

## 1.1 APPOINTMENT AND REMUNERATION OF DIRECTORS FOR COUNCIL CONTROLLED ORGANISATIONS POLICY

Date Adopted	Next Review	Officer Responsible
1 July 2009	1 December 2017	Chief Financial Officer

### Policy Purpose:

The Local Government Act 2002, section 57, requires a local authority to adopt a policy that sets out an objective and transparent process for the appointment of directors to Council Organisations. It states that the Council may appoint a person to a directorship of a council organisation only if the Council considers the person has the skills, knowledge and experience to:

- Guide the organisation given the nature and scope of its activities.
- Contribute to the achievement of the objectives of the organisation.

The purpose of this policy is to define the process for the appointment and remuneration of directors appointed to council organisations.

### Policy:

Council may appoint a person to be a director of a Council Organisation only if it considers the person has the necessary 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

A Council Organisation (CO) for the purpose of this policy means:

- (a) A company -
  - (i) In which equity securities carrying voting rights at a meeting of the shareholders of the company are -
    - (A) Held by 1 or more local authorities; or
    - (B) controlled, directly or indirectly, by 1 or more local authorities; or

- (ii) In which 1 or more local authorities have the right, directly or indirectly, to appoint 1 or more of the directors (however described) of the {company}; or
- (b) an {entity} in respect of which 1 or more local authorities have, whether or not jointly with other local authorities or persons, -
  - (i) control, directly or indirectly, of 1 or more of the votes at any meeting of the members or controlling body of the {entity}; or
  - (ii) the right, directly or indirectly, to appoint 1 or more of the trustees, directors, or managers (however described) of the {entity}.

A Council Controlled Organisation (CCO) for the purpose of this policy 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 Organisations (CCTO) is a CCO that operates as a trading undertaking for the purpose of making a profit.

This policy applies only to those Council Organisations including CCO's and CCTO's for which it is necessary to appoint directors.

#### SKILLS, KNOWLEDGE AND EXPERIENCE

To be considered for appointment as a director of a CO, a person should, as a minimum, have the following skills:

- Intellectual ability
- An understanding of governance issues
- Either business experience or other experience (or both) that is relevant to the activities of the Council organisation
- Sound judgement
- A high standard of personal integrity
- The ability to work as a member of a team

#### APPOINTMENT PROCESS

When director vacancies arise in any CO, the Chief Executive (CE) will run a recruitment process and present a recommendation for appointment to Council along with a description of the process undertaken.

The CE will decide whether to advertise a particular vacancy or recommend an appointment without advertisement. When making this decision the CE will consider:

- The costs of any advertising and process
- The availability of qualified candidates
- The urgency of the appointment (eg a CO that is without a quorum cannot hold board meetings).

If more than one candidate is being considered the CE will use an appropriate panel to consider the applications, interview applicants and make a recommendation to Council.

## FINAL APPOINTMENT

Council will make a decision in confidential (thus protecting the privacy of natural persons). Public announcement of the appointment will be made as soon as practicable after Council has made its decision.

An elected member who is under consideration to fill a particular vacancy, may not be present for the discussion and voting on the appointment.

## CONFLICTS OF INTEREST

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

## REMUNERATION

Remuneration of directors of COs is a matter of public interest.

Where Council is the sole shareholder in a particular organisation, Council will set director's remuneration by resolution and will review remuneration on a triennial basis or as required.

In reaching a view on the appropriate level of remuneration for directors of CO's, Council will consider the following factors:

- The need to attract and retain appropriately qualified people to be directors of the CO
- The levels and movement of salaries in comparable organisations (Council will retain professional advice on remuneration levels and movements if there is uncertainty)
- The objectives of the CO (in particular whether or not the CO operates on a commercial basis)
- The past performance of the CO
- Whether the CO is operating as a trading undertaking
- The financial situation of the CO

In cases where Council cannot exercise direct control, such as in an organisation where it is one shareholder among many, it will conduct its own monitoring of salaries against the above factors.

Councillors appointed as directors of Council Organisations will not be entitled to receive remuneration or meeting fees.

In the event that a Council staff member is appointed to the Board of the Council Organisation, no remuneration will be paid unless the CE determines there are special circumstances.

Appointees will be entitled to claim for expenses incurred.

## ADHERENCE TO CODE OF PROPER PRACTICE

Council will expect that any directors appointed by it to carry out their duties to the best of their abilities and in accordance with the highest professional standards. Therefore, directors appointed to Council Organisations will undertake to adhere to the NZ Institute of Directors' "Code of Practice for Directors".