

Council Policy

Policy Title: Appointment Of Directors To Council Controlled Organisations Policy 2018

Responsibility: Chief Executive

First Adopted: June 2006

Review Frequency: Three yearly, or as otherwise required

Last Reviewed: October 2018

Next Review Due: October 2021

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1 Policy Objectives

- 1.1 To disclose the process and criteria Council will apply to the appointment, removal and setting of remuneration for directors of Council Controlled Organisations (CCO).

2 Definitions

2.1 Council Controlled Organisation (CCO)

Section 6(1) of the Local Government Act 2002 (LGA) defines a CCO in the following way: *Council-controlled organisation means a council organisation that is:*

- (a) *a company-*
- (i) *in which equity securities carrying 50% or more of the 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 50% or more of the directors 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 50% or more of the vote at any meeting of the members or controlling body of the organisation; or*
 - (ii) *the right, directly or indirectly, to appoint 50% or more of the trustees, directors, or managers (however described) of the organisation.*

3 Principles

- 3.1 That Council's process for identifying and considering the skills required of a CCO director is objective and transparent.
- 3.2 That Council leadership, including leadership of any CCO, is trustworthy, accountable and visionary, and takes a coordinated governance approach.

4 Background

- 4.1 This policy is developed in compliance with section 57 of the LGA. It addresses the criteria and procedures for appointment and remuneration of Directors to a Council Controlled Organisation. Section 57 of the LGA states:
- (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.*

5 Policy Statement

5.1 Appointment Criteria - General

Council will appoint persons to the directorship of CCO's under the criteria outlined in Section 57(2) of the LGA. Specifically, persons that Council considers have the skills, knowledge and experience to:

- (a) Guide the organisation given the nature and scope of its activities;
- (b) Contribute to the achievement of the objectives of the organisation.

5.2 Appointment Criteria - Skills

Council considers that any person that it appoints to be a director of a CCO should clearly demonstrate the following skills:

- (a) Intellectual ability;
- (b) Either business experience or other experience, skills or qualifications that are relevant to the activities of the organisation (or both);
- (c) Sound judgement;
- (d) High standard of personal integrity;
- (e) Ability to work as a team member;
- (f) Understanding of governance issues.

5.3 Appointment Process

When vacancies arise in any CCO, Council will follow the following appointment process.

- (a) Council will resolve in a public meeting whether to advertise a particular vacancy or make an appointment without advertisement, and outline the process for appointment and setting of remuneration, including
 - (i) Recruiting of candidates;
 - (ii) Contract development and negotiation;
 - (iii) Ongoing performance monitoring;
- (b) When making a decision on this matter, Council will consider:
 - (i) The costs and benefits of any advertisement;
 - (ii) The availability of qualified candidates;
 - (iii) The urgency of the appointment;

- (iv) The degree of public interest in the issue.
- (c) Council will consider applications and resolve an appointment on a confidential basis. Public notice of the appointment will be made as soon as practicable after Council has made its decision.
- (d) An elected member who is under consideration to fill the vacancy may not be present in the discussion or vote on that appointment.

5.3.1 Any person appointed as a CCO director under this Policy will receive a copy of the Policy for their information.

5.4 Reappointment

Where a director's term of appointment has expired and they are offering themselves for reappointment, Council will consult with the Chairperson on a confidential basis with regard to:

- (a) whether the skills of the incumbent add value to the work of the board;
- (b) whether there are other skills which the board needs;
- (c) a succession plan.

5.4.1 Council will consider the information obtained on a confidential basis and, taking into account the director's length of tenure, decide on the appropriateness of reappointment or making a replacement appointment.

5.4.2 Where reappointment is not considered appropriate then the appointment process outlined in this policy will apply.

5.5 Length of Tenure

Length of tenure will be decided by Council prior to appointment.

5.6 Remuneration

The CCO's Statement of Corporate Intent or equivalent document will determine the process for setting and disclosing of remuneration of directors.

5.7 Removal of Directors

Directors appointed to CCOs by Council are in the role at Council's discretion. Council may terminate a director's appointment at any time by way of written notice.

5.8 Other Provisions

Council expects that directors of Council organisations 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 and the provisions of the Companies Act 1993. All directors are appointed at Council's discretion and may be dismissed for breaches of these stated documents.

5.9 Disclosure of interests

When Council is involved with CCOs under the definition of Section 6 (1)(b) of the LGA, it will disclose its interests in these organisations in the Long Term Plan.

6	Delegations
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6.1 Refer to Council's Delegations Manual.

7 Annotations

Date	Description
June 2006	Policy adopted
June 2009	Policy reviewed/amended as part of LTP process
June 2012	Policy reviewed/amended as part of LTP process
September 2015	Policy reviewed and amended. See report 612637
December 2018	Policy reviewed, amended and adopted. See report 702833.