

## **P20-006 Appointment and Remuneration of Directors of Council Organisations Policy**

*Approved by the Council on 1 September 2020*

### **POLICY PURPOSE**

The purpose of this policy is to ensure that suitable, highly-skilled and knowledgeable directors are appointed to council organisations, related remuneration is appropriate and the requirements of the Local Government Act 2002 (LGA) are met.

In particular section 57 (1) of the LGA, ensuring Council has an objective and transparent process for the:

- Identification and consideration of the skills, knowledge, and experience required of directors of a council organisation; and
- Appointment of directors to a council organisation; and
- Remuneration of directors of a council organisation.

### **DEFINITIONS**

Statutory definitions relating to this policy are contained in section 6 of the LGA. Key definitions are summarised as:

**Council organisation:** an organisation in which the New Plymouth District Council (NPDC) has a voting interest or the right to appoint a director, trustee or manager.

**Council-controlled organisation:** a council organisation that NPDC (alone or with other local authorities) controls 50 per cent or more of the voting rights or has the right, directly or indirectly, to appoint 50 per cent or more of the directors, trustees or managers.

**Council-controlled trading organisation:** A council-controlled organisation that operates a trading operation for the purpose of making a profit.

**Director:** Includes company directors, trustees, board members, managers and office holders of a council organisation (however described).

### **APPOINTMENTS**

#### *Skills, knowledge or experience*

Appointments to a council organisation will only be made if the person has, in the opinion of the New Plymouth District Council (NPDC), the skills, knowledge, perspective or experience to guide the organisation and contribute to its objectives as set out in its Statement of Intent.

#### *Diversity and inclusion*

NPDC values diversity and inclusion and the benefits these bring to our council organisations. Diversity promotes the inclusion of different perspectives and ideas, mitigates against group think and improves oversight, decision-making and governance on behalf of the community we serve.

NPDC is also committed to fostering an inclusive culture based on merit and free of conscious or unconscious bias.

NPDC will have due regard to both diversity and inclusion when appointing directors. For the purposes of this policy, diversity includes differences including but not limited to gender and ethnicity as well as differences in background, skills, work styles, perspectives and experience.

#### *Transparency*

The process of appointing board members will be undertaken in an objective and transparent manner, while protecting individual privacy.

#### *Identification of skills, knowledge and experience required*

When a board member is to be appointed, an external consultant will be engaged by the Council if it is deemed necessary or advantageous to gain independent expert advice. The Council and/or consultant will first complete a position description for the role. The Chair of the council organisation will be consulted to ensure that the skills they believe are required to complement the existing board are captured.

The position description will detail the skills, the knowledge and experience required for the role and will take into account:

- a) The nature and scope of the organisation, the organisations future directions and its constitutional set up.
- b) The strategic objectives of the organisation and the attributes, skills and knowledge, which will be required to deliver the strategic objectives of the organisation.
- c) The skills of the current directors of the company or the required skills of all the directors of the company.
- d) Any specific skill, knowledge and experience that is currently required or may be required in the future.
- e) The diversity, including gender balance, of the current council organisation board members.
- f) Whether knowledge of tikanga Māori may be relevant to the governance of a council organisation.

A role specification will be developed and will detail:

- The organisation's context.
- The functional relationships of the role.
- The responsibilities attached to the role.
- The personal attributes for the role.
- The specific skills/qualifications required for the role.

#### *Appointment process*

This is a general process that may be modified in light of any constitutional requirements that override any step provided or where another body has responsibility for managing the process involved.

The key objective for the Council in any appointment process is to obtain and select the best person for each role and to follow best practice in reaching each decision.

Candidates may be sought through a combination of methods, such as by:

- a) Publicly advertising the position/positions that are available; and/or
- b) Directly approaching people it is felt may be appropriate for the role; and/or
- c) Asking relevant groups within the community for nominations for the role of directors; and/or
- d) Any other method deemed appropriate.

Any candidates will be asked to supply:

- A curriculum vitae which establishes how well they meet the role specification for the directorship role.
- A letter detailing why they are interested in the particular role.
- Details of any conflicts of interest their appointment may cause.

#### *Selection panel*

A selection panel will be established that will consider all applications, short list applicants for interview, undertake interviews and make a recommendation to the Council. The panel will include:

- a) The Mayor and/or Deputy Mayor;
- b) The Chief Executive of the Council and/or another Executive;
- c) An iwi nominated representative confirmed by the Mayor and Chief Executive; and
- d) Other Councillors, staff or external people with specific skills, experience or other attributes that add value to the process as determined by the Mayor and Chief Executive.

The selection panel will make a recommendation to the Council that will generally be adopted by a full resolution of the Council. The decision will generally be made with the public excluded to protect the privacy of any individuals, but a public statement will be made as soon as practicable on the appointment made in conjunction with the council organisation.

#### *Term*

The term of a board member position will be determined by the constitution (or other founding document) of the council organisation to which the board member is appointed or, where this is not the case the Council will determine the term in the resolution appointing the board member.

At or near the end of each term the candidate selection panel may carry out a formal review of the board member's performance. If required, this will be used to assist the decision-making process for reappointment.

Regular board rotation is encouraged. Board members will generally be appointed for a three-year term with the view that an existing/retiring board member may be re-appointed for one further term after consideration and a resolution of the Council.

Where there are special circumstances such as related to succession planning, continuity for projects or specific areas of expertise, a board member is able to be reappointed for a third and final term.

The Council considers it best practice for boards to have in place policies and processes to ensure that the succession and refreshment of overall board numbers occurs over time, in a staggered manner.

The Council also considers that other than in emergency situations, board members should be non-executive and not undertake executive roles within the entity involved.

#### *The Appointment of Staff or Councillors as Directors*

It is not considered appropriate for either staff or Councillors to act as directors of council organisations. This could create conflicts of interest between the roles of staff as advisors to Councillors and Councillors as objective decision makers while having the responsibilities of the role of a board member.

#### **REMOVAL OF BOARD MEMBERS**

Board members hold office at the pleasure of the Council and may be removed at any time by council resolution. Without limiting the right of the Council, the council may choose to remove a board member due to issues relating to their attendance, undertaking of responsibilities, conflicts of interest or behaviour that is found in breach of standards deemed appropriate to the role.

Where the board has concerns regarding the behaviour of one of its members, it may recommend removal of the board member to the Council.

NPDC will not make any payment by way of compensation to board members who have been removed from their position.

#### **THE REMUNERATION OF BOARD MEMBERS**

The remuneration of board members will be determined based on each specific role and any existing legal or constitutional requirements. Council organisation board members appointed by the Council will receive the remuneration (if any) offered by that body.

Unless an alternative process is stated in a council organisation's constitution, or otherwise agreed, Council will set individual director and Chair remuneration for all council organisations following consultation with each council organisation. In all cases, the member's role specification will be used to establish market rates for comparable positions at the time of appointment or at each review.

The market rate either for an entire board or individual board members, may be reviewed by council officers or through such methods as commissioning an independent consultant to benchmark the level of fees paid. This will include reference to entities that are comparable to each council organisation and the annual Institute of Directors' Fees Survey or similar.

The review should be undertaken once each triennium and will take into account factors such as the need to attract and retain appropriately qualified people, the external market for comparable positions, and the objectives of each organisation. It will also consider the size, scope and scale of the organisation, level of accountability and the type of expertise and specialisation required.

An important principle for any remuneration review is the element of public service related to being a board member of a council organisation. The Council, therefore, expects that remuneration will be set at or below any comparable private sector entities.

In the case of it being deemed appropriate for a Councillor or council staff member to become a member of a council organisation, if no remuneration is offered, such board members who are Councillors will be entitled to receive normal Council meeting allowances. Council staff members appointed to such bodies will not accept any remuneration.