



# Board Appointment and Remuneration Policy 2024

<b>Department</b>	<b>Policy Partnerships Governance</b>
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<b>Policy Supersedes</b>	<b>n/a – new policy</b>
<b>Review Frequency</b>	<b>Every five years</b>
<b>Next Review Date</b>	<b>2029</b>

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## 1. Introduction and overview

### 1.1 Purpose

- 1.1.1 The purpose of this policy is to establish, in accordance with Section 57 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.
- 1.1.2 This policy applies to all:
- Council Organisations (COs);
  - Council Controlled Organisations (CCOs);
  - Council Controlled Trading Organisations (CCTOs).
- 1.1.3 All referred to as COs in this policy document, as defined in Section 6 of the Local Government Act 2002.

### 1.2 Definitions

Definition	Detail
Council Organisation (CO)	A CO is an organisation in which Council has a voting interest and/or the right to appoint a director, trustee or manager.
Council Controlled Organisation (CCO)	A CCO is a CO in which one or more local authorities control, directly or indirectly, 50 percent or more of the voting rights and/or have the right, directly or indirectly, to appoint 50 percent or more of the directors, trustees or managers.
Council Controlled Trading Organisation (CCTO)	A CCTO is a CCO which operates a trading undertaking for which making a profit is one of its purposes.
Director	A director includes company directors, trustees, members, managers, and office holders of an organisation.

### 1.3 Policy Objectives

- 1.3.1 The objectives of the policy are to
- Ensure Council's processes for appointment and remuneration of Council Organisation Directors are robust, objective and transparent;
  - Ensure Council is meeting the requirements of the Local Government Act 2002.

### 1.4 Principles

- 1.4.1 Council will ensure transparency and objectivity in its appointment of Directors to the governance bodies of Council COs and in the setting of Directors' remuneration.
- 1.4.2 Council will appoint Directors who in its view have the mix of skills, knowledge and/or experience to:
- Guide the organisation, given the nature and scope of its activities; and
  - Contribute to the achievement of the objectives of the organisation.

- 1.4.3 Council acknowledges the value of Director independence and therefore elected members and Council staff are not eligible for appointment, except where this is a requirement of the CO.
- 1.4.4 For existing organisations, Council will follow the appointment and remuneration processes stipulated by the CO, ensuring as much as practicable that the processes meet the requirements for transparency and objectivity as set out in this policy.
- 1.4.5 For new shareholdings in a CO, in accordance with its delegated authority, Council will aim for the following processes to be included in the organisation's governing document:
- a) The process for identifying which skills appointees should have;
  - b) The process for identifying candidates;
  - c) The process for assessing candidates' skills;
  - d) The composition of the appointment panel;
  - e) The role of the Chair;
  - f) The process for setting director remuneration.

## **2. Appointments to Council Organisations**

### **2.1 Skills required**

- 2.1.1 Council will identify the necessary skills and attributes when appointing a Director, which may include:
- a) Relevant industry, technical, commercial or specialist skills
  - b) Sound judgement and decision-making
  - c) Strategic thinking and planning
  - d) A high standard of integrity
  - e) Clear and effective communication and capacity to debate in a reasoned manner
  - f) Effective teamwork and collaboration
  - g) Comprehension and commitment to Council's obligations to Te Tiriti o Waitangi
  - h) Public service ethos and awareness of a public media profile
  - i) Commitment to the principles of good corporate citizenship
  - j) Understanding of the wider interests of Council as a publicly accountable shareholder
  - k) Previous governance experience, or willingness to undertake governance training
- 2.1.2 When identifying the skills, knowledge and experience required of a Director, Council will consider whether knowledge of tikanga Māori may be relevant to the governance of that CO, as required by legislation, Section 57 LGA 2002.
- 2.1.3 Consideration will be given to the mix of skills and experience on the board, complementing and reinforcing existing skills, reducing known skill gaps and increasing diversity where necessary.

### **2.2 Appointment process**

- 2.2.1 Decisions about appointments to COs will be made by Council.
- 2.2.2 For existing organisations, Council will follow the appointment process stipulated by the CO, ensuring as much as practicable that the process meets the requirements for transparency and objectivity as set out in this policy.
- 2.2.3 As much as practicable taking 2.22 into account, Council shall, for each appointment:

- a) Collaborate with the Chair, Board, management and other shareholders of the CO to ensure an agreed approach is followed that meets the policy requirements and the entity's constitution;
- b) Be provided with a formal position description and consider a shortlist of candidates provided by the CO;
- c) Determine, in a public excluded meeting, the appointee most suitable for the position;
- d) Be provided by staff with all relevant information including on how the appointment process complies with this policy
- e) Ensure the CO makes a public announcement of the successful appointee as soon as is practicable.

### **2.3 Ensuring transparency and objectivity**

2.3.1 Elected members will declare any conflicts of interest prior to the commencement of the appointment process and excuse themselves from the process if the conflict of interest is deemed to place or may be seen to place a preference on a particular candidate;

2.3.2 Council staff shall, in collaboration with the CO, document the appointment process undertaken.

### **2.4 Appointment of elected members and Council staff**

2.4.1 As stated in *Section 1.4 Principles*, Council acknowledges the value of Director independence and therefore elected members and Council staff are not eligible for appointment, except where this is a requirement of the CO.

2.4.2 Where the Mayor or a Councillor is appointed to a board due to a specific requirement that the appointee be the Mayor, or a Councillor nominated or appointed by the Mayor, there is an understanding that the appointment will cease:

- a) In the case of the Mayor – when the Mayor ceases to hold office;
- b) In the case of the Councillor who was nominated by the Mayor – when either the Councillor or the Mayor who nominated or appointed the Councillor ceases to hold office.

### **2.5 Other Exclusions**

2.5.1 Individuals who are disqualified from being appointed as a director of a company under section 151(2) of the Companies Act 1993, may not be appointed as a board member to a CO.

## **3. Tenure**

3.1 Other than the Mayor or a Councillor, a Director at the end of their term may be considered for re-election, subject to the rules of the CO.

3.2 Other than for the Mayor or a Councillor, there is no limit on tenure, subject to the rules of the CO.

## **4. Remuneration**

- 4.1 COs should have a transparent, documented process for the setting of Director remuneration which takes into consideration the points in 4.3, 4.4, 4.5 and includes regular remuneration review.
- 4.2 Board remuneration should be set by Council once a triennium based on a recommendation from the CO, notwithstanding any existing CO remuneration provisions.
- 4.3 Director remuneration should take into account the element of public service in serving on the board of a CO and should accordingly be set at or below the average for comparable roles, taking into consideration:
  - a) The size and scale of the CO;
  - b) The complexity and scope of operations;
  - c) The skillset, expertise, and specialisation needed.
- 4.4 As part of the process of recommending remuneration to Council, a CO should provide Council with comparative market data such as The Institute of Directors remuneration survey results.
- 4.5 The remuneration of appointees is a matter of public interest and should be approved by resolution at the COs Annual General Meeting.
- 4.6 It is not expected that an elected member or Council staff member will be appointed to a board, but in the circumstance that the appointment is a requirement of the CO, the elected member or Council staff member shall not be entitled to any remuneration offered by the CO, while in a Council position.

## **5. Conflicts of Interest**

- 5.1 In accordance with good governance practice, Council expects that all appointees will avoid actions which could give rise to a conflict of interest. This includes, but is not limited to, the offering of gifts, hospitality, travel and entertainment.
- 5.2 Directors must declare any potential or real conflicts of interest that may arise during their course of service on a CO board.
- 5.3 It is Council's expectation that the CO shall manage conflicts of interest as part of the recruitment process.
- 5.4 In the event of a real or potential conflict of interest where the individual involved has an interest in a proposed transaction, the Director must exclude themselves from any participation. This includes any resulting dealings with the third parties or approval of transactions.
- 5.5 In the rare event where exclusion is deemed impracticable, Directors must obtain formal written permission to proceed from the Chair of the board.

## **6. Removal of Directors**

- 6.1 Directors hold office at the approval of Council and can be removed at any time by Council resolution, subject to the relevant governance documents, and where necessary the other shareholders.

## **7. Directors standing for Political Office**

- 7.1 Directors 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 must advise Council through the Chief Executive, as soon as any members of their boards have been identified as candidates.
- 7.2 Any Director 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, is required to stand down from their board position from nomination day until the election results are announced or such earlier day as may be determined.
- 7.3 In the case that the Director is successful in their bid for political office, they are required to formally retire from their board position.

## **8. Policy review**

- 8.1 The Policy will be reviewed at least every five years, or earlier as required.

## Appendix 1 – Schedule of MPDC’s current Council Organisations

At the time of writing (July 2024) the entities subject to this Policy are:

Council Controlled Organisations		
1. Waikato Local Authority Shared Services Limited t/a as Co-Lab		
MPDC shareholding	Other shareholding Councils	Governance
3.43%	11 Councils in Waikato region	<p><u>Appointments</u></p> <ul style="list-style-type: none"> <li>▪ 3-8 Directors</li> <li>▪ One appointed by each of Waikato Regional Council and Hamilton City Council</li> <li>▪ One appointed by each of following groupings: Waikato and Waipa District Councils;</li> <li>▪ Thames Coromandel, Hauraki, Western Bay of Plenty and Matamata-Piako District Councils</li> <li>▪ Otorohanga, Waitomo, South Waikato and Rotorua District Councils</li> <li>▪ Elected members may not be Directors</li> <li>▪ Council staff may be Directors</li> </ul> <p><u>Remuneration</u></p> <ul style="list-style-type: none"> <li>▪ Board Directors may set the Chairs remuneration</li> </ul> <p>Constitution CM 2843483</p>
2. Waikato Regional Airport Limited t/a Hamilton Airport (WRAL)		
MPDC shareholding	Other shareholding Councils	Governance
15.6%	Hamilton 50% Waipa 15.6% Waikato 15.6% Otorohonga 3%	<p>Includes subsidiaries: Hamilton and Waikato Tourism Limited, Titanium Park Limited and Waikato Regional Airport Hotel Limited.</p> <p><u>Appointments</u></p> <ul style="list-style-type: none"> <li>▪ 4-6 Directors</li> <li>▪ Elected members and Council staff may not be Directors</li> </ul> <p>Constitution CM 2844333</p>



## Council Organisations

### 3. Hauraki Rail Trail Charitable Trust

MPDC shareholding	Other shareholding Councils	Governance
33%	Hauraki 33% Thames Coromandel 33%	<p><u>Appointments</u></p> <ul style="list-style-type: none"> <li>▪ 3-6 Directors</li> <li>▪ One Director appointed by each of Hauraki, Thames Coromandel and Matamata-Piako District Councils</li> </ul> <p>MPDC exempts the Trust from CCO reporting requirements. Thus, in accordance with Section 6(4)(i) LGA 2002, due to an exemption being granted under Section 7 LGA 2002, this entity is considered a CO rather than a CCO</p> <p>Trust Deed CM 2844335</p>

### 4. Civic Financial Services Ltd (formerly NZ Local Government Insurance Corporation Ltd t/a Civic Assurance)

MPDC shareholding	Other shareholding Councils	Governance
1.09%	76 Councils in total	<p><u>Appointments</u></p> <ul style="list-style-type: none"> <li>▪ At least 2 Directors must be independent</li> <li>▪ Currently 5 Directors</li> </ul> <p>Documents CM 24/1861</p>