

## **Policy and process for the appointment of directors to council owned companies**

### **1. Background**

The IAB have issued an instruction that appointments to boards of NCC companies should follow the Lawyers in Local Government Code of Practice. The Council accepted these instructions on 6<sup>th</sup> March 2023. The LLG Code of Practice states that:

*10.2 The representatives who are appointed directors by the executive will participate directly in the activities of the company and are answerable to the company and have the powers and duties of company directors whilst they do so. Accordingly, the Government Guidance goes on to suggest that this requirement in a trading company and the accompanying conflict of interests that may arise means that officers are better placed to fulfil this role.*

*10.3 Whilst it will therefore be the norm that officers, not members, will be appointed as directors, this should not prevent the Council from appointing Members as directors where that is considered to be in the best interests of the company and the Council. If Members of the Council are appointed as directors of a company, the following paragraphs should be borne in mind and, in particular, that the member notes that:*

*Conflicts of interest may be waived by a company but, as a matter of public law, never in the decision making of the Council: the Council Member / company director will always have a conflict of interest when it comes to their role as a councillor that must be resolved and resolved in the favour of the company. A Member as director, therefore, must not be a party to making a decision of the Council affecting the company, but may proffer evidence or advice to the Council on the company's behalf when invited to do so.*

Consequently, the council needs a policy and process that reflects these requirements.

### **2. The purpose of a policy governing appointment of directors to boards of council owned companies**

The performance of each company's board of directors is critical in delivering the council's objectives (which should be clearly set out in the original business case, governing documents, and the annual business plan). The purpose of this policy is to ensure that the best possible appointees are recruited to each board and that the IAB requirements are met. Specifically, if the best candidate for appointment is a councillor, then the best interests of both the company and the council will have been met.

### **3. Criteria to be considered for each appointment**

There are three areas for consideration:

#### **Criteria One**

Knowledge, networks, and a deep understanding of the needs of the City of Nottingham as a whole. We would expect appointees to be able to demonstrate personal commitment to the City through professional, personal or voluntary activities.

#### **Criteria Two**

Meeting the minimum competency requirements as set out in the IoD's Competency Framework for Board Directors (see Appendix One).

### **Criteria Three**

Meeting the requirements set out by the chairs of each board when a vacancy arises.

The candidates for appointment will be evaluated against each set of criteria, which will carry equal weighting. Those candidates that score the highest will be recommended for appointment.

### **4. Process**

When a vacancy arises, the following steps will be taken:

- (i) The shareholder unit will consult with members of the Companies Governance Executive Committee (CGEC) to seek their views on any specific requirements within Criteria One.
- (ii) The shareholder unit will confirm the current standards as set out in the IoD Competency Framework
- (iii) The shareholder unit will consult with the relevant chair and gather their specific requirements for each new board director under Criteria Three. This may cover areas such as industry knowledge relevant to the company's areas of activity, specific technical knowledge or skills in areas such as finance, commercial, legal, HR, risk etc
- (iv) The Shareholder Unit will compile the requirements and, subject to HR advice, begin a recruitment advertising process designed to attract candidates with the required skills and experience
- (v) Following receipt of applications, the shareholder unit will distribute candidates' applications (anonymised) for consideration as follows
- (vi) CGEC members will be asked to evaluate applications in respect of Criteria One and make recommendations for candidates to progress to a short list.
- (vii) The shareholder unit will consider Criteria Two requirements in line with Appendix One, and make recommendations for candidates to progress to a short list
- (viii) The chair of the relevant board will consider the Criteria Three requirements and make recommendations for candidates to progress to a short list
- (ix) Only those candidates that receive a recommendation for at least two of the criteria sets will progress to the short list, where one of these must always be Criteria Two
- (x) Once the shortlist is complete, the candidates will be interviewed by a panel comprising a CGEC member, a shareholder unit member and the relevant chair
- (xi) When a candidate is selected for appointment, the appointment will be proposed to the next CGEC meeting for a decision for formal appointment or not.
- (xii) In order to meet the IAB requirements, specifically to meet the best interest test contained in the LLG Code of Practice, existing board directors who are also councillors will need to make an application, following the process above, which will allow them to be tested against any other candidates. If a councillor applicant is judged as the best candidate, then the best interest test will have been met and they will be able to continue as a board director. If a different applicant is judged as the best candidate, then the existing board director will be stood down and, subject to CGEC approval, the new, best candidate will be appointed as a board director.

### **Remuneration**

Appointees will be paid c. £400 per day for the work they carry out as a board director. If any Nottingham City Councillor or council officer is appointed, this fee will not be paid.

Michael Hainge

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## Appendix One

### Evaluation of candidates against IOD framework: supplementary guidance to step 4 of Principles for Board Appointments (dated 24<sup>th</sup> April 2023)

The Director Competency Framework contains 15 core competencies across three dimensions:

#### Knowledge

The director's understanding and appropriate application of essential practical and theoretical information. CECG sub group assessment of: Leadership and Stakeholder relations knowledge

#### Skills

The expertise that a director brings to their role. CECG sub group assessment of: Communication and influencing skills

#### Mind-set

The attitude and disposition that shapes a director's responses and behaviour. CECG sub group assessment of: Ethics and self-awareness mind-set

Each competency is accompanied by a statement of purpose that explains its role in the director's effective performance. This is further defined by a set of standards that are expressed in observable terms, are assessable and identify the behaviour a director or organisational leader should demonstrate.

Evidence should be assessed from both external experience and experience across the city council its partner organisations and stakeholders.

Technical areas are proposed to be evaluated by the Shareholder Unit Officers, non-technical areas which are critical to demonstrate the ability to represent the values, interests, culture and stakeholders of the City Council are proposed to be assessed by a sub-group of the CGEC (subject to an absence of conflicts of interest).

IOD competency	Summary	Shareholder unit evaluation	CGEC sub Group evaluation
<b>Corporate Governance</b>	Governance codes, directors duties, laws & regulations, ethical policies and practices, risk management	✓	
<b>Leadership and Stakeholder relations</b>	Organisational values and culture, team leadership, stakeholder engagement		✓
<b>Strategy</b>	Understand strategy and vision, objectives and current	✓	

	position, implementing strategy and change		
<b>Finance</b>	Assess financial position, interpret information, assess opportunities	✓	
<b>Strategic Thinking</b>	Identify opportunities and threats, solutions, contingency plans, mitigate risks	✓	
<b>Analysis/ use of information</b>	Assimilate financial, technical and qualitative information, make objective interpretations, simplify complex issues	✓	
<b>Decision making</b>	Identify advantages/ disadvantages of proposals, make decisions, take calculated risks (in line with strategy)	✓	
<b>Communication</b>	Communicate clearly, openly, be dispassionate, adjust to audience		✓
<b>Leadership</b>	Self-confidence, act under pressure, adapt to change, diffuse conflict, motivate others	✓	
<b>Influencing</b>	Build contacts, persuade others (regardless of power), effective relationships with external stakeholders, command respect, politically astute		✓
<b>Ethics</b>	High standards of public conduct, disclosure of		✓

	conflicts, place organisation above self, just and fair		
<b>Professionalism</b>	Professional attitude and outlook, engage in development, integrity and honesty, advocate for the organisation	✓	
<b>Performance orientation</b>	Focus on goals, identify opportunities, set achievable yet challenging standards, learn from mistakes and encourage learning	✓	
<b>Independence</b>	Be willing to disagree and challenge, “dispel groupthink”, actively question and test, seek clarification, challenge status quo	✓	
<b>Self-awareness/ aware of others</b>	Understand and manage own emotions and responses, social and cultural awareness, promote diversity, demonstrate empathy, limit own biases and those of others		✓