIRPERSON

Pursuant to Section 114L(3) of the Local Government Act, the Subcommittee is required to elect a Chairperson from its members at its first meeting. The election shall be on the basis of open voting with one vote by each member (and no person having a casting vote) unless the Subcommittee resolves to use the voting system described in Section 114K which reads as follows:

- “(1) For the purposes of -
- (a) The appointment of the Chairperson of Deputy Chairperson of a committee; and
 - (b) The election or appointment of a representative of a local authority for any purpose, -
the local authority of (except where the local authority has otherwise directed) the committee may, by resolution, determine that the person be elected or appointed by a system of voting that requires that, except as provided in subsection (2) of this section, the person to be elected or appointed receive the votes of a majority of the membership of the local authority or committee present and voting, and that requires that, where more than one round of voting is required, the least successful candidate in a round of voting shall not be a candidate in the next round of voting.
- (2) Where the system of voting described in subsection (1) of this section is adopted, section 114J(1)(b) of this Act shall not apply, and every equality of votes that is not to be determined by a further round of voting shall be determined by lot in such manner as the local authority or committee determines.”

The Chief Executive or his representative will call for nominations for the position of Chairperson. In the event that more than one nomination is received the Committee will be asked to determine the basis of voting (i.e. as provided by either Section 101P or Section 114K).

The Committee will then be requested to elect a Committee member to be Chairperson.

RECOMMENDATIONS

1. That the information be received.
2. That the Council Controlled Organisations Governance Subcommittee elect one member to be Chairperson of the Council Controlled Organisation Governance Subcommittee.



3 ELECTION OF DEPUTY CHAIRPERSON

Pursuant to Section 114L(3) of the Local Government Act 1974 the Subcommittee may wish to appoint a Deputy Chairperson.

Once a Deputy Chairperson is appointed that person will retain that position for the entire term of office or until they resign from the position.

The election of a Deputy Chairperson shall be conducted on the same basis as election of the Chairperson as prescribed under Section 101P of this Act unless the Subcommittee resolves to use the voting system described in Section 114K.

RECOMMENDATIONS

1. That the information be received.
2. That the Council Controlled Organisations Governance Subcommittee elect one member to be the Deputy Chairperson of the Council Controlled Organisation Governance Subcommittee.



4 ENTERPRISE WAITAKERE GOVERNANCE ARRANGEMENTS

PURPOSE OF THE REPORT

The purpose of this report is to assist the Council Controlled Organisations Governance Subcommittee in the process of appointing Trustees to the Waitakere Enterprise Trust Board (trading as Enterprise Waitakere).

BACKGROUND

At its meeting on 27 November 2002 Council established this Subcommittee with a field of activity to consider matters relevant to the governance and performance of Council Controlled Organisations. This Subcommittee was delegated the following powers relating to the appointment and evaluation of governing bodies of a Council Controlled Organisation:

1. To identify core and specialist competencies and skills, and mix thereof, required within the governing body of each Council Controlled Organisation.
2. To fix remuneration for, deal with, and conclude all contractual matters with the Directors, including their term of office.
3. To oversee the recruitment process and make recommendations for appointment to the Finance and Operational Performance Committee.
4. To set key result areas for Directors in accordance with their contracts and Council Controlled Organisations Statement of Corporate Intent or performance agreement.
5. To undertake an annual evaluation of individual Director and Board performance against key result areas.

Enterprise Waitakere is a Council Controlled Organisation because the Council has the power to appoint and remove trustees pursuant to the trust deed.

The trust deed requires the number of trustees to be not fewer than five and not more than eight.

Currently, the Board of Enterprise Waitakere comprises five Trustees:

- Mr Brian Mogridge ONZM (Chairperson);
- Dr Margo Buchanan-Oliver;
- Mr Taha Fasi;
- Mr Harry O'Rourke;
- Ms Ann Magee.

The Council resolved at its meeting on 31 July 2002:

“2. *That the Director Strategic Projects Ms Ann Magee be appointed as a Trustee of the Waitakere Enterprise Trust Board to serve until the review of Enterprise Waitakere, covering long-term governance arrangements including the structure, skills and appointment process for the Waitakere Enterprise Trust Board, is completed, and in the mean time to allow the Trust Board to transact business.*”

2448/2002

At its meeting on 27 November 2002 the Council received a report outlining an urgent issue relating to Enterprise Waitakere and Techscape Limited. (This Subcommittee will consider a separate report on Techscape at this meeting.) The report noted:

“The Chair of Enterprise Waitakere has expressed concern that the number and composition of that entity’s board is insufficient to best meet the needs of Council and that a further three members are needed with the appropriate skills and awareness of this Council’s strategic objectives particularly in respect of economic development within the City.”

While there has not yet been a full review of all governance issues at Enterprise Waitakere, including a review of that entity's performance, Mr O'Rourke has indicated that he will resign from his position as Trustee of Waitakere Enterprise Trust Board once Council has appointed replacement trustees.

STRATEGIC CONTEXT

The creation of a strong local economy and more local jobs is the Council’s number one strategic priority. Enterprise Waitakere is the primary mechanism for the Council to fund the delivery of economic development services.

ISSUES

Appointment of Trustees

A1

The Board of Enterprise Waitakere provided a list of the skills and competencies required for the Board as a whole. In reviewing this list officers have considered the key selection criteria set for the appointment of governing bodies to many of the Council controlled organisations in the Auckland region. An agreed list is attached at page A1. This list also sets out the key areas of experience and influence the Board is seeking. It is acknowledged that these areas of interest will vary from time to time in order to meet the Council’s priorities.

It is proposed that the Subcommittee select three trustees in order to retire Mr O'Rourke and to enable the Board to more effectively carry out its functions.

The trust deed requires a third of trustees (or the number nearest to a third) to retire every two years, the next rotation is scheduled for 23 August 2003. The appointment of an additional three trustees following the process outlined in this report and the anticipated resignation of Mr O'Rourke will result in a Board of seven trustees. The next rotation date of late August 2003 gives Council the opportunity to complete a review of all governance and performance issues in respect of Enterprise Waitakere and to make further recommendations on the number and composition of that entity's Board.

Principles

The governance principles relating to appointment of governing bodies to Council controlled organisations were considered and received by Council at its meeting on 27 November 2002. The key principles require:

- an objective and transparent appointment process.
- determination of core competencies and skills relevant to the entity.
- evaluation and selection of the governing body based on these key criteria.
- determination of clear roles and accountabilities of individual Board members and the Board as a whole.
- clear performance expectations against which the Board and individual members will be evaluated.
- timely monitoring, evaluation and feedback of the governing body's performance.

These principles are set within an overall framework for Council's proper exercise of influence and control over organisations. Council has previously recognised that influence and control should be exercised through:

- a) The appointment of Directors/Trustees suitable for the task the organisation has;
- b) The Statement of Corporate Intent (or equivalent performance agreement) and deliberate and rigorous input into it; and
- c) Contracts for service where appropriate.

This recognises that Directors and Trustees have duties to the entity under law as well as to the Council.

The report also dealt with situations giving rise to conflict of interest, particularly in respect of the appointment of elected members or Council officers to the governing body. The report was underpinned by the findings and recommendations of the Audit Office in its 2001 report¹ on good group governance and recognised certain situations where Council officer appointments to governing bodies would be appropriate, but that the appointment of elected members to such bodies is not recommended. On these principles, appointment of elected members should only be considered where they could compete with external appointees in terms of the critical factors for appointment. Where this is the case, governance arrangements should be altered to ensure the elected member does not participate in the appointment process, and if successfully appointed, in any business relating to the entity.

¹ www.oag.govt.nz/publications

If a member of this Subcommittee wishes to apply for a position as trustee, then the member should either resign from the Subcommittee or withdraw from all participation throughout the appointment process, and if successfully appointed, all future business related to the Trust.

Remuneration of Trustees

There is some inconsistency in the level of remuneration paid to the Chair and members of Enterprise Waitakere when compared to other Council controlled organisations within Waitakere. The respective Chairs of Techscape Limited and Waitakere Properties Limited receive \$40,000 and \$30,000 remuneration compared to the Enterprise Chairperson of \$7500.

Notwithstanding the different roles, revenue streams and asset bases of publicly controlled organisations in the Auckland region the amounts paid to the respective members of Enterprise Waitakere appear on the low side. The following table gives an indication of current remuneration levels for some of these entities. This information has been obtained from the most recently available financial statements although we understand that Auckland City Council has recently undertaken a review of remuneration of directors on Council controlled organisations and that some increases are being recommended.

Entity	Chair	Director/ Trustee
Enterprise Waitakere	7,500	5,000
Enterprise North Shore	TBA	TBA
Waitakere City Holdings Limited	7,500	5,000
Techscape Limited	40,000	20,000
North Shore Maintenance Ltd (Holding Company)	20,000	13,000
Waitakere Properties Limited	30,000	20,000
City Design Limited	30,000	15,000
Metrowater Limited	40,000	20,000
The Edge	12,000	6,600
Watercare Services Limited	55,100	25,000
Infrastructure Auckland Limited	51,500	25,750
ARTNL	46,000	23,000

It should be noted that in accordance with Council policy this Council's officers do not receive any remuneration for their respective roles on Council Controlled Organisations.

This Subcommittee has within its delegation the power to determine remuneration of members of Council Controlled Organisations. Council resolved at its meeting on 11 October 2002 to review the adequacy of governance arrangements of all Council Controlled Organisations. It has been some time since Council has comprehensively reviewed the level of remuneration paid to Boards of Council Controlled Organisations and it therefore seems appropriate that the governance review also include a comprehensive review of Board remuneration.

Notwithstanding any future review of Board remuneration the above table would suggest that the current levels of remuneration to Enterprise Waitakere Board members are somewhat on the low side and that some immediate increase is justified.

In determining some of the key selection criteria emphasis has been placed on the willingness of members to be held accountable for their role on the Board. The Chair of Enterprise Waitakere is expected to play a major role in coordinating the effective activities of the Board and working closely with the Chief Executive of that entity and it would not be unreasonable to remunerate that position at levels similar to the Chairs of Waitakere Properties Limited and Techscape Limited. Equally it would not seem unreasonable to increase the level of Trustee remuneration to levels similar to the directors of those entities. An interim increase in the Chair's remuneration to \$30,000 and Trustees' remuneration to \$10,000 would not be unreasonable.

Process

The proposed process for appointing the three trustees is as follows:

- A1
1. Confirmation of general and specific competencies and skills required of the Board as per the list attached at page A1.
 2. Expression of interest to be advertised in NZ Herald - prior to 25 December 2002 and early January 2003.
 3. Councillors invite potential candidates to express an interest - prior to 24 January 2003.
 4. Subcommittee prepares for interview questions and selection criteria - meeting prior to 24 January 2003.
 5. Applications close - on 24 January 2003.
 6. Shortlist developed by Staff Advisory Group is sent to Subcommittee - on 4 February 2003.
 7. Subcommittee approves shortlist - on 5 February 2003.
 8. Interviews by Subcommittee delegates - from 10 to 14 February 2003.
 9. Evaluation of applicants by Subcommittee delegates - from 10 to 18 February 2003.
 10. Subcommittee reviews and makes decision - on 20 February 2003
 11. Subcommittee delegate contacts successful applicants to discuss remuneration and availability - 20-24 February 2003.
 12. Ratification at Council meeting on 26 February 2003.
 13. Contract with key result areas entered into with successful applicants - after 26 February 2003.

The proposed process does not include the use of an independent consultant in any capacity. In recommending the above process officers have had access to information on the processes followed by other local authorities for the appointment of governing bodies to Council Controlled Organisations. There is also a clear expectation that successful candidates can demonstrate an understanding of Waitakere City's economic development issues and be in a position to focus on local economic development and related community issues. While there may be candidates from around the country with an interest in serving on the Board, it is more likely that successful applicants will be found closer to Waitakere City. This Subcommittee has the necessary capabilities to interview candidates and recommend appointments to Council.

Under the terms of the Trust Deed the Board appoints a Chairperson on an annual basis. It would therefore be inappropriate for the current Chair to be part of the selection and appointment process. Nevertheless the Subcommittee may need to be advised throughout the above process particularly in relation to key result areas that the Council expects from successful applicants. This support can be provided from officers of Council with access to Enterprise Waitakere management as required.

The full Subcommittee may wish to perform the detailed interviews and evaluation of applicants however the above process envisages that this Subcommittee will nominate a smaller number of delegates (say 4) to perform this role.

The timeframe is tight in order to obtain ratification of the appointments at the Council meeting on 26 February 2003.

RESOURCES

The process for appointment of trustees proposes that this Subcommittee manages this with support from an Officers Advisory Group. It is not proposed to use an external recruitment agency. Expenses for the appointment process include advertising and meeting allowances, are estimated at \$3000 to \$4000 and are within existing budget.

The existing funding from the Council enables Enterprise Waitakere to cover trustees' remuneration. Enterprise Waitakere has indicated that it will absorb the cost of the increased remuneration fees for trustees for the current year. However, Enterprise Waitakere will be seeking to receive funding from the Council to cover this in future years.

CONCLUSION

The appointment process outlined in this report is based on good practice as commented on by the Audit Office and is very similar to the appointment processes followed by Councils in respect of regionally controlled organisations. It is not considered necessary to include an external consultant as an adviser to the process, however appropriate officer input is recommended.

Consideration of any further changes to the number and composition of the Board is not considered appropriate until Council has had the opportunity to complete a full review of performance and governance matters at Enterprise Waitakere.

A comprehensive review of Board remuneration of Council Controlled Organisations would be timely as part of Council's review of governance issues in respect of such entities. The timing of this review should be coordinated with the current annual planning process. Notwithstanding this review, there appears to be justification for an immediate increase to the current levels of remuneration of the Trustees of Enterprise Waitakere.

RECOMMENDATIONS

1. That the information be received.
2. That the Special Council Controlled Organisations Governance Subcommittee engages in a process of appointing a further three Trustees to the Waitakere Enterprise Trust Board.
3. That the process for the appointment of trustees to the Waitakere Enterprise Trust Board as outlined in this report be approved.
4. That the skills requirement and remuneration for Trustees to the Waitakere Enterprise Trust Board as set out in this report be approved.
5. That the Chief Executive be requested to undertake a comprehensive review of Waitakere Enterprise Trust Board remuneration in Council Controlled Organisations.

Report prepared by: Robert Rudd, Director: Quality Assurance, Michael Riley, Partnership and Advocacy Leader, Governance, and Kevin Wright, Senior Project Manager, Transport Projects.



5 TECHSCAPE LIMITED GOVERNANCE ARRANGEMENTS

PURPOSE OF THE REPORT

The purpose of this report is to provide the Subcommittee with background on North Shore City Council's (hereafter North Shore City Council) invitation to Waitakere City Council to form a joint subcommittee to review a number of governance issues relating to Techscape Limited and to confirm who will represent this Council on the joint subcommittee.

BACKGROUND

In late 2001 Sheffield Consulting Group were commissioned and briefed by North Shore City Council to undertake a governance review of that Council's holding company and Techscape Limited. Following the death of one of the directors on both companies, Sheffield were asked to focus on the holding company, although Sheffield did produce a report to North Shore City Council entitled "Best Practice Governance for Techscape Limited". The main findings of the review related to:

- the need to ensure continuity of the Chairman of Techscape;
- formalisation of a process for Board appointments;
- ensure the balance of appropriate skills and competencies is represented on the Board;
- succession planning for Board members;
- establish a remuneration policy for the Board;
- establish a workable performance appraisal process;
- building strategic value through Techscape contracts with respective shareholding Councils;
- establishing appropriate Board agenda and meeting procedures.

The constitution of Techscape Limited allows for six directors with the holder of Group A shares (WCC) and the holder of Group B shares (North Shore City Council), each entitled to appoint up to three persons to be directors. Current directors are:

- Mr RW Jewell (Chairman) (WCC appointed 21 Jul 2000);
- Mr RL Hutchison (North Shore City Council appointed 21 Jul 2000, soon to resign);
- Mr BJ Connor (WCC appointed 21 Jul 2000);
- Mr N Fowler (North Shore City Council appointed 21 Jul 2000).

North Shore City Council's Strategy and Finance Committee met on 15 October 2002 to consider a number of governance issues relating to that Council's holding company and Techscape Limited. At the meeting North Shore City Council resolved to establish a joint subcommittee, comprising two councillors from each of North Shore City and Waitakere City, to work with the Chief Financial Officer of North Shore City Council and an appropriate officer from this Council, the current Chairman of Techscape Limited and Sheffield Consulting Group Limited.

STRATEGIC CONTEXT

Council has a significant financial investment in Techscape Limited as well as a number of significant short and long-term physical works and maintenance contracts. Techscape Limited is the primary mechanism for Council to ensure the presence in our region of a major competitor for physical works and maintenance contracts, and also to provide emergency services support as required. It is important that Council exercises appropriate governance over organisations under its control.

ISSUES

Board Vacancies

With the pending resignation of Mr Hutchison from the Board of Techscape Limited, only three Directors will remain.

Good Governance

The Sheffield Consulting Group has identified a number of governance issues requiring action. This Council has also expressed its concerns over the adequacy of governance and performance of Techscape in recent times.

Representation from Council

At its meeting on 27 November 2002 Council resolved:

"That if Council wishes to jointly review Techscape with North Shore City Council, the members of the Council Controlled Organisations Governance Subcommittee be Council's representation."

3369/2002

The invitation from North Shore City Council is for two elected members and an officer to work with respective representation from North Shore City Council. It would be impractical for the full Subcommittee to be involved in the review and a delegation of two members is recommended. Nevertheless, it is important that the Subcommittee has input into the scope of any review. It is also appropriate that in addition to the Chief Executive of Council, the Chairs of other Council Committees be consulted for the input into the scope. North Shore City Council has indicated they are keen to meet as soon as practicable in the New Year, and their Director: Finance has suggested a meeting at least with the respective Council officers in the last week of January.

At Council's request, the Chief Executive established an Officers Advisory Group (OAG) to assist Council on all matters relating to governance of Council Controlled Organisations. One of the roles this group will be playing in respect of Techscape is overview of the company's Statement Of Corporate Intent. While the final scope of review will determine how many Council officers need to be involved, there is merit in involving the Director: Finance and the Director: Quality Assurance in the review. Both officers are part of the Officers Advisory Group.

CONCLUSION

A review of governance issues relating to Techscape is both timely and urgent. There is merit in forming a joint working group with North Shore City Council and nominating two members from this Subcommittee to represent Council on the working party.

As equal investors in Techscape the final scope of review requires input from both councils.

At this stage it is not certain the review group will need the services of an outside consultant.

RECOMMENDATIONS

1. That the information be received.
2. That in addition to the Director: Finance and the Director: Quality Assurance, the Council Controlled Organisations Governance Subcommittee nominate two members to the joint working party with North Shore City Council.
3. That before finalising the scope of review, appropriate input into the scope is obtained from the Chief Executive, the Council Controlled Organisations Governance Subcommittee, and the respective Chairs of the Finance And Operational Performance Committee, City Development Committee and Environmental Management Committee.

Report prepared by: Robert Rudd, Director: Quality Assurance.



**EXPRESSIONS OF INTEREST IN MEMBERSHIP OF THE
WAITAKERE ENTERPRISE TRUST BOARD
(commonly known as Enterprise Waitakere)**

1. Competencies required in all Members

- Leadership and governance
- Understanding of and commitment to sustainable economic development principles
- Cultural understanding and awareness
- Relationship management and advocacy skills
- Networks in the business or related community, regionally and nationally

2. Skill sets to be represented among Member(s)

- Leadership and Management
- Financial and Strategic Planning
- Information Management
- The translation of cultural capital into economic activity
- Marketing and/or customer relations expertise
- Understanding of Waitakere economic development issues
- Legal experience

3. Demonstrate credibility, access and the ability to leverage networks in the following areas

- Local Economic Development, particularly in the areas of sector focus-film, boatbuilding, organics & technology (ICT)
- New economy industry including creative industries, renewable energy and SME's
- Foreign Direct Investment
- Education
- Venture Capital
- Enterprise Development
- Government

4. Behaviour Profile – to be able to take people with them

- Visionary Leadership
- Inspire and Motivate
- Strategic thinkers
- Excellent communicator and an ability to work across a wide range of stakeholder groups
- Commitment to working as a team
- Prepared to be held accountable for given portfolio
- Prepared to commit to a policy of "no surprises" on matters likely to cause community concern or have political implications
- Commitment to Waitakere City's Agenda 21/Eco City philosophy and Council's primary goal of the creation of sustainable, high quality local jobs