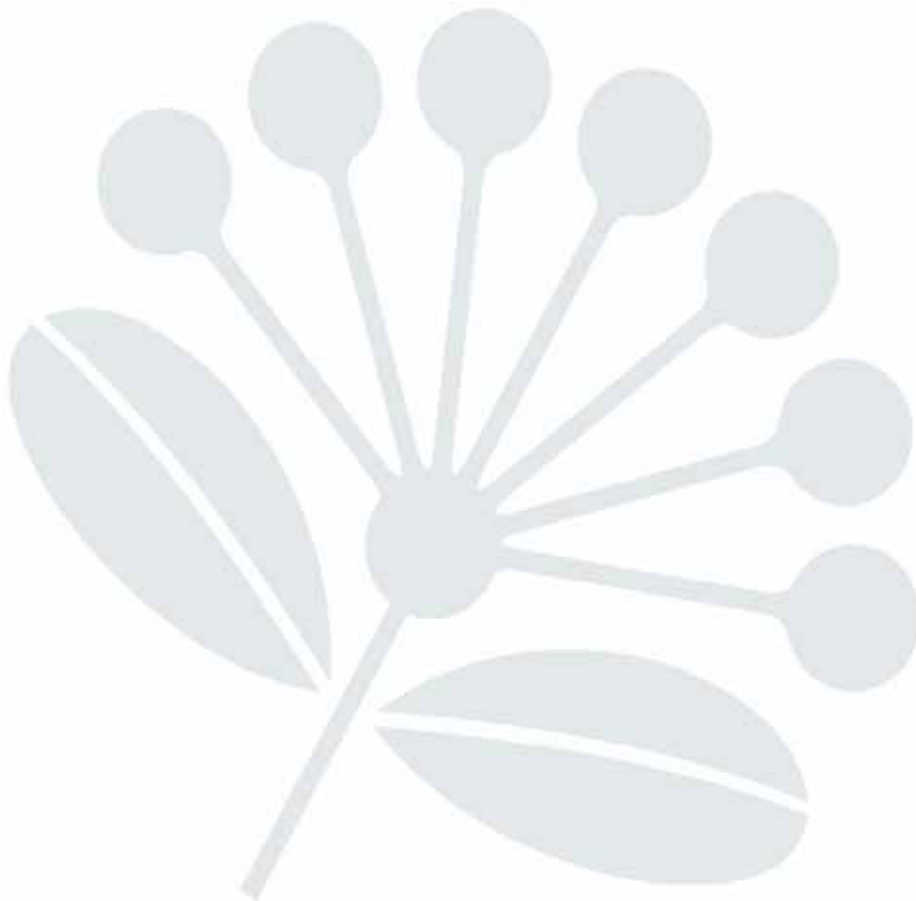


Auckland Council Appointment and Remuneration Policy for Board Members of Council Organisations



1 Purpose

In accordance with section 57(1) of the Local Government Act 2002, the purpose of this policy is to set out the process for the appointment and reappointment of board members to Auckland Council Organisations. It also defines the skills required of board members and their remuneration.

Section 57 of the LGA 2002:

- “(1) A local authority must adopt a policy setting out an objective and transparent process for -*
- (a) The identification and consideration of the skills, knowledge, and experience required of directors of a council organisation; and*
 - (b) The appointment of directors to a council organisation; and*
 - (c) The remuneration of directors of a council organisation.*
- (2) A local authority may appoint a person to be a director of a council organisation if the person has, in the opinion of the local authority, the skills, knowledge, or experience to -*
- (a) Guide the organisation given the nature and scope of its activities; and*
 - (b) Contribute to the achievement of the objectives of the organisation.”*

The policy is also in line with relevant legislation including:

- the Local Government Act 2002 (LGA 2002);
- the Local Government (Auckland Council) Act 2009; and
- the Local Government (Auckland Transitional Provisions) Act 2010 (Transitional Act 2010), relating to the treatment of Watercare Services Limited until and after 1 July 2012.

The LGA 2002 definition of council organisations is very broad (see definitions, section 2). As a result, there are a large number and variety of council entities, which may change over time. For this reason, the policy has four parts:

- Part One applies to the Council’s six substantive council controlled organisations and to Watercare¹ (see section 2. for the definition of substantive council controlled organisation).
- Part Two applies to legacy council controlled organisations.
- Part Three applies to council organisations that are not council controlled organisations.
- Part Four applies to council organisations that are subsidiaries of substantive council controlled organisations.

There may be circumstances in which adherence to this policy is not appropriate. Should the Subcommittee 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 CCO Strategy Review Subcommittee at any time.

2 Definitions

Council Organisations

The definition of “council organisation” (“CO”) is provided in section 6 of the LGA 2002. COs include: council-controlled organisations (CCO)s; council-controlled trading organisations (CCTOs); and substantive council-controlled organisations (substantive CCOs). The terms council-controlled organisation and a council-controlled trading organisation defined in the LGA

¹ For the purposes of this policy, references to “substantive CCO” include Watercare, which will become a CCO on 1 July 2012, unless expressly excluded.

2002. The term “substantive council-controlled organisation” is defined in the Auckland Council 2009.

“Council organisation”

A council organisation (CO) is any 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 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.

“Council-controlled trading organisation”

A council-controlled trading organisation (CCTO) is a CCO that operates a trading undertaking for the purpose of making a profit.

“Substantive council-controlled organisation”

A substantive CCO is 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.

3 Other Relevant Legislation

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.

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 also take precedence over this policy. Examples include:

- private sector companies, for which the Council has the opportunity to nominate a director (for example Auckland International Airport Limited)
- CCOs which are jointly owned by a number of local authorities and where the Auckland Council has a minority shareholding (for example the Local Government Funding Agency).

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

Part One: Substantive CCOs

4 Board Appointment

4.1 Appointment Responsibilities of Auckland Council

The appointment of directors to the boards of COs is the responsibility of the Council. Section 57(2) of the LGA 2002 states:

(2) A local authority may appoint a person to be a director of a council organisation if the person has, in the opinion of the local authority, the skills, knowledge, or experience to -

- (a) Guide the organisation given the nature and scope of its activities; and*
- (b) Contribute to the achievement of the objectives of the organisation.”*

4.2 The Role of the Subcommittee

The CCO Strategy Review Subcommittee is responsible for the appointment of board members to CCOs.

4.3 Term of Appointment

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

Tenure of three years: Directors shall hold office for a term of up to three years from the date of his or her appointment.

Expiry of tenure: Upon expiry of that three-year term, the directors retire 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 director 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 directors 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.

Tenure exceeding six consecutive years: In exceptional circumstances where a critical business need has been clearly demonstrated to the Council, and at the sole discretion of the Council, a board member retiring from a second tenure of three years may be reappointed for a further term. The additional term must not exceed three years and the director's total tenure on the board must not exceed nine years. Each case will be considered on its own merits.

The council's policy is to stagger appointments so that approximately one-third 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.

4.4 Appointments Process

4.4.1 Reappointments

Where a board member's term of appointment has expired and he or she would like to be considered for reappointment, the subcommittee may offer a further term following consideration of the performance of the director 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 addressed.
- Whether the process offers an opportunity for increasing board diversity.
- Whether the retiring director 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 and the Auckland Council.

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

4.4.2 New Appointments

Once a vacancy has been established the Subcommittee will identify the skills, knowledge and experience required for the position with the assistance of the CCO Governance and Monitoring Department. This may involve discussions with the Chair and consideration of results of board composition reviews.

Applicants may be sought through advertising of the position, from nominations from the mayor/councillors and boards, from the council's Register of Directors once established, or a combination of any of these.

A long-list of applicants will be compiled, usually with the assistance of an executive recruitment consultant. All applicants will be screened to ensure that they have the required core competencies (see section 4.5.1) 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 long-list will normally include 10-15 candidates.

Council officers, with assistance from a recruitment consultant (where relevant) will prepare a recommended short list of applicants for consideration by the Subcommittee. The short-list will normally include 3-4 candidates per position. The names and CVs of all applicants from the long-list will be included in the report to the Subcommittee, and the names of all applicants not included on the long-list will also be included. The Subcommittee will confirm or amend the recommended short-list.

Short-listed candidates will be interviewed by a panel comprising two members of the CCO Strategy Review Subcommittee, the Chief Executive of Auckland Council (or their representative), the Chair of the respective CCO board and, where appropriate, an industry specialist.

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

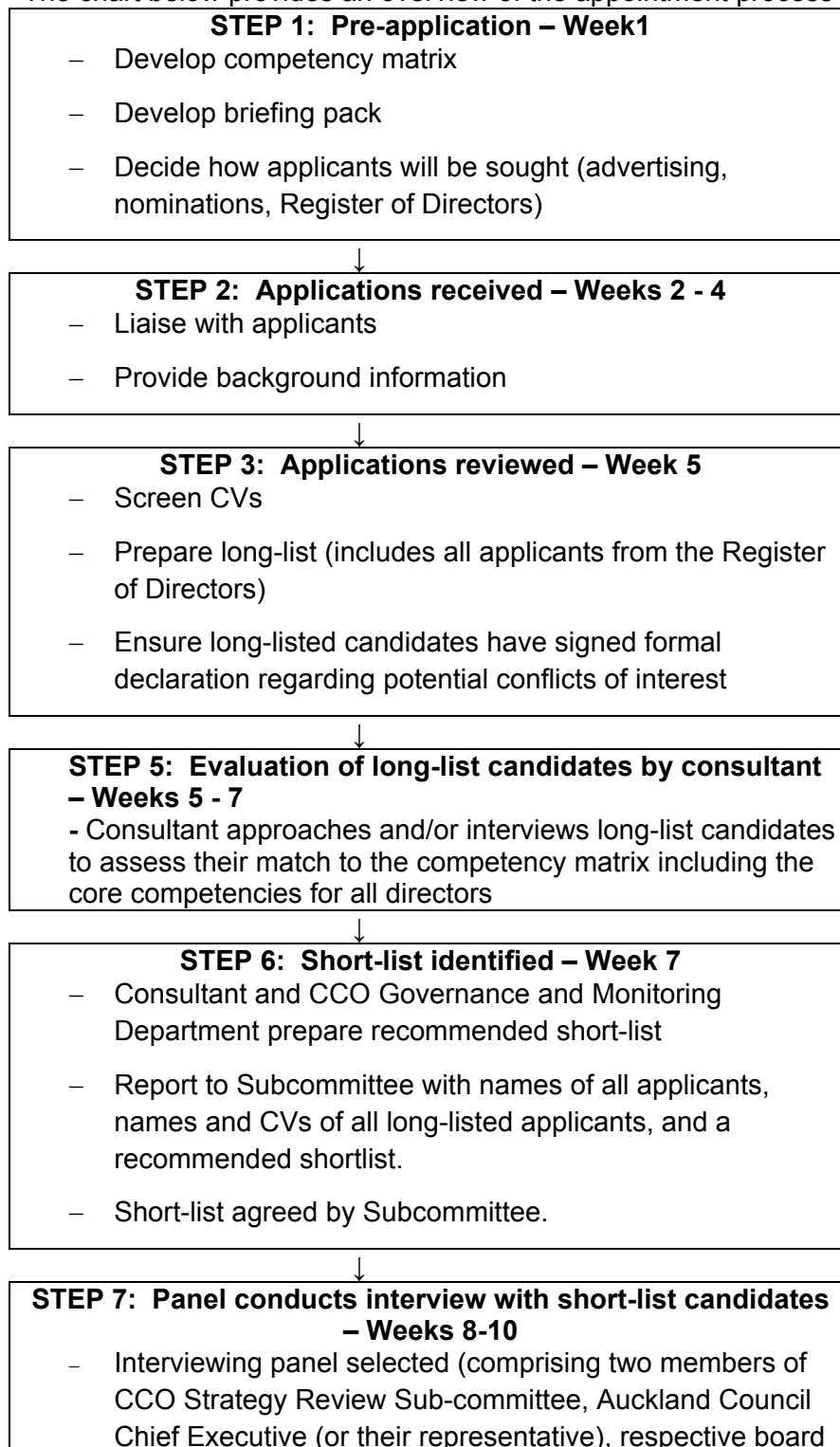
- The council's policy to encourage demographic and geographic diversity, and the appointment of more women to boards.
- Alignment with the council's objectives for that entity.
- Board dynamics and stakeholder relationships.

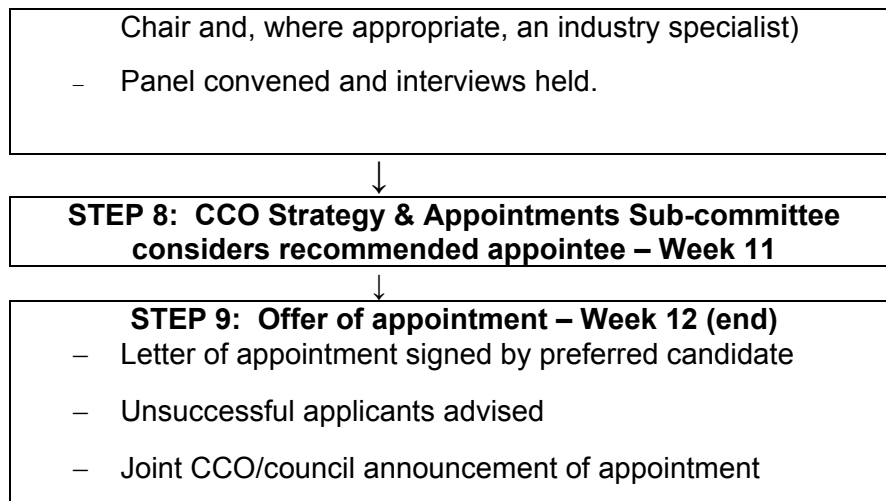
- The capacity of applicants to attend regular board meetings and fulfil the other requirements of the directorship.
- Chair and Deputy Chair succession planning.

The panel will recommend its preferred candidates to the Subcommittee for approval.

It is envisaged that the appointment process for board members of substantive CCOs may take around 12 weeks from the time a vacancy is advertised to the finalisation of the appointment.

The chart below provides an overview of the appointment process





4.5 Board Member Skills

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

4.5.1 Core Competencies

- sound judgement and decision-making
- commercial acumen
- public service ethos
- 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.

Board members of substantive CCOs are also expected to have experience in governance, and preferably in corporate governance. However, the council may waive the corporate governance requirement in order to attract a wider range of board members, if these skills and experience are already well represented on the board. Boards are expected to provide director training for directors with limited corporate governance experience.

4.5.2 Chairs and Deputy Chairs

The general skill-sets sought in the succession planning process for CCO Chair and Deputy Chair positions are:

- ability to maintain the trust of the council
- ability to maintain a close, but independent, working relationship with the CEO
- ability to provide effective leadership and demonstrate strong interpersonal skills
- ability to harness the collective skills of the board and executive team to achieve the business objectives and maintain the confidence of the shareholders

- ability to lead the board review process
- ability to be the spokesperson for the organisation
- demonstrates sophisticated analytical based decision-making skills
- integrity and credibility within the business community and relevant sectors
- ability to work productively and openly with colleagues to achieve results and resolve problems
- ability to retain the confidence of the region and able to build relationships within the region's networks.

4.5.3 Elected Members

Elected members appointed to the board of Auckland Transport must have the necessary skills, knowledge and experience to contribute to the board. The Council will determine the members appointed to this board at the commencement of each new electoral cycle.

4.6 Register of Directors

The council is in the process of establishing a Register of Directors who may be candidates for appointments to substantive CCOs. The council may add interested candidates to the register based on recommendations from elected members, senior staff, and the IMSB. Suggestions may also be sought from other sources including the Ministry of Women's Affairs and the Crown Ownership Monitoring Unit.

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 all applicants for a position, who are on the register will be included on the long-list provided to the Subcommittee when it agrees the short-list.

Initially it is expected that the Register will supplement the normal advertising/search process, however as the Register grows it may become the primary mechanism for recruitment.

4.7 Eligibility for Appointment

4.7.1 Appointment of Councillors and local board members

Under section 93 of the Auckland Council Amendment Act 2010, no Councillors or local board members may be appointed to the boards of any Auckland Council substantive CCOs with the exception of Auckland Transport. Section 23 of the Local Government (Auckland Transitional Provisions) Act 2010 stipulates the same restriction for Watercare.

4.7.2 Appointment of Council Officers

Under this policy, the only council officers who are eligible to serve as a director on a substantive CCO are the chief executive officer (CE) or relevant senior officer as nominated by the CE². In appointing one of these officers to a board, the Subcommittee should consider whether this is in the best interests of both organisations. The potential benefits of improved alignment should be considered alongside potential conflicts with the council's performance monitoring role.

² The CE or their representative would not receive additional remuneration.

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

4.7.3 Appointment of CCO Executives

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.

4.7.4 Other Exclusions

Immediate family members, of councillor 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.

4.8 Auckland Transport

Section 43(2) (a) of the Auckland Council Amendment Act 2010 allows up to two Councillors to be appointed to the board of Auckland Transport. The board must have between six and eight board members in total, plus a non-voting member who is nominated by the New Zealand Transport Agency (NZTA). Section 43(3) of that Act provides that Auckland Council is to appoint the board members, including the Chair and the Deputy Chair (although these two positions may not be held by the Auckland Council members).

In the case of selection of Councillors for the board of Auckland Transport, the Council will appoint elected representatives after each local body election. As is the case for all other board members, Councillors appointed to the board of Auckland Transport will be eligible to serve a maximum of two three-year terms unless exceptional circumstances necessitates reappointment for a third term.

4.9 Conflicts of Interest

Prior to being interviewed for a position on a board, a candidate will be required to declare formally any potential conflicts of interest. In making appointments to boards, the CCO Strategy Review Subcommittee will take into consideration a candidate's existing directorships, and any other sources of potential conflicts of interest.

In considering any appointment or reappointment where a potential conflict of interest has been identified, the CCO Strategy Review Subcommittee 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 for individual board members as it relates to conflicts of interest can be found in the entity's constitution and sections 139 to 149 of the Companies Act 1993.

4.10 Finalisation of Appointments

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 Council has made its decision and the letter of appointment signed by the candidate.

4.11 Appointments of Chairs and Deputy Chairs

The CCO Strategy Review Subcommittee 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 4.12 of this document regarding Chair succession.

4.12 Chair Succession Planning

The aim of a succession plan 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 CCO Strategy Review Subcommittee will generally consider the need for a potential successor as they make each board member appointment.

Although it is the role of the Governing Body 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.

4.13 Removal of Board Members

The office of a board member is vacated through retirement, resignation, disqualification³, or removal. Board members hold office at the pleasure of the Council and may be removed at any time by council resolution. For Watercare, however, as required by its constitution, directors may only be removed from office by ordinary resolution passed at a shareholder meeting, for which a notice clearly states that a purpose of the meeting is the removal of the director.

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

- 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.

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.

³ The Companies Act provides a list of those persons who are disqualified from being appointed or holding office as a director of a company (e.g. a person who is an undischarged bankrupt). See section 151(2) for further information.

4.14 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 the CCO Governance and Monitoring Unit, 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 directors of substantive CCOs who are elected to the governing body of the Council or a local board must resign from their position as a director of the CCO before taking up their position as a member of the governing body of the Council or local board.

4.14.1 Elected Members on the Board of Auckland Transport

Councillors who are board members, and who are re-elected, 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. The Council will reassess the councillor appointments at the beginning of each electoral cycle, based on required skills and experience and current board composition.

Auckland Transport board members who are outgoing elected representatives must resign 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.

4.15 Director Consent Forms

On applying for a director position, all applicants will be required to complete a director consent form, which includes a requirement for board members to participate in annual board and director performance reviews.

5 Remuneration

Board members' fees will compensate board members fully for their normal contribution to the board, including attending board and subcommittee meetings, meeting preparation, stakeholder management and any other agreed tasks⁴.

Board members' fees will reflect the element of public service in serving on the board of a council controlled organisation, 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.

⁴ However, 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), will not be remunerated for their service on the board, where the director is an office holder of the New Zealand Transport Agency. Where the director is not an office holder of the New Zealand Transport Agency, remuneration will be determined following discussion with the Agency.

5.1 Fee Setting

Board members' remuneration will be reviewed annually. Reviews will alternate between a full and an update review. A full review will be conducted every two years by an independent consultant, and will include benchmarking against comparative entities, as well as whether each CCO is positioned within the appropriate band. The update review will consider annual market movement and a review of the position of each CCO within bands. The final decision on board members' remuneration will be made by a resolution of the CCO Strategy Review Subcommittee. 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 director 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.

The Subcommittee determined its methodology for setting fees after a full fee review in September 2011. An update review will be undertaken in 2012.

5.2 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;⁵
- 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; and
- 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.

5.3 Remuneration for Consultancy Services

The Council expects that no director 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 refer the circumstances in advance, to the CCO Strategy Review Subcommittee for approval.

⁵ Watercare's Chair will receive a factor of 1.875 times the base fee until 1 November 2012 when this will be increased to a factor of 2.

Part Two: Legacy CCOs

Part Two of this policy applies to other council controlled organisations. These include CCOs which were previously CCOs of local authorities in the Auckland Region, as well as any new CCOs established by the Auckland Council, or in which the council is a shareholder⁶.

The policy in relation to these 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 trustees or directors 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.

Note that the term 'board member' includes trustees or directors as appropriate.

6 Board Appointments

6.1 Role of the Subcommittee

The CCO Strategy Review Subcommittee is responsible for the appointment of board members to CCOs. This also applies to trust deeds that identify the mayor as making appointments, because the mayor is acting on behalf of the council.

6.2 Term of Appointment

Board members normally serve a maximum of two three-year terms, with the option of further reappointment if there are good reasons. To reflect current national and international best practice, the 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 his or her 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 trustees often have valuable institutional knowledge that organisations need to retain, and limited pool of suitable candidates for some trusts.

⁶ As at December 2011 the only CCO in this category is the newly established Local Government Funding Agency (LGFA). The Auckland Council has a minor shareholding in this CCO, which is jointly owned by the Crown and by a number of other local authorities. The LGFA is a special case. Although it fits the definition of a CCO under the Local Government Act, it is not controlled by the Auckland Council. The appointment process is specified in its constitution, and the subcommittees powers in relation to director appointments, have been delegated to the Auckland Council CFO.

6.3 Appointment Process

6.3.1 Reappointments

Where a board member's term of appointment has expired and he or she would like to be considered for reappointment, the Subcommittee may offer a further term on recommendation of the board Chair. An updated CV is required.

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

6.3.2 New Appointments

The Subcommittee will identify the skills, knowledge and experience required for the position with the assistance of the CCO Governance and Monitoring Department and the board Chair.

Applicants may be sought through advertising of the position, and/or from nominations from elected members, the IMSB and the Chair of the CCO.

Where there is more than one applicant per position, a short-list of applicants will be recommended to the CCO Strategy Review Subcommittee. The names of all applicants will be provided to the Subcommittee.

Short-listed candidates will be interviewed by a panel comprising not less than three members, which will normally include one member of the Subcommittee, the board Chair, and the relevant third tier council manager.

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

- The council's policy to encourage demographic diversity and the appointment of more women to boards.
- Alignment with the council's objectives for that entity
- Board dynamics and stakeholder relationships
- The capacity of applicants to attend regular board meetings and fulfil the other requirements
- Chair and Deputy Chair succession planning
- The views of local boards for CCOs that offer services within a localised geographic area.

If no panel is required, officers will assess these factors when making their recommendation to the Subcommittee.

The panel will recommend its preferred candidates to the Subcommittee for approval.

6.4 Board member skills

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

6.4.1 Core competencies

- sound judgement and decision-making
- public service ethos
- 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.

6.5 Eligibility for Appointment

6.5.1 Appointment of Elected Members of the Auckland Council

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

6.5.2 Appointment of Auckland Council Officers

Officers 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 officers of a local authority.

6.5.3 Appointment of CCO Managers and Staff

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.

6.6 Conflicts of Interest

Prior to being interviewed for a position on a board, a candidate will be required to declare formally any potential conflicts of interest and the Subcommittee needs to ensure that any such conflict can be managed.

6.7 Finalisation of Appointments

The successful candidate/s will be offered a letter of appointment.

6.8 Appointments of Chair and Deputy Chair

Depending on the provisions of the trust deed or constitution, boards 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.

6.9 Removal of Board Members

The office of a board member is vacated through retirement, resignation, disqualification⁷, or removal. 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 right of the Council, the likely reasons, which would justify removal of a board member, would be where that board member:

- 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.

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.

6.10 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 Auckland Council (as a councillor or local board member), should resign from the board of the CCO.

7 Remuneration

Board members of trusts are not normally remunerated for their services to the board, but may be reimbursed for expenses. The Auckland Council is not currently responsible for setting remuneration for any entities other than for substantive CCOs. If it is required to do so, it will develop a methodology consistent with that for substantive CCOs.

7.1 Remuneration for Consultancy Services

Board members are discouraged from undertaking 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.

⁷ For companies, the Companies Act provides a list of those persons who are disqualified from being appointed or holding office as a director of a company (e.g. a person who is an undischarged bankrupt). See section 151(2) for further information.

Part Three: Council Organisations

8 Overview

Part Three of this policy applies to a wide range of COs where the Auckland Council is responsible for the appointment of fewer than half of the trustees or directors. Most of these are trusts with trust deeds that provide for one or two council appointments. Appointments to COs may be made by the mayor, local boards or the council, depending on specific provisions of the trust deed.

Appointments to COs will be made by the responsible party in a manner that is consistent with the trust deed or constitution of the entity. Where the deed or constitution does not provide guidance on the skills, knowledge and experience required for the position, or the appointment process, the responsible party will refer to Part Two of this policy for guidance. The relevant provisions are 6.3 Appointment Process, and 6.4 Board Member Skills. Section 6.9 Removal of Board Members also applies. There are no specific exclusions (see 6.5 Eligibility for Appointment) for appointments to COs; however, actual or perceived conflicts of interest must be taken into account.

Part Four: CCO Subsidiaries

9 Overview

Part Four of this policy applies to substantive CCOs and their subsidiaries⁸. 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 Subcommittee in this policy means CCO board in the case of subsidiary appointments.

For commercial subsidiaries such as Ports of Auckland Limited and Auckland Films Studios Limited, CCOs should follow the relevant provisions in Part One of this policy. For other subsidiaries including trusts, CCOs should follow the relevant provisions in Part Two of this policy (if the subsidiary is a CCO) or Part Three of this policy (if the subsidiary is a CO).

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

⁸ Part Four 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.