

Appointment and Remuneration of Directors for Council Organisations (#2117)

Date Issued: 19 June 2003

Updated February 2021

Background

The Far North District Council (FNDC) either owns or has an interest in number of council organisations (COs). These include the following:

- 1. Far North Holdings Ltd:** Council controlled trading organisation (CCTO) where Council owns 100% of the shares, appoints 100% of the directors, and manages a portfolio of Commercial and Community property investments, including the operation and maintenance of maritime facilities.
- 2. Other Council Controlled organisations:** The Pou Herenga Tai Twin Coast Cycle Trail Charitable Trust where Council has a controlling interest in the makeup of the board.
- 3. Various bodies appointed under legislation:** Council organisations (CO) where Council may appoint management committees to administer land and facilities owned by Council and subject to the Reserves Act 1977 and similar legislation.

These organisations deliver services, provide advice, or in some way support the achievement of the objectives in the Council's long term council plan (LTP).

As per the Local Government Act 2002, the council may appoint a person to a directorship of council organisations 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.

Objective

To set out a transparent process for Council to consider and appoint directors of COs.

1. Skills

The council considers that any person that it appoints to be a director of a CO should, as a minimum, have the following skills:

- Intellectual ability
- An understanding of governance issues
- Business experience/experience relevant to the organisation
- Sound judgment
- A high standard of personal integrity
- The ability to work as a member of a team.
- Commitment to the principles of good corporate citizenship
- Understanding of the wider interests of the publicly accountable shareholder.
- A demonstrable commitment to the Far North District.

2. Appointment Process

When vacancies arise in any CO the council will follow the following process for appointing directors.

A report will be prepared that will, in most cases, include information relating to current Directors therefore it will be submitted to the Publicly Excluded agenda of Council to seek a decision on whether to advertise a particular vacancy or make an appointment without advertisement. When making this decision the council will consider:

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

Once the decision has been made on the appointment process, it must be notified in the public portion of the meeting

a. Appointment by Advertisement

Where the council decides to advertise a vacancy, it will form an ad hoc committee chaired by the Mayor, or a Councillor nominated by the Mayor.

An advertisement seeking expressions of interest will be placed in the appropriate media sites and be open for a minimum of 3 weeks.

All applications will be reviewed and a shortlist of candidates will be prepared by the Mayor, the chairperson of the committee charged with responsibility for monitoring the CO, and the Chief Executive.

The relevant committee will interview the shortlisted candidates, check all references, and report to council on each of the candidates, making a recommendation on its preferred candidate if it wishes to do so.

b. Appointment without Advertisement

Where the council decides not to advertise a particular vacancy it will refer the matter to council or the relevant committee that is responsible for monitoring the CO. The council committee will consider the appointment at its next scheduled meeting and make a recommendation to Council in relation to the appointment.

3. Final Appointment

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

4. Reappointment

Where a director's term of appointment has expired and he or she is offering him or herself for reappointment, the Mayor, or a Councillor nominated by the Mayor, will consult with the Chairperson of the CO with regard to:

- Whether the skills of the incumbent add value to the work of the organisation
- Whether there are other skills the organisation needs
- Succession issues

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

Council may reappoint an existing director for a further term without activating the formal appointment process. Where it is not intended to reappoint the incumbent, the appointment process outlined above will apply.

5. Rotation of Directors and Length of Tenure

The Directorship shall be reviewed by the board of the relevant organisation each year at the time of the Annual Report of the Company.

Directors will normally be appointed for periods of three years. Subject to a review of the director's performance after the first three-year period, the normal tenure for a director will be six years.

Following six years of services, a director may be appointed for a further three years if the benefit of such an extension is considered to outweigh the potential advantages of seeking and appointing a new candidate.

It is desirable that a director not be reappointed to the same organisation after nine years of service.

6. Conflicts of Interest

FNDC expects that directors of Council-controlled organisations 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. All directors are appointed 'at the pleasure of the council' and may be dismissed for breaches of this code.

7. Remuneration

It is Council policy not to remunerate directors of council controlled organisations. Remuneration of directors by the Council-controlled organisation is a matter for the organisation concerned.