

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

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Purpose

The purpose of this policy is to set out, in accordance with section 57 (1) of the Local Government Act 2002 (LGA), an objective and transparent process for the:

- a) identification and consideration of the skills, knowledge and experience required of directors of a council organisation.
- b) appointment of directors to a council organisation; and
- c) remuneration of directors of a council organisation.

Policy Objectives

The objectives of this policy are to ensure:

- that the process of appointing board members is undertaken in an objective and transparent manner, while protecting individual privacy.
- that board appointments:
 - are made on the basis of an assessment of skills, knowledge and experience, having regard to the nature of scope of the organisation's objectives and activities.
 - consider the contribution that directors can make to the board as a whole and to the achievement of the organisation's objectives and activities.
 - take into account the context in which council, as a publicly accountable body operates.
- continuity through smooth succession of board members and board chairs.

Background

"Candidate" is a person who has been nominated, submitted a written application or identified through search activities.

"Council Organisation" is defined in section 6 of the LGA as an organisation in which the council has a voting interest or the right to appoint a director, trustee or manager (however described).

"Council Controlled Organisation" is defined in section 6 of the LGA in which the council controls, directly or indirectly, 50% or more of the votes or has the right, directly or indirectly, to appoint 50% or more of the directors.

Board Diversity and Inclusion

Far North District Council (FNDC) values and supports the benefits that diversity of thought, experience and skills bring to our CCO boards as well as the council as a whole; that a culture of inclusion and diversity is cultivated through clear tone from the top, with the Council and elected members, SLT and boards championing diversity and inclusion in support of FNDC's values.

FNDC recognises that increasing diversity and fostering inclusive board culture is an essential element in supporting high performing boards, driving long-term success, making improved decisions and delivering better outcomes for the communities of the Far North District.

A diverse board will include, but is not limited to skills, experience, perspectives, gender, race, age, ethnicity and other qualities of directors. The board will make good use of these differences and distinctions among individuals in determining the optimum composition of the board.

All board appointments must collectively reflect the diverse nature of the business environment in which FNDC and its CCOs operates and be made on merit in the context of the skills, experience and knowledge which the board requires to be effective.

FNDC is committed to supporting and/or providing initiatives:

- that lead to an inclusive recruitment and selection process of board appointments;
- support a diverse range of aspiring directors to develop skills, knowledge, board room experience and to establish relationships and networks; and
- build a diverse pool of experienced directors for Far North District organisations and companies.

Policies

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 council organisation (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

- **Advertisement of Appointed Director's Position**

Where the council decides to advertise a vacancy, it will establish an Appointment Panel, approved by the Chief Executive, subject to consulting with 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.

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.

- **Appointment Panel Composition**

The Appointment Panel will be made up of:

- two elected members; and
- the existing Chair of the CCO or their nominee; and
- one independent person who brings particular knowledge of skills that can add value to the process.

- **Appointment Panel Responsibilities**

The appointment panel will be responsible for:

- approving the criteria against which applications will be assessed;
- approving an independent recruitment consultant to assist with the selection process, if it decides it is warranted;
- preparing a shortlist of candidates to interview;
- interviewing the shortlisted candidates and evaluating them against the approved criteria; and
- reporting on its assessment of each candidate against its criteria and recommending appointments of directors to council.

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 Council 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

Council will then 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. Appointment of a Chairperson

Council will appoint the Chair and deputy Chair of each CCO board, taking into account the experience and skills of the existing board. Council will seek input from the current board members, as appropriate.

If a suitable Chair cannot be appointed from the current board for any reason, or if there is more than one suitable candidate on the current board, an appointment process and panel will be established as per the Appointment Process in section 2.

- **Specific skills and attributes sought**

In general terms, the skills and attributes sought for CCO Chairs are the same as those sought for CCO Directors (see section 1), but in addition would include the following:

- strong leadership skills, with the ability to work collaboratively with the board and General Manager to create a sustainable enterprise;
- ability to think in a visionary and strategic manner;
- have a strong understanding of, and experience in, governance; and
- ability to ensure that the organisation is accountable and delivers high quality products, facilities and services.

7 . Conflicts of Interest

Far North District Council 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.

8 . Remuneration

Far North District Council will decide whether directors on CCO boards are to be remunerated. The level of remuneration of directors will be set by council in accordance with the factors below.

To ensure transparency, fees will be set by the council for the board members and Chairs, rather than allocating a pool to be distributed by the board. Fees are to be met from the council organisation's own resources.

In exceptional circumstances, where elected members and council employees may have been appointed as directors of a CCO, they will not be remunerated for that role unless provided for by specific council resolution.

The council supports the payments by CCOs of directors' liability insurance and the indemnification of directors.

Travel costs for meetings are generally not reimbursed, other than in exceptional circumstances approved by the Chair.

- **Level of remuneration**

Where CCO directors are remunerated, the level of remuneration will be set taking into account the following factors:

- the need to attract and retain appropriately qualified directors
- the levels of remuneration paid by comparable organisations in New Zealand
- any changes in the nature of the CCO's business
- any other relevant factors.

Remuneration of directors of all CCOs will be reviewed at least once per triennium, or whenever the performance of the CCO or the role of the CCO and its board changes significantly.