

TE KAUPAPA HERE MŌ TE KŌWHIRINGA ME TE UTUNGA KI NGĀ KAIWHAKAHAERE O NGĀ WHAKAHAERE-Ā-KAUNIHERA APPOINTMENT AND REMUNERATION POLICY FOR DIRECTORS OF COUNCIL CONTROLLED ORGANISATIONS

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PURPOSE

In accordance with section 57(1) of the Local Government Act 2002, the purpose of this policy is to set out the process for the appointment/reappointment of directors to Wairoa District's Council Controlled Organisations (CCOs). This policy also defines the skills required of directors and their remuneration.

BACKGROUND

Section 57 of the Local Government Act 2002:

“(1) A local authority must adopt a policy that sets out an objective and transparent process for—

(a) the identification and consideration of the skills, knowledge, and experience required of directors of a council organisation; and

(b) the appointment of directors to a council organisation; and

(c) the remuneration of directors of a council organisation.

(2) A local authority may appoint a person to be a director of a council organisation only if the person has, in the opinion of the local authority, the skills, knowledge, or experience to—

(a) guide the organisation, given the nature and scope of its activities; and

(b) contribute to the achievement of the objectives of the organisation.”

This policy is subject to review every 5 years and in addition it may be reviewed by the Finance, Audit & Risk Committee, Council, or relevant committee at any time.

SKILLS, KNOWLEDGE, AND EXPERIENCE REQUIRED OF DIRECTORS

All directors are expected to meet a number of core competencies as well as relevant industry or other technical/specialist skills required for that board.

CORE COMPETENCIES

The core competencies expected of all directors are:

- The ability to think strategically
- Public service ethos and awareness of a public media profile
- An understanding and commitment to Council's obligation to Te Tiriti o Waitangi and the working together principles outlined in Council's Maori Policy
- Clear communication and an ability to debate in a reasoned manner
- An understanding of the wider interests of the publicly accountable shareholder
- Commercial acumen
- Sound judgement and decision-making
- A high standard of personal integrity
- Commitment to the principles of good corporate citizenship
- Risk assessment and contingency management
- Effective teamwork and collaboration.

ELIGIBILITY FOR APPOINTMENT COUNCIL OFFICERS

Under this policy, council officers are ineligible to serve as a director on CCOs.

Any director applying for employment with the council should resign from the board immediately following an offer of appointment.

CCO STAFF

Board members should be independent from management and should not hold executive positions in the CCO.

In the event that a board decides that one of its members should fill a vacancy in the executive team, the board member must first resign from their position on the board.

CONFLICTS OF INTEREST OF CANDIDATES

Prior to being interviewed for a position on a board, an applicant will be required to declare formally any potential conflicts of interest. In making appointments to boards, Council will take into consideration an applicant's existing directorships, and any other sources of potential conflicts of interest.

Further guidance for directors as it relates to conflicts of interests can be found in the relevant CCOs constitution and sections 139 to 149 of the Companies Act 1993.

APPOINTMENT OF DIRECTORS

The Council is responsible for the appointment of board members to CCOs. The Finance, Audit and Risk Committee are responsible for monitoring the financial and non-financial performance and governance of CCOs.

TERMS OF APPOINTMENT

Directors are to serve a maximum of two terms, with the option of further reappointment possible where appropriate. To reflect current national and international best practice, Wairoa District Council's policy regarding board tenure is as follows:

- Tenure of three years – directors shall hold office for a term of up to 3 years from the date of his/her appointment. This may be varied at Council's discretion in order to reflect a board's succession plan.
- Expiry of tenure – upon expiry of their first term, the directors retire from the board and, subject to the directors' performance and skills continuing to be relevant to the board, may be eligible for reappointment
- Reappointment – a director who is retiring from their first term, deemed eligible for reappointment and who wishes to stand, may, at the sole discretion of the council (by ordinary resolution), be reappointed for a second term of up to three years.
- Tenure exceeding two consecutive terms – for circumstances where there are good reason/s for extension, a director retiring from a second term may be reappointed for a further term. Each case will be considered on its own merits and is at the sole discretion of the council.

Types of circumstances include (but are not limited to):

- The board member has a particular skill that would be hard to replace
- The board has undergone substantial change and stability is needed
- The director has institutional knowledge not held by other directors
- A director is a likely successor as chair

Where possible, terms will commence in June, and appointments are staggered so that one board member is rotated each year. Staggering appointments to the boards ensures there is an appropriate level of institutional knowledge retained on each board, which in turn provides for continuity in the management of CCOs.

APPOINTMENT PROCESS

REAPPOINTMENTS

Where a director's term of appointment has expired and he/she would like to be considered for reappointment, the Council may offer a further term following consideration of the performance of the director and the needs of the board as a whole. Factors to be considered include:

- The views of the board Chair
- Whether the current board skill composition is appropriate
- Whether any aspects of board performance need to be addressed
- Whether the process offers an opportunity for increasing board diversity
- Whether the retiring director is a potential candidate for future Chair, or alternatively whether there is a need to recruit a director as a future successor to the Chair
- Alignment of the CCO board with the Council's strategic goals, plans and strategies

Directors should not be given any expectation that they will be offered a subsequent term of office.

After Council approval, the successful applicant/s will then be offered a letter of appointment.

Public announcement of the appointment will be made as soon as practicable after the Council has made its decision and the letter of appointment signed by the applicant.

NEW APPOINTMENTS

Once a vacancy has been established, the interview panel will identify the skills, knowledge and experience required for the position, in conjunction with the CCO chair. This may involve discussions with the Chair and consideration of the results of board performance reviews and composition on the board.

The position will be advertised and a complete list of applicants will be compiled. This list will then be screened by the Mayor and Council's CEO to ensure that the applicants have the required core competencies. The interview panel, in conjunction with relevant staff, will prepare a recommended short list of applicants for consideration by Council.

Council will then select applicants to interview; these interviews will be undertaken by an interview panel comprised of:

- CEO of Wairoa District Council (or representative)
- His/Her Worship the Mayor of Wairoa District Council
- Chair of the relevant CCO board
- Chair of the Finance, Audit & Risk Committee (or representative)

The interview panel will assess candidates against the required skills, knowledge and experience. They will then recommend their preferred candidates to the Council for approval.

After Council approval, the successful applicant/s will then be offered a letter of appointment.

Public announcement of the appointment will be made as soon as practicable after the Council has made its decision and the letter of appointment signed by the applicant.

REMOVAL OF DIRECTORS

The office of a director is vacated through retirement, resignation, disqualification¹, or removal, and is required by Council resolution.

Without limiting the right of the Council, the following are likely reasons for Council to remove a director, where that director:

- Is regularly absent from board meetings without good justification
- No longer has the confidence of the board or the Council
- Has breached ethical standards and this reflects badly on the board and/or 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 director to the Council.

Directors who stand as a candidate in a local body or general election should advise the Chair of their board immediately. The Chair then need to advise the Council's Chief Executive Officer as soon as any directors of their board stand for political office.

Any director standing for political office must stand down from their position from nomination day until the election results are notified. This measure aims to ensure that governance of the CCO is not distracted by the director's election activity, and to prevent the possibility of any conflicts of interest – real or perceived.

REMUNERATION

Directors' fees will compensate directors fully for their normal contribution to the board, including attending board and Council/Committee meetings, meeting preparation, stakeholder management, and any other agreed tasks. These fees will reflect the element of public service in serving on the board of a CCO and will accordingly be set at or below the average for comparable private sector entities.

Annually, prior to the CCO's Annual General Meeting, the Council will approve a pool to be distributed by the board. Fees are to be met from the CCO's own resources.

The directors' remuneration pool will be reviewed by the Finance Audit & Risk Committee once per triennium following council elections. A full review will be conducted and will include benchmarking against comparative entities. The review will consider market movement and any recommendations resulting from this review will be taken to Council.

¹ The Companies Act provides a list of those persons who are disqualified from being appointed or holding office as a director of a company (e.g. a person who is an undischarged bankrupt). See section 151(2) for further information