

APPOINTMENT AND REMUNERATION OF DIRECTORS POLICY



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1. PURPOSE

The purpose of this policy is to outline the process and criteria for the appointment of directors by Hutt City Council to external governance positions.

2. SECTION 57 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.*
- (3) *When identifying the skills, knowledge, and experience required of directors of a council-controlled organisation, the local authority must consider whether knowledge of tikanga Māori may be relevant to the governance of that council-controlled organisation.*

Note: The term Director includes Trustee or Manager of a Council Organisation as per section 6 of the Local Government Act 2002.

3. APPOINTMENT OF DIRECTORS

Council has the authority to make appointments to a wide range of organisations.

In all cases, the decision as to the appointment will be made at a full Council meeting.

In each case, Council will appoint a person who Council considers to show the following:

- The skills, knowledge and experience needed to undertake the relevant role.
- Sound judgement.
- A high standard of personal integrity.
- An understanding of the governance requirements for the type of organisation concerned.
- The ability to work as part of a team.

4. PROCESS FOR MAKING APPOINTMENTS

Identifying skills, knowledge, and experience required of directors

In each case, the selection and assessment process will involve the following:

4.1 PREPARATION OF A PERSON SPECIFICATION

In each case a person specification will be prepared setting out the skills, knowledge, and experience required of a director/s. In preparing this person specification consideration will be given to the following:

- The nature and scope of Council organisation, its future direction and requirements in its constitutional documents.
- The objectives of the organisation and the attributes, skills, knowledge, and experience required to contribute to the achievement of those objectives.
- The skills of any existing directors.
- Outstanding skills, knowledge, and experience required.
- Any future skills, knowledge, and experience required.
- Knowledge and experience of tikanga Māori may be required in the role.

4.2 ADVERTISING THE POSITION

In most cases, the position will be advertised and any potential candidates known to Council may be approached and asked if they would consider applying for the position.

4.3 ASSESSMENT OF CANDIDATES

The assessment process will be as follows:

- All applications will be assessed by a selection panel comprising the Chair of the Council Organisation (or their nominee), the Mayor (or their nominee), the Chief Executive of Council (or their nominee) and other appropriate external people and HR expertise (the panel) if required. The panel will consider all applications received, shortlist, interview and make a recommendation to Council on the proposed Director/s,.
- The final appointment/s will be made in public excluded (thus protecting the privacy of natural persons), unless the candidate waives their right to privacy, by resolution of the full Council. Public announcement of the appointment will be made as soon as practicable after Council has made its decision.
- If an elected member is under consideration to fill a particular vacancy, that elected member cannot take part in the discussion or vote on their appointment or on any other proposed appointees being considered for the same Board at the same meeting.

4.4 EXCEPTIONS

Elected member appointments (“Council Director”)

In the case where Council is considering the appointment of an elected member to a Council organisation, there will be no need to advertise the position. This is because the potential pool of applicants for the position will be limited to elected members only. It will remain necessary for the assessment process to be followed in relation to the potential elected member candidates.

Existing pool of potential candidates

There may also be cases where, because of a recent appointment process, Council has a number of potential applicants for a position who have already submitted applications and who have agreed that their personal details could be used for consideration for future appointments. In such a case, the panel may elect not to advertise the position and may recommend to Council a potential appointee from this group of potential applicants. In such a case, the panel will include in its report to Council, for Council's consideration, an explanation of the reasons that the advertising process was not followed. Where Council makes an appointment without advertising the position, Council will record that fact and the reasons for not advertising the position in the minutes of the relevant meeting.

Other situations where advertising is not required

There may also be other situations where it is considered appropriate not to follow a full public advertising process in selecting potential applicants for appointment to Council organisations. In all cases where the decision is made not to advertise the vacancy publicly, the panel must include in its report to Council the reasons that a public advertising process was not followed. Where Council makes an appointment without advertising the position, Council will record that fact and the reasons for not advertising the position in the minutes of the relevant meeting.

5. TENURE AND REAPPOINTMENT

All appointments will specify the term of the appointment. Council may decide that, to prevent unwanted vacancies occurring during an election period, an appointment will be specified to extend beyond the end of a local government triennium. In such a case, it is prudent to specify that the appointment will last until the first ordinary meeting of the new triennium.

Where an elected member is appointed to a Board because one of the conditions is that the Director be an elected member, the term of the appointment will cease on the same date the elected member ceases to be an elected member, if that date is prior to the expiry date of the term of the appointment.

In relation to a Council Controlled Organisation, directors may be reappointed to a Board for a second term and, where there is a compelling reason, a director may be appointed for further periods. Second and third terms are not automatic, and Council will make its decision based on the company's business needs, the availability of candidates for the role (including the incumbent), the incumbent's performance and the make-up of the Board.

If a reappointment is made without having first completed the process outlined above, Council will record in the minutes of the meeting at which the appointment is made the reasons for not having followed that process.

6. CONFLICTS OF INTEREST

Hutt City Council expects that directors of Council organisations will avoid situations where their actions could give rise to a conflict of interest.

To minimise situations of conflict arising, Council requires directors to be guided by the Institute of Directors in the Four Pillars of Governance section 2.2 on Ethics and section 4.5 on Conflicts of Interest.

Unless otherwise stated in the organisation's constitutional documents, all directors are appointed at the decision of Council and may be dismissed for disregarding those guidelines.

7. REMUNERATION OF DIRECTORS

The remuneration of directors of a Council Controlled Organisation will be determined by the nature of the business and financial situation of the CCO.

Where Council is the sole shareholder in a particular organisation Council will set the directors' remuneration by resolution of Council. The resolution will state whether the remuneration is set as a fixed cap for Board remuneration, to be allocated by the Board, or specifying the salaries to be paid for directors and the Chairperson.

Remuneration for directors of Council Controlled Organisations will be determined by an analysis of market rates for comparable positions at the commencement of every triennium.

Remuneration for directors of other Council organisations (if any) will be determined on a case by case basis taking into account the form and purpose of the organisation and any previous level of fees paid by the shareholder.

8. TERMS

The terms used in this policy have the meaning set out in section 6 of the Local Government Act 2002.