

NOTICE OF MEETING

Joint Shareholders Committee

Date: Tuesday 17 November 2020

Time: 1.00 pm

**Venue: Tasman Council Chamber
189 Queen Street
Richmond**

MEMBERSHIP

	Tasman District Council	Nelson City Council
Members	Mayor T King Deputy Mayor S Bryant Cr B Dowler Cr K Maling Cr C Mackenzie Cr D Ogilvie	Mayor R Reese Deputy Mayor J Edgar Cr M Courtney Cr B McGurk Cr G Noonan Cr R Sanson
In Attendance	Janine Dowding, Chief Executive TDC Mike Drummond, Corporate and Governance Services Manager Christina Ewing, Committee Advisor	Pat Dougherty, Chief Executive NCC Nikki Harrison, Group Manager Corporate Services

(Quorum 6 members, 3 from each Council)

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AGENDA

- 1 **OPENING, WELCOME**
- 2 **APOLOGIES AND LEAVE OF ABSENCE**
Nil
- 3 **DECLARATIONS OF INTEREST**
- 4 **CONFIRMATION OF MINUTES FROM THE 25 AUGUST 2020.**

MINUTES

of the

JOINT SHAREHOLDERS COMMITTEE MEETING

held

1.30pm, Tuesday, 25 August 2020

at

Tasman Council Chamber, 189 Queen Street, Richmond

Present: *Tasman District Council: Mayor T King, Deputy Mayor S Bryant (Chair), Councillors B Dowler, K Maling, C Mackenzie and D Ogilvie
Nelson City Council: Mayor R Reese, Deputy Mayor J Edgar, Councillors M Courtney, B McGurk, G Noonan and R Sanson*

In Attendance: *Tasman District Council: Chief Executive (Janine Dowding), Corporate and Governance Manager (M Drummond), Committee Advisor (C Ewing)
Nelson City Council: Chief Executive (Pat Dougherty), Group Manager Corporate Services (N Harrison)
Group Manager Community Services (R Ball) Acting Group Manager Community Services (Mark Preston-Thomas).*

1 **OPENING, WELCOME**
Mayor Tim King opened the meeting with a Karakia.

2 **APOLOGIES AND LEAVE OF ABSENCE**

*Moved Cr Dowler/Cr Maling
JSC20-08-1*

That the Joint Shareholders Committee:

1. *Receives and accepts an apology for lateness from Mayor Reese and Cr. McGurk.*

CARRIED

3 DECLARATIONS OF INTEREST

None

4 CONFIRMATION OF MINUTES

Moved Cr Mackenzie/Cr Courtney
JSC20-08-6

That the minutes of the Joint Shareholders' Committee meeting held on Monday, 18 May 2020, to be confirmed as a true and correct record of the meeting.

CARRIED

(Brian McGurk entered the meeting at 1.40 PM)

5 PRESENTATIONS

5.1 Tasman Bays Heritage Trust, Lucinda Blackley-Jimson Chief Executive

Lucinda Blackley-Jimson, Chief Executive Officer of TBHT was not presenting to the Committee, however, was available to answer questions.

6 REPORTS

6.1 Tasman Bays Heritage Trust - Adoption of Final Statement of Intent

Adoption of the Final Statement of Intent (SOI) 2020/23 – A discussion began with various recommendations forwarded to Lucinda Blackley-Jimson, Chief Executive Officer, it was noted that she would take back the recommendations to the TBHT Board.

Moved Cr Ogilvie/Cr Sanson
JSC20-08-2

That the Joint Shareholders Committee:

- 1. receives the report Tasman Bays Heritage Trust - Adoption of Final Statement of Intent (R18091) and its attachments (A2326622 and A2411338); and**
- 2. notes the delivery of the Tasman Bays Heritage Trust's Final Statement of Intent 2020/23 as required under the Local Government Act 2002; and**
- 3. approves the Final Statement of Intent of the Tasman Bays Heritage Trust as amended for 1 July 2020 to 30 June 2023.**

CARRIED

7 CONFIDENTIAL SESSION

7.1 Procedural motion to exclude the public

Moved Cr Maling/Cr McGurk
JSC20-08-3

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

7.2 TBHT Trustee Appointment and Remunerations

<i>Reason for passing this resolution in relation to each matter</i>	<i>Particular interest(s) protected (where applicable)</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i>	<p><i>48(i)(d) - To deliberate in private in a procedure where a right of appeal lies to a Court against the final decision.</i></p> <p><i>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</i></p> <p><i>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</i></p>	<p><i>s48(1)(a)</i></p> <p><i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i></p>

7.3 Presentation from Port Nelson Limited and Questions

<i>Reason for passing this resolution in relation to each matter</i>	<i>Particular interest(s) protected (where applicable)</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i>	<p><i>48(i)(d) - To deliberate in private in a procedure where a right of appeal lies to a Court against the final decision.</i></p> <p><i>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</i></p> <p><i>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations</i></p>	<p><i>s48(1)(a)</i></p> <p><i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i></p>

	<i>(including commercial and industrial negotiations).</i>	
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7.4 Port Nelson Director Reappointment

<i>Reason for passing this resolution in relation to each matter</i>	<i>Particular interest(s) protected (where applicable)</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i>	<p><i>48(i)(d) - To deliberate in private in a procedure where a right of appeal lies to a Court against the final decision.</i></p> <p><i>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</i></p>	<p><i>s48(1)(a)</i></p> <p><i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i></p>

7.5 Port Nelson Limited - Draft Statement of Corporate Intent 2021 to 2023

<i>Reason for passing this resolution in relation to each matter</i>	<i>Particular interest(s) protected (where applicable)</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i>	<p><i>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</i></p> <p><i>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</i></p>	<p><i>s48(1)(a)</i></p> <p><i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i></p>

7.6 Presentation Nelson Airport and Questions

<i>Reason for passing this resolution in relation to each matter</i>	<i>Particular interest(s) protected (where applicable)</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i>	<p><i>48(i)(d) - To deliberate in private in a procedure where a right of appeal lies to a Court against the final decision.</i></p> <p><i>s7(2)(h) - The withholding of the information is necessary to</i></p>	<p><i>s48(1)(a)</i></p> <p><i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i></p>

	<p><i>enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</i></p> <p><i>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</i></p>	
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7.7 Nelson Airport Limited - Final Statement of Intent

<i>Reason for passing this resolution in relation to each matter</i>	<i>Particular interest(s) protected (where applicable)</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i>	<p><i>48(i)(d) - To deliberate in private in a procedure where a right of appeal lies to a Court against the final decision.</i></p> <p><i>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</i></p>	<p><i>s48(1)(a)</i></p> <p><i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i></p>

7.8 Directors Remuneration 2020 - Port Nelson Limited and Nelson Airport Limited

<i>Reason for passing this resolution in relation to each matter</i>	<i>Particular interest(s) protected (where applicable)</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i>	<p><i>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</i></p> <p><i>s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of</i></p>	<p><i>s48(1)(a)</i></p> <p><i>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</i></p>

	<i>similar information or information from the same source and it is in the public interest that such information should continue to be supplied.</i>	
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CARRIED

The meeting concluded at 3.30 PM

That the minutes of the Joint Shareholders Committee meeting held on Tuesday, 25 August 2020:

- 1. be confirmed as a true and correct record of the meeting.**

5 PRESENTATIONS

Nil

6 REPORTS

- 6.1 Joint Appointment of Directors7
- 6.2 Port Nelson Limited - Final Statement of Corporate Intent 2020-202337

7 CONFIDENTIAL SESSION

Confirmation of Minutes

6 REPORTS

6.1 JOINT APPOINTMENT OF DIRECTORS

Decision Required

Report To:	Joint Shareholders Committee
Meeting Date:	17 November 2020
Report Author:	Mike Drummond, Corporate and Governance Services Manager
Report Number:	RJSC20-11-1

1 Purpose of Report

- 1.1 The purpose of this report is to enable the Joint Shareholders' Committee to consider the alignment of the appointment processes of Directors to Council Controlled Organisations (CCOs). The proposal is that all Director appointments to jointly owned CCOs should be made jointly under the current Joint Appointment Policy. These changes would take effect from the 2020/2021 appointments.

2 Report Summary

- 2.1 Under the Local Government Act 2002 (LGA), the councils are required to have a formal policy for the selection and appointment of Directors/Trustees, along with their remuneration. The Act requires that when making such appointments, the councils must identify the skills, knowledge and experience required to carry out the role and a person should only be appointed to a role if they have those skills, knowledge and experience.
- 2.2 An agreed Joint Policy (**Attachment 1**) between Nelson City and Tasman District Councils exists for the Joint Appointment of Directors/Trustees to Council Controlled Organisations. In addition, each council maintains a separate policy for sole appointments (**Attachments 2 and 3**). There is general alignment within the separate policies.
- 2.3 The staff recommendation would see no changes to the current Joint Appointment Policy but changes to the respective constitutions of the CCO's will be necessary to provide for joint appointment of all directors. All proposed changes would require approval by the two councils separately.
- 2.4 This change would also remove the current risk in relation to conflicts of interest that exist with the Tasman District Council appointing an elected official rather than making an independent appointment to a board. The matters that need to be considered in this regard are set out in sections 4.9 and 4.10 of this report.

3 Recommendation

That the Joint Shareholders Committee:

1. receives the Joint Appointment of Directors report; and

Item 6.1

2. **agrees that all Director appointments or reappointments to jointly owned CCO's should be jointly made by both Tasman District Council and Nelson City Council under the Joint Appointment of Directors/Trustees to Council Controlled Organisations policy; and**
3. **notes that current individual council director appointments will continue to the end of their current term and that these directors will be eligible for reappointment under the Joint Appointment of Directors/Trustees to Council Controlled Organisations policy; and**
4. **instructs Tasman District Council and Nelson City Council Officers to advise the their individual appointees of the change in appointment policy**
5. **instructs Officers to engage with the respective boards and prepare a report to both Tasman District Council and Nelson City Council to recommend appropriate changes to the constitutions of Port Nelson Ltd and Nelson Airport Ltd; and**
6. **confirms that no changes be made to the Joint Appointment of Directors/Trustees to Council Controlled Organisations policy**

OR

7. **requests the Joint Appointment of Directors/Trustees to Council Controlled Organisations policy be amended**
 - a) **to provide for the appointment of elected officials to CCO boards through the same process as other independent appointments; and**
 - b) **that the term of elected member appointments will be restricted to their current term in office and they will require reappointment at the start of each triennium.**

4 Background and Discussion

- 4.1 The Local Government Act (LGA) 2002 requires councils to have a policy on the appointment of Directors to Council Organisations (COs). This policy must set out an objective and transparent process. Council Organisations include Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs).
- 4.2 The process must identify the skills, knowledge and experience required to carry out the role. There is a specific requirement that a person can only be appointed as a Director if the person has the skills, knowledge or experience to:
 - 4.2.1 Guide the organisation, given the nature and scope of its activities, and
 - 4.2.2 Contribute to the achievement of the objectives of the organisation.
- 4.3 The clear intention of the LGA 2002 is to ensure that appointments are in the best interest of the Board, rather than having a potential political element.
- 4.4 In the past, Tasman District and Nelson City Councils have taken different approaches to these appointments. While Tasman District Council's 2019 policy allows the appointment of elected members, Nelson City Council's policy does not (except in a temporary capacity and without payment).

- 4.5 Tasman District and Nelson City Councils also have a policy on Directors and Trustees appointed jointly by both councils. This policy does not allow for the appointment of elected members. No changes are proposed to this joint appointment policy although the Committee has the option to amend the existing appointment policy.
- 4.6 A comparison table for the three policies is provided in **Attachment 4**
- 4.7 This paper proposes that all new Director Appointments to jointly owned CCO's should be made jointly (after the changes to the constitutions). At the end of their current terms, the existing directors appointed by the individual councils would be eligible for reappointment under the joint policy. As the appointment criteria is the same, there is no reason to suggest a reappointment would not occur. This approach has practical and administrative advantages and would streamline the appointment processes overall.
- 4.8 This proposal to move to jointly appointing all directors would require changes to the Constitutions of the Port Nelson and Nelson Airport CCO's.
- 4.9 Coming out of a review of the advice available (from the Office of the Auditor-General (OAG) and other sources) on the appointment and management of CCOs, several identified factors need to be balanced in any decision to amend the current Joint Appointment Policy to allow for the appointment of elected members to governing bodies.
- 4.9.1 Elected members should not form a majority, or even close to a majority on a Board, as that approach threatens good governance. If a Board has more than a couple of elected members as representatives then it may lose its credibility.
- 4.9.2 Unless someone is a professional Company Director (or widely seen as possessing similar skills), they should not be appointed to commercial boards.
- 4.9.3 An individual should not have so many appointments that they earn a substantial portion of their income from these appointments.
- 4.9.4 Appointees must bring genuine value to a Board – their appointments must be based on merit, even if they have political connections.
- 4.9.5 The more important a Board, the more critical it is that the appointees be of high calibre.
- 4.9.6 Clear conflicts of interest will arise. An elected official, when acting as a Director, is solely responsible for advancing the interests of the Company. These interests may at times be in direct conflict to the Council policy or interests.

The Controller and Auditor-General Guidance

- 4.10 In 2015, the Controller and Auditor-General issued guidance on the governance and accountability of Council Controlled Organisations (CCOs). This guidance came after the original 2013 Tasman District Council Policy was adopted. It was also considered by the then (Tasman District) Council, when their Policy was last updated in 2018. Entitled "Governance and Accountability of Council Controlled Organisations", the report on page 32 and 33, in Part 5 "Appointing Directors" provides authoritative advice for Councillors when considering the updated policy and the decision to allow for the appointment of elected members to Boards. This part of the report is reproduced below. The full 82-page report is available to Councillors from the Corporate and Governance Services Executive Assistant or the Office of the Auditor-General's website www.oag.govt.nz.

- 4.11 The key conclusion reached in the report by the OAG was that “**effective monitoring and oversight, including setting clear expectations about the CCOs purpose and strategic alignment, should obviate any need for Councillor-Directors to provide an additional layer of oversight**”

Extract from the Office of the Auditor-General’s Report

Councillors as Directors of CCOs

- 5.15 *Local authorities may want to appoint Councillors to the Boards of their CCOs.³²*

Reasons may include a desire to prioritise the parent local authority’s objectives and expectations and to provide a way for information to flow between the subsidiary and the local authority.

- 5.16 *The same statutory provisions apply to reappointing an elected member as a Director: the appointment process should be objective and transparent, and the elected member should have the requisite skills, knowledge, or experience to contribute as a Director.*

- 5.17 ***Our review identified a range of opinions about appointing elected members. Each of the following arguments, for and against, was made to us several times during interviews.***

- 5.18 *Elected members say that Councillor-Directors:*

- *are likely to have a good knowledge and understanding of local government and the local community;*
- *contribute valuable “political nous” to a CCO board;*
- *provide an extra layer of assurance that the subsidiary will be kept in touch with the “mood” of the Council;*
- *add value by managing matters about the CCO that is before the Council;*
- *contribute to the diversity of the board; and*
- *can act as a representative for their community’s interests.*

³² *However, the Auckland model for substantive CCOs has a statutory prohibition on appointing councillors or local Board members to the governing body of a substantive CCO (apart from Auckland Transport, where two councillors can be appointed).*

- 5.19 *Councillor-Directors can also add to the Council’s understanding of the affairs of the CCO. Around the Council table, they can provide clarity to their colleagues about matters affecting the CCO. They can ensure that the Council has an informed debate that focuses on the main issues for decision. That said, Councillor-Directors might be unable to participate in decisions on matters about the CCO because of their interest as a director.*

- 5.20 *However, those we interviewed also identified disadvantages in having Councillors on boards. The principal arguments made against Councillor-Directors were:*

- *Councillor-Directors often lack the skills to perform well as a Director;*
- *there is an inherent conflict between a Councillor-Director’s obligations to the Council and their community and their obligations to the subsidiary; and*
- *Councillor-Directors are more likely to be subjected to and swayed by, pressure from community groups, so that it may be more difficult for a Councillor-Director to maintain the confidentiality of commercial or other information about the CCO’s business.*

- 5.21 *There is a view that the potential for conflict between a Councillor-Director’s interests and responsibilities as a Councillor and as a CCO Director is reduced where the*

Councillor is a Director of a CCO holding company. The reasoning is that the holding company will be focused on managing the Local Authority's investment in its CCOs, rather than on the specific business of each CCO. However, a Director of a holding company has a particular need for business acumen and governance experience.

- 5.22 *Most independent Directors and CCO board Chairs we spoke to believed that the disadvantages of Councillor appointments outweigh the benefits. The unanimous view was that CCO Directors should be competent to carry out the governance function effectively, and some noted that some Councillor-Directors lack that competence.*
- 5.23 *We consider that appointing elected members to CCO boards should be the exception. If Local Authorities wish to appoint elected members to their subsidiary boards, then the appointment should be open and transparent, and subject to the same selection criteria as for independent Directors.*
- 5.24 *We acknowledge the argument that elected members can contribute to CCO governance. We also recognise that Councillor-Directors may add value to a Board by being a Council voice, by ensuring that the CCO's objectives are aligned to those of the Local Authority, and by providing a community perspective. However, a Councillor-Director must have the necessary skills and experience to contribute fully to the governance of the CCO.*
- 5.25 *If a Local Authority appoints Councillors to the boards of its subsidiaries to ensure that the CCO remains mindful of its Shareholder's expectation, the Councillor's presence on the Board should not be a substitute for a formal system for monitoring and accountability. There are other, more transparent methods for the parent local authority to influence a CCO, such as the Statement of Intent process, a Letter of Expectations, the dividend policy, and approval of major transactions.*
- 5.26 ***In our view, effective monitoring and oversight, including setting clear expectations about the CCO's purpose and strategic alignment, should obviate any need for Councillor-Directors to provide an additional layer of oversight.***
- 4.12 If elected member are appointed then consideration to the term of the appointment is necessary. That term should align to the Local Authority election cycle. That means that the term of elected member appointments will be restricted to their current term in office and they will require reappointment at the start of each triennium. If an elected member resigns or it removed from office during the triennium then it would also be appropriate for the shareholders to consider ending their director/trustee role at that time.

5 Options

5.1 The options are:

5.2 **Option 1 (recommended) – all appointments being made jointly under the current joint appointment policy.**

Advantages

5.2.1 The current joint appointment process is based on good practice and balances competing interests.

5.2.2 Using the joint appointment process for all appointments would address concerns raised over Tasman District Council's elected member appointments

5.2.3 There will be cost savings arising from the single appointment process and engagement with one recruiting agency. It will be easier to balance candidate skills when multiple appointments are made at the same time.

5.2.4 Board succession planning is easier with only one body making appointment decisions.

Risks and Disadvantages

5.2.5 Would hinder the ability to recruit an elected member as a Director if they had a specific and desirable range of skills that may improve the Board's future capability.

5.2.6 The public may see political appointments as providing better oversight of CCO activities. Councillors should note the view of the Auditor General in this regard.

5.3 Option 2 – Maintain the status quo for joint and individual appointments under the respective policies.

Advantages

5.3.1 Both councils would continue to operate under the existing policies. Some Directors would be appointed jointly and some by each council with different policy objectives.

5.3.2 Under the Tasman District Council appointment policy, elected member appointments still follow the same process as independent member appointments and there is no guarantee of the elected member being the successful appointee.

Risks and Disadvantages

5.3.3 It would not address the concerns raised from time to time over elected member appointments.

5.3.4 It would not support a more streamlined appointment process and will continue to incur additional costs over option 1.

5.4 Option 3 – All appointments being made jointly under a revised joint appointment policy.

Advantages

5.4.1 Under an amended joint appointment policy, elected member appointments could still follow the same process as independent member appointments and there is no guarantee of the elected member being the successful appointee.

5.4.2 There will be cost savings arising from the single appointment process and engagement with one recruiting agency. It will be easier to balance candidate skills when multiple appointments are made at the same time.

5.4.3 Board succession planning is easier with only one body making appointment decisions.

Risks and Disadvantages

5.4.4 It would not address the concerns raised from time to time over elected member appointments or not following the advice of the OAG.

5.4.5 Care would be required to ensure the appointment panel acted in an independent way and was not overly influenced by political considerations or the respective positions of the individual councils.

Considerations for Decision Making

1. Fit with Purpose of Local Government

The selection and appointment of competent and experienced Directors/Trustees is essential for the good governance of Council Controlled Organisations.

2. Consistency with Community Outcomes and Council Policy/Legal requirements

- a) A formal policy is a requirement under S57 of the Local Government Act 2002.
- b) Port Nelson Ltd is not a CCO as defined by the LGA 2002. However, we use the same policy and procedure for Director appointments. The Port Companies Act 1988 covers the Port.
- c) All appointments must be in accordance with the rules, constitution, trust deed, shareholders agreement or other guiding documents for the organisation and the LGA 2002.
- d) The councils should give due weight to the guidelines provided by the Controller and Auditor-General in 2015 and contained within the “Governance and Accountability of Council Controlled Organisations” report.

3. Strategy and Risks

- a) The selection and appointment of competent and experienced Directors/Trustees are essential for the good governance of Council Controlled Organisations.
- b) There are financial and reputational risks should the councils not adopt and follow a robust process for identifying and appointing Directors/trustees.
- c) Alignment of policies between Nelson City Council and Tasman District Council is desirable. Adoption of the proposed changes will also improve continuity of Director appointments through the local authority election cycle.
- d) The councils do not indemnify elected members appointed to CCO Boards and they are not covered by the council’s insurance policies, as there is a specific exclusion for these appointments. Directors and officer’s liability cover would normally be taken out by the CCO. Notwithstanding, any insurance cover fines for some offences cannot be insured against and the elected member if appointed (as other Directors/trustees) would be personally liable.

4. Financial impact/Budgetary implications

There are no direct financial or budgetary implications in either approving or not the proposed changes. There are potential cost savings through a streamlined process that covers multiple appointments within the same process. Where deemed necessary, the use of consultants in the

<p>recruitment and selection process is met from existing governance budgets.</p>
<p>5. Degree of significance and level of engagement</p> <p>The decision to approve this change is considered to be of low significance. It is a statutory requirement, has no direct financial implications and is of limited interest to the general public. Given the low significance of the decision, no formal consultation is considered necessary.</p>
<p>6. Climate Impact</p> <p>This decision has no impact on the climate.</p>
<p>7. Inclusion of Māori in the decision-making process</p> <p>No engagement with Māori has been undertaken in preparing this report.</p>
<p>8. The Joint Shareholders' Committee has the following delegations that allow it to make this decision.</p> <p>Areas of Responsibility:</p> <ul style="list-style-type: none"> • All matters relating to jointly owned Council Controlled Organisations and Council Controlled Trading Organisations, including statements of intent, statements of corporate intent, half-yearly reports, and the appointment of Directors and setting of Director Fees. <p>Powers to Decide:</p> <ul style="list-style-type: none"> • All matters relating to jointly owned Council Controlled Organisations and Council Controlled Trading Organisations, including Statements of Intent, Statements of Corporate Intent, half-yearly reports, and the appointment of Directors and setting of Director fees.

6 Conclusion and Next Steps

- 6.1 There is a statutory requirement to have a policy for the appointment of Directors/Trustees.
- 6.2 Councillors in making their decision on the proposed change to the process, and any decision to change the Joint Appointment Policy, should consider the guidance provided by the Controller and Auditor-General. In particular, advice on the appointment of elected members to boards and the need for a robust and transparent appointment process.
- 6.3 The key conclusion reached in the report by the OAG was that “effective monitoring and oversight, including setting clear expectations about the CCOs purpose and strategic alignment, should obviate any need for Councillor-Directors to provide an additional layer of oversight”.

7 Attachments

1.	Procedure for Joint Appointment of Directors_trustees of Council Controlled Organisations November 2018	17
2.	Tasman District Council Policy on the Appointment of Directors to Council Organisations	23
3.	NCC Appointment of Directors_Trustees of CCO's & CCTO's	29
4.	Comparison of Policy Documents	35

Item 6.1

Joint Appointment of Directors/Trustees of Council Controlled Organisations and Council Controlled Trading Organisations

Joint Policy of Nelson City Council/Tasman District Council

Contact Mike Drummond, Corporate Services Manager TDC
Nikki Harrison, Group Manager Corporate Services NCC

Approved by Joint Shareholders Committee

Date November 2018

Review November 2021

JOINT APPOINTMENT OF DIRECTORS/TRUSTEES

1. Introduction

1.1 Nelson City Council and Tasman District Council jointly control or have significant shareholdings in several Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs). These are independent organisations, whose operations are governed by a board of directors or trustees.

2. Purpose

2.1 This Policy sets out the process for selection, appointment and review of directors/trustees jointly appointed to CCTOs, and to the governing boards of CCOs as per section 57 of the Local Government Act 2002.

3. Criteria for Selection of Directors/Trustees

3.1. The Joint Shareholders Committee must have regard to the diversity of each governing board when considering candidates for joint appointment or re-appointment.

3.2 Any person jointly appointed as a director/trustee of a CCO or CCTO must:

3.2.1 Have completed the Institute of Directors course; or

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- 3.2.2 Have equivalent experience.
- 3.3 The following qualities of candidates for joint appointment as directors/trustees must also be considered:
 - 3.3.1 Ability to think commercially and financially about strategies, projects and the intelligent deployment of resources;
 - 3.3.2 Ability to communicate in a concise and clear manner;
 - 3.3.3 Leadership skills, and willingness to be counted on important matters;
 - 3.3.4 Commitment to, and understanding of, the responsibilities of directors / trustees;
 - 3.3.5 Relevant business experience and/or the ability to gain an in-depth understanding of the company/trust and its activities;
 - 3.3.6 Objectivity in decision making;
 - 3.3.7 Respect for colleagues and staff;
 - 3.3.8 High ethical standards;
 - 3.3.9 Proven commercial experience;
 - 3.3.10 Positive attitude to public ownership and the principles of good corporate citizenship;
 - 3.3.11 Financial acumen;
 - 3.3.12 Commitment to regional needs and priorities;
 - 3.3.13 Any other special considerations/requirements in respect of the specific organisation.

4. Process for Appointment of Directors/Trustees

- 4.1. The Co-Chairs of the Joint Shareholders Committee will:
 - 4.1.1. Meet with the Chairperson of the relevant governing board to discuss specific requirements (including whether the

- appointment is necessary), and to consider whether there is any need for a variation of procedure under section 8;
- 4.1.2. Retain a recruitment consultant as required to advertise the vacancy and develop a list of candidates; and
 - 4.1.3. Decide on the composition of the interview panel, which will include the board chairperson (or another board member if the board chairperson is unavailable)
- 4.2. The Joint Shareholders Committee may include on the list of candidates any persons recommended by the chairperson of the governing board.
 - 4.3. The recruitment consultant shall, in consultation with the interview panel, assist with any interview process and carry out reference checks of persons on the list of candidates, having regard to the criteria listed in Section 3 above, and report a short list with recommendations to the Joint Shareholders Committee.
 - 4.4. The interview panel will conduct interviews on the short list of candidates and recommend a preferred candidate (or in the case of multiple vacancies, candidates) to the Joint Shareholders Committee through the Group Manager Corporate Services and/or the Group Manager Community Services.
 - 4.5. The Joint Shareholders Committee will make the final decision to appoint the director/ trustee on the recommendation of the interview panel.
- 5. Process for Reappointment of Directors/Trustees**
- 5.1. No Director/Trustee may be reappointed for a fifth consecutive term unless there are special circumstances.
 - 5.2. Subject to the constitution of the organisation concerned, where a Director/Trustee's term of appointment is about to expire and they are offering themselves for reappointment, the Co-Chairs of the Joint Shareholder's Committee:
 - 5.2.1. May make confidential enquiries from the Chairperson and other members of the Governing Board as necessary, including:
 - Whether the skills of the incumbent add value to the work of the Governing Board;
 - Whether there are other skills which the Governing Board needs;

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- Whether a change to the existing Directors/Trustees would compromise the Governing Board's ability to pursue a desired vision and long term strategy, or whether there is a need for new skills and ideas on the Board; and
 - Whether an appointment is necessary.
- 5.2.2. Must consider any information obtained and form a view on the appropriateness of reappointment or making a replacement appointment; and
- 5.2.3. Must recommend to the Joint Shareholders Committee whether reappointment is appropriate.
- 5.3. If reappointment is not appropriate, the appointment process outlined in Section 4 will be followed.

6. Performance of directors/trustees

- 6.1. A review of the Board and individual director/trustee performance shall be undertaken by the Chairperson of the governing board at least once every 18 months, including consideration of:
- 6.1.1. Board 'fit' and rapport;
 - 6.1.2. Demonstration of the necessary skills and qualities;
 - 6.1.3. Any changes in the organisation's strategic direction which may require different skills or experience;
 - 6.1.4. Individual's contribution and meeting attendance.
- 6.2. The Chair of the Board should reference this evaluation when making recommendations on the re-appointment or recruitment of Board members.

7. Remuneration of directors/trustees

- 7.1. Remuneration of directors/trustees of jointly held CCTOs is covered by the *Procedure for Joint setting remuneration for Directors of Council Controlled Trading Organisations (A1929440)*.
- 7.2. Remuneration of directors/trustees of jointly held CCOs is set in accordance with scales approved from time to time by the Joint Shareholders Committee prior to the organisation's annual general meeting.

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8. Appointment of staff members or Elected Members as directors/trustees

- 8.1. No staff member or elected member of either Council may be jointly appointed as a director/trustee, except where good reason exists for doing so. Any report recommending the appointment or reappointment of a staff member or elected member of either Council must clearly explain the reasons for doing so.
- 8.2. Subject to clause 8.1, each Council may develop separate policies regarding the appointment of elected members or staff members as directors/trustees.

9. Variation of Procedure

- 9.1. The procedures outlined in this policy may be varied to meet the requirements of the organisation's rules, constitution, trust deed or other guiding document, provided that such variation meets the requirements of the Local Government Act 2002.
- 9.2. The Joint Shareholders Committee may decide to vary the procedures outlined in Sections 4 and 5 of this policy as necessary, provided that such variation is not contrary to the requirements of the Local Government Act 2002, and conforms to relevant trust deed, the company's constitution, and other relevant legislation e.g. the Port Companies Act.



2019 Policy on the Appointment of Directors/Trustees to Council Organisations

ORGANISATIONAL POLICY

POLICY REFERENCES	
• Sponsor:	Corporate and Governance Services Manager
• Effective date:	1 March 2020
• Internal review due:	March 2023
• Legal compliance:	<ul style="list-style-type: none"> • Local Government Act 2002, S57 Appointment of Directors • The Port Companies Act 1988 • TDC/NCC Policy on the Joint Appointment of Directors and Trustees • CCO/CCTO Constitutions and Trust Deeds
• Associated Documents/References	<ul style="list-style-type: none"> • NCC/TDC Procedure for Jointly Setting Remuneration for Directors of Council Controlled Trading Organisations. • OAG 2015 Governance and Accountability of Council Controlled Organisations Report
• Policy Number	CS13
• Approved by Chief Executive	Yes
• Approved by Council (If Applicable)	<i>Approved by Council Report RCN18-02-05 22 February 2018</i>

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1. Purpose

The purpose of this policy is to set down an objective and transparent process for the selection, appointment and review of Council appointed directors or trustees to Council Organisations, Council Controlled Organisations, Council Controlled Trading Organisations and Port Companies. This is as per section 57 of the Local Government Act 2002 and the Port Companies Act 1988.

2. Definitions

Organisation - means for the purpose of this Policy, a Council Organisation, Council Controlled Organisation or Council Controlled Trading Organisation as defined in Section 6 of the LGA 2002 or a Port Company as defined in the Port Companies Act 1988.

Director - An appointed member of the board of directors of an Organisation who, with other directors, has the responsibility for determining and implementing the Organisation's policy. Directors also assist the Organisation to meet its objectives and the requirements in its Statement of Intent. The Director's role is defined in S58(1) of the LGA 2002 and in the case of Port Nelson Ltd, s.6(2) of the Port Companies Act 1988.

Trustee - A trustee is a person that holds and administers property or assets for the benefit of a third party.

Directors and Trustee remuneration - Payments made to directors and trustees in accordance with this policy.

Board – refers to a Company Board, Trust Board and any other governing body however it may be referred to.

Acronyms

CO - Council Organisation

CCO – Council Controlled Organisation

CCTO – Council Controlled Trading Organisation

3. Application

This policy applies to every Council appointment to the Board of an organisation as defined above. The only exceptions are where the appointment is a joint appointment with the Nelson City Council. These joint appointments are covered by the Tasman District Council and Nelson City Council Policy on the Joint Appointment of Directors and Trustees.

Non-compliance with this policy will result in a breach of the Local Government Act and the appointment being subject to legal challenge.



4. Policy

5.1 Criteria for Selection of Directors/Trustees

- 5.1.1 In accordance with Section 57(2) of the LGA 2002, all appointees must have in the opinion of Council, the skills, knowledge or experience to:
- guide the Organisation, given the nature and scope of its activities, and
 - contribute to the achievement of the objectives of the Organisation.
- 5.1.2 Council must have regard to the diversity of each Organisation's Governing Board when considering candidates for appointment or re-appointment.
- 5.1.3 For all appointments, the following qualities of candidates for appointment as Directors/Trustees must be considered:
- Demonstrated ability to think commercially and financially about strategies, projects and the intelligent deployment of resources;
 - Articulate, and able to communicate in a concise and clear manner;
 - Demonstrated leadership skills, and prepared to be counted on important matters;
 - Commitment to, and understanding of, the responsibilities of Directorships;
 - Whether knowledge of tikanga Māori may be relevant to the governance of that council-controlled organisation;
 - Relevant business experience and/or the ability to gain an in-depth understanding of the company/trust and its activities;
 - Objectivity in decision making;
 - Respect for colleagues and staff;
 - High ethical standards;
 - Proven commercial experience;
 - Positive attitude to public ownership and the principles of good corporate citizenship;
 - Financial acumen;
 - Commitment to regional needs and priorities;
 - Any other special considerations/requirements in respect of the specific Organisation.
- 5.1.4 Any person appointed as a Director/Trustee of a CCO or CCTO must also:
- have completed the Institute of Director's course; or
 - have equivalent experience.

5.2 Process for Appointment of Directors/Trustees



- 5.2.1 The Chief Executive, and/or delegate of the Chief Executive and the Mayor will:
- notify elected members of the vacancy in a timely manner; and
 - meet with the Chairperson of the Organisation's Governing Board to discuss specific requirements (including whether the appointment is necessary) and to consider whether there is any need for any variation of procedure, under Section 5.6 of this policy; and
 - retain a recruitment consultant to advertise the vacancy and develop a list of candidates; and
 - decide on the composition of the interview panel, to include the relevant Board Chairperson or representative.
- 5.2.2 The Chief Executive or the Mayor will include any persons recommended by Council on the list of candidates.
- 5.2.3 The Recruitment Consultant shall, in consultation with the interview panel, prepare a short list of candidates, assist with any interview process and carry out reference checks of persons on the list of candidates, having regard to the criteria listed in Section 5.1 above.
- 5.2.4 The interview panel will conduct interviews on the short list of candidates and recommend a preferred candidate (or in the case of multiple vacancies, candidates) to the Council through the Chief Executive.
- 5.2.5 Council will make the final decision to appoint Directors/Trustees, on the recommendation of the interview panel.

5.3 Reappointment of Directors/Trustees

- 5.3.1 No Director/Trustee may be reappointed for a fourth successive term unless there are special circumstances, including:
- Succession planning
 - Provision of continuity for redevelopment projects
 - Provision of specific areas of expertise
- 5.3.2 Subject to the constitution of the Organisation concerned, where a Director/Trustee's term of appointment has expired and they are offering themselves for reappointment, the Chief Executive and the Mayor:
- May make confidential enquiries from the Chairperson and other members of the Governing Board as necessary, including:
 - whether the skills of the incumbent add value to the work of the Governing Board;
 - whether there are other skills which the Governing Board needs;
 - whether a change to the existing Directors/Trustees would compromise the Governing Board's ability to pursue a desired



vision and long term strategy, or whether there is a need for new skills and ideas on the Governing Board; and

- whether an appointment is necessary.

- Must consider any information obtained and form a view on the appropriateness of reappointment or making a replacement appointment; and
- Must recommend to Council whether reappointment is appropriate.

5.3.3 If reappointment is not appropriate, the appointment process outlined in Section 5.2 will be followed.

5.4 Remuneration of Directors/Trustees

5.4.1 Directors and trustees are not entitled to payment for services unless this is provided for in the constitution of the Organisation or approved by a resolution of Council.

5.4.2 Directors/Trustees of Organisations shall receive fees as approved from time to time by the Council, prior to the Organisation's annual general meeting.

5.4.3 The Governing Board of the Organisation will provide appropriate information and details of any proposal to request an increase in remuneration at least three months before the Organisation's Annual General Meeting.

5.4.4 Remuneration for Directors of **CCTO's** will for consistency, be set in accordance with the Tasman District Council and Nelson City Council "Procedure for Jointly Setting Remuneration for Directors of Council Controlled Trading Organisations".

5.4.5 Remuneration for Directors and Trustees of Organisations that are not CCTOs will be set by Council after considering the recommendation of the Governing Board of the organisation and taking into account:

- the public service nature of the appointment
- the time and skill required to carry out the role
- the size, nature and turnover of the Organisation

5.5 Appointment of staff members as Directors/Trustees

5.5.1 No staff member of Council may be appointed as a Director/Trustee, except in a temporary role and where good reason exists to do so. Any report recommending the appointment or reappointment of a staff member in a temporary role must clearly explain the reasons for doing so.

5.5.2 Any staff member serving as a Director/Trustee in a temporary role will not be eligible for any director or trustee remuneration.



5.6 Variation of Procedure

- 5.6.1 The procedures outlined in this policy may be varied, without a specific Council resolution, to meet the requirements of the Organisation's rules, constitution, trust deed, shareholders agreement or other guiding document, provided that such variation meets the requirements of the Local Government Act 2002.
- 5.6.2 Council may decide, by resolution, to vary the procedures outlined in this policy as necessary, provided that such variation meets the requirements of the Local Government Act 2002 and provides an objective and transparent process for the appointment of the director or trustee.

Authorised by the Chief Executive

20 March 2020

Date of approval:

Appointment of Directors/Trustees of Council Controlled Organisations and Council Controlled Trading Organisations

Nelson City Council Policy

Contact	Chris Ward, Group Manager Community Services, Nikki Harrison, Group Manager Corporate Services Nelson City Council
Approved by	Council 20 March 2018
Date	March 2018
Review	March 2021

1. Introduction

- 1.1. Nelson City Council controls or has significant shareholdings in several Council Controlled Organisations and Council Controlled Trading Organisations. These are independent organisations, whose operations are governed by a Board of Directors or Trustees.

2. Purpose

- 2.1. This Policy sets out the process for selection, appointment and review of Directors/Trustees appointed to the Governing Boards of Council Controlled Organisations as per section 57 of the Local Government Act 2002.

3. Criteria for Selection of Directors/Trustees

- 3.1. Council must have regard to the diversity of each Governing Board when considering candidates for appointment or re-appointment.
- 3.2. Any person appointed a Director/Trustee of a Council Controlled Organisation or Council Controlled Trading Organisation must:
- 3.2.1. Have completed the Institute of Directors course; or
- 3.2.2. Have equivalent experience.
- 3.3. The following qualities of candidates for appointment as Directors/Trustees must also be considered:
- 3.3.1. Ability to think commercially and financially about strategies, projects and the intelligent deployment of resources;
- 3.3.2. Ability to communicate in a concise and clear manner;

- 3.3.3. Leadership skills, and willingness to be counted on important matters;
- 3.3.4. Commitment to, and understanding of, the responsibilities of Directors/Trustees;
- 3.3.5. Relevant business experience and/or the ability to gain an in-depth understanding of the company/trust and its activities;
- 3.3.6. Objectivity in decision making;
- 3.3.7. Respect for colleagues and staff;
- 3.3.8. High ethical standards;
- 3.3.9. Proven commercial experience;
- 3.3.10. Positive attitude to public ownership and the principles of good corporate citizenship;
- 3.3.11. Financial acumen;
- 3.3.12. Commitment to regional needs and priorities;
- 3.3.13. Any other special considerations/requirements in respect of the specific organisation.

4. Process for Appointment of Directors/Trustees

- 4.1. The Chief Executive, and/or delegate of the Chief Executive, the Mayor, and the Chairperson of the Governance Committee will:
 - 4.1.1. Meet with the Chairperson of the relevant Governing Board to discuss specific requirements (including whether the appointment is necessary) and to consider whether there is any need for any variation of procedure, under Section 8;
 - 4.1.2. Retain a recruitment consultant to advertise the vacancy and develop a list of candidates; and
 - 4.1.3. Decide on the composition of the interview panel, which will include the Board Chairperson or another Board member.
- 4.2. The Group Manager Corporate Services and/or the Group Manager Community Services may include any persons recommended by Council on the list of candidates.
- 4.3. The Recruitment Consultant shall, in consultation with the interview panel, prepare a short list of candidates, assist with any interview

process and carry out reference checks of persons on the list of candidates, having regard to the criteria listed in Section 3 above.

- 4.4. The interview panel will conduct interviews on the short list of candidates and recommend a preferred candidate (or in the case of multiple vacancies, candidates) to the Governance Committee through the Group Manager Corporate Services and/or the Group Manager Community Services.
- 4.5. Council will make the final decision to appoint Directors/Trustees, on the recommendation of the Governance Committee.¹

5. Reappointment of Directors/Trustees

- 5.1. Directors/Trustees who have not been appointed as Chairperson of the Board will generally not be re-appointed after serving three consecutive terms, unless that appointment is as Chairperson of the Board or there are other special circumstances.
- 5.2. Directors/Trustees who have been appointed as Chairperson of the Board are eligible to serve as Chairperson for up to three more consecutive terms from the time of their appointment as Chairperson.
- 5.3. In any case any Director or Trustee who has served six consecutive terms will generally not be re-appointed unless there are special circumstances.
- 5.4. Special circumstances may include (but are not limited to):
 - 5.4.1. Where a need for continuity has been identified, e.g. to avoid compromising long-term projects/strategies or where there has been significant recent change to the composition of the Board;
 - 5.4.2. Where a need for a particular skill set or area of expertise has been identified.
- 5.5. Subject to the constitution of the organisation concerned, where a Director/Trustee's term of appointment has expired and they are offering themselves for reappointment, the Group Manager Corporate Services and/or the Group Manager Community Services:
 - 5.5.1. May make confidential enquiries from the Chairperson and other members of the Governing Board as necessary, including:

¹ For the 2019 triennium, full delegation on appointments sits with the Governance and Finance Committee.

- Whether the skills of the incumbent add value to the work of the Governing Board;
- Whether there are other skills which the Governing Board needs;
- Whether a change to the existing Directors/Trustees would compromise the Governing Board's ability to pursue a desired vision and long term strategy, or whether there is a need for new skills and ideas on the Board; and
- Whether an appointment is necessary

5.5.2. Must consider any information obtained and form a view on the appropriateness of reappointment or making a replacement appointment; and

5.5.3. Must recommend to Council whether reappointment is appropriate.

5.6. If reappointment is not appropriate, the appointment process outlined in Section 4 will be followed.

6. Performance of Directors/Trustees

6.1. A review of Board and individual Director/Trustee performance shall be undertaken by the Chairperson of the Governing Board at least once every 18 months, including consideration of:

6.1.1. Board 'fit' and rapport;

6.1.2. Demonstration of the necessary skills and qualities;

6.1.3. Any changes in the organisation's strategic direction which may require different skills or experience;

6.1.4. Individual's contribution and meeting attendance.

6.2. The results of the performance review will be provided to the Group Manager Corporate Services and/or the Group Manager Community Services.

7. Remuneration of Directors

7.1. Remuneration for Directors of Council Controlled Trading Organisations is covered by the Procedure for Setting Remuneration for Directors of Nelson City Council Council Controlled Trading Organisations (A1269972).

8. Appointment of staff members or Elected Members as Directors/Trustees

- 8.1. No staff member or elected member of Council may be appointed as a Director/Trustee, except in a temporary role and where good reason exists to do so. Any report recommending the appointment or reappointment of a staff member or elected member in a temporary role must clearly explain the reasons for doing so.
- 8.2. Any staff member or elected member serving as a Director/Trustee in a temporary role will not be eligible for any additional remuneration.

8. Variation of Procedure

- 8.1 The procedures outlined in this policy may be varied to meet the requirements of the Organisation's rules, constitution, trust deed or other guiding document, provided that such variation meets the requirements of the Local Government Act 2002.
- 8.2 Council may decide to vary the procedures outlined in this policy as necessary, provided that such variation meets the requirements of the Local Government Act 2002.

Related Policies

- Procedure for Setting Remuneration for Directors of Nelson City Council Council Controlled Trading Organisations (A1269972)

(Policy ref no.)	TDC	NCC	Joint
Process led by	(5.2.1) Chief Executive and Mayor	(4.1) Chief Executive, Mayor and Chairperson of the Governance Committee	(4.1) Co-Chairs of Joint Shareholders Committee
Use of recruitment consultant	(5.2.1) Yes	(4.1.2) Yes	(4.1.2) Yes
Interview Panel	(5.2.1) To include relevant board chairperson or representative	(4.1.3) To include board chairperson or another board member	(4.1.3) To include board chairperson or another board member (if the board chairperson is unavailable)
Additional candidates can be recommended by	(5.2.2) Council	(4.2) Council	(4.2) Chairperson of governing body
Recommendation goes to	(5.2.4) Council through the Chief Executive	(4.4) Governance Committee through the Group Manager Corporate Services and/or Group Manager Community Services	(4.4) Joint Shareholders Committee through the Group Manager Corporate Services and/or Group Manager Community Services
Final decision	(5.2.5) Council	(4.5) Council	(4.5) Joint Shareholders Committee
Maximum number of reappointments	(5.3.1) Maximum 3 consecutive terms unless there are "special circumstances"	(5.1) Maximum 3 consecutive terms for board member unless there are "special circumstances" Appt to Chairperson can be extended a further 3 terms. "Special circumstances" extension allowed	(5.1) Maximum 5 consecutive terms unless there are "special circumstances"
Reappointment recommendation	(5.3.2) Chief Executive and Mayor must recommend to Council whether	(5.3.3) Group Manager Corporate Services and/or Group Manager Community Services	(5.3) Co-chairs must recommend to JSC if reappointment is appropriate

(Policy ref no.)	TDC	NCC	Joint
	reappointment is appropriate.	must recommend if reappointment is appropriate	
Performance review	Not covered	(6.1) Every 18 months	(6.1) Every 18 months
Remuneration	(5.4) Only if provided for in the constitution	(7.1) Covered by separate policy	(7.1) Covered by separate policy
Staff and Elected members	(5.5.1) Only in “temporary role and where good reason exists”. No remuneration.	(8.1) Only in “temporary role and where good reason exists”. No remuneration.	(8.1) Only “where good reason exists”
Variation to policy	(5.6) Allowed	(8.1) Allowed	(9.1) Allowed

6.2 PORT NELSON LIMITED - FINAL STATEMENT OF CORPORATE INTENT 2020-2023**Decision Required**

Report To:	Joint Shareholders Committee
Meeting Date:	17 November 2020
Report Author:	Mike Drummond, Corporate and Governance Services Manager
Report Number:	RJSC20-11-2

1 Summary

- 1.1 The Joint Shareholders' Committee has responsibility for jointly owned Council Controlled Trading Organisations (CCTO) and Council Controlled Organisations (CCO) including delegations to approve Statements of Corporate Intent.
- 1.2 The Port had until 1 October to deliver the Final Statement of Corporate Intent to the Shareholders for 2020/2021. This requirement has been met.
- 1.3 The Ports Final Statement of Corporate Intent is publically available on their website in accordance with the requirements of the Port Companies Act.

2 Draft Resolution**That the Joint Shareholders Committee**

- 1. receives the Port Nelson Limited - Final Statement of Corporate Intent 2020-2023 RJSC20-11-2; and**
- 2. notes the delivery of the Port Nelson Ltd Final Statement of Corporate Intent 2020-2023; and**
- 3. agrees to the Port Nelson Ltd Final Statement of Corporate Intent 2020-2023 (attachment 1)**

3 Purpose of the Report

- 3.1 The purpose of this report is to formally acknowledge receipt and agree to the Port Nelson Limited; Statement of Corporate Intent 2020 to 2023.

4 Background and Discussion

- 4.1 Under the Port Companies Act, Port Nelson Limited is required to complete a Statement of Corporate Intent (SOCl) on an annual basis no later than 1 August each year. This requirement has been met. Shareholders had until 1 September to consider the SOCI and provide comments to the Company.
- 4.2 The Company has until 1 October to deliver the final SOCI to the Shareholders. This requirement has been met.
- 4.3 The timeline is different to other Council Controlled Organisations, which are covered by the Local Government Act. The minimum contents of the SOCI, as required by the Port Companies Act, are a subset of those required under the Local Government Act.
- 4.4 The Company must make the Final Statement of Corporate intent available to the public within 1 month of delivery to shareholders. The final SOCI is now available on the Port Nelson website.
- 4.5 The Final SOCI is included as **Attachment 1**.
- 4.6 The SOCI has been checked for compliance with the statutory requirements and there are no matters to bring to the attention of the Committee. In addition, the SOCI has been considered in light of the matters set out in the Letter of Expectation and the Officers comments are set out in section 4.8 below.
- 4.7 The projected dividend distributions are \$4.0m for the first two years and \$4.5m for year three of the SOCI. This is a change from the Draft SOCI which stated \$4.0m for the first year and \$4.5m for years two and three, and a decrease on the 2019 to 2022 SOCI dividend estimates of \$6m in 20/21 and \$6m 21/22.
- 4.8 The four areas Officers brought to the attention of the Committee in the Draft Statement of Corporate Intent have been addressed as follows:
- 4.8.1 Inclusion of section 1.2 Our Environment page 8
- 4.8.2 Revised environmental performance measures on page 11
- 4.8.3 Revised Balance Sheet on page 20. Initially, there was negative working capital due to material accounts payable related to a capital project timed to occur around balance date. This capital project is no longer planned.
- 4.8.4 An explanation has been provided on how the Board ensures activities on their land has appropriate consents, appropriate leases are in place and how they will ensure lessees are complying with both their lease and consent conditions. These are treated as operational matters with regular reporting to management and in need the Board.

5 Options

- 5.1 **Option 1** (recommended) – receiving and agreeing to the Final Port Nelson Limited Statement of Corporate Intent.
- 5.2 **Option 2** - to not agree to the Final Port Nelson Limited Statement of Corporate Intent. If the Committee does not agree to the SOCI then shareholders must take steps under Clause 11 of Port Companies Act 1988 to require the SOCI to be modified.
- 5.3

Considerations for Decision Making

1. Fit with Purpose of Local Government

A Port Company must have a SOCI under section 8 of the Port Companies Act 1988 so this is a legal requirement not a Council Policy.

2. Consistency with Community Outcomes and Council Policy/Legal requirements

The recommendation supports the Community Outcome that “our infrastructure is efficient, cost-effective and meets current and future needs”.

3. Strategy and Risks

This is a routine decision and there are no strategic matters or risks that the Joint Shareholders’ Committee needs to consider in making this decision.

4. Financial Impact/Budgetary Implications

There are no budgetary or financial implications arising from this decision. The shareholding Councils will incorporate the revised dividends into their 2021-2031 Long Term Plans.

5. Degree of Significance and Level of Engagement

This decision is considered to be of low significance in terms of Council’s Significance and Engagement Policy as receiving, providing feedback on the Port SOCI is an annual legal requirement, and Shareholders have the ability to influence the direction of the Company regularly.

The Council is not required to undertake consultation or engagement on the SOCI.

6. Climate Impact

None

7. Inclusion of Māori in the Decision Making Process

No engagement with Māori has been undertaken in preparing this report.

8. Delegations

The ‘Joint Committee’ has the responsibility for considering the PNL SOCI. The Joint Committee has the power to decide or to make a recommendation to the Councils on this matter.

This is provided for in their delegations which state:

9. Areas of Responsibility

All matters relating to jointly owned Council Controlled Organisations and Council Controlled Trading Organisations, including Statements of Intent, Statements of Corporate intent, half-yearly reports, and the appointment of directors and setting of director fees.

10. Powers to Decide

All matters relating to jointly owned Council Controlled Organisations and Council Controlled Trading Organisations, including Statements of Intent, Statements of Corporate Intent, half-yearly reports, and the appointment of directors and setting of director fees.

6 Conclusion

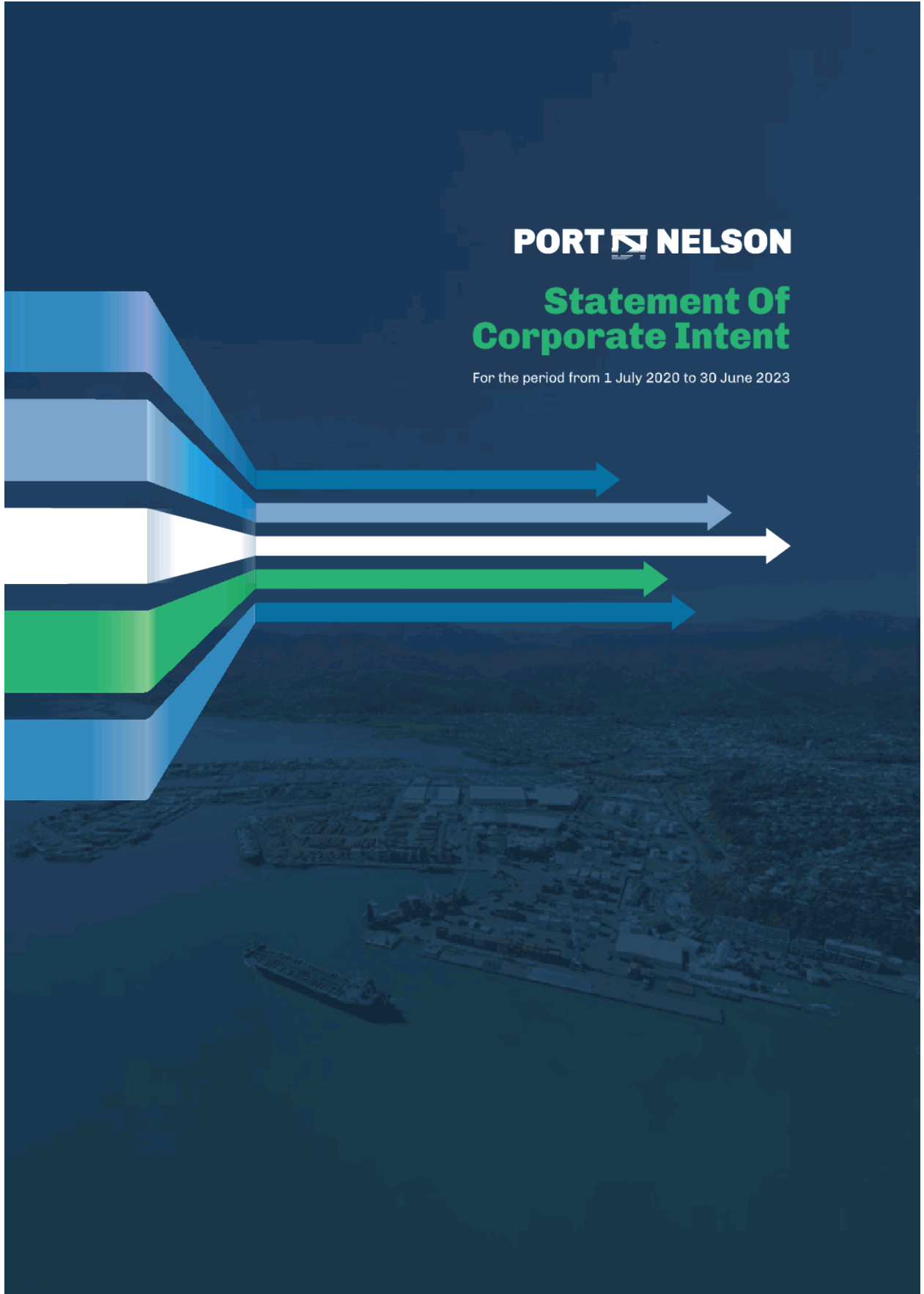
- 6.1 Port Nelson Limited has submitted the Final Statement of Corporate Intent as required by the Port Companies Act.

7 Next Steps / Timeline

- 7.1 If the SOCI is accepted, it will be published on each Council's website within one month of adoption.

8 Attachments

1. Port Nelson Ltd Final Statement of Corporate Intent 2020-2023 41



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About this report

This Statement of Corporate Intent (SCI) is submitted by the Board of Directors of Port Nelson Limited in accordance with the terms under Section 9 of the Port Companies Act 1988.

It sets out the Board's overall intention and objectives for Port Nelson Limited for the year commencing 1 July 2020 and the following two financial years.

Throughout the SCI Port Nelson Limited is referred to as "PNL" or "the Company."

Port Nelson Limited is a subsidiary of Nelson City Council (referred to as "NCC" or "the shareholder") and Tasman District Council (referred to as "TDC" or "the shareholder").



Introduction

Port Nelson is pleased to present the 2021 Statement of Corporate Intent, describing our intent for advancing our strategic purpose **“to facilitate regional prosperity/kia āhei ki te kōkiri whakamua ki te taumata ā-rohe”**.

PNL continues to make significant and sustained investments in its capability and assets. PNL will also continue the momentum and focus on strategic growth and resilience for the future.

This SCI signals a continuation of previous years investment, supported by a forecast of sustained financial performance.

Our Stakeholder and Strategic Pillars

This SCI overviews how, over the next three years, PNL will deploy its people, assets and alliances to add value to our stakeholders and deliver against our strategic pillars.



INTRODUCTION

The 2020 financial year was dominated by the impact of COVID-19. PNL was an essential service during lockdown, consequently it has fared better than many companies. However financial results have been impacted and it is expected there will be a tail throughout the 2021 financial year.

More positively, as the Te Taihu region's gateway to the world, PNL is fortunate to be involved in New Zealand's primary industries. Wine, apples, kiwifruit, fish, and logs are likely to continue to have strong export demand. Conversely, the processed timber industry may be impacted by reduced demand and it is unlikely that the cruise industry will fully recover by the coming season.

With the completion of the Main Wharf North redevelopment and commissioning of a new crane, this SCI signals the conclusion to a period of significant capital investment related to enabling the Port to cater for larger container vessels.

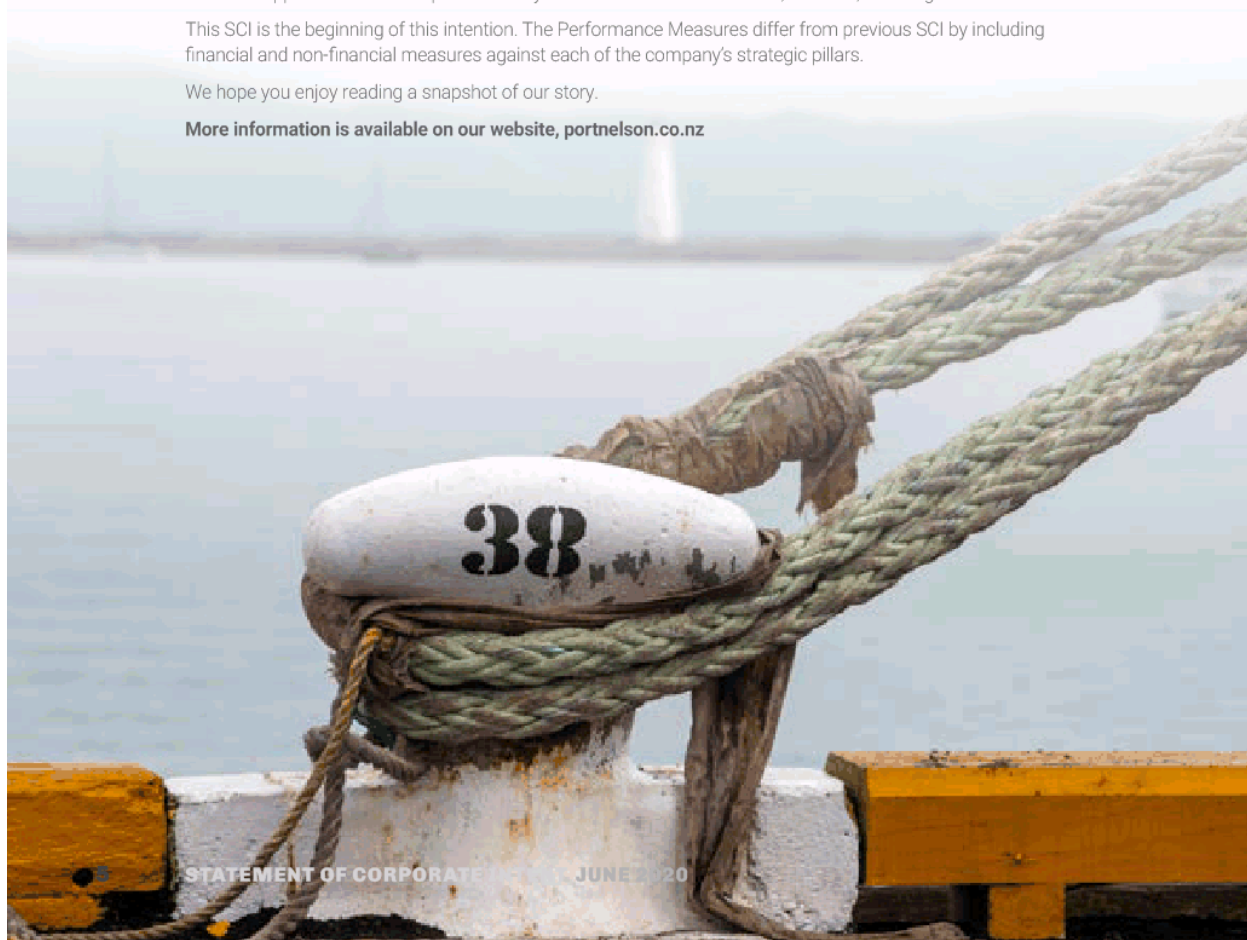
Ongoing will be the Port resilience work commenced in 2018 and the implementation of a new environmental strategy.

Over the period covered by the 2021 SCI, PNL intends to adopt a reporting framework to highlight the non-financial risks and opportunities that impact its ability to create value over the short, medium, and long-term.

This SCI is the beginning of this intention. The Performance Measures differ from previous SCI by including financial and non-financial measures against each of the company's strategic pillars.

We hope you enjoy reading a snapshot of our story.

More information is available on our website, portnelson.co.nz



As the Te Taihū region's gateway to the world, Port Nelson is fortunate to be involved in New Zealand's primary industries.



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1. Strategic Overview

1.1. OUR CUSTOMERS

Provide leading port and logistics operations and, drive supply chain innovation

PNL continues to focus on our export and import customers along with shipping lines. The 2021 financial year will see the commissioning of a new crane, re-introduction of Main Wharf North into operations, resourcing and implementing a continuous improvement process and focusing on the growth of PNL's logistics and warehousing operations.

The beginning of the 2021 financial year also sees the start of the new structure of QuayPack and QuayConnect.

The restructure of PNL's logistics, and warehousing operations will improve efficiencies and enable PNL to connect more closely with customers.

Key areas of focus include the following:

- Support the regional economy through partnerships with local authorities, commercial partners, iwi and other stakeholders.
- Utilise new approaches and technology to overcome communication challenges, this includes creating a user-friendly website to improve our customer communication.
- Improve our QuayConnect Transport Networks for better efficiencies.
- Actively seek feedback from our customers to advise our continuous improvement process.

1. STRATEGIC OVERVIEW**1.2. OUR ENVIRONMENT****Improve our environment**

PNL is aware of its obligations to the environment in which it operates. During the period of this SCI, PNL will continue its focus on improving sustainability outcomes. These improvements will be achieved through the actions in our Environmental Action Plan.

Key areas of focus include the following:

- Maintain ISO 14001 certification, (ISO 14001 is widely regarded as a gold standard of certification for an Environmental Management System. This system ensures that environmental procedures and improvement systems are embedded in an organisation and are auditable).
- Continue our commitment to be net Carbon Zero by 2050.
 - Overall reduction in fuel consumption per cargo unit.
 - Electrify our small vehicle fleet.
 - Integration of green technology.
 - Monitor and report emissions and progress against targets.
 - Investigate alternative energy options, including generation.
- Understand the risks associated with Climate Change through the Resilience Project and their mitigation through the Infrastructure Master Plan.
- Minimise significant noise events and initiate projects to reduce the impact of noise.
- Continue our sponsorship of the Haulashore Island trapping project to prevent the loss of biodiversity.
- Ensure there are no pollution incidents to the coastal marine area.
- Start the PNL Log Yard redevelopment project and reduce the impacts of dust and stormwater.

In the 2020 Annual Report, PNL will report its emissions and their trends over the last few years. A proposed revision of the Environment Management Plan in 2021 will establish quantified targets for the reduction of these emissions.

The on-going Resilience Project, which looks at the risk to the Port from events such as seismic shaking, tsunamis and global warming, will be completed in early 2021. This will allow PNL to advise on longer term risk implications to its operation. Mitigations to these events will be outlined in the Infrastructure Master Plan, also due for completion in 2021.

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1. STRATEGIC OVERVIEW**1.3. OUR PEOPLE****Build and keep safe a high-performing team**

Looking ahead will see PNL focusing on measurably reducing safety risks and aligning our Health & Safety Management System to the ISO 45001 framework.

This SCI points to a continuation of developing employee engagement, and ensuring we continue to develop and implement leadership development modules.

Key areas of focus include the following:

- Critical Risk Verification Reviews.
- Reduced Lost Time Injury Frequency Rate.
- Continue to qualify employees in the New Zealand Certificate in Port Operations.
- Pulse checks to help us design and measure effectiveness of engagement and culture improvement initiatives.
- Increased visible leadership support for Health & Safety and wellbeing at PNL.

1.4. OUR COMMUNITY**Improve our community**

PNL are proud of the involvement with our Te Taihu community.

This includes initiatives to help the region prosper through collaboration and continuing our sponsorship and business partnerships.

A new initiative includes partnering with Nelson Tasman Chamber of Commerce to support an Export Hub providing practical support and advice for exporters, and businesses thinking about exporting. PNL will collaborate and knowledge share to help members prosper in the exporting industry.

We also have various sponsorship recipients within the community including; Te Ramaroa (Light Nelson), Hearing Nelson, Whakatu Riding for the Disabled, Haulashore Island Trapping Project, LifeLine through the Port Nelson Charity Golf Tournament and various other community organisations and initiatives.

Key areas of focus include the following:

- Continue to sponsor the Te Taihu community and events through the PNL sponsorship budget.
- Re-develop our website to ensure our community can easily access a mobile-friendly platform to keep up to-date with harbour conditions, job vacancies, latest news, PNL projects, and community initiatives.
- Re-develop the Nelson Slipways in partnership with Aimex, and with funding from the Provincial Growth Fund, which will lead to the retention of high skilled engineering jobs within the community.
- Keep our community up-to-date with our e-newsletter (RE:PORT).
- Increase knowledge of Port operations through the Port Nelson Open Day.
- Strengthen our relationship with local iwi through knowledge sharing, collaborative projects, and sponsorship.

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1. STRATEGIC OVERVIEW**1.5. OUR SHAREHOLDERS****Deliver strong returns to our shareholders**

The 2020 financial year resulted in an over 20% drop in net profit after tax, this was largely due to the impact of COVID-19. The COVID impact is expected to continue well into 2023. As a result, forecast profitability and consequently dividends are well below that signalled in last year's SCI.

PNL continues to build resilience into critical infrastructure, specifically wharves. The 2021 financial year will see the completion of the Main Wharf North redevelopment, which is the result of a \$22 million investment. This redevelopment is underway and is due to be completed by the end of 2020. Once completed the new section of the main wharf will assist in enabling PNL to attract larger 260 to 270 metre vessels and 300 metre cruise vessels creating growth opportunities for our importers, exporters, and the community.

Increased dredging to support the entry of larger vessels will also be a key focus for the year, along with the completion of an Infrastructure Master Plan and Resilience Project. The Infrastructure Master Plan, looking to 2050, is aimed at optimising the Port facility and will be informed by the Resilience Project, a series of engineering investigations, modelled sea level rising and earthquake resilience.

Key areas of focus include the following:

- Complete redevelopment of Main Wharf North.
- Commissioning of the new crane.
- Safe navigation for ships into Port through increased dredging.
- Detailed assessment of wharf structures, and repairs.

1. STRATEGIC OVERVIEW

1.6. TARGETS FOR THE YEAR

	Strategic Pillar	Performance Measure
CUSTOMER	Provide leading port and logistics operations and drive supply chain innovation	Cargo Volumes of 3.36mil revenue tonnes
		Container Throughput of 119,000 TEU
		Vessel Visits of 742
		Gross Registered Tonnes of 9.77mil
ENVIRONMENT	Improve our environment	Fuel reduction of >1% on 2020 litres per revenue tonne
		Maintaining Port Nelson's ISO 14001 Certification
		No significant noise events >89 dbA LMAX
		A Port Nelson sponsored initiative to halt the loss of biodiversity/ prevent the extinction of threatened species
		No pollution incidents to the coastal marine area
		Commence the Port Nelson Log Yard redevelopment
		Compliance with all resource consent conditions
		Compliance with NZ Maritime safety standards
PEOPLE	Build and keep safe a high-performing team	Compliance with noise variation
		Critical Risk Verification Reviews >40 per year
		Lost Time Injury Frequency Rate reduced by 20% on FY20 (2.9)
		High risk events reduced by 20% on FY20 (6)
		New Zealand Certificate in Port Operations - Heavy Plant. 38 employees completed
COMMUNITY	Improve our community	Dividends paid to shareholder of \$4 million
		Sponsorship spend of \$110k
		Operate the Slipway in support of the Nelson Marine Engineering and Fishing clusters
		Port Nelson will hold a public open day
		Port Nelson will provide port tours to community groups and schools
SHAREHOLDER	Deliver strong returns to our shareholders	Revenue of \$75mil
		EBIT of \$13.4mil
		NPAT of \$7.4mil
		Return on Equity of 3.5%
		Net debt to Equity of <45%
		Return on Assets of 4.5%

1. STRATEGIC OVERVIEW**1.7. FINANCIAL PERFORMANCE**

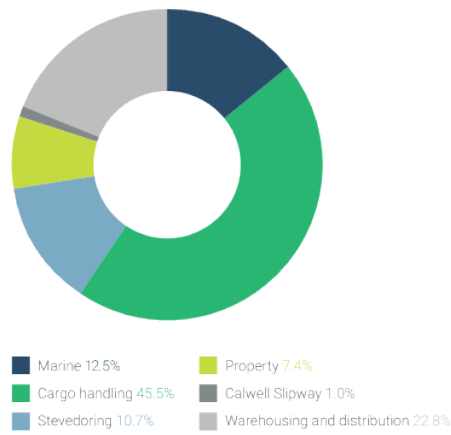
1.7.1. Operations	2021	2022	2023
Cargo throughput (cargo tonnes)	3.4m	3.5m	3.5m
Container throughput (TEUs – twenty-foot equivalent units)	119,000	122,000	122,000
Shipping tonnes (GRT – gross registered tonnes)	9.77m	9.97m	9.93m
Vessel visits	742	752	753

1.7.2. Financial	2021	2022	2023
Revenue	\$75m	\$81m	\$82m
Earnings before interest, tax, depreciation and amortisation	\$23m	\$25m	\$27m
Net profit after taxation	\$7m	\$9m	\$10m
Total assets	\$306m	\$309m	\$315m
Term debt	\$86m	\$83m	\$83m
Total equity	\$198m	\$203m	\$209m
Net debt to equity	43.4%	40.7%	39.8%
Return on equity	3.8%	4.4%	4.9%
Dividend declared	\$4m	\$4m	\$4.5m
Net assets per share	7.78	7.98	8.21
Earnings per share	0.29	0.35	0.39

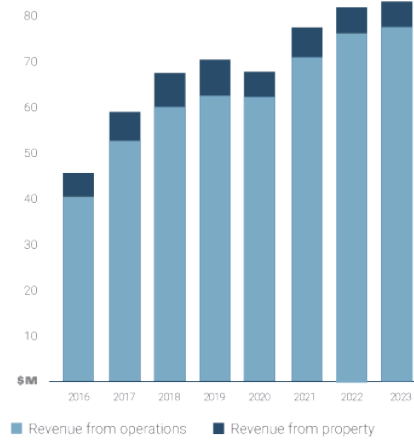
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1. STRATEGIC OVERVIEW

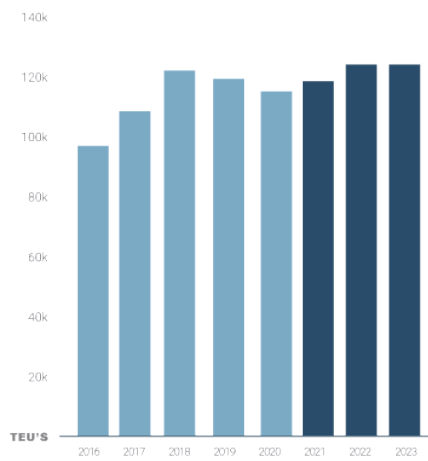
FINANCIAL YEAR 2021 REVENUE



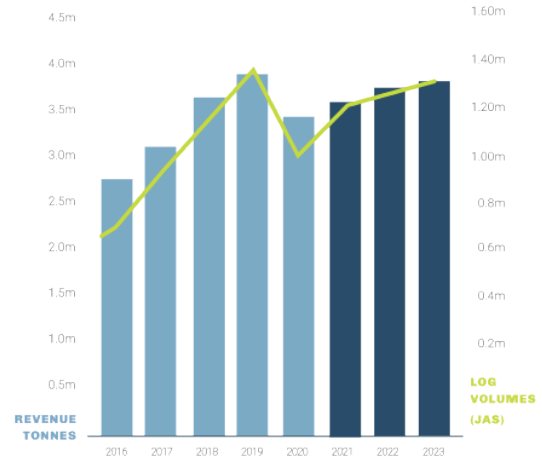
REVENUE BREAKDOWN



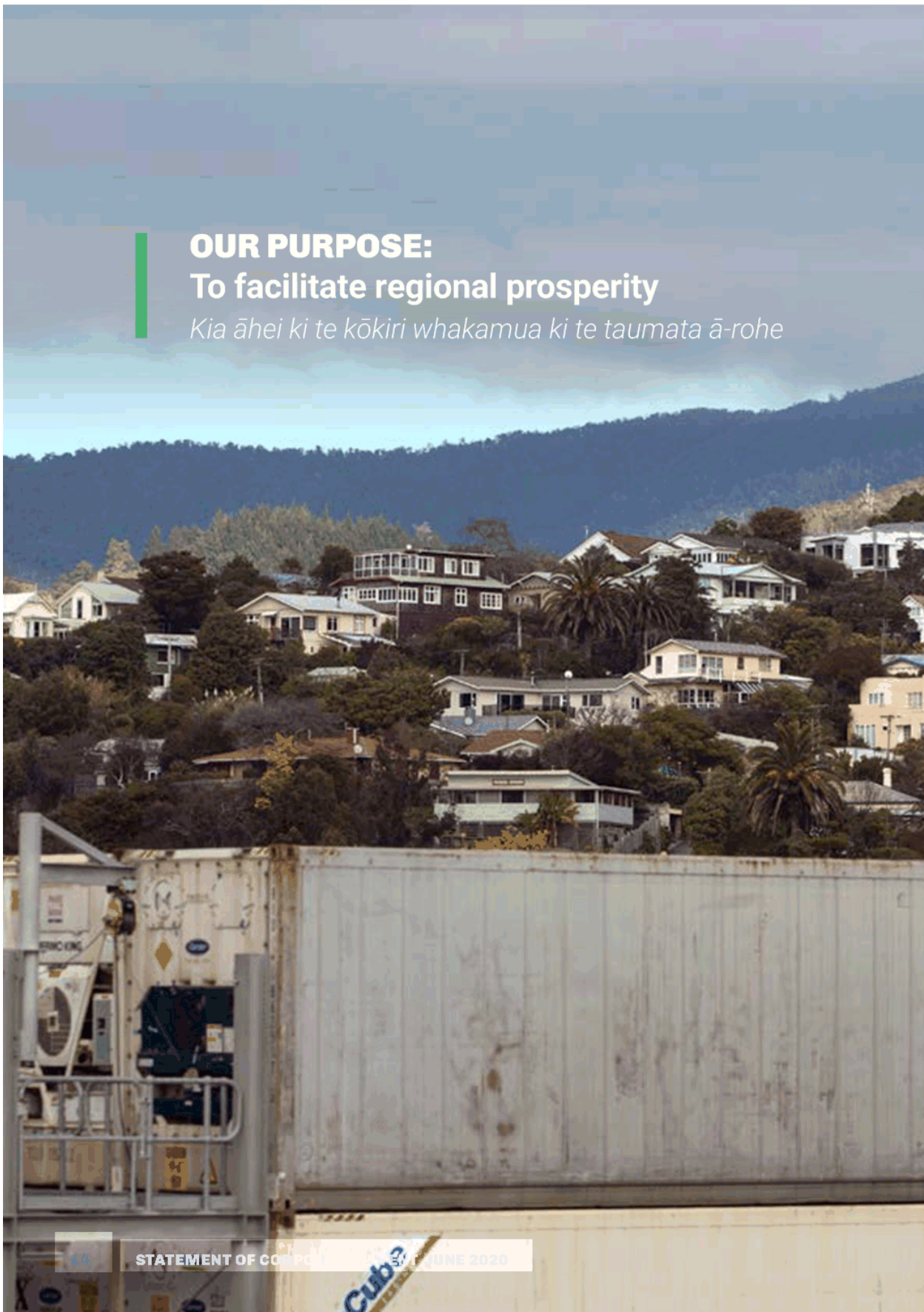
CONTAINER THROUGHPUT



REVENUE TONNES AND LOG VOLUMES



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2. Governance

2.1. NATURE AND SCOPE OF ACTIVITIES

Port Nelson provides core port services and managed property portfolio services including;

- a. marine services which include pilotage and towage services and navigation aids for the arrival, berth and departure of vessels to the Port,
- b. berths to accommodate vessels at the Port,
- c. wharves, plant and other services to facilitate the discharge and loading of vessels,
- d. container terminal handling services which include receipt, delivery, transit, storage and shipment of a wide range of import and export cargos,
- e. cargo logistics including warehousing and storage of goods,
- f. slipway services for vessels up to 2400t,
- g. the development, leasing and management of land and buildings not required for port operating purposes,
- h. other port-related activities required to manage and operate an efficient and competitive port,
- i. supply chain and 4PL solutions services including management of, nationwide 3PL operations, transport services, coastal and international ocean freight and smart logistics technology.

2.2. CORPORATE CODE OF GOVERNANCE

The Board of Port Nelson operates within an agreed Corporate Code of Governance that is reviewed annually by the Board.

2.3. COMPANY

The principal objective of the Company is to operate as a successful business.

2.4. BOARD

The Board is appointed by the Shareholders. The Board is responsible for the governance, strategic direction and the monitoring of the business of the Company to achieve its objective in accordance with PNL's Corporate Code of Governance Practice.

2. GOVERNANCE

2.5. BOARD COMMITTEES

The Board uses committees to allow areas requiring detailed consideration to be dealt with separately by Directors with specialist knowledge and experience thereby enhancing the effectiveness of the Board. The Board has constituted two standing Committees being the Finance and Risk Committee and the Remuneration and Appointments Committee and may constitute ad hoc committees to deal with specific issues including Health and Safety.

2.6. CHAIRPERSON

The Board elects a Chairperson and may elect a deputy Chairperson or alternate. The Chairperson is to be responsible for the efficient functioning of the Board.

2.7. CHIEF EXECUTIVE

The Board appoints a CEO. The CEO is responsible for leading and managing the Company in accordance with the directions of the Board. The CEO may further delegate to other levels for day to day operational decisions of the Company in accordance with delegated authorities as approved by the Board.

2.8. HEALTH AND SAFETY

Health and Safety governance is a priority for the Board. The Board will take a leading role in health and safety by reviewing and approving the safety management plan and understanding the effectiveness of the Company systems and performance.

The Board supports the "Good Governance Practice Guidelines for Managing Health and Safety Risks" produced by the Institute of Directors and the Ministry of Business, Innovation and Employment.

Port Nelson takes an active role in the Business Leaders' Health and Safety Forum and a lead role in health and safety amongst the region's businesses.

2.9. DIVIDENDS AND DISTRIBUTION

The PNL Board will use its best endeavours to accommodate the Shareholders desire for dividend growth within the constraints imposed by the Directors' obligations to act in accordance with their statutory duties.

The Shareholders desire to receive dividends representing not less than 50% of net profit after tax. Similarly the PNL Board expectation is that not more than 75% of net profit after tax shall be distributed to the shareholders. Special dividends are not covered by this policy.

Proposed dividend distributions are expected to be \$4m for the year ended June 2021 and \$4m and \$4.5m for each of the following two years.

3. Stakeholders

3.1. INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

3.1.1. Annual Statement of Corporate Intent (SCI)

The Company will not later than one month after the commencement of each financial year, provide the Shareholder with an SCI as required by the Port Companies Act together with any other information it considers appropriate.

3.1.2. Half Yearly Report

Within 2 months after the end of the first half of each financial year the Company will deliver to the Shareholders and the Minister of Transport its Half Yearly Report prepared in accordance with the NZ IFRS and the Financial Reporting Act 1993, including the unaudited consolidated financial statements and performance commentary, together with such other information as the Board consider appropriate. The report will include:

- Performance Commentary
- Statement of Comprehensive Income
- Balance Sheet
- Statement of Cash Flows
- Performance against the SCI performance targets

3.1.3. Annual Report

Within 3 months after the end of each financial year, and no less than 10 working days from the date on which the shareholders meeting is to be held, the Company will deliver to the Shareholders and the Minister of Transport its Annual Report prepared in accordance with the reporting requirements of the NZ IFRS and the Financial Reporting Act 1993 and will include the audited annual consolidated financial statements and performance commentary, together with such other information as the Board considers appropriate.

The report will include:

- Performance Commentary
- Statement of Comprehensive Income
- Balance Sheet
- Cash Flow Statement
- Statement of Changes in Equity
- Notes to the Financial Statements
- Performance against the SCI performance targets
- Auditor's Report

3. STAKEHOLDERS

3.1.4. Quarterly Reporting

Within 6 weeks after the end of the September and March quarters of each financial year, the Company will deliver to the Shareholders a quarterly report on the preceding quarter. The Company's quarterly report to Shareholders shall include a performance commentary, together with such other information as the Board consider appropriate.

Financial results for the December and June quarters will be incorporated in the Half Year Reports and Annual Reports to be delivered to Shareholders in accordance with the timetables of those stated above. Any reports provided to the Shareholders may be released at their discretion.

3.1.5. General Disclosure

The Company will provide information to the Shareholders on an ongoing but confidential basis to ensure that the Shareholders are informed promptly of significant events which relate to the Company and which may affect the Shareholders.

Any reports, including the Company's Quarterly and Half Year reports provided to the Shareholders, may be released to the public at their discretion.

3.1.6. Communication of Information

The Company's primary line of communication, for all formal reports and ad hoc business matters, is direct to the Shareholders or their nominated representatives.

3.2. PROCEDURE FOR ACQUISITION OF SHARES

The Company's ability to subscribe for, purchase or otherwise acquire shares in any company or other organisation is governed by the provisions in the Company's Constitution and the Companies Act 1993. Any major share investment (other than operational investment) which is inconsistent with the five year strategic plan will be subject to Shareholder approval.

3.3. COMPENSATORY ACTIVITIES

The Company will seek compensation for all non-commercial activities performed by it on behalf of local authorities.

3.4. VALUE OF SHAREHOLDER'S INVESTMENT

The Directors assessment of the value of the Shareholders investment in the Company is \$194.5m. The value is the prospective value of Total Shareholders' Funds as at June 30, 2021.

A reassessment of the value of the Shareholders investment in the Company will be undertaken as may be required from time to time by the shareholders or directors.

4. Financial Statements Summary

4.1. STATEMENT OF COMPREHENSIVE INCOME

For the three year period July 2020 to June 2023	2021	2022	2023
	\$000	\$000	\$000
Revenue			
Port operations	69,460	75,860	76,460
Property	5,540	5,570	5,690
Total revenue	75,000	81,430	82,150
EXPENSES			
Employee benefit expenses	20,400	20,540	20,530
Other operational and property expenses	31,930	35,400	34,460
Earnings before interest, tax, depreciation and amortisation	22,670	25,490	27,160
Depreciation and amortisation	9,230	10,010	10,000
Earnings before interest and tax	13,440	15,480	17,160
Net financing costs	3,170	3,160	3,190
Net profit before income tax	10,270	12,320	13,970
Income tax	2,880	3,520	3,980
Net profit after income tax	7,390	8,800	9,990

4. FINANCIAL STATEMENTS SUMMARY

4.2. BALANCE SHEET

For the three year period July 2020 to June 2023	2021	2022	2023
	\$000	\$000	\$000
CURRENT ASSETS			
Cash and cash equivalents	10	10	10
Trade and other receivables	11,230	11,880	12,210
Inventories	570	570	570
Prepayments and accruals	230	230	230
Total current assets	12,040	12,690	13,020
LESS CURRENT LIABILITIES			
Trade and other payables	3,280	5,070	3,760
Employee benefit entitlements	1,880	1,890	1,890
Tax payable	1,090	1,300	1,500
Dividend payable	2,500	2,500	3,000
Noise mitigation	30	30	30
Total current liabilities	8,780	10,790	10,180
Working capital	3,260	1,900	2,840
NON-CURRENT ASSETS			
Property, plant and equipment	265,910	269,900	275,920
Intangible assets	2,580	1,940	1270
Investment properties	24,980	24,880	24,780
Derivatives	-	-	-
Total Non-Current Assets	293,470	296,720	301,970
LESS NON-CURRENT LIABILITIES			
Employee benefit entitlements	250	250	250
Deferred tax liability	10,340	10,340	10,340
Term loan	85,840	82,590	83,060
Derivatives	2,240	2,240	2,240
Noise mitigation	440	400	370
Total non-current liabilities	99,110	95,820	96,260
Net assets	197,620	202,800	208,550
SHAREHOLDERS' FUNDS			
Issued capital	6,050	6,050	6,050
Retained earnings	76,900	82,080	87,830
Asset revaluation reserve	116,350	116,350	116,350
Hedging reserve	(1,680)	(1,680)	(1,680)
Total shareholders' funds	197,620	202,800	208,550

4. FINANCIAL STATEMENTS SUMMARY

4.3. STATEMENT OF CASH FLOWS

For the three year period July 2020 to June 2023	2021	2022	2023
	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers	68,520	75,290	76,170
Rent received	5,540	5,570	5,690
Interest received	10	10	10
	74,070	80,870	81,870
Cash was applied to:			
Payments to suppliers and employees	51,600	56,440	55,130
Interest paid	3,120	3,180	3,200
Taxes paid	2,250	3,850	4,450
Net GST paid	700	180	200
	57,670	63,290	62,980
Net operating cash inflows	16,400	17,580	18,890
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of property, plant and equipment	10	750	-
	10	750	-
Cash was applied to:			
Purchase of property, plant and equipment	28,080	10,980	15,330
Purchase of intangibles	1590	100	30
	29,670	11,080	15,360
Net investing cash inflows/(outflows)	(29,660)	(10,330)	(15,360)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Loans borrowed	21,180	4,640	12,500
	21,180	4,640	12,500
Cash was applied to:			
Loans repaid	3,920	7,890	12,030
Dividend paid	4,000	4,000	4,000
	7,920	11,890	16,030
Net investing cash inflows/(outflows)	13,260	(7,250)	(3,530)
Net increase/(decrease) in cash held	-	-	-
Cash and cash equivalents at 1 July	10	10	10
Cash at 30 June	10	10	10

4. FINANCIAL STATEMENTS SUMMARY**4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Reporting Entity**

Port Nelson Limited is a for-profit company incorporated under the Companies Act 1993 and created pursuant to the Port Companies Act 1988.

Port Nelson operates in one industry and one geographical segment providing and managing port facilities, marine services, cargo handling operations, warehousing and distribution as well as investment properties at the port of Nelson and within the wider Marlborough region.

Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (‘NZ GAAP’). They comply with New Zealand equivalents to International Financial Reporting Standards (‘NZ IFRS’) and other applicable reporting standards as appropriate for profit-orientated entities.

Notes to the Financial Statements

Information that is considered material and relevant to the users of the financial statements is included within the notes to the financial statements. The assessment of materiality and relevance includes qualitative as well as quantitative factors, including the size and nature of the balance and if the balance is important in understanding Port Nelson’s current or future performance.

Standards and Interpretations Issued and Not Yet Adopted

Port Nelson has applied all new and revised accounting standards and interpretations that are effective in the year. This did not result in a material impact on the financial statements.

There are several other new and amended accounting standards and interpretations not yet effective that will be adopted by Port Nelson when they become mandatory. Those relevant to Port Nelson include NZ IFRS 16 Accounting for Leases. The financial statement impact of the adoption of these standards has not yet been analysed.

Foreign Currency

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Capital items are converted at the exchange rate ruling at balance date or the forward exchange contract rate where derivatives have been used to hedge the exposure.

Critical Judgements

In preparing these financial statements, Port Nelson has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results and are continually being evaluated based on historical experience and other factors, including expectations or future events that are expected to be reasonable under the circumstances. There are no estimates and assumptions in the view of the Directors that have a risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. FINANCIAL STATEMENTS SUMMARY

Measurement System

Those accounting principles considered appropriate for the measurement and reporting of results and financial position under the historical cost method, modified by the revaluation of land, buildings, wharves and investment property have been followed.

Specific Accounting Policies

The accounting policies adopted in the preparation of financial statements which have a significant effect on the result and the financial position disclosed are set out below:

(a) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Port Nelson and that revenue can be reliably measured based on the following:

- Cargo and Marine revenue – the departure of the vessel.
- Stevedoring – partial completion of the vessel at balance date.
- Property lease revenue – on an accrual basis at balance date. Rentals are payable in advance.
- Interest revenue – on a time proportion basis using the effective interest method.

(b) Provisions

Provisions are recognised when a present obligation exists as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

(c) Property, Plant and Equipment and Depreciation

Property, Plant and Equipment, except land, buildings, wharves and offshore capable floating plant are stated at valuation taken over from the Nelson Harbour Board on 1 October 1988 and subsequent additions at cost. Depreciation is written off depreciable assets on a straight line basis over the estimated economic lives of the assets, ranging as follows:

Asset Class	Years	Asset Class	Years
Wharves, Quays and Berths	20 – 72	Software	5
Vessels (inshore)	20	Buildings	2 – 100
Vessels (offshore capable)	20	Cranes	15-20
Forklifts	15 – 25	Tractors and Vehicles	10
Sundry Plant and Equipment	5 – 20	Navigation and Pilot Equipment	3 – 40
Office Equipment	5 – 15	Hard Standing	50
Infrastructural Assets	50 – 80	Building Fit-Out	10

4. FINANCIAL STATEMENTS SUMMARY

Capital dredging is not amortised. The cost of maintaining the dredged depth is expensed. Land is valued at least every three years. Land is included at the valuation as at 30 June 2017. As at 30 June, 2018 Port Nelson engaged TelferYoung, an independent valuer, to complete a fair value assessment. No revaluation was required. Land owned and leased to third parties is valued at the market value of the lessor's interests. Non-leased land is recorded at market value.

Additions between valuations are recorded at cost. The land valuation was completed by Ian McKeage, Registered Valuer, FNZIV, FPINZ of TelferYoung. Buildings are valued at least every five years. Buildings are stated at fair value. Fair value was determined as at 30 June 2017 using a market-based approach (where evidence can be reliably analysed) or income based approach (where evidence cannot be reliably analysed), validated by a depreciated replacement cost valuation. Additions between valuations are recorded at cost.

The buildings' valuation was completed by Ian McKeage, Registered Valuer, FNZIV, FPINZ of TelferYoung. Wharves are valued at least every five years. Wharves are stated at fair value. Fair value was determined as at 30 June 2017 using an income-based approach (where evidence cannot be reliably analysed). This fair value has been validated by a depreciated replacement cost approach which was prepared by Port Nelson's engineering staff and reviewed by Ian McKeage, Registered Valuer, FNZIV, FPINZ of TelferYoung. Additions between valuations are recorded at cost.

Infrastructural assets include stormwater, sewerage and water reticulation located underground. The asset classes that are subject to revaluation are assessed at each balance date to ensure that the values are not materially different from fair value. Where the carrying value is materially different from the fair value a revaluation is undertaken. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings. The cost incurred after the initial acquisition is capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Port Nelson and the cost of the item can be reliably measured.

(d) Investment Properties

Investment Property, which is property held to earn rentals and capital appreciation, is measured at its fair value at the reporting date. Gains or losses from changes in the fair value of investment property are included in the profit or loss in the period in which they arise. Investment Properties are not depreciated.

(e) Properties Intended for Resale

At each reporting date, Port Nelson reviews the carrying amount of any Properties Intended for Sale to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Properties Intended for Sale are not depreciated. Properties are actively market, and there is a probable sale within one year.

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are disclosed separately in current liabilities in the note disclosure.

4. FINANCIAL STATEMENTS SUMMARY

(g) Trade and Other Receivables

Trade and Other Receivables are valued at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment. A provision for the impairment of receivables is established when there is objective evidence that all amounts due will not be able to be collected as per the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

(h) Inventories

Inventory is valued at the lower of cost using the weighted average method and net realizable value. Full provision has been made for obsolescence where applicable. Inventory is held for internal maintenance and construction work only.

(i) Intangible Assets

Intangible assets are limited to computer software. On acquisition, they are capitalised at a cost which equates to fair value. Computer software has a finite life. Amortisation is to be charged to the Statement of Comprehensive Income based on the finite life of the asset. Software is amortised on a straight line basis over five years. Intangible assets will be tested for impairment where an indicator of impairment exists, and useful lives will be assessed on an annual basis.

(j) Impairment of Assets

At each reporting date, Port Nelson reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Income. For assets not carried at a revalued amount, the impairment loss is recognised in the Statement of Comprehensive Income. The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Income, a reversal of the impairment loss is also recognised in the Statement of Comprehensive Income. For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Comprehensive Income.

(k) Goods and Service Taxation

All items in the financial statements are exclusive of goods and services tax (GST) except receivables and payables, which are stated with the GST included. Where GST is not recoverable as an input tax, then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Balance Sheet. The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows. Commitments and contingencies are disclosed exclusive of GST.

4. FINANCIAL STATEMENTS SUMMARY

(l) Income Taxation

The income tax expense for the period is the tax payable on the current period's taxable income based on the income tax rate and adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and for unused tax losses (if any). Deferred tax assets and liabilities are recognised for temporary differences at the rate expected to apply when the assets are recovered, or liabilities are settled. The tax rate is applied to the cumulative amounts of deductible and temporary taxable differences to measure the deferred tax asset or liability. Deferred tax assets are recognised for temporary deductible differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax is charged or credited to the Statement of Comprehensive Income, except where it relates to items charged or credited directly to equity, in which case the tax is dealt with in other comprehensive income.

(m) Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method where this differs from face value.

(n) Derivative Financial Instruments

Port Nelson uses derivative financial instruments such as interest rate swaps to hedge against interest rate fluctuations. Port Nelson does not hold or issue derivative financial instruments for trading purposes. Such derivative financial instruments are stated at fair value. The fair value of interest rate swaps is determined by reference to market values. The effective portion of changes in the fair value of the derivative financial instruments that are designated and qualify as cash flow hedges are deferred in equity. If a hedging instrument is sold, terminated, revoked or no longer meets the criteria for hedge accounting, the cumulative gain or loss that remains recognised directly in equity from the period when the hedge was effective will be recognised in the Statement of Comprehensive Income.

(o) Financing Costs

Finance costs are recognised as an expense when incurred. Financing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

(p) Employee Entitlements

Provision is made in respect of Port Nelson's liability for annual leave, long service leave and retirement gratuities. Annual leave and long service leave have been calculated on an actual entitlement basis at current rates of pay and retirement gratuities calculated at current rates of pay assuming the payment will be made upon retirement.

(q) Leases

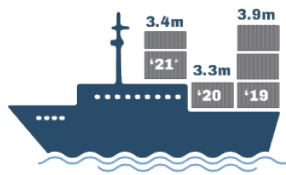
Leases of plant and equipment are classified as operating leases. Operating lease payments are charged as an expense in the period in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(r) Dividends

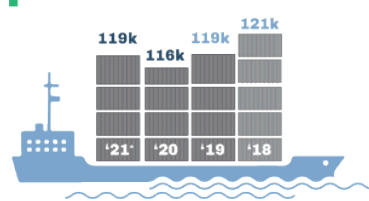
Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Key stats

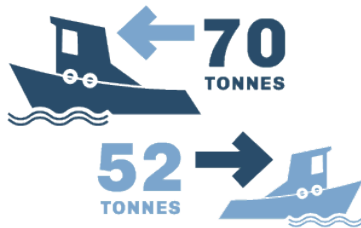
CARGO THROUGHPUT TONNES



CONTAINER THROUGHPUT TEUs



TWO TUGS



MAXIMUM DRAFT



BERTH POCKETS



FOUR WHARVES



BOLLARD CAPACITY

