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Appointment and Remuneration of Directors Policy

Purpose and Scope

- The purpose of this policy is to provide an objective and transparent process for:
 - the identification and consideration of the skills, knowledge and experience required of directors of Council organisations;
 - the appointment of directors to Council organisations; and
 - the remuneration of directors of Council organisations.

Revocations

- The policy on the Appointment and Remuneration of Directors 2017 is revoked when this policy comes into force on 26 November 2019.

Definitions

The following definitions only provide guidance and Section 6 of the Local Government Act 2002 (LGA) has more detailed definitions.

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| The Act | The Local Government Act 2002. |
| Council | Includes any committee, subcommittee or Community Board to which Council has delegated responsibility. |
| Directors | Includes company directors, trustees, managers and office holders of an organisation (s6(3)(b), LGA 2002). |
| Organisation | Includes partnerships, trusts, arrangements for sharing profits, unions of interest, co-operations, joint ventures and similar arrangements. |
| Company | Means a body corporate. |
| Council organisation (CO) | Is an organisation in which Council controls any voting rights or the right to appoint directors. |
| Council-controlled organisation (CCO) | Is a CO in which one Council controls, directly or indirectly, 50% or more of the voting rights or can appoint 50% or more of the directors. |
| Council-controlled trading organisation (CCTO) | Is a CCO that operates a trading undertaking for the purpose of making a profit. For the purposes of this policy, Council considers that only the Taupō Airport Authority (TAA) is a CCTO under s6 of the LGA. |

Strategic Criteria

3. Before Council decides to appoint a director(s) to any organisation, Council will assess its involvement against the following strategic criteria:
 - a) The organisation's goals and objectives, which must fit with Council's directions as stated in its strategic planning documents.
 - b) Any appointment must add value to the organisation, and to Council.
 - c) The benefits of appointing a director(s) must outweigh other methods of achieving Council's objectives.

4. Council Organisations Selection of Council Organisations for appointments

Council has non-controlling interests in numerous organisations, typically not-for-profit bodies that promote community well-being. When making and reviewing appointments to any organisation, Council needs to have regard to the strategic criteria given above.

4.1 Required skills, knowledge and experience of Directors

In general, Council seeks the following skills and attributes in directors of COs.

- a) Knowledge and experience relevant to the position
- b) Understanding of governance issues
- c) High standard of personal integrity
- d) Time available to undertake duties
- e) No conflict of interest
- f) Ability to appreciate the wider public interest.

When identifying the skills, knowledge, and experience required of directors of a CO, Council must consider whether knowledge of tikanga Māori may be relevant to the governance of that CO.

4.2 Appointment of Directors

Following an assessment of the nominees' attributes, Council will appoint its preferred candidate.

4.3 Term of Appointment

After the triennial elections, Council usually appoints directors to COs for a three-year term.

4.3 Remuneration of Directors

- a) Elected members - Elected members appointed by Council as directors to COs may not receive the remuneration (if any) offered by that CO.
- b) Council staff - Council staff appointed by COs are not eligible for remuneration. The normal terms and conditions of the staff member's employment contract will apply in these circumstances. If Council appoints a staff member to a CO that pays remuneration to its Directors, the staff member must arrange to have the fees paid to Council, unless the Chief Executive determines there are special circumstances.

Council-Controlled Organisations

5 Required skills, knowledge and experience of Directors

In general, Council seeks the following skills and attributes in directors of CCOs:

- a) Knowledge and experience relevant to the position
- b) Understanding of governance issues
- c) High standard of personal integrity
- d) Time available to undertake duties
- e) No conflict of interest
- f) Ability to appreciate the wider public interest.

The mix of skills and experience on the CCO board, as well as the board's diversity will be taken into account. Consideration will be given to complementing and reinforcing existing skills, reducing known skill gaps and increasing diversity where necessary.

When identifying the skills, knowledge, and experience required of directors of a CCO, Council must consider whether knowledge of tikanga Māori may be relevant to the governance of that CCO.

6.1 Appointments

- 6.1.1 Authority to appoint - Council will make appointments to CCOs or it may delegate those decisions to Council's Chief Executive.
- 6.1.2 External appointments - Where there are positions for external appointments, Council will seek nominations accompanied by information about the nominee's relevant skills, experience and attributes.
- 6.1.3 Elected members - Sometimes Council may want to appoint elected members to a CCO Board. Council needs to take care when appointing elected members or employees as directors of CCOs because this may:
- Create a conflict between their obligations to the CCO and their obligations to Council; and
 - Create negative community perceptions of the appointment(s).
- 6.1.4 The Office of the Auditor-General advises that Councils can ensure that CCOs are responsive to Council concerns using these methods:
- Use selection and appointment processes that ensure successful external appointments understand and accept the needs and priorities of Council and the community;
 - Provide a clear statement of Council's expectations of the CCO; and
 - Hold regular discussions between the CCO and Council on the main issues and objectives.
- 6.1.5 Council staff - Council should also take care when appointing Council employees as directors of CCOs, because Council employees may have a conflict of interest among:
- Their duty to follow Council's policies;
 - Their duty to advise the local authority on the performance of the CCO; and
 - The duties of confidentiality and loyalty owed to the CCO.

6.2 Term of Appointment

Appointments to a CCO are generally for a three-year term, and must comply with the Terms of Reference or Trust Deed for each CCO.

6.3 Remuneration of Directors

After each triennial Council election, the Council will determine whether there are any CCOs that may more properly be classified as CCTOs for the purposes of determining an appropriate level of remuneration. If Council classifies a CCO as a CCTO, then Council will determine the remuneration in accordance with the policy for CCTOs below.

In all other cases, CCO directors appointed by the Council will receive the remuneration (if any) offered by that body.

- Elected members - Elected members appointed by Council as Directors to CCOs may not receive the remuneration (if any) offered by that CCO.
- Council staff - Council staff appointed to CCOs are not eligible for remuneration. The normal terms and conditions of the staff member's employment contract will apply in these circumstances. If a Council staff member is appointed to a CCO where remuneration is paid, the fees for that appointee shall be paid to Council, unless the Chief Executive determines there are special circumstances.

Council-Controlled Trading Organisations

7.1 Introduction

The Taupō Airport Authority [TAA] is a CCTO for the purposes of the Local Government Act 2002 and of the other legislation under which the TAA operates. The TAA is required to operate a successful business providing for the safe, appropriate and efficient air transport needs of the Taupō District.

CCTOs in which Council holds shares directly are empowered under this policy to appoint directors to their own subsidiaries or associates in accordance with their own policies.

As outlined above the TAA is legally a CCTO, however the management has been delegated by the joint owner (the Crown) to Council. Council has constituted a Committee of Council – Taupō Airport

Authority Committee – which includes membership to manage the airport on behalf of Council (and the Crown).

Note that this process only applies to the appointment of the Business Representative to the TAA Committee

7.2 Required skills, knowledge and experience of Directors

The required skills, knowledge and experience for director appointments to a CCTO board are to be assessed by Council, in consultation with the Chairperson of the relevant CCTO. Consideration should be given to current governance best practice in this area, as encapsulated in the Institute of Directors' guidelines and other relevant material. External assistance may be used in some cases.

The mix of skills and experience on the CCTO board will be taken into account, and consideration given to complementing and reinforcing existing skills and reducing known weaknesses where necessary.

In general, the following attributes are sought in directors of CCTOs:

- a. Knowledge and experience relevant to the position
- b. Understanding of governance issues
- c. High standard of personal integrity
- d. Time available to undertake duties
- e. No conflict of interest
- f. Ability to appreciate the wider public interest.

When identifying the skills, knowledge, and experience required of directors of a CCTO, Council must consider whether knowledge of tikanga Māori may be relevant to the governance of that CCTO.

In addition to these attributes, a director may not be an un-discharged bankrupt (section 151(2)(b) of the Companies Act 1993).

It is expected that all appointees to CCTO boards will undergo, or have already undergone, formal corporate governance training, or have the requisite experience in this area.

7.3 Appointment process for Directors

When a vacancy arises in any CCTO, the Council, having identified the skills, knowledge and experience required for the position (in consultation with the CCTO Chairperson), will then follow the Nominations, Selection and Appointment processes in this section.

7.4 Nomination for Directors

Council will invite nominations for directors of CCTOs by public notice.

7.5 Selection and Appointment of Directors

External applicants - Council will shortlist the applicants when nominations have closed, and interview them. It will then decide on its preferred candidate, check all references and make an appointment(s). The recommendation process will exclude members of the public in order to protect the privacy of the individual(s) concerned.

Council will announce the appointment as soon as practicable after Council has made its decision.

Councillors - Councillors are not excluded under this policy from being appointed to CCTO boards. However all care should still be taken when appointing elected members or employees as directors of CCTOs because this may:

- a. Create a conflict between their obligations to the CCO and their obligations to Council; and
- b. Create negative community perceptions of the appointment(s).

The Office of the Auditor-General advises that Councils can ensure that CCTOs are responsive to Council concerns using these methods:

- a. Use selection and appointment processes that ensure successful external appointments understand and accept the needs and priorities of Council and the community;
- b. Provide a clear statement of Council's expectations of the CCTO; and
- c. Hold regular discussions between the CCTO board and Council on the main issues and objectives.

Council staff - Council must take care when appointing Council employees as directors of CCOs, because Council employees may have a conflict of interest among:

- a. Their duty to follow Council's policies;
- b. Their duties to advise the local authority on the performance of the CCTO; and
- c. The duties of confidentiality and loyalty owed to the CCTO.

7.6 Term and length of tenure of Directors

The normal tenure for a CCTO director will be three years or a lesser period to the end of the current Triennium of Council. Following three years of service, a director may be appointed for a further three years.

After six years of service, it is desirable that a director is not re-appointed to the same board.

7.7 Chairpersons of CCTOs

The Board is accountable to Council for the performance of the CCTO and the performance of each individual member including the Chairperson. It is therefore the responsibility of the board of each CCTO to appoint and remove its own Chairperson.

7.8 Remuneration of Directors

Council has been charged with monitoring and, where appropriate, approving changes in remuneration levels for the boards of CCTOs.

Every three years, and more frequently if appropriate, Council will review the level of remuneration available to the boards of CCTOs for distribution.

The fees will be reviewed on an overall basis for each CCTO, leaving the board of that CCTO to apportion the fee between board members as it sees fit.

In performing its review of remuneration, Council will take account of the following factors:

- a. The need to attract and retain appropriately qualified directors
- b. The levels of remuneration paid to comparable companies or government organisations in New Zealand
- c. The performance of the CCTO and any changes in the nature of its business
- d. Any other relevant factors.

In general, it is intended that boards of CCTOs will receive a level of remuneration that is competitive with the market, while recognising that there will be differences from time to time, particularly in the period between reviews. Professional advice will be sought where necessary.

Council supports CCTOs to pay directors' liability insurance and to indemnify directors.

Council staff – If a Council staff member is appointed to a CCTO board, the fees for that appointee shall be paid to Council, unless the Chief Executive determines there are special circumstances.

7.9 Reporting to Council

For all appointments, at the time of appointment the responsibilities of the director(s) in relation to reporting back to Council will be determined. As a minimum appointee will report on the progress of the organisation annually.

Conflict of Interest

The Council expects that any appointments to any CO, CCO or CCTO 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 Council's Code of Conduct and/or the New Zealand Institute of Directors' Code of Ethics.

Dismissal of Directors

All members are appointed "at the pleasure of Council" and may be dismissed by way of resolution by Council.