

**QLDC Council**

23 March 2023

**Report for Agenda Item | Rīpoata moto e Rāraki take [4]**

**Department: Corporate Services**

**Title | Taitara : Proposed update to the Policy on the Appointment and Remuneration of Directors**

**Purpose of the Report | Te Take mō te Pūroko**

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The purpose of this report is to consider the proposed adoption of a revised Policy on the Appointment and Remuneration of Directors.

**Recommendation | Kā Tūtohuka**

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That the Council:

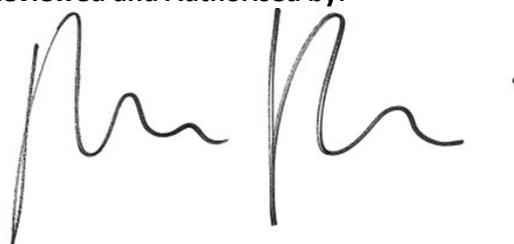
1. **Note** the contents of this report and;
2. **Adopt** the revised Policy on the Appointment and Remuneration of Directors.

**Prepared by:**



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Governance & Stakeholder Services Manager  
24 February 2023

**Reviewed and Authorised by:**



**Meaghan Miller**  
General Manager Corporate Services  
1 March 2023

### Context | Horopaki

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1. It is a requirement of section 57 of the Local Government Act 2002 (LGA 2002) that a local authority must adopt a policy that sets out an objective and transparent process for:
  - the identification and consideration of the skills, knowledge, and experience required of directors of a council organisation; and
  - the appointment of directors to a council organisation; and
  - the remuneration of directors to a council organisation.
2. For the purposes of this policy, references to ‘council organisation’ include council-controlled organisations and council-controlled trading organisations, as defined by section 6 of the LGA 2002.
3. The Council adopted the current policy on 25 September 2014, and this has been reviewed by staff to ensure it remains fit for purpose. The policy itself includes (but is not limited to) defining the appointment process for directors, tenure, reappointment, chairperson selection, and removal of board members. It also sets the expectations of appointees, and the process for setting and reviewing remuneration.
4. The Governance Subcommittee is required to consider this revised policy and met on 14 February to do so at a publicly notified meeting. At that meeting the Governance Subcommittee resolved to recommend that Council adopts the revised Policy on the Appointment and Remuneration of Directors.

### Analysis and Advice | Tatāritaka me kā Tohutohu

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5. The 2021 policy has been reviewed by the Governance and Policy teams and amendments made to the proposed 2023 policy, as subsequently recommended by resolution of the Governance Subcommittee, are as follows:
  - Table inserted to confirm responsibility for the policy, method of approval, effective from date, and timeframe for further review;
  - Includes a more comprehensive definition of a council organisation (CO) in alignment with the description in section 6 of the LGA 2002 acknowledging that Council does have a number of COs to consider;
  - Confirms the process for making appointments to COs through Mayoral recommendation and Council resolution which was not included in the previous policy;
  - Expands references to conflicts of interests for officers and elected members to include reference to independent guidance from the Office of the Controller and Auditor-General | Tumuaki o te Mana Arotake providing opportunity to gain a better understanding of conflicts (potential, actual or perceived);
  - Clarifies references in the document to ‘Director’ may also apply to a trustee, manager or office holder (e.g., independent chair) where the policy is appropriately employed outside of the direct appoint for directors;
  - In the unique context of the council-controlled trading organisation Queenstown Airport Corporation (QAC), the proposed amendment confirms an exception to the policy exists for the appointment of a director made by the minor shareholder, Auckland International Airport Ltd (referenced below as Auckland Holdings (No. 2) Limited), under clause 15.14 of the QAC constitution. Note, cl15.14 of the QAC constitution states: *While it is a Shareholder holding 20% of the Shares in the Company, Auckland Airport Holdings (No. 2) Limited may, by written notice to the Company, appoint one (1) person to be*

*a Director (Auckland Airport Director), re-appoint such Auckland Airport Director at the expiry of his or her term, remove from office any such Auckland Airport Director appointed by it, and appoint a successor to the removed Auckland Airport Director; and*

- Confirms the delegation for the Governance Subcommittee, without referral to the Council, to reappoint an existing chair at the end of their tenure if they wish to stand again and in accordance with that body's terms of reference or constitution, *but* that the subcommittee may include consideration from the QAC Board members in the case that it is the chair of the QAC Board that is seeking reappointment.
6. Formatting of the document has also been updated in alignment with current Council branding and policy document structure.
7. This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.
8. Option 1 Adopt the revised Policy on the Appointment and Remuneration of Directors

*Advantages:*

- Council has an up-to-date, fit-for-purpose policy that will enable consideration of decisions relating to relevant appointments and remuneration.
- Council will have an updated policy to inform decisions that are required this year, e.g. appointing a new QAC Board Director following the resignation of a current member and appointing the chair of the new Wānaka Airport Liaison Committee.
- A date will be set for the next review of the policy.
- The decision is consistent with the recommendation of the delegated subcommittee.

*Disadvantages:*

- None; further updates if required may be made to the policy at any time via the same process.

9. Option 2 Do not adopt the revised policy and request officers make further amendments

*Advantages:*

- Views of the Councillors that are not members of the Governance Subcommittee not anticipated through this review can be incorporated (if too significant to be included through a minor amendment).

*Disadvantages:*

- A future review cycle is not set for the policy.
- The existing policy remains in place that does not reflect additional clarification, references, and exceptions.
- Decisions made during a period of further review are not made using an up-to-date policy.
- The decision is inconsistent with the recommendation of the delegated subcommittee.

10. This report recommends **Option 1** for addressing the matter because it provides an up-to-date policy and framework to inform upcoming decisions.

### Consultation Process | Hātepe Matapaki

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#### Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

11. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy because it relates to the structure and criteria by which appointment and remuneration decisions are made only. Decisions relating to specific appointments themselves may have a higher level of significance due to public interest and a level of significance considered and recommended at such a time.
12. The persons who are affected by or interested in this matter are members of COs, CCOs, and CCTOs, and individuals interested in future appointments.
13. The Council will not undertake any consultation on this matter as it is not required or necessary to inform the subcommittee's decision on a recommendation or the Council's decision to adopt, or inform the update to the policy.

#### Māori Consultation | Iwi Rūnaka

14. No specific consultation with Iwi is required or has been undertaken on this matter.

### Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

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15. This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK00031 and description '*Ineffective Management and Governance over Legislative Compliance*' within the QLDC Risk Register. This risk has been assessed as having a moderate inherent risk rating.
16. The approval of the recommended option will support the Council by allowing us to avoid the risk. This shall be achieved by maintaining and adhering to a current and fit-for-purpose policy in alignment with section 57 of the LGA 2002.

### Financial Implications | Kā Riteka ā-Pūtea

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17. There are no immediate financial implications relating to the potential adoption of the amended policy. However, it is recognised that the policy does relate to future decisions that will be considered by both the Governance Subcommittee and Council relating to remuneration of directors which will individually have a financial implication.

### Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

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18. None applicable.

### Legal Considerations and Statutory Responsibilities | Ka Ture Whaiwhakaaro me kā Takohaka Waeture

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19. The policy is a requirement of section 57 of the LGA 2002.

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

20. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

Attachments | Kā Tāpirihaka

A	Draft Policy on the Appointment and Remuneration of Directors 2023
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