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Report to the Policy and Finance Committee
from Greg Schollum, Chief Financial Officer

Composition of Boards of Directors – Council LATEs

1. Purpose

To approve the process for appointment of Directors of WRC Holdings Ltd, Pringle House Ltd and Port Investments Ltd that will enable the new boards to be in place by 30 April 2002.

2. Background

The issue of the composition of the boards of directors of WRC Holdings Ltd, Pringle House Ltd and Port Investments Ltd was last considered by the Committee on 31 January 2002 (refer report PE02.4).

After considering report PE02.4 the Committee resolved:

That the Council:

- (1) As sole shareholder of WRC Holdings Ltd, resolve as a special resolution that the Chairperson of the Wellington Regional Council be the Chairperson of WRC Holdings Ltd, with effect from 1 February 2002.*
- (2) Note that WRC Holdings Ltd, as sole shareholder of Pringle House Ltd and Port Investments Ltd, will need to resolve as a special resolution, that the Chairperson of the Wellington Regional Council be the Chairperson of Pringle House Ltd and Port Investments Ltd, with effect from 1 February 2002.*
- (3) As sole shareholder of WRC Holdings Ltd, resolve as a special resolution that notwithstanding Clause 25.5 of the constitution, and Clause 7.2 of the schedule of WRC Holdings Ltd's constitution, and by way of amendment to those clauses of the constitution, Stuart Macaskill and Euan McQueen shall remain in office as Directors of WRC Holdings Ltd, until 30 April 2002.*

- (4) *Note that WRC Holdings Ltd, as sole shareholder of Pringle House Ltd and Port Investments Ltd, will need to pass a special resolution, that notwithstanding clause 25.5 of the constitutions of each of Pringle House Ltd and Port Investments Ltd, and by way of amendment to each of those constitutions, Stuart Macaskill and Euan McQueen shall remain in office as directors of each of Pringle House Ltd and Port Investments Ltd, until 30 April 2002.*
- (5) *Resolve that with effect from 1 May 2002 the Board of directors of WRC Holdings Ltd comprise three councillors and two independent directors, as existed prior to the October 2001 Local Body Elections, and note that WRC Holdings Ltd will need to resolve that, with effect from 1 May 2002, the Boards of Pringle House Ltd and Port Investments Ltd comprise three councillors and two independent directors, as existed prior to the October 2001 Local Body Elections.*
- (6) *Invite officers to propose a process to an early meeting of Council, that will ensure decisions on future membership of the three Boards are taken by 30 April 2002.*

This report is in response to part 6 of the resolution above.

3. **Comment**

The size of the boards of directors of all three companies is five. The implications of the resolutions passed by the Council on 31 January 2002 are as follows:

⇒ Each of the three boards are to have the following composition:

- Three shareholder representatives (Councillors)
- Two external directors
(with effect from 1 May 2002)

⇒ The Council Chairperson is to be both a director of each of the three companies and the Chairperson. (with effect from 1 February 2002).

There is currently an interim board in place for each of the three companies, until 30 April 2002, as follows:

Margaret Shields (Chairperson)
Stuart Macaskill
Euan McQueen
Jim Rowe
Alison Lawson

(The current composition of all three boards is one Councillor and four external directors)

4. **Process for appointing two additional Councillors**

In order to put into effect the resolutions of the Council on 31 January 2002 two additional Councillors need to be appointed to the boards of the three companies before 30 April 2002.

The Council Deputy Chair has historically been a director of the three companies, in addition to the Council Chairperson, and I believe it makes sense to continue with this approach. As such the only process required is for the Committee to approve that the Council Deputy Chair becomes a director by virtue of position on the Council. (I understand that Council has already flagged its intent to do so.)

That leaves one remaining position on the boards of the three companies to be filled by another Councillor.

I believe the process for appointment of a third Councillor (in addition to the Council Chairperson and Deputy Chairperson) should be on the basis of a recommendation from the Council Chairperson. Expressions of interest should be called for and a recommendation put to the Committee by the Council Chairperson before 30 April 2002.

5. **Process for appointing two external directors**

When making appointments to the CentrePort board the Council has historically followed a process of appointment as outlined below:

- Delegation of the detailed process for selection of suitable candidates to a Screening Group (in the case of CentrePort the group has comprised the Council Chairperson, CentrePort Chairman, and Chairperson of Horizons mw)
- Identification of potential directors involving direct approach and advertisement (In practice advertising has only been conducted where considered necessary by the Screening Group and generally when advertising has been undertaken it has not always elicited appropriately qualified candidates.)
- Screening of potential candidates including interviews conducted by the Screening Group seeking the following key attributes:
 - Independence
 - Integrity
 - Ability to analyse, question and apply judgement
 - Competence
 - Ability to devote time and attention to entity
 - Good personal skills
 - Leadership and strategic thought
 - Common sense
 - Previous experience as a director
- Recommended appointees approved by the Council prior to any appointment being made.

I propose that a similar appointment process is followed in this case with the Screening Group comprising:

- Council Chairperson
- Council Deputy Chairperson (on the basis that the Committee confirms the Deputy Chairperson as a director)
- Council Secretary (as Company Secretary)

I believe that the Screening Group should decide if advertising is required in this case.

6. **Communications**

As the Committee is merely being asked to approve an appointment process there are no significant communications requirements at this time.

7. **Recommendations**

That the Committee recommend to Council that it:

- (1) Receive the report and note its contents.*
- (2) Approve the appointment of the Council Deputy Chairperson as a director of all three companies with effect from 1 May 2002.*
- (3) Approve the process of appointment of a third Councillor by way of recommendation to the Committee from the Council Chairperson before 30 April 2002.*
- (4) Approve the process of appointment of two external directors (to take effect from 1 May 2002) be as follows:*
 - (a) that determination of the detailed process for selection of suitable candidates be delegated to the Screening Group comprising:*
 - Council Chairperson*
 - Council Deputy Chairperson*
 - Council Secretary*
 - (b) that the identification of potential directors include direct approach, advertisement or both (to be determined by the Steering Group).*
 - (c) that the screening of potential directors (including conducting interviews) be conducted by the Screening Group seeking the following key attributes:*
 - Independence*
 - Integrity*
 - Ability to analyse, question and apply judgement*
 - Competence*
 - Ability to devote time and attention to entity*
 - Good personal skills*
 - Leadership and Strategic thought*
 - Common sense*
 - Previous experience as a director*

- (d) *that the Screening Group reports its recommendations to the Committee for approval prior to any appointments being made.*

GREG SCHOLLUM
Chief Financial Officer