

Appointment and Remuneration Policy for Board Members of Council Organisations



Document Control

Version 1.0 25 September 2017	Draft to Appointment and Performance Review Committee 25 September 2017	
Version 1.1 26 September 2017	Minor amendment to section 8.5 required by APR on 25 September committee.	Clarity that delegated committee appoints each selection panel.
Version 1.2 2 August 2018	Insertion of section 16 Part Four: Appointments to Ports of Auckland Limited and section 17 Part Five: Auckland International Airport Limited	Process for appointing to Ports of Auckland Limited and Auckland International Airport Limited clarified
	Minor amendments to section 3 to include port company definition	

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1 Purpose

The purpose of this policy is to set out, in accordance with section 57(1) of the Local Government Act 2002 (LGA), an objective and transparent process for the:

- identification and consideration of the skills, knowledge and experience required of directors of a council organisation
- appointment of directors to a council organisation
- remuneration of directors of a council organisation

2 Policy Objectives

The objectives of this policy are to ensure:

- that the process of appointing board members is undertaken in an objective and transparent manner, while protecting individual privacy
- that board appointments:
 - are made on the basis of an assessment of skills knowledge and experience, having regard to the nature of scope of the organisations objectives and activities
 - consider the contribution that directors can make to the board as a whole and to the achievement of the organisations' objectives and activities
 - take into account the context in which council, as a publicly accountable body operates
- continuity through smooth succession of board members and board chairs

3 Background

3.1 Definitions

“Council organisation”

A council organisation (CO) is defined in section 6 of the LGA as 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.

“Council-controlled organisation”

A council-controlled organisation (CCO) is defined in section 6 of the LGA as an organisation in which the council controls, directly or indirectly, 50% or more of the votes or has the right, directly or indirectly, to appoint 50% or more of the directors, trustees or

managers. For the purpose of this policy CCOs of Auckland Council which are not substantive CCOs are referred to as non-substantive CCOs.

“Council-controlled trading organisation”

A council-controlled trading organisation (CCTO) is defined in Section 6 of the LGA as a CCO that operates a trading undertaking for the purpose of making a profit.

“Substantive council-controlled organisation”

A substantive CCO is defined in section 4 of the Local Government (Auckland Council) Act 2009 as an organisation that is wholly-owned or wholly-controlled by the council and either delivers a significant service on behalf of the council, or owns or manages assets worth over \$10 million. Auckland Transport is expressly included in this definition.

“Board member”

The term board member includes directors, trustees, managers or office holders (however described by that organisation).

“Candidate”

Is a person who has been nominated, submitted a written application, or identified through search activities.

“Committee”

For the purpose of this policy the term Committee refers to the Committee of the governing body of Auckland Council which has been delegated responsibility for making appointments to CCOs, CCTOs, COs and exempt CCOs and COs. For avoidance of doubt, in the event that the governing body of Auckland Council chooses not to delegate this responsibility, the term Committee refers to the governing body of Auckland Council.

“Port company”

A port company is defined in section 2 of the Port Companies Act 1988 as a company formed and registered as a port company. A port company is not a council-controlled organisation under section 4(c) of the Local Government Act 2002.

3.2 Application of this Policy

This policy has five parts:

Part One applies to the Council’s substantive council-controlled organisations.

Part Two applies to non-substantive council-controlled organisations.

Part Three applies to council organisations that are not council-controlled organisations, except Ports of Auckland Limited and Auckland International Airport Limited

Part Four applies to Ports of Auckland Limited, a council organisation that is a port company

Part Five applies to Auckland International Airport Limited, a council organisation

Part Six applies to council organisations that are subsidiaries of substantive council-controlled organisations.

In addition to this policy, appointments and reappointments to the boards of council organisations are governed by their respective constitutions, trust deeds or, in some cases, specific legislation. In the event of a conflict, those regulations take precedence over this policy.

CCOs that are companies are also subject to the Companies Act 1993.

There may be circumstances in which adherence to this policy is not appropriate. Should the Committee or any other organisation that is required to follow this policy, decide not to comply with any provision, the decision should be recorded by way of resolution (which should also include the reason for deviation from the policy).

This policy is subject to periodic review and may be modified by the Committee at any time.

3.2.1 Multiply owned council-controlled organisations

Where ownership of council organisations is jointly or severally shared with other entities, governance requirements are established through shareholder agreements or equivalent documentation. Such agreements take precedence over this policy, however to the extent possible, it is expected that all appointment processes will be made in a manner consistent with the objectives of this policy.

4 Board diversity and inclusion

Auckland Council values and supports the benefits that diversity of thought, experience and skills bring to our CCO Boards. We recognise that increasing diversity and fostering inclusive Board culture is an essential element in supporting high performing Boards, driving long-term success and delivering better outcomes for the communities of Auckland.

A diverse board will include and make good use of differences in the skills, experience, perspectives, backgrounds, demographics and other qualities of directors. These differences will be considered in determining the optimum composition of the board and when possible should be balanced appropriately.

All board appointments will be made on the basis of the skills, knowledge and experience which the board as a whole requires to be effective with due regard to the benefits of diversity on the board.

Auckland Council is committed to supporting and / or providing initiatives:

- that lead to an inclusive recruitment and selection process for Board appointments

- support a diverse range of aspiring directors to develop skills, knowledge, board room experience and to establish relationships and networks; and
- build a diverse pool of experienced directors for Auckland organisations and companies

Part One: Substantive CCOs

5 Eligibility for Appointment

5.1 Appointment of governing body and local board members

Under section 93 of the Local Government Auckland Council Act 2009, members of the governing body or local boards may not be appointed to the board of a substantive CCO of Auckland Council, with the exception of Auckland Transport.

5.1.1 Appointment of governing body members to Auckland Transport

Section 43(2) (a) of the Local Government Auckland Council Act 2009 allows up to two members of the governing body of Auckland Council to be appointed to the board of Auckland Transport. However, section 43(3) prohibits the Council from appointing a member of its own governing body as the chairperson or deputy chairperson of the board.

Any decisions regarding whether elected members should be appointed to the Board of Directors for Auckland Transport (and if so, how many and who) are most appropriately made following each triennial election.

The process for appointment and remuneration of elected members to Auckland Transport will be determined following each triennial election.

Any decisions made by the current council regarding the appointment of elected members to the Board of Directors of Auckland Transport may be amended by any further decisions of this or any future council.

The tenure for the appointment of all directors, including elected members to Auckland Transport is as outlined under section 5.4 of this policy (Terms of Appointment).

5.2 Appointment of Council Staff

Council staff are not eligible to serve as a director of a substantive CCO.

Any board member applying for employment with the council should resign from the board immediately following an offer of appointment.

5.3 Appointment of CCO Executives to CCO boards

Board members should be independent from management and should not hold executive positions in the CCO.

In the event that that a board decides that one of its members should fill a vacancy in the executive team, the board member must first resign from their position on the board.

5.4 Appointment and Remuneration of the CCO Chief Executive

The appointment and remuneration of a CCO Chief Executive by the CCO board requires prior discussion with the Selection Panel.

5.5 Other Exclusions

Immediate family members, of elected members, of the chief executive, and of second tier managers of the Auckland Council are also prohibited from serving as board members of substantive CCOs. Board members should not serve on the board of more than one substantive CCO but may be eligible for appointment to another substantive CCO board following retirement.

Persons who are disqualified from being appointed or holding office as a director of a company under section 151(2) of the Companies Act 1993 (e.g. a person who is an undischarged bankrupt) may not be appointed as a board member of a substantive CCO.

6 Board Competencies, Skills and Knowledge

Board members are expected to meet a number of core competencies as well as relevant industry, technical, or specialist skills required for that board.

6.1 Core Competencies

The core competencies expected on substantive CCO boards are:

- sound judgement and decision-making
- commercial acumen
- public service ethos and awareness of a public media profile
- an understanding and commitment to council's obligation to Te Tiriti o Waitangi
- a high standard of personal integrity
- clear communication and an ability to debate in a reasoned manner
- effective teamwork and collaboration
- the ability to think strategically
- risk assessment and contingency management
- commitment to the principles of good corporate citizenship
- understanding of the wider interests of the publicly accountable shareholder
- experience in governance; preferably corporate governance

The mix of skills and experience on the board will be taken into account, and consideration given to complementing and reinforcing existing skills and reducing skill gaps where necessary. It is recommended that all appointees to substantive CCO boards should undergo, or have undergone formal governance training, or have the requisite experience. However, 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. Substantive CCO Boards are expected to provide director training for directors with limited corporate governance experience.

6.1.1 Governing body members appointed to the board of Auckland Transport

Governing body members appointed to the board of Auckland Transport must have the necessary skills, knowledge and experience to contribute to the board.

6.2 Board Chair Competencies

In addition to demonstrating the core competencies listed in section 6.1 the following skills and competencies are required for the Chair and will be sought in the succession planning process:

- strong leadership skills
- political acumen
- strong interpersonal and relationship building skills
- sophisticated, analytically based, decision-making skills
- effective communication skills
- integrity and credibility within relevant sectors

6.3 Role of the Board Chair and Deputy Chair

The role of the Board Chair is to:

- provide effective leadership and:
 - harness the collective skills of the board and executive team to achieve business objectives and maintain the confidence of the shareholders
 - maximise the contribution of board members in board meetings
- maintain the trust of the council
- maintain a close, but independent, working relationship with the Chief Executive
- lead the board review process
- lead the director induction process
- ensure that there is a succession plan in place for the board
- be the spokesperson for the organisation
- work productively and openly with colleagues to achieve results and resolve problems
- to retain the confidence of the region and build relationships within the region's networks

The role of the Deputy Chair which includes the ability to take on the Chair's role, as and when required, is to:

- provide effective leadership
- work productively and openly with colleagues to achieve results and resolve problems

- to retain the confidence of the region and build relationships within the region's networks

7 Term of Appointment

Board members are to serve a maximum of two three-year terms, with the option of further reappointment possible where appropriate. To reflect current national and international best practice, Auckland Council's policy regarding board tenure is as follows:

Tenure of three years: Board members shall hold office for a term of up to three years from the date of appointment.

Expiry of tenure: upon expiry of that three-year term, the board member retires from the board and, subject to the board members' performance and skills continuing to be relevant to the board may be eligible for reappointment.

Reappointment: a board member who is retiring from their first three-year tenure, deemed eligible for reappointment and who wishes to stand, may, at the sole discretion of the council (by ordinary resolution), be reappointed for a second term of up to three years. Any board member reappointed for a second term retires upon expiry of the additional three-year term.

Those board members who were appointed for terms of less than three years as at 1 November 2010 are considered eligible for reappointment for two further three-year terms. Whether a director is offered reappointment, however, remains at the sole discretion of the council. Board members hold office at the pleasure of the council and may be removed at any time by council resolution.

Tenure exceeding six consecutive years: for circumstances where there are good reasons for extension, a board member retiring from a second tenure of three years may be reappointed for a further term but the board member's total tenure on the board must not exceed nine years. Each case will be considered on its own merits and is at the sole discretion of the council. The types of circumstances that could require this include, the:

- board member has a particular skill that would be hard to replace
- board has undergone substantial change and stability is needed
- board member has institutional knowledge not held by other directors
- board member is a likely successor as a chair

The council's policy is to stagger appointments so that approximately one-third of each board is rotated each year. Staggering appointments to the boards ensures there is an appropriate level of institutional knowledge retained on each board, which in turn provides for continuity in the management of the CCOs.

8 Board Appointments

8.1 The Role of the Committee

The Committee is responsible for the appointment of board members to CCOs.

In accordance with Section 57(2) of the LGA 2002, the Committee will only appoint a person to be a director of a CCO if that person has, in the opinion of Committee, the skills knowledge and experience to:

- guide the organisation given the nature and scope of its activities; and
- contribute to the achievement of the objectives of the organisation

8.2 The Role of the Selection Panel

Candidates will be assessed and recommended for appointment by a Selection Panel.

The Selection Panel is responsible for:

- screening the long-list to ensure that candidates have the required core competencies as well as the specific skills and expertise required for the position
- recommending a short-list of candidates, for interview, to the Committee
- interviewing short-listed candidates and assessing them against the required skills, knowledge and experience
- reporting on its assessment of each candidate against the criteria and recommend preferred candidates for appointment to the Committee

8.3 The Role of the Chair of the Selection Panel

The Chair of the Selection Panel plays a key role in overseeing the effective operation of the panel and in addition to the above, the role of the chair is to:

- provide leadership to and ensure the panel carries out its role effectively in accordance with legislative and policy requirements
- liaise with staff to ensure the effective running of board appointment processes
- encourage an environment of collaboration and respectful debate
- chair panel meetings efficiently
- represent the recommendations of the panel to the Committee

The Chair of the Selection Panel will be a member of the governing body of Auckland Council.

8.4 Membership of the Selection Panel

The Selection Panel will comprise of:

- Chief Executive of Auckland Council (or representative), (ex officio)
- Mayoral Chief of Staff (or representative)

- Chair of the relevant CCO board (ex officio)
- Governing body members, (up to two) selected from an Enduring Pool
- IMSB member (nominated by the IMSB)

8.5 Membership of the Enduring Pool

At the beginning of the electoral term an Enduring Pool, of no fewer than four members and no more than ten members of the governing body, will be formed. The membership of the Enduring Pool will be approved by the Committee and may be amended, at the discretion of the Committee. In determining the membership of the Enduring Pool the Committee will:

- seek expressions of interest from members of the governing body
- take into account a range of factors to ensure that the Enduring Pool includes members with a diverse range of skills, knowledge and experience

At the commencement of a board appointment process, up to two members of the Enduring Pool will be selected by the committee to be on the Selection Panel; taking into consideration a range of factors, such as, knowledge and expertise of the objectives and activities of the CCO board to which appointments are being made, frequency of participation in appointment processes and availability.

8.6 Reappointments

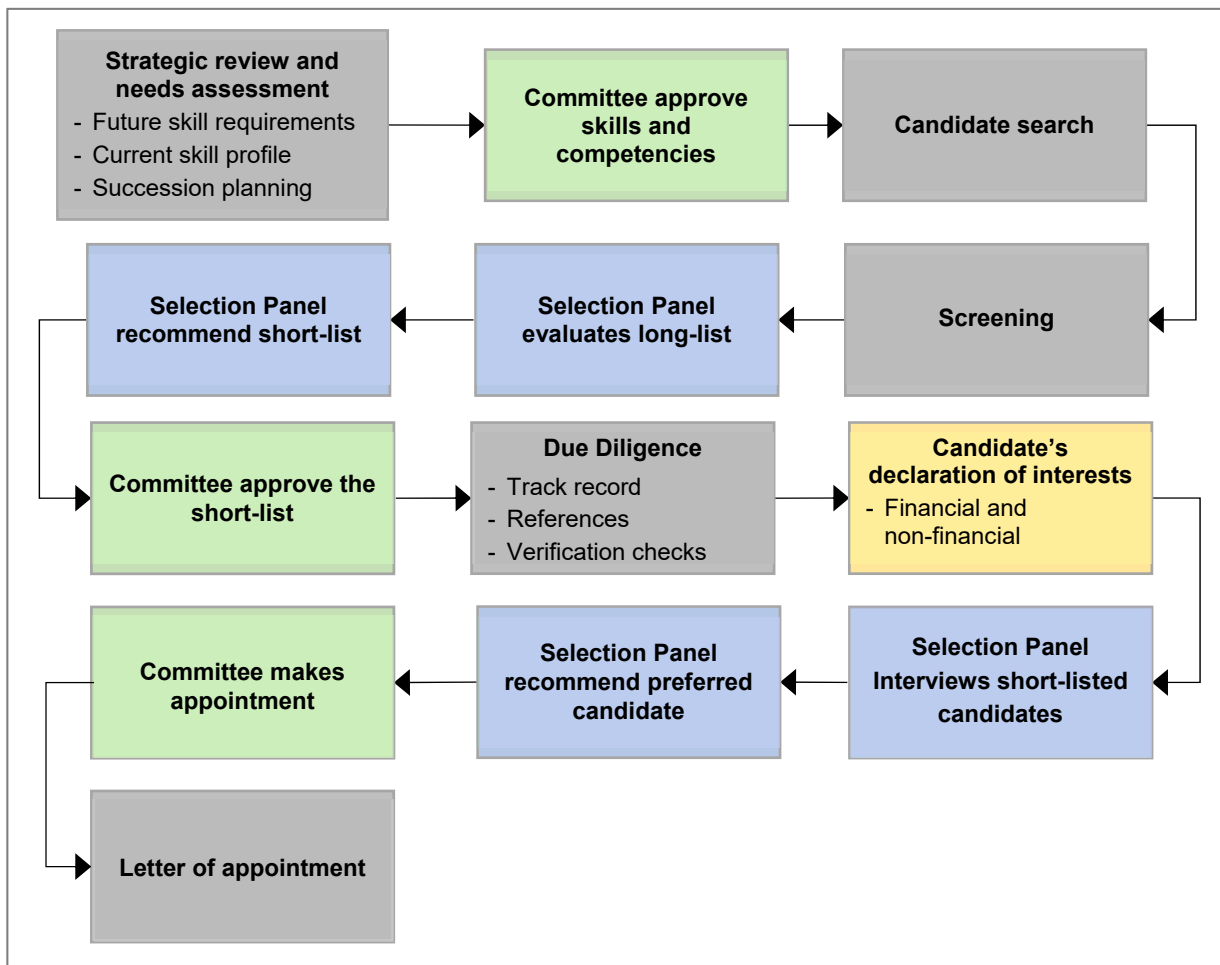
Where a board member's term of appointment has expired and they would like to be considered for reappointment, the Committee may offer a further term following consideration of the performance of the board member and the needs of the board as a whole. Factors to be considered include:

- the views of the board Chair
- whether the current board skill composition is appropriate
- whether any aspects of board performance need to be taken into consideration
- whether the process offers an opportunity for increasing board diversity
- whether the retiring board member is a potential candidate for future Chair, or alternatively whether there is a need to recruit a director as a future successor to the Chair
- alignment of the CCO board with the Auckland Council's strategic goals, plans and strategies

Board members should not be given any expectation that they will be offered a subsequent term of office.

8.7 New Appointments

The diagram below provides an overview of the process for new appointments.



8.7.1 Identification of skills, knowledge and experience

Once a vacancy has been established, the Committee will identify the skills, knowledge and experience required for the position, including whether knowledge of Tikanga Maori may be of relevance to the governance of that CCO (as required by section 60(3) of the LGA 2002), with the assistance of CCO Governance and External Partnerships. This may involve discussions with the Chair, consideration of the current composition of the board and a strategic review of future skill requirements.

8.7.2 Candidate search

Candidates may be sought through a combination of the following search methods: advertising of the position, executive recruitment search, a review of the council's Register of Directors, nominations from the mayor, governing body and local board members and crown agencies such as the Ministry of Women's Affairs and Te Puni Kokiri.

A complete list of candidates will be compiled, usually with the assistance of council's executive recruitment consultant.

8.7.3 Screening and short-listing

The Selection Panel will screen the list to ensure that the candidates have the required core competencies (see section 6.1) as well as the specific skills and expertise required for the position. Any applicants from the Register of Directors will automatically be included on the long list. The names of all candidates from the complete list will be included in the report to the Committee.

The Selection Panel, with assistance from a recruitment consultant, will prepare a recommended short list of candidates for consideration by the Committee.

The short list will normally include 3-4 candidates per position and a summary of skills or CVs will be included in the report to the Committee.

The Committee will approve the candidates for interview from the recommended short-list and interviews will be undertaken by the Selection Panel.

8.7.4 Interviewing and assessment of candidates

The Selection Panel will interview and assess candidates against the required skills, knowledge and experience and may take into account other factors such as:

- the council's board diversity and inclusion policy (see section 4)
- candidates with knowledge of Te Ao Māori and established māori networks
- alignment with the council's objectives for that entity
- board dynamics and stakeholder relationships
- the capacity of candidates to attend regular board meetings and fulfil the other requirements of the directorship
- Chair and Deputy Chair succession planning.

8.7.5 Recommendation to Committee and Committee decision

The Selection Panel will recommend its preferred candidates to the Committee for approval. The Panel may wish to signal to the Committee other candidates who on interview, have presented with appropriate skills that match or are of benefit to CCOs for future vacancies within the next twelve-month period.

Recommendations from the Selection Panel should include a discussion of whether any actual or perceived conflicts of interest have been identified. In recommending its preferred candidates to the Committee the Selection Panel needs to be confident that where a potential conflict of interest has been identified, that the conflict can be managed.

Reports recommending appointments and the Committee decision will be considered in a publicly excluded portion of the Committee meeting, to protect the interests and privacy of the candidate. The successful candidate(s) will then be offered a letter of appointment.

Public announcement of the appointment will be made as soon as practicable after the Committee has made its decision and the letter of appointment signed by the candidate.

8.8 Register of Directors

The council has established a Register of Directors CV's from candidates who have applied for a position on a substantive CCO.

The council may add interested candidates to the register based on the following:

- recommendations from elected members, senior staff, and the IMSB
- nominations from other sources including the Ministry of Women's Affairs and the Commercial Operations (Treasury)
- board members retiring from a substantive CCO may be considered by the Committee for future appointment to another substantive CCO.

Register of Director candidates may be offered a term of appointment on a non-substantive CCO.

Special consideration will be given to attracting registration from women and others who are able to add demographic and geographic diversity to CCO boards.

Inclusion on the register does not guarantee appointment to a substantive CCO, however a search of the Register candidates will be undertaken for each new appointment.

8.9 Consent and Conflicts of Interest

Prior to being interviewed for a position on a board, all candidates will be required to complete a consent form and to declare any relevant interests, so that the potential for a conflict of interest can be assessed. In making appointments to boards, the Committee will take into consideration a candidate's existing directorships, and any other potential conflicts of interest.

In considering any appointment or reappointment where a potential conflict of interest has been identified, the Committee needs to be confident that:

- the candidate will be able to make an effective contribution, even if their interest means they cannot participate in an activity of the organisation that relates to a particular matter; and/or
- measures can be put in place to manage the conflict

Further guidance on conflicts of interest can be found in the relevant CCO constitution and sections 139 to 149 of the Companies Act 1993. The Office of the Auditor-General also provides guidance on the management of interests and conflicts:

www.oag.govt.nz/managing_conflicts_of_interest:guidance_for_public_entities.

8.10 Appointments of Chairs and Deputy Chairs

The Committee will appoint the Chair and Deputy Chair of each CCO board, taking into account the experience and skills of the existing board. The appointments will be made in accordance with section 8.11 of this policy.

8.11 Chair Succession Planning

The purpose of succession planning is to provide for smooth transition of leadership in the event of a planned or unexpected retirement of an incumbent Chair. A person appointed as Chair in their second term may be appointed for a further three-year term as Chair, however their tenure as Chair must not exceed six years. The Committee will generally consider the need for a potential successor as they make each board member appointment.

Although it is the role of the Committee to appoint the Chair and Deputy Chair, it is expected that the board Chair will identify potential successors or signal to the council if there are no candidates for future Chair.

8.12 Removal of Board Members

Board members hold office at the pleasure of the council and may be removed at any time by council resolution.

Without limiting the right of the council, the following are likely reasons for council to remove a board member, where that board member:

- is regularly absent from board meetings without good justification
- no longer has the confidence of the board or the council
- has breached ethical standards and this reflects badly on the board and/or Council
- does not act in the best interests of the organisation
- breaches the confidence of the board in any way, including speaking publicly on board issues without the authority of the board or
- does not act in accordance with the principles of collective responsibility
- is now disqualified from being appointed or holding office as a director of a company under section 151(2) of the Companies Act 1993.

Where the board has concerns regarding the behaviour of one of its members it should be considered by the board in the first instance and, where necessary, the board may recommend the removal of the board member to the council.

Auckland Council will not make any payment by way of compensation to board members who have been removed from boards.

8.13 Board Members Standing for Political Office

Board members who have been selected to stand as a candidate in a local body or general election should advise the Chair of their board immediately. Chairs need to advise the council, through CCO Governance and External Partnerships, as soon as any members of their boards have been identified as candidates.

Any board member who is formally selected to stand as a candidate for election at a local body or general election, or placed on any political party's list, must stand down from

his/her board position from nomination day until the election results are notified or such earlier day as may be determined. This measure aims to ensure that governance of the organisation is not distracted by the board member's election activity, and to prevent the possibility of any conflicts of interest, real or perceived.

Section 94 of the Local Government (Auckland Council) Act 2009 provides that board members of substantive CCOs who are elected to the governing body of the Council or a local board must resign from their position as a board member of the CCO before taking up their position as a member of the governing body of the council or local board.

8.14 Governing body members on the Board of Auckland Transport

Members of the governing body who are members of the board of Auckland Transport, and who are re-elected in the local body elections, are not guaranteed a future place on the board of Auckland Transport. Tenure guidelines referred to in this policy are expected to apply to council representatives who hold a seat on the board of Auckland Transport.

Auckland Transport board members who are outgoing elected representatives must retire no later than one month from Election Day or upon the appointment of their successor, whichever is earlier.

Should a board member who is an elected representative not continue to hold political office part way through an electoral term, the council may choose to make a replacement appointment. The term of that appointment will terminate at the end of the forthcoming electoral cycle.

9 Remuneration

Board members' fees will compensate board members fully for their normal contribution to the board, including attending board and Committee meetings, meeting preparation, stakeholder management and any other agreed tasks.

Board members' fees will reflect the element of public service in serving on the board of a CCO and will accordingly be set at or below the average for comparable private sector entities.

To ensure transparency, fees will be set by the council for the board members and Chairs, rather than allocating a pool to be distributed by the board. Fees are to be met from the council organisation's own resources.

In the case of appointment of elected members to Auckland Transport, the decision to remunerate elected members (and if so how much) will be determined following each triennial election.

Where the director nominated by the New Zealand Transport Agency to sit on the board of Auckland Transport (under section 43 Local Government (Auckland Council) Act 2009), is an office holder of the New Zealand Transport Agency, they will not be remunerated for

their service on the board. Where the director is not an office holder of the New Zealand Transport Agency, remuneration will be determined following discussion with the Agency.

9.1 Fee Setting

Board members' remuneration will be reviewed once per triennium following local body elections. A full review will be conducted and will include benchmarking against comparative entities. The review will consider market movement and the final decision on board members' remuneration will be made by a resolution of the Committee. Fees will be set taking into consideration the following:

- the size and scale of the CCO (e.g. turnover, value of assets, number of employees)
- complexity and scope of operations (e.g. complexity of issues, level of guidance for decision-making, relationship management responsibilities)
- accountability (e.g. scale of market risk, public interest and profile, potential risk to board member reputation, and other key risks)
- skills - the type of expertise and specialisation needed

Special considerations may also be included in setting fees, such as a temporary increase in workload for the board, or difficulties in recruiting particular skills.

9.2 Ordinary Fees

Ordinary fees are calculated based on:

- the designated base fee per board member
- board Chairs will be remunerated at twice the designated base fee
- 1.25 times the designated board member base fee for the Deputy Chair, to reflect either an actual appointment, or to provide the capacity for the council committee to later make such an appointment
- 1.15 times the designated board member base fee for those members with duties as Chair of committees

There are no additional fees for board committee meetings.

Council supports the payment by CCO organisations of directors' liability insurance and the indemnification of directors.

9.3 Remuneration for Consultancy Services

The council expects that no board member on the board of a CCO will undertake consulting work for the organisation. In the event that an exception to this rule appears appropriate, the Chair should seek the Committee's approval in advance

Part Two: Non-substantive CCOs

Part Two of this policy applies to non-substantive CCOs of Auckland Council.

The policy in relation to non-substantive CCOs is less prescriptive because it is important to consider the particular needs of the organisation when making appointments. Many of these positions are unpaid, and recruitment of suitable board members can be challenging. In addition, the trust deeds (or constitutions in the case of companies) often include provisions regarding appointments, which take precedence over this policy.

10 Eligibility for Appointment

10.1 Appointment of Elected Members of the Auckland Council

The Council has a responsibility for monitoring performance of non-substantive CCOs and so elected members of the Auckland Council should not serve on the boards of non-substantive CCOs, unless there is a compelling reason to do so.

10.2 Appointment of Auckland Council Staff

Staff of the Auckland Council are not normally eligible for appointment unless the nature of the appointment requires this. For example, the Local Government Funding Agency has board positions which are required to be filled by staff of a local authority.

10.3 Appointment of Managers and Staff of non-substantive CCOs

Board members should be independent from management and should not be employed by the entity.

In the event that a board decides that one of its members should fill a staff vacancy the board member must stand down from their position on the board while filling the vacancy.

11 Board Competencies, Skills and Knowledge

Board members are expected to meet a number of core competencies as well as specialist skills or experience required for that board.

11.1 Core competencies

The core competencies expected on non-substantive boards are:

- Sound judgement and decision-making
- public service ethos
- an understanding and commitment to council's obligation to Te Tiriti o Waitangi

- a high standard of personal integrity
- clear communication and an ability to debate in a reasoned manner
- effective teamwork and collaboration
- ability to think strategically
- risk assessment and contingency management
- commitment to the principles of good corporate citizenship
- understanding of the wider interests of the publicly accountable shareholder

12 Term of Appointment

Board members normally serve a maximum of two three-year terms, however given the challenges of recruiting unpaid members it is appropriate to consider reappointment for a further three-year term. To reflect current national and international best practice, Auckland Council's policy regarding board tenure is as follows:

Tenure of three years: board members shall hold office for a term of up to three years from the date of appointment.

Expiry of tenure: upon expiry of that three-year term, the board member retires from the board and may be eligible for reappointment.

Reappointment: a board member who is retiring from their first three-year tenure, deemed eligible for reappointment and who wishes to stand, may, at the sole discretion of the council (by ordinary resolution), be reappointed for a further term of up to three years.

Tenure exceeding six consecutive years: regular board member rotation is encouraged, but terms exceeding six years will be considered on a case-by-case basis. The council recognises that board members often have valuable institutional knowledge that organisations need to retain, and a limited pool of suitable candidates for some boards.

13 Board Appointments

13.1 Role of the Committee

The Committee is responsible for the appointment of board members to non-substantive CCOs. This also applies where the trust deed identifies the mayor as responsible for making appointments; because the mayor is acting on behalf of the council. Most non-substantive CCOs deliver significant services within their local communities and are required to have regular liaison with their relevant local board. Where appropriate, local boards will have a role in the appointment of board members to non-substantive CCOs.

13.2 Reappointments

Where a board member's term of appointment has expired and they would like to be considered for reappointment, the Committee may offer a further term on recommendation of the board Chair. The board member will be required to provide an updated CV.

Board members should not be given any expectation that they will be offered a subsequent term of office.

13.3 New Appointments

The Committee will identify the skills, knowledge and experience required for the position with the assistance of CCO Governance and External Partnerships and the board Chair.

Candidates may be sought through advertising of the position, and/or from nominations from elected members, the IMSB, the Chair of the non-substantive CCO and input from the Local Board Chair.

Where there is more than one candidate per position, a short-list and interview process will be undertaken. This will generally be undertaken by a panel consisting of the Board Chair and other members of the board. At times the panel may include a member of the Committee or relevant local boards and/or an independent industry expert (e.g. a representative from Counties Manukau Sport).

The panel will assess candidates against the required skills, knowledge and experience and may take into account other factors such as:

- the council's board diversity and inclusion policy (see Section 4)
- alignment with the council's objectives for that entity
- board dynamics and stakeholder relationships
- the capacity of candidates to attend regular board meetings and fulfil other requirements
- Chair and Deputy Chair succession planning
- the views of local boards for non-substantive CCOs that offer services within a localised geographic area

The panel will recommend its preferred candidate to the Committee for approval.

If a panel is not required, staff will assess these factors and take into account the Chair's advice when making their recommendation to the Committee.

Non-substantive CCO Chairs will ensure newly appointed board members have signed a Board Member Consent form.

13.4 Conflicts of Interest

Prior to being interviewed for a position on a board, candidates will be required to complete a consent form and declare any relevant interests, so that the potential for a conflict of interest can be assessed. In considering any appointment or reappointment,

where a potential conflict of interest has been identified, the Committee needs to be confident that any such conflict can be managed.

13.5 Finalisation of Appointments

The successful applicants(s) will be offered a letter of appointment.

13.6 Appointments of Chair and Deputy Chair

Depending on the provisions of the trust deed or constitution, the board of the non-substantial CCO will normally appoint the Chair and Deputy. The Chair will be expected to identify future successors, to provide for smooth transition in the event of a planned or unexpected retirement of an incumbent Chair.

13.7 Removal of Board Members

Council appointed board members hold office at the pleasure of the council and may be removed at any time by council resolution.

Without limiting the rights of the council, the likely reasons, which would justify removal of a board member, would be where that board member:

- is regularly absent from board meetings without good justification
- no longer has the confidence of the board or the council
- has breached ethical standards and this reflects badly on the board and/or council
- does not act in the best interests of the organisation
- breaches the confidence of the board in any way, including speaking publicly on board issues without the authority of the board
- does not act in accordance with the principles of collective responsibility
- is now disqualified from being appointed or holding office as a director of a company under section 151(2) of the Companies Act 1993.

Where the board has concerns regarding the behaviour of one of its members it should be considered by the board in the first instance and, where necessary, the board may recommend the removal of the board member to the council.

Auckland Council will not make any payment by way of compensation to board members who have been removed from boards.

13.8 Board Members Standing for Political Office

Council appointed board members who have been selected to stand as a candidate in a local body or general election should advise the Chair of their board immediately.

Any board member who is formally selected to stand as a candidate for election at a local body or general election, or placed on any political party's list, must stand down from his/her board position from nomination day until the election results are notified or such earlier day as may be determined. This measure aims to ensure that governance of the organisation is not distracted by the board member's election activity, and to prevent the possibility of any conflicts of interest – real or perceived.

Any board member who is subsequently elected to the governing body or a local board of Auckland Council, should resign from the board of the non-substantive CCO.

14 Remuneration

Board members of non-substantive CCOs are not normally remunerated for their services to the board, but may be reimbursed for expenses. Remuneration of the board members of non-substantive CCOs is at the discretion of that organisation and is not set by Auckland Council. If at any time Auckland Council were required to set the remuneration of the board members of a non-substantive CCO, a methodology consistent with that for substantive CCOs would be developed.

14.1 Remuneration for Consultancy Services

Board members are discouraged from undertaking continuous consulting work for their organisation; however, the council recognises that some board members are best placed to undertake consulting work because of their knowledge about the organisation. The board should formally approve this and stipulate any requirements in relation to such an arrangement.

Part Three: Council Organisations

Part Three of this policy applies to COs where Auckland Council is responsible for the appointment of fewer than half of the trustees or directors. Appointments to a CO may occur to:

- satisfy a requirement of the trust deed or a request from the CO that council appoint a representative
- provide a means of monitoring where the council has made a grant to that body
- enable council involvement where the COs activity is relevant to the council

In some cases, for example where the scale of investment is significant, Auckland Council may consider a CO (such as the Tamaki Redevelopment Company) as a substantive CCO and apply Part One of the this policy.

15 Board Appointments

15.1 Eligibility for Appointment to Council organisations

15.1.1 Appointment of Elected Members of Auckland Council

Elected members of Auckland Council may be appointed as a board member or trustee of a council organisation, subject to the specific provisions of the trust deed or equivalent founding document.

15.1.2 Appointment of Auckland Council staff

Staff of Auckland Council, are not normally eligible for appointment to council organisations unless this is a requirement of the trust deed or equivalent founding document or there is a compelling reason to do so.

15.2 Board member competencies, skills and knowledge

Where the COs trust deed or constitution provides guidance on the skills, knowledge and experience required for the position, the party responsible for appointments will take these into account when appointing board members.

Where the deed or constitution does not provide guidance on the skills, knowledge and experience required for the position, the responsible party will refer to Part Two, section 11 of this policy for guidance.

15.3 Responsibility for making appointments

If the trust deed specifies that an elected member is to be appointed then it is the responsibility of either the governing body or relevant local board(s).

Depending on specific provisions of the trust deed or constitution, appointments of independent board members to COs are the delegation of the CO Appointment Approvals Panel (COAAP). The COAAP comprises the Chair and Deputy Chair of the Committee, the Chief Executive (or his representative), the relevant Local Board Chair(s), if applicable, and a member of the Independent Maori Statutory Board.

A report will be provided to the Committee of any appointments made by COAAP to COs.

15.4 Appointment Process

Appointments to the CO will be made by the responsible party in a manner that is consistent with the trust deed or constitution of the entity.

Where the trust deed or constitution does not provide guidance on the appointment process, the responsible party will refer to Part Two, section 13 of this policy for guidance.

15.4.1 Conflicts of Interest

Prior to being interviewed for a position as a board member or trustee, candidates will be required to [complete a consent form](#) and declare formally any relevant interests, so that the potential for a conflict of interest can be assessed. In considering any appointment or reappointment, where a potential conflict of interest has been identified, the party responsible for the appointment needs to be confident that any such conflict can be managed.

15.4.2 Removal of board members

Board members hold office at the pleasure of council and may be removed at any time by council resolution as per Part Two, section 13.7 of this policy.

15.5 Remuneration

Board members of COs are not normally remunerated for their services to the board but may be reimbursed for expenses. Remuneration of the board members of a CO is not set by Auckland Council and is at the discretion of that organisation.

If remuneration is offered to the board members of a CO, Auckland Council would not expect elected members of Auckland Council, appointed as a board member, to be remunerated. Elected members appointed as a board member to a CO may be reimbursed for expenses at the discretion of the CO organisation.

Where there is a requirement to or a compelling reason to appoint a staff member of Auckland Council as a board member of a CO, the appointed staff member will not be entitled to receive remuneration. If appointed as a board member to a CO a staff member may be reimbursed for expenses at the discretion of the CO organisation.

Part Four: Ports of Auckland Limited

Part four of this policy applies to the board of Ports of Auckland Limited (POAL), a council organisation which is a port company under the Port Companies Act 1988.

16 Board Appointments

16.1 Eligibility for Appointment

16.1.1 Appointment of elected members of Auckland Council

Elected members of Auckland Council will not be appointed to the board.

16.1.2 Appointment of Auckland Council staff

Staff of Auckland Council will not be appointed to the board.

16.2 Responsibility for Making Appointments

Appointments to the board are made by the Ports of Auckland Limited Appointment Panel (POALAP) under delegation from the Governing Body of Auckland Council.

The POALAP comprises:

- Mayor of Auckland Council, acting as the chair of POALAP
- Chief Executive of Auckland Council (or representative)
- Chair of the board of POAL

A report of any appointments or reappointments made by POALAP to the board will be provided to the Appointments, Performance Review and Value for Money Committee of Auckland Council.

16.3 Reappointments

Where a board member is due to retire under POAL's constitution and is eligible for reappointment to the board and the board supports that reappointment, the chair of the board shall advise the chair of POALAP accordingly, and POALAP shall decide whether to make that reappointment.

16.4 New Appointments

Appointments to the board that are not reappointments will be made in accordance with POAL's constitution and the following process:

16.4.1 Board member competencies, skills and knowledge

Once a vacancy has been established, the chair of the board and the Mayor will confer on and agree the skills, knowledge and experience required for that particular appointment. This may involve a consideration of the current composition of the board and a strategic review of future skill requirements.

16.4.2 Candidate search

The board will then appoint a specialist board appointment firm to facilitate the appointment process in accordance with this policy and a high standard board selection process.

16.4.3 Screening and shortlisting

The firm will provide the board with a long list of prospective candidates, having advertised for candidates and having searched the council's register of candidates. The long list will include any names of persons put forward for inclusion by either the Mayor or the chair of the board.

The chair of the board will advise the chair of POALAP of the names and relevant details of the persons on that long list and the chair of POALAP will advise the chair of the board if any person named on that long list is likely to be unacceptable to POALAP for appointment, and that person's name will be removed from the long list.

A committee of the board will from that long list prepare a shortlist for the position (normally of three to four candidates), to be interviewed by the board. The chair of the board will advise the chair of POALAP of the names and relevant details of the persons on that shortlist and the chair of POALAP will advise the chair of the board if any person named on that shortlist is likely to be unacceptable to POALAP for appointment, and that person's name will be removed from the shortlist.

16.4.4 Interviewing and assessment of candidates

The board will interview the shortlisted candidates and perform reference and other checks consistent with good practice. The board will then recommend to POALAP its nominated candidate for appointment. POALAP will then decide whether to make the appointment, noting that POALAP may interview the nominated candidate if necessary.

Should POALAP decide not to appoint the nominated candidate, the board will decide whether to nominate another candidate drawn from the shortlist, prepare another shortlist, or recommence the selection process.

16.4.5 Deputy chair alternate

Should the vacancy be the role of the chair of the board, then the deputy chair of the board shall act in the role of the chair under this policy.

16.5 Consent and Conflicts of Interest

Prior to being interviewed for a position on the board, candidates will be required to complete a consent form and declare any relevant interests, so that the potential for a conflict of interest can be assessed. In considering any appointment or reappointment to the board, POALAP will take into consideration a candidate's existing directorships, and any other potential conflicts of interest. Where a potential conflict of interest has been identified, POALAP needs to be confident that:

- the candidate will be able to make an effective contribution, even if their interest means that they cannot participate in an activity of POAL that relates to a particular matter; and/or
- measures can be put in place to manage the conflict

16.6 Removal of Board Members

Board members may at any time be removed from office by ordinary resolution or written notice as set out in POAL's constitution.

16.7 Remuneration

16.7.1 Remuneration benchmarking

Within four months of an election, or such other period as the council and the board agree, the board will advise the Appointments, Performance Review and Value for Money Committee of Auckland Council as to the total remuneration the board recommends be payable to all board members for the period that is the subject of the recommendation. The advice will be based on a remuneration benchmarking exercise undertaken by the board in conjunction with an external consultancy.

16.7.2 Approval of remuneration

The total remuneration of board members for that period will then be determined by the Appointments, Performance Review and Value for Money Committee under delegation from the Governing Body of Auckland Council. That amount shall be the amount of the monetary sum payable to all the board members to be approved for that period, by council as shareholder in accordance with the constitution of POAL. The board acting under the constitution of POAL will then determine the amount of remuneration payable to each board member.

16.8 Appointment of Chair and Deputy Chair

Under the constitution of POAL, the board elects the chairperson and deputy chairperson of the board. The chair (or in the case of election of the chair, the deputy chair) of the board will confer with POALAP as to the person the board is minded to elect to such position.

16.9 Board Corporate Governance Statement and Charter

Each board member shall be subject to the Corporate Governance Statement and Charter of the board, as approved by the board from time to time.

16.10 Board Review

Each year the chair of the board shall provide POALAP with a report by the board summarising the annual review of its performance. It is noted that every second year this review is conducted for the board by an external provider with experience in undertaking such reviews.

Part Five: Auckland International Airport Limited

Part Five of this policy applies to the council organisation Auckland International Airport Limited (AIAL). AIAL is a publically listed company of which Auckland Council has a 22.3% shareholding. Council's shareholder roles in respect of AIAL include voting on the director appointments to the AIAL board at its Annual General Meeting (AGM).

Shareholder voting on appointments to the AIAL board is delegated to the Chief Financial Officer (CFO), with the Executive Director – Auckland Investment Office or the Treasurer & GM Financial Transactions as alternates.

The appointment process is undertaken as follows:

- The CFO and Governance Director will meet with the chair of AIAL prior to the AIAL AGM to discuss possible board appointments (as well as other upcoming AGM resolutions)
- The CFO and Governance Director then brief the Chair and Deputy Chair of the committee on possible board appointments (as well as other upcoming AGM resolutions). The Chair and Deputy Chair of the committee will then provide guidance to the CFO on these matters.
- The CFO will then attend the AIAL AGM and vote on appointments to AIAL (as well as other AGM resolutions)
- Appointments to the board of AIAL will be brought to the committee periodically as part of briefing on broader AIAL matters

Part Six: CCO Subsidiaries

Part Six of this policy applies to substantive CCOs and their subsidiaries¹. Substantive CCOs are generally responsible for making appointments to boards of their subsidiaries, but are expected to keep the council fully informed prior to confirming appointments.

Substantive CCOs are required to apply the provisions of this policy to the extent practicable, and must use objective and transparent processes. Any reference to the Committee in this policy means the Substantive CCO board in the case of subsidiary appointments.

¹ Part Six of this policy does not apply to RFA and the appointments that they recommend to the council under their Management and Advisory Agreement; however, Part Three of the policy applies to the Auckland Council in relation to these appointments.

17 Board Appointments

18.1 Eligibility for appointment

Substantive CCOs may appoint members of their own board or management to the board of a subsidiary, if this is in the best interests of both organisations, and the board member has the required knowledge and experience.

Prior to making such appointments, substantive CCOs should consider whether this would conflict with their responsibility to monitor subsidiary performance. Additional fees for substantive CCO board members or managers appointed to subsidiary CCO boards should not be paid.

17.2 Application of this policy to CCO subsidiaries

17.2.1 Appointments to Commercial entities and CCTOs

For commercial subsidiaries such as Ports of Auckland Limited and Auckland Films Studios Limited, substantive CCOs should follow the relevant provisions in Part One of this policy when appointing board members.

17.2.2 Appointments to CCOs

For subsidiaries that are CCOs, including trusts, substantive CCOs should follow the relevant provisions in Part Two of this policy when appointing board members.

17.2.3 Appointments to COs

For subsidiaries that are COs, substantive CCOs should follow the relevant provisions of Part Three of this policy when appointing board members.



Find out more:
aucklandcouncil.govt.nz