

# Detail on proposed substantive policy amendments, options analysis and recommended option

## Proposed substantive policy amendments

- The following tables show proposed options for policy change and a high-level analysis of the key advantages and disadvantages of each option. The recommended amendments would result in substantive change to the policy. The recommended policy option for each of the proposed substantive policy amendments is shown in the draft policy (Attachment A) in red text.

Table 1: Policy objectives

Options	Advantages and Disadvantages
<p><b>Option one: (status quo)</b></p> <ul style="list-style-type: none"> <li>The policy contains a statement of the legislative purpose of the policy, but does not contain a statement of the objectives of the policy.</li> </ul>	<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>the policy is streamlined and objectives can be inferred from the legislative purpose of the policy</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>lack of clearly stated policy objectives may result in efforts being focused on processes and practices which do not achieve councils' intended outcomes</li> </ul>
<p><b>Option two: include a clear statement of the objectives of the policy (recommended option)</b></p> <ul style="list-style-type: none"> <li>A new section is added to the policy that sets out the objectives or outcomes that council is seeking to achieve when making board appointments.</li> <li>Proposed policy objectives are shown in section 2 of the draft policy.</li> </ul>	<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>improves transparency and accountability by including a statement of what council is seeking to achieve</li> <li>it is good policy practice to state the objectives of a policy</li> <li>it is common amongst similar public sector policies to include the objectives which the party responsible for appointments is seeking to achieve when appointing board members</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>if not appropriately specified, the objectives could result in efforts being focused on processes and practices which do not achieve councils' intended outcomes</li> </ul>

Table 2: Policy on board diversity and inclusion

Options	Advantages and Disadvantages
<p><b>Option one: status quo</b></p> <ul style="list-style-type: none"> <li>• The policy contains multiple references to diversity, in different sections, which infer a policy of:               <ul style="list-style-type: none"> <li>○ encouraging diversity on boards</li> <li>○ widening the pool of candidates so that diverse candidates have the opportunity to be considered</li> </ul> </li> <li>• For example, the following sections include references to diversity:               <ul style="list-style-type: none"> <li>○ 6.1 Core Competencies - <i>“that the council may waive the corporate governance requirement in order to attract a wider range of board members and to further its diversity policy if these skills and experience are already well represented on the board”</i></li> <li>○ 8.6 Reappointments - when considering a board member for reappointment factors to be considered include <i>“whether the process offers an opportunity for increasing board diversity”</i></li> <li>○ 8.7 New Appointments - when assessing candidates against the required skills, knowledge and experience other factors such as <i>“the council’s policy to encourage demographic and geographic diversity, and the appointment of more women to boards”</i> may be taken into account</li> </ul> </li> <li>• The policy contains detail on programmes which implement council’s position of encouraging diversity by widening the pool of candidates so that diverse candidates have the opportunity to be considered.</li> </ul>	<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• signals intent to increase diversity and contains sufficient material for the reader to infer that council considers diversity seeks to increase the diversity of its CCO boards</li> <li>• provides information on how council is seeking to:               <ul style="list-style-type: none"> <li>○ support a diverse range of aspiring directors to develop skills, knowledge and board room experience</li> <li>○ build a diverse pool of experienced directors</li> </ul> </li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• fragmented references to diversity policy reduce transparency, clarity and the impact of Councils’ policy on board diversity</li> <li>• including detail of implementation programmes in the policy can inhibit council’s ability to implement the policy in an effective and agile way</li> </ul>

Options	Advantages and Disadvantages
<p><b>Option two: include a new policy setting on board diversity and inclusion (recommended option)</b></p> <ul style="list-style-type: none"> <li>• A new section is added to the policy, which sets out council’s position on board diversity and inclusion. References to diversity throughout the policy are retained.</li> <li>• The policy on board diversity and inclusion would make a commitment to programmes that contribute to building a diverse pool of future directors, but detail on programmes is removed from the body of the policy. This allow programmes to evolve and change over time, without requiring council to act inconsistently with or to change the policy.</li> <li>• Detail of programmes which Auckland Council provides to implement Councils board diversity and inclusion policy could be made publicly available (e.g. on the website) to: <ul style="list-style-type: none"> <li>○ promote initiatives and encourage a diverse range of candidates to apply</li> <li>○ ensure transparency and accountability around how Council is giving effect to its policy</li> </ul> </li> <li>• It is increasingly seen as good governance practice to have a board diversity policy, in the New Zealand context for example: <ul style="list-style-type: none"> <li>○ The New Zealand Stock Exchange recently revised its listing rules to recommend that publicly listed companies should adopt and implement a diversity policy to provide clarity on commitment to diversity.</li> <li>○ The Financial Markets Authority recommends in its corporate governance guidelines and principles that effective boards require a range and balance of relevant attributes and should give consideration of gender, ethnicity, cultural background, age and specific relevant skills</li> </ul> </li> <li>• Proposed wording for the board diversity and inclusion policy setting is shown in section 4 of the draft policy.</li> </ul>	<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• promotes board diversity while still being consistent with section 57 of the LGA 2002 that: a local authority may appoint a person to be a director of a council organisation only if the person has, in their opinion, the skills, knowledge, or experience to: <ul style="list-style-type: none"> <li>○ guide the organisation, given the nature and scope of its activities; and</li> <li>○ contribute to the achievement of the objectives of the organisation</li> </ul> </li> <li>• results in increased transparency around Auckland Councils’ position on board diversity</li> <li>• continues councils commitment to initiatives which will help build a more diverse pool of future directors for Auckland organisations; while improving council’s ability to implement the policy in an effective and agile way</li> <li>• aligns with emerging best practice that</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• may increase focus on the composition and diversity of CCO boards</li> </ul>

Table 3: Panel(s) responsible for the short-listing, interviewing and recommending preferred candidates for the appointment to substantive CCO boards

Options	Advantages and Disadvantages
<p><b>Option one: status quo</b></p> <ul style="list-style-type: none"> <li>• A separate Nomination Panel and Interview Panel are constituted at the beginning of each appointments process. The Nomination Panel is responsible for screening candidates and recommending a short-list to the Committee. The Interview panel is responsible for interviewing and recommending a preferred candidate to the Committee</li> </ul> <p><b>Membership of:</b></p> <p><b>Nomination Panel</b></p> <ul style="list-style-type: none"> <li>– Chief Executive of Auckland Council (ex-officio or representative)</li> <li>– Mayoral Chief of Staff (or representative)</li> <li>– the Chair of relevant CCO (ex-officio)</li> <li>– up to two councillors (appointed by the Committee)</li> <li>– IMSB Member (appointed by IMSB)</li> </ul> <p><b>Interview Panel</b></p> <ul style="list-style-type: none"> <li>– Chief Executive of Auckland Council (ex-officio or representative)</li> <li>– the Chair of relevant CCO (ex-officio)</li> <li>– up to two councillors (appointed by the Committee)</li> <li>– IMSB Member (appointed by IMSB)</li> </ul>	<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• allows different elected members with different perspectives, skills and knowledge to be involved in the appointments process over the term</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• may result in inconsistent implementation of the policy and process over the electoral term</li> <li>• requires a higher degree of administrative support over the electoral term to re-constitute the panels and ensure panel members are supported to undertake the role effectively</li> </ul>
<p><b>Option two - single Selection Panel</b></p> <ul style="list-style-type: none"> <li>• A single Selection Panel would be responsible for, screening candidates, recommending a short-list to the Committee and for interviewing and recommending a preferred candidate to the Committee.</li> <li>• The Selection Panel would be constituted at the beginning of each appointment process.</li> </ul> <p><b>Possible membership of the Selection Panel:</b></p> <ul style="list-style-type: none"> <li>– Chief Executive of Auckland Council (ex-officio or representative)</li> <li>– Mayoral Chief of Staff (or representative)</li> <li>– The Chair of relevant CCO (ex-officio)</li> <li>– up to two councillors (appointed by the Committee)</li> <li>– IMSB Member (appointed by IMSB)</li> </ul>	<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• allows elected members with different perspectives, skills and knowledge to be involved in the appointments process over the term</li> <li>• reduces the degree of administration required to re-constitute and effectively support each new panel</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• may result in inconsistent implementation of the policy and process over the electoral term</li> <li>• reduces the ability for a range of elected members with different perspectives, skills and knowledge to be involved in the appointments process</li> </ul>

Options	Advantages and Disadvantages
<p><b>Option three: single Selection Panel, with councillors drawn from an enduring pool (recommended option)</b></p> <ul style="list-style-type: none"> <li>• A single Selection Panel would be responsible for, screening candidates, recommending a short-list to the Committee and for interviewing and recommending a preferred candidate to the Committee.</li> <li>• At the commencement of each appointment process the two councillors on the Selection Panel would be selected from an enduring pool, taking into account a range of factors, such as: <ul style="list-style-type: none"> <li>○ knowledge and expertise of the objectives and activities of the CCO board to which appointments are being made</li> <li>○ availability and frequency of participation in recent appointment processes</li> </ul> </li> </ul> <p><b>The enduring pool:</b></p> <ul style="list-style-type: none"> <li>• Would consist of no less than 4 and no more than 10 members of the governing body.</li> <li>• Members of the enduring pool would be appointed by the Committee at the beginning of the electoral term. The membership of the enduring pool could be amended at the discretion of the Committee.</li> </ul> <p><b>Possible membership of the Selection Panel</b></p> <ul style="list-style-type: none"> <li>– Chief Executive of Auckland Council (ex-officio or representative)</li> <li>– Mayoral Chief of Staff (or representative)</li> <li>– the Chair of relevant CCO (ex officio)</li> <li>– up to two councillors (selected each time from the enduring pool)</li> <li>– IMSB Member (appointed by IMSB)</li> </ul> <ul style="list-style-type: none"> <li>• Proposed revisions to the content of the policy are shown in sections: <ul style="list-style-type: none"> <li>○ 8.2 The Role of the Selection Panel</li> <li>○ 8.4 Membership of the Selection Panel</li> <li>○ 8.5 Membership of the Enduring Pool</li> </ul> </li> </ul>	<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• elected members on the enduring pool develop expertise in the process; resulting in a more efficient and effective process</li> <li>• increases consistency of implementation of the policy and process over the electoral term</li> <li>• reduces the degree of administration required to re-constitute and effectively support each new panel; improving efficiency of the appointment process</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• reduces the ability for different elected members with different perspectives, skills and knowledge to be involved in the appointments process over the term</li> </ul>

Options	Advantages and Disadvantages
<p><b>Option four: Single Selection Panel with councillors drawn from an enduring pool and an enduring Panel Chair</b></p> <ul style="list-style-type: none"> <li>• A single Selection Panel would be responsible for, screening candidates, recommending a short-list to the Committee and for interviewing and recommending a preferred candidate to the Committee.</li> <li>• A member of the governing body would be appointed as the enduring Chair of the Selection Panel, for the whole of the electoral term, at the beginning of the term.</li> <li>• A Deputy Chair of the Selection Panel would be appointed, for the whole of the electoral term, at the beginning of the term. The Deputy Chair would take on the role of the enduring Chair in the event that the Chair was unavailable and would be a member of the enduring pool</li> <li>• At the commencement of each appointment process one Councillor would be selected from the enduring pool, taking into account a range of factors, such as: <ul style="list-style-type: none"> <li>○ knowledge and expertise on the objectives and activities of the CCO board to which appointments are being made</li> <li>○ availability and frequency of participation in recent appointment processes</li> </ul> </li> </ul> <p><b>Enduring pool:</b></p> <ul style="list-style-type: none"> <li>• Would consist of no less than 4 and no more than 10 members of the governing body (inclusive of the enduring Deputy Chair).</li> <li>• Members of the enduring pool would be appointed by the Committee at the beginning of the electoral term. The membership of the enduring pool could be amended at the discretion of the Committee.</li> </ul> <p><b>Possible membership of the Selection Panel</b></p> <ul style="list-style-type: none"> <li>– Chief Executive of Auckland Council (ex-officio or representative)</li> <li>– Mayoral Chief of Staff (or representative)</li> <li>– the Chair of relevant CCO (ex officio)</li> <li>– the enduring Chair</li> <li>– a councillor (selected each time from the enduring pool)</li> <li>– IMSB Member (appointed by IMSB)</li> </ul>	<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• the enduring Panel Chair <ul style="list-style-type: none"> <li>○ becomes an expert in the process</li> <li>○ provides a consistent and strategic view across all appointment processes</li> </ul> </li> <li>• elected members on the enduring pool develop expertise in the process; resulting in a more efficient and effective process</li> <li>• increases consistency of implementation of the policy and process over the electoral term</li> <li>• reduces the degree of administration required to re-constitute and effectively support each new panel</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• reduces the ability for different elected members with different perspectives, skills and knowledge to be involved in the appointments process over the term</li> <li>• participating in all appointment processes would result in a high workload for the enduring Panel Chair (there are around 6-8 appointment processes each year)</li> </ul>

Table 4: Role and responsibilities of the Selection Panel and the Chair of the Selection Panel

Options	Advantages and Disadvantages
<p><b>Option one: status quo</b></p> <ul style="list-style-type: none"> <li>• The role and accountabilities of the Selection Panel are only outlined in the text of the sections which describes the process of reappointing and appointing new board members.</li> <li>• The policy does not specify the role of the Chair of the Selection Panel.</li> <li>• The role and accountabilities of the Selection Panel are summarised below: <ul style="list-style-type: none"> <li>○ screens the long-list to ensure that candidates have the required core competencies as well as the specific skills and expertise required for the position (section 8.7.3)</li> <li>○ recommends a short-list of candidates, for interview, to the Committee (section 8.7.3)</li> <li>○ interviews candidates and assesses them against the required skills, knowledge and experience (8.7.4)</li> <li>○ recommends preferred candidates for appointment to the Committee (section 8.7.5)</li> </ul> </li> </ul>	<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• reduces the risk that over time different parts of the policy may become inconsistent</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• the role and accountabilities of the Nomination Selection Panel is only set out in the text of sections 8.7.3 to 8.7.5; this may reduce clarity of the Panels role and accountabilities</li> <li>• the role of the Selection Panel Chair is not stated; this may result in a lack of clarity and reduces accountability</li> </ul>
<p><b>Option two: the role and accountabilities of the Selection Panel and the Selection Panel Chair are clearly set out in the policy (recommended option)</b></p> <p><b>Role of the Selection Panel</b></p> <ul style="list-style-type: none"> <li>• The policy sets out, in a separate section, the role and responsibilities of the Selection Panel.</li> <li>• References to the role of the Selection Panel (as outlined in option one) remain in the body of the policy.</li> <li>• Proposed policy wording is shown in section 8.2 of the draft policy.</li> </ul> <p><b>Role of the Chair of the Selection Panel</b></p> <ul style="list-style-type: none"> <li>• The policy also sets out, in a separate section, the role and responsibilities of the Chair of the Selection Panel.</li> <li>• Proposed policy wording is shown in section 8.3 of the draft policy.</li> </ul>	<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• the role of the Selection Panel and Selection Panel Chair is clearly stated in the policy, ensuring transparency and clarity around who is responsible for what in the appointments process</li> <li>• supports members of the Selection Panel and the Chair of the Selection Panel to effectively undertake their role</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• will result in duplication of policy content; which could increase the risk that over time different parts of the policy become inconsistent</li> </ul>

Table 5: Eligibility for appointment to the board of a CO and policy on remuneration of board members of COs

Options	Advantages and Disadvantages
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Options	Advantages and Disadvantages
<p><b>Option one: status quo</b></p> <p><b>Eligibility for appointment to the board of COs</b></p> <ul style="list-style-type: none"> <li>• The policy states that there are no specific exclusions on who may be appointed as a board member of a CO: <ul style="list-style-type: none"> <li>○ subject to specific provisions of the trust deed or equivalent founding document</li> <li>○ taking conflicts of interest into account</li> </ul> </li> </ul> <p><b>Remuneration of board members of COs</b></p> <ul style="list-style-type: none"> <li>• The policy is silent on Auckland Councils' role in the remuneration of board members of COs.</li> </ul>	<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• There are a large number of COs and it can be challenging to identify and appoint board members; broad eligibility criteria are a practical and enabling approach to attracting a wide pool of candidates, from which to choose the most appropriate appointee</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• eligibility for appointment to the board of COs is not as clearly stated; this is inconsistent with Parts One and Two of the policy</li> <li>• if staff members are appointed as board members this is likely to be perceived as a conflict of interest; even where an individual's role, or other interests, do not result in a conflict of interest</li> </ul>
<p><b>Option two: clarify eligibility for appointment and policy on remuneration of board members of COs (recommended option)</b></p> <p><b>Eligibility for appointment to the board of COs</b></p> <ul style="list-style-type: none"> <li>• Amend the policy to clarify that: <ul style="list-style-type: none"> <li>○ elected members may be appointed as board members of COs, subject to the provisions of the founding document and subject to conflicts of interest</li> <li>○ staff should not normally be appointed to COs, unless it is a requirement of the founding document or there is a compelling reason to do so</li> </ul> </li> <li>• Proposed wording is shown in section 15.1.1 of the draft policy.</li> </ul> <p><b>Remuneration of board members of COs</b></p> <ul style="list-style-type: none"> <li>• Amend the policy to clarify that the remuneration of board members of a non-substantive CCO and COs is not set by Auckland Council and is at the discretion of the CO organisation. Proposed wording is shown in sections 14 and 15.1.2 of the draft policy.</li> <li>• Amend the policy to clarify that if remuneration is offered to CO board members: <ul style="list-style-type: none"> <li>○ elected members appointed as a board member will not be entitled to remuneration, but may be reimbursed for expenses</li> <li>○ That where there is a compelling reason to appoint a staff member to the board of a CO, the staff member will not be entitled to remuneration, but may be reimbursed for expenses</li> </ul> </li> <li>• Proposed wording is shown in section 15.1.2 of the draft policy.</li> </ul>	<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• this approach is more consistent with how eligibility is dealt with in Parts One and Two of the policy</li> <li>• provides a clear and transparent policy setting on the eligibility of elected members and staff of Auckland Council to be appointed as board members of COs</li> <li>• provides a clear and transparent policy setting on the remuneration of board members of COs</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• could prevent staff with suitable skills, knowledge and experience from taking on these roles, where there is no conflict of interest, in their private capacity for the benefit of the community</li> </ul>