

1. Purpose

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

- The identification and consideration of the skills, knowledge, and experience required of directors of a council organisation; and
- The appointment of directors to a council organisation; and
- The remuneration of directors of a council organisation

1.1 Scope

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

Except where express provision is made to the contrary, the provisions of this policy will apply equally to all current and future CCTOs, CCOs' and COs.

1.2 Commencement

This policy comes into force on 27 JUNE 2024.

1.3 Definitions

- **Company:** Means a body corporate
- **Council:** Includes any committee, sub-committee
- **Council organisation (CO):** Is an organisation in which Council controls any voting rights or the right to appoint directors.
- **Council-controlled organisation (CCO):** Is a 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 LGA 2002 s6(3)(b).
- **LGA 2002:** Local Government Act 2002.
- **Organisation:** Includes partnerships, trusts, arrangements for sharing profits, unions of interest, corporations, joint ventures and similar arrangements.

2. Policy

2.1 Appointment of directors will be made on the basis of merit and aligned with the strategic purpose of the CCO/CCTO, e.g. relevant skills, knowledge and experience to-

- Guide the organisation, given the nature and scope of its activities; and
- Contribute to the achievement of the objectives of the organisation and not on the basis of representation.

2.2 Appointment of directors will aim to ensure the board of the CCO/CCTO is made up of a diverse range of people who are able to bring complementary skills and experience to ensure that ideas are challenged and tested and that decision-making is robust.

2.3 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.

For CCO/CCTO appointments Council should seek the following additional skills and attributes;

- Effective governance experience,
- The ability to drive performance and financial returns (where applicable),
- Proven record of success in business growth and development,
- Skilled professional directors.
- Independence of thought and sound judgement in making balanced decisions.
- An intellectual ability and enquiring mind.
- An understanding of the wider issues of a publicly accountable shareholder.

2.4 Council will follow governance best practice and guidance as provided by the Controller and Auditor-General.

3. Appointment Process

3.1 When a vacancy arises, the CCO Governance Subcommittee (or delegated Council Officer) will identify the skills, knowledge and experience for the position in consultation with the Chairperson of the company.

- The vacancy will be advertised via the Institute of Directors New Zealand or any appropriate local and national media; or
- Where a suitable candidate has been identified and advertising is not expected to add significant value to the selection process (for example where specialist knowledge or experience exists), the CCO Governance Subcommittee may choose not to advertise but must provide its reasoning for not doing so.

Candidates will be requested to supply;

- A curriculum vitae which establishes how well they meet the role specification for the directorship role;
- A covering letter detailing why they are interested in the particular role; and
- A report on any conflicts of interest their appointment may cause, including how those conflicts are proposed to be managed.

Following the search process, the Subcommittee (or delegated Council Officer) will draw up a short list of candidates.

A specialist consultant or advisor may be engaged to assist with shortlisting suitable candidates for consideration if the CCO Governance Subcommittee so determines.

Each candidate will be interviewed by the CCO Governance Subcommittee. The subcommittee will then decide its preferred candidate(s), check all references and report back to full Council with a recommendation for appointment.

Council officers may not be appointed to CCO/CCTO's, however an officer may be appointed to a CO.

Council will not appoint elected members as directors to CCO/CCTO's, however an elected member may be appointed to a CO.

3.2 The report recommending the candidate(s) will be "public excluded" in order to protect the privacy of the individual(s) concerned (LGOIMA 1987 s7 (2)(a)). The Council will consider the report from the Subcommittee and make its decision on selection.

Public announcement of the appointment will be made as soon as practicable after the Council has made its decision and candidate(s) formally advised.

3.3 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.

3.4 Tenure

Rotation of all directors is to be encouraged to the extent that it is practical under the law and constitution of the organisation.

Directors will normally be appointed for terms of one to three years (unless the constitution of the organisation provides otherwise). Staggering the term of director appointments should avoid all board member terms becoming vacant at the same time.

At the end of each term of an appointment, the incumbent will be asked to provide a report on their contribution to the organisation concerned.

3.5 Reappointment

Where a directors' term of appointment has expired and they are offering themselves for appointment (within the allowances of the constitution) a representative of the CCO Governance Subcommittee will consult on a confidential basis with the Chairperson with regard to;

- Whether the skills of the incumbent add value to the work of the Board;
- Whether there are other skills which the Board needs; and
- Succession planning matters.

If it is the Chairperson seeking reappointment consideration will be made by the Subcommittee alone. It is at the Subcommittee's discretion to engage the Board in discussions around reappointing a Chairperson.

The Subcommittee will consider the information obtained and, taking into account the director's length of tenure, form a view on appropriateness of reappointment or making a replacement appointment.

Where reappointment is considered appropriate, the CCO Governance Subcommittee is authorised to approve the reappointment without further decision of Council. Any reappointments made by the Subcommittee will be reported to Full Council for noting via the Chief Executive.

Where it is not intended to reappoint the existing incumbent, the appointment process outlined above will apply.

3.6 Chairperson selection

It is the responsibility of the Council (on the recommendation of the CCO Governance Subcommittee) to appoint the Chairperson. However, normally the Subcommittee will consult the Board on the person to be appointed, and where appropriate, will seek its view on who it considers to be the appropriate person to fill the Chairperson's position.

A Chair succession plan is required to provide for smooth transition of leadership in the event of a planned or unexpected retirement of an incumbent Chairperson. It is expected that the Chairperson will identify and develop potential successors or advise the CCO Governance Subcommittee if there are no candidates suitable for the role of Chairperson.

4. 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.

Without limiting the right of the Council, reasons which would justify removal of a Board member would be where that Board member:

- Is regularly absent from Board meetings without good justification.
- No longer has the confidence of the Board and/or the Council.
- Has breached ethical standards and this reflects badly on the Board and/or the Council.
- Does not act in the best interests of the organisation.
- Breaches the confidence of the Board in any way, including speaking publicly on Board issues without the authority of the Board; or
- Does not act in accordance with the principles of collective responsibility.

Where the Board has concerns regarding the behaviour of one of its members, it should be considered by the Board in the first instance and, where necessary, the Board may recommend the removal of the Board member to the CCO Governance Subcommittee. The Council will not make any payment by way of compensation to Board members who have been removed from Boards.

5. Remuneration

Council may consider a level of remuneration for Board appointees that is appropriate to the relevant market, while recognising the public service element to a CCO/CCTO. Professional advice may be sought where necessary.

Council supports the payment by CCO/CCTOs of directors' liability insurance and the indemnification of all directors.

5.1 Review process

Periodically the CCO Governance Subcommittee may review the level of remuneration made available to the Boards of the CCO/CCTOs for distribution amongst directors on each Board.

Any fees will be reviewed on an annual basis for each CCO/CCTO, leaving the Boards of those CCOs/CCTOs to apportion the fee between Board members as it sees fit.

In performing any review of remuneration, the Subcommittee will have regard to the following factors;

- The need to attract and retain appropriately qualified directors;
- The levels of remuneration paid to comparable companies in New Zealand;
- The performance of the CCO or CCTO and any changes in the nature of its business;
- The size and scale of the CCO or CCTO (e.g. turnover, value of assets, number of employees);
- Complexity and scope of operations (e.g. complexity of issues, level of guidance for decision making, relationship management responsibilities);
- Accountability (e.g. scale of market risk, public interest and risk to director reputation, and other key risks);
- Skills, specifically the type of expertise and specialisation needed; and
- Any other relevant factors.

The final decision on directors' remuneration will be made by a resolution of Council.

Any Council officers or Councillors appointed to the Board of a CO may not receive remuneration (if any) offered by that CO.

6. Related Documents and Acts

- Office of the Auditor General Governance and accountability of council-controlled organisations
- Institute of Directors New Zealand Four Pillars of Governance Best Practice

Council Controlled Organisation Director Appointment Policy



- New Zealand Institute of Directors Code of Ethics
- Controller and Auditor-General conflicts of Interest good-practice

The following Legislation relates to this policy:

Note: Any legislation referred to should be interpreted as meaning the Act and its amendments

- Local Government Act 2002

7. Policy Review

A review of this policy will take place in May 2028.

Created:	April 2018	Date for review:	May 2028
Author:	GMCS & RA	Authorised by:	Council
Consulted on:	June 2024	Version	V2