
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 to Council Controlled Organisations (CCO's) of FNDC is undertaken in an objective and transparent manner, while protecting individual privacy.
- that board appointments:
 - are made based on 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.
 - consider the context in which council, as a publicly accountable body operates.
- continuity through smooth succession of board members and board chairs.

Other relevant legislation

In addition to this policy, the appointment and re-appointment of directors to Council Organisations are governed by their respective constitutions, trust deeds or, in some cases specific legislation. In the event of a conflict, the regulatory requirements of those documents take precedence over this policy.

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.

The board of a CCO should be made up of a diverse range of people who are able to bring relevant expertise to the organisation. For the 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.

All board appointments must collectively reflect the diverse nature of the 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

Policies

1. Eligibility

Council can consider any person as eligible to be a Director/Board Member provided that:

- they have not been previously disqualified from being a director or board member within New Zealand.
- they have not been convicted of a crime involving dishonesty.
- they are not an undischarged bankrupt.
- they are not a currently elected member of the Council
- they are not a current employee of the Council.

2. Skills

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

- sound judgement and decision-making.
- a public service ethos.
- a high standard of personal integrity.
- commercial and governance experience.
- clear communication skills and an ability to debate in a reasoned manner.
- The ability to build and maintain relationships.
- effective teamwork and collaboration.
- ability to think strategically.
- risk assessment and contingency management.
- commitment to the principles of good corporate citizenship.
- understanding of the wider interests of the Council, as a publicly accountable shareholder.

3. Appointments Committee

As soon as practicable after each local body triennial election, or as otherwise required, the Council will establish an Appointments Committee for the purpose of recommending the appointment of directors to Council Controlled Organisations. The members of the committee will comprise the chairperson of the CCO board, an external commercial advisor (or similar) with relevant experience and knowledge, and up to two other members nominated by the Council. These members would ideally be Councillors with an interest in CCO's and one of these appointees would be appointed as the Chair of the Appointments Committee.

Any recommendation made must be the unanimous decision of the committee.

4. Appointment Process

The Appointments Committee will prepare a list of possible candidates to be interviewed. In preparing the list, the committee will use several resources including, but not exclusively, public advertising, personal recommendations, and self-referrals, identifying individuals with the required skills and competencies.

The appointment committee 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.

When making this decision the committee will also 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).

The Appointments Committee will report to the Council on the outcome of the appointments process and the committee's recommendations. The Council will be the final decision-maker.

The Council expects all participants in the appointment process to undertake the work required of them in a timely manner.

5. Final Appointment

The council will make the final 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.

6. Reappointment

Where a director's term of appointment has expired and he or she is offering him or herself for reappointment, the Appointments Committee 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
- The Director's length of tenure
- Succession planning

The Committee will then consider the information obtained and form a view on the appropriateness of reappointment or making a replacement appointment. The outcome of the review will be advised to Council, who will make the final decision in relation to re-appointment if appropriate.

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.

7. Removal of Directors

Council have the right to remove a Director if:

- The Director becomes an undischarged bankrupt
- The Director is convicted of a crime involving dishonesty
- The Director is prohibited from managing a company by the Registrar of Companies
- The Director is not acting in good faith.
- The Director is unable to perform the duties as a Director

Should it be necessary to remove a Director the default process in the Companies Act 1993 would be followed unless the company constitution specifies a different process.

The default process is to:

- call a shareholder meeting for the specific purpose of removing the director in question. There can be other purposes, but they must appear in the notice of the meeting.
- at the meeting, shareholders can remove the director through an ordinary resolution; and
- if a majority of shareholders votes in favour of the resolution, it passes and the directors' removal from their office becomes effective.

8. Rotation of Directors and Length of Tenure

The Directorship shall be reviewed for appropriateness by the board of the relevant organisation each year. A statement advising that the review has been completed will be included in 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 is not reappointed to the same organisation after nine years of service. The board shall develop and maintain:

- a skills and corporate knowledge matrix, identifying the skills currently represented by the board and clearly identifying those that need to be considered by a future appointment.
- A succession plan to ensure that the tenure of Directors is reviewed in line with this policy

The above to be discussed and reviewed with the Shareholder at least once a year.

9. Appointment of a Chairperson

Subject to the constitution or trust deed of the CCO, Council will appoint the Chair of each CCO board, considering the experience and skills of the existing board. Council will seek input from the current board members, as appropriate.

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 4.

In general terms, the skills and attributes sought for CCO Chairs are the same as those sought for CCO Directors (see section 2), but in addition would include the following:

- strong leadership skills, with the ability to work collaboratively with the board 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.

10. 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.

11. 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.

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

- **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.

12. Review

This Policy is to be reviewed by the Assurance, Risk and Finance Committee provided this is a delegated function of the Committee. If Council does not provide for this delegation at each triennium then the policy will be reviewed by Council.

The policy will be reviewed:

- Every three years or
- At the request of the Chair of the Assurance, Risk and Finance Committee or
- At the request of the Board of the CCO
- In response to a change in legislation or statutory requirements.