

Appointment and Remuneration of Directors Policy

Policy Owner:	Chief Financial Officer
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Required by legislation:	Yes (Section 57 LGA 2002)

1 Introduction

- 1.1 Local Authorities must have an objective and transparent process for appointing directors to a Council organisation. Appointing directors is an important role, because it is one of the Council's principal means for influencing the performance of Council organisations.

For a board to be fully effective, it should comprise directors with a range of complementary skills and experience to ensure that ideas are challenged and tested, and that decision-making is robust.

2 Purpose

- 2.1 The purpose of this policy, as per section 57 of the Local Government Act 2002, is to provide an objective and transparent process for:
- The identification and consideration of the skills, knowledge and experience required of directors of Council organisations;
 - The appointment of directors to Council organisations; and
 - The remuneration of directors of Council organisations.

3 Definitions

The following definitions provide guidance. The detailed definitions are contained within Section 6 of the Local Government Act 2002 (LGA)

Company: Means a body corporate.

Council: Includes any committee, sub-committee or community board to which Council has delegated authority.

Council organisation (CO): Is an organisation in which Council controls any voting rights or the right to appoint directors.

Council-controlled organisation (CCO): Is CO in which Council controls, directly or indirectly, 50% or more of the voting rights or can appoint 50% or more of the directors.

Council-controlled trading organisation (CCTO): Is a CCO that operates a trading undertaking for the purpose of making a profit.

Directors: Includes company directors, trustees, managers and office holders of an organisation (s6(3)(b), LGA).

Governing document: Is a document of an organisation or company that sets out the purpose and describes its structure and internal procedures such as a trust deed or company constitution.

LGA: Local Government Act 2002.

Organisation: Includes partnerships, trusts, arrangements for sharing profits, unions of interest, corporations, joint ventures and similar arrangements.

4 Application

- 4.1 This policy applies to all appointments of directors by Council to Council Organisations, Council-controlled Organisations and Council-controlled Trading Organisations.

5 Strategic Criteria

- 5.1 Before appointing a director(s) to any organisation, Council will assess its involvement against the following strategic criteria:
- The organisation's goals and objectives which must fit with Council's direction as stated in strategic planning documents.
 - Any appointment must add value to the organisation and to Council.
 - The benefits of appointing a director(s) must outweigh other methods of achieving Council's objectives.

6 Policy statements

Appointment of Directors and Trustees

6.1 General

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

- guide the organisation given the nature and scope of its activities,
- contribute to the achievement of the objectives of the organisation,
- deliver a return on shareholder investment.

6.2 Skills Required

Council will seek the following skills and attributes in CO directors:

- Knowledge and experience relevant to the position,
- Understanding of governance issues,
- High standard of personal integrity,

- Sound judgement,
- Ability to appreciate the wider public interest.

For CCO and CCTO appointments Council will seek the following additional skills and attributes:

- Effective governance experience,
- Ability to drive performance and financial returns (where applicable),
- Proven record of success in business growth and development.

- 6.3 When identifying the skills, knowledge and experience required of directors Council must consider whether knowledge of tikanga Maaori may be relevant to the governance of that CO, CCO, or CCTO.
- 6.4 Consideration will be given to the mix of skills and experience, complementing and reinforcing existing skills, reducing known skill gaps and increasing diversity where necessary.

Recruitment and Appointment Process

- 6.5 Council will not appoint elected members as directors of CCOs or CCTOs.
- 6.6 Council will not appoint Council employees as directors of CCTOs.
- 6.7 Authority to appoint directors is covered within the governance structure approved at the start of each triennium.
- 6.8 For existing organisations, Council will follow the appointment process stipulated by the CO, CCO and/or CCTO's governing document or that prescribed by the majority shareholder.
- 6.9 For new shareholdings in a CCO and/or CCTO, Council will ensure that the following is included in the organisations governing document and/or majority shareholder's appointment policy:
- The process for identifying candidates,
 - The process for assessing candidate's skills,
 - The composition of the appointment panel,
 - The role of the Chair, and
 - The process for setting director remuneration.
- 6.10 Public announcements of appointments will be made as soon as practicable after the Council and/or shareholding Councils have made a decision.

7 Conflicts of Interest

The Council expects that directors of COs, CCOs and CCTOs will avoid situations where their actions could give rise to a conflict of interest.

To minimise these situations the Council requires directors to follow the provisions of the New Zealand Institute of Directors' Code of Ethics.

8 Dismissal of Directors

All directors are appointed 'at the pleasure of the Council' and may be dismissed by way of Council or relevant Committee resolution.

9 Remuneration of Directors

Directors appointed by Council will receive the remuneration (if any) offered by that organisation, with the following exceptions:

- Elected members appointed by Council to CO's may not receive the remuneration (if any) offered by that CO,
- Council employees (including the Chief Executive) appointed to a CO or CCO may not receive the remuneration (if any) offered by that organisation.

10 Policy review

This policy shall be reviewed at five yearly intervals or as otherwise required by the Chief Executive or Chief Financial Officer.