

# Appointment and Remuneration of Directors for Council Organisations (#2117)

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## Background

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The Far North District Council (FNDC) either owns or has an interest in number of council organisations (COs). These include the following:

**1. Far North Holdings Ltd:** Council controlled organisation (CCO) where Council owns 100% of the shares, appoints 100% of the directors, and manages a portfolio of Commercial and Community property investments, including the operation and maintenance of maritime facilities. The Finance Policy & Planning Committee of Council monitors the performance of this CCO.

**2. Various bodies appointed under legislation:** Council organisations (CO) where Council may appoint management committees to administer land and facilities owned by Council and subject to the Reserves Act 1977 and similar legislation. The Environment & Community Services Committee of Council monitors these organisations.

These organisations deliver services, provide advice, or in some way support the achievement of the objectives in the Council's annual plan] and in the future its long term council community plan.

As per the Local Government Act 2002, the council may appoint a person to a directorship of council organisations only if the council considers the person has the skills, knowledge and experience to:

- Guide the organisation given the nature and scope of its activities
- Contribute to the achievement of the objectives of the organisation.

## Objective

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To set out a transparent process for Council to consider and appoint directors of COs.

## Policies

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### 1. Skills

The council considers that any person that it appoints to be a director of a CO should, as a minimum, have the following skills:

- Intellectual ability
- An understanding of governance issues
- Business experience/experience relevant to the organisation
- Sound judgment
- A high standard of personal integrity
- The ability to work as a member of a team.

- Commitment to the principles of good corporate citizenship
- Understanding of the wider interests of the publicly accountable shareholder.
- A demonstrable commitment to the Far North District.

## 2. Appointment Process

When vacancies arise in any CO the council will follow the following process for appointing directors. The council will decide in open council whether to advertise a particular vacancy or make an appointment without advertisement. When making this decision the council will consider:

- The costs of any advertisement and process
- The availability of qualified candidates
- The urgency of the appointment (e.g. a CO that is without a quorum cannot hold board meetings).

### a. Appointment by Advertisement

Where the council decides to advertise a vacancy, it will form an ad hoc committee chaired by the Mayor, or a Councillor nominated by the Mayor.

A shortlist of candidates will be prepared by the Mayor, the chairperson of the committee charged with responsibility for monitoring the CO, and the Chief Executive.

The relevant committee will interview the shortlisted candidates, check all references, and report to council on each of the candidates, making a recommendation on its preferred candidate if it wishes to do so.

### b. Appointment without Advertisement

Where the council decides not to advertise a particular vacancy it will refer the matter to the council committee that is responsible for monitoring the CO. The council committee will consider the appointment at its next scheduled meeting and identify a shortlist of candidates whom it considers meet the above criteria

This list is forwarded to council together with a report explaining why these candidates meet the criteria, making a recommendation if it wishes.

## 3. Final Appointment

The council will make a decision in committee (thus protecting the privacy of natural persons). Public announcement of the appointment will be made as soon as practicable after the council has made its decision. An elected member who is under consideration to fill a particular vacancy may not take part in the discussion or vote on that appointment.

## 4. Reappointment

Where a director's term of appointment has expired and he or she is offering him or herself for reappointment, the Mayor, or a Councillor nominated by the Mayor, will consult with the

Chairperson of the CO with regard to:

- Whether the skills of the incumbent add value to the work of the organisation
- Whether there are other skills the organisation needs
- Succession issues

The Committee will consider the information obtained and, taking into account the director's length of tenure, form a view on the appropriateness of reappointment or making a replacement appointment.

Council may reappoint an existing director for a further term without activating the formal appointment process. Where it is not intended to reappoint the incumbent, the appointment process outlined above will apply.

## **5. Rotation of Directors and Length of Tenure**

One third of the Directorship shall be reviewed each year at the time of the Annual Report of the Company.

Directors will normally be appointed for periods of three years. Subject to a review of the director's performance after the first three-year period, the normal tenure for a director will be six years.

Following six years of services, a director may be appointed for a further three years if the benefit of such an extension is considered to outweigh the potential advantages of seeking and appointing a new candidate.

It is desirable that a director not be reappointed to the same organisation after nine years of service.

## **6. Conflicts of Interest**

FNDC expects that directors of Council-controlled organisations 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 the New Zealand Institute of Directors' Code of Ethics. All directors are appointed 'at the pleasure of the council' and may be dismissed for breaches of this code.

## **7. Remuneration**

It is Council policy not to remunerate directors of council controlled organisations. Remuneration of directors by the Council-controlled organisation is a matter for the organisation concerned.