

A1 Policy on appointment and remuneration of Directors

Introduction

The Hurunui District Council (“the Council”) is required to have in place a policy on the appointment and remuneration of directors to comply with Section 57 (1) of the Local Government Act 2003 (“the Act”). A director is appointed to organisations in certain circumstances, such as where the Council has a voting interest in an organisation, or where the Council operates a trading undertaking in order to make a profit.

Purpose

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

Principles

- The following principles underlie this policy:
- Appointments will be made on the basis of merit;
- The Council will follow corporate governance best practice;
- Directors of Council controlled trading organisations will be appointed on the basis of the contribution they can make to achieving the objectives of the organisation, and not on the basis of representation;

Definitions

The term “Council organisation” (“CO”) is used as defined in Section 6 of the Act.

The Act also creates two sub-categories of COs – “Council-controlled organisations” (“CCOs”) and “Council-controlled trading organisations” (“CCTOs”).

The Council has interests that fall in each of these categories.

The following definitions are provided for guidance purposes only as fuller definitions are provided in Section 6 of the Act.

Meaning of “Council organisation”

In broad terms, a CO is an organisation in which the Council has a voting interest or the right to appoint a director, trustee or manager (however described). This is a wide-ranging definition, covering a large number of bodies.

Meaning of Council controlled organisation

A CCO is a CO in which one or more local authorities control, directly or indirectly, 50% or more of the votes or have the right, directly or indirectly, to appoint 50% or more of the directors, trustees or managers (however described).

Meaning of Council controlled trading organisation

A CCTO is a CCO that operates a trading undertaking for the purpose of making a profit.

For the purposes of this policy only:

- Transwaste Canterbury Limited (‘TCL’) is excluded from the definition of a CCTO (there is a separate policy – Section 5 – for the appointment of directors to TCL);

Council-Controlled Trading Organisations

Introduction

The Council has shareholding in Hurunui Rooding and Hurunui Holdings. These companies are not trading at present.

No directors will be appointed to CCTO boards other than through the process described in this policy.

Identification of required skills, knowledge and experience of CCTO directors

The required skills, knowledge and experience for director appointments to a CCTO board are assessed by Council, in consultation with the Chairperson of the relevant CCTO. Reference is made to current governance best practice in this area, as encapsulated in 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 terms, the following qualities are sought in directors of CCTOs:

- (a) Intellectual ability
- (b) Commercial experience
- (c) Understanding of governance issues
- (d) Sound judgement
- (e) High standard of personal integrity
- (f) Commitment to the principles of good corporate citizenship
- (g) Understanding of the wider interests of the publicly-accountable shareholder

As a general principle, the Council would seek to appoint one person who, while meeting all of the above criteria, has particular strengths in terms of attribute.

Appointment process for CCTO directors

When a vacancy arises in any CCTO, a Council Committee may be formed to identify the skills, knowledge and experience required for the position (in consultation with the CCTO Chairperson), will then follow the process set out below:

Advertising

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

Interview

The Council/Committee will identify a short list of candidates whom it considers meets the above criteria.

The short listed candidates will be interviewed and have references checked by the Council/Committee. If a Committee is appointed it will report to Council on each of the candidates. The Committee may make a recommendation if it wishes to do so.

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.

Reappointment

Where a director's term of appointment has expired and he or she is offering him/herself for reappointment, the full Council will consult on a confidential basis with the Chairperson of the CCTO with regard to:

- Whether the skills of the incumbent add value to the work of the board;
- Whether there are other skills which the board needs;
- Succession issues.

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

Where a Committee is established and reappointment is considered appropriate then the Committee is authorised to approve it without further reference to the Council.

Where it is not intended to reappoint the existing incumbent, the appointment process outlined above will apply.

Length of tenure

CCTO 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 service, 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 re-appointed to the same board after nine years of service.

Chairpersons of CCTOs

It is the responsibility of the board of each CCTO to appoint its own Chairperson. However, normally the CCTO board will consult with Council on the person to be so appointed, and where Council considers it appropriate, it will give its view on who it considers to be the appropriate person to fill the Chairperson's position.

Conflicts of Interest

Hurunui District 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 the Council requires directors to follow the provisions of the New Zealand Institute of Director's Code of Ethics. All directors are appointed 'at the pleasure of the Council' and may be dismissed for breaches of this code.

Remuneration of CCTO directors

Council will monitor and, where appropriate, approve changes in remuneration levels for the boards of CCTOs.

Periodically, normally every three years but more frequently if considered appropriate, Council will review the level.

However, in the event of a Council staff member being appointed to a CCTO board, the fees for that appointee shall be paid to the Council, unless there are special circumstances.

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

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

In general, it is intended that boards of CCTOs will receive a level of remuneration that is competitive with the general 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.

The Council also supports the payment by CCTOs of directors' liability insurance and the indemnification of directors.

Transwaste Canterbury Limited

Introduction

The Council has a 1.2 % interest in Transwaste Canterbury Limited ('TCL'). A further 48.8 % is held by five other Canterbury local authorities, and 25% each by two private sector companies.

A Canterbury Joint Waste Committee ('the Committee') has been constituted to represent the ownership interests of the local authorities. This body has the power to approve TCL's Statement of Intent and to appoint directors (ie. the 50% that represent the interests of the local authorities) to TCL without further reference to the Council.

Given that the Committee is a separately constituted body in terms of the Local Government Act, involving interests external to the Council, this Council policy cannot be applied directly to the Committee. However, the Council has an interest in ensuring that appropriate appointments are made to the TCL board.

The Council expects its delegates on the Committee to support the principles set out in this policy when such matters are discussed by the Committee.

Identification of required skills, knowledge and experience of TCL directors, and appointment

The Committee has the power to appoint four directors to TCL. It has adopted the policy of appointing two Councillor directors (one from Christchurch City Council and one from one of the rural Councils) and two external directors.

In general terms, the Council wishes the Committee to apply similar criteria to potential candidates to those it uses in its assessment of candidates for other CCTOs.

In respect of Councillor appointments, the Council would expect the Committee to also take into account a candidate's potential to quickly acquire business and financial skills, as well as his or her existing skills and experience.

Remuneration of TCL directors

In general terms, the Council would expect the Committee to apply similar policies and practices as are applied by CCHL in its review of the remuneration of CCTO boards.

Council Organisations

Introduction

The Council has non-controlling interests in COs. These are not-for-profit bodies. Appointments to COs are made for a number of reasons. These include:

- To provide a means of monitoring where the Council has made a grant to that body;
- To enable Council involvement where the CO's activity is relevant to the Council;
- To satisfy a request from the CO that the Council appoint a representative;
- Statutory requirements.

Appointments to a CO are generally for a term specified in the respective CO founding documents.

Identification of required skills, knowledge and experience of CO directors, and appointment

The range of reasons for the appointment of Council representatives to COs results in a wider range of desired attributes for appointees to these bodies.

Council/Committee will determine the required skills, knowledge and experience for each appointment. Candidates are not restricted to Councillors – in some cases, it may be more appropriate to appoint Council staff or external persons.

Should a Council Appointments Committee be established it will make its recommendations to the full Council for final approval.

Remuneration of CO Directors

CO Directors appointed by the Council will receive the remuneration (if any) offered by that body. Council staff members appointed to such bodies will not accept any remuneration.

Council-Controlled Organisations

The Council has non-controlling interests in North Canterbury Economic Development Board (Enterprise North Canterbury). This is a not-for-profit body.

Appointments to CCOs are made for a number of reasons. These include:

- To provide a means of monitoring where the Council has made a grant to that body;
- To enable Council involvement where the CCO's activity is relevant to the Council;
- To satisfy a request from the CCO that the Council appoint a representative;
- Statutory requirements.

Appointments to a CCO are generally for a term specified in the CCO's founding document, and are made accordingly.

The Council will endeavour to minimise the number of appointments where the benefit to the Council of such an appointment is minimal.

Identification of required skills, knowledge and experience of CO directors/trustees, and appointment

The range of reasons for the appointment of Council representatives to CCOs results in a wider range of desired attributes for appointees to these bodies.

A Council appointments committee will determine the required skills, knowledge and experience for each appointment. Candidates are not restricted to Councillors – in some cases, it may be more appropriate to appoint Council staff or external people with affiliations to the Council.

Should a Council Appointments Committee be established it will make its recommendations to the full Council for final approval.

Remuneration of CCO directors/trustees

CCO directors/trustees appointed by the Council will receive the remuneration (if any) offered by that body. Council staff members appointed to such bodies will not accept any remuneration.

Council meeting of 5 June 2003