

Report	14.381
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Committee	Wellington Water Committee
Author	Chief Executives

Process for the appointment of company directors

1. Purpose

To outline the process for the appointment of directors to Capacity Infrastructure Services Limited (the Company).

2. Background

Shareholdings in the Company is about to change. There will be five Class A shareholders who will each hold 150 shares; the shareholders are as follows: Wellington City Council; Hutt City Council; Upper Hutt City Council; Porirua City Council and Wellington Regional Council (the Shareholders).

The Committee members have the delegated authority from each of the five Councils who will make up the shareholding of the Company to appoint and remove directors to the Company.

2.1 Independent Directors

The draft Shareholders' Agreement, agreed by all the Shareholders, records that all Directors must be Independent Directors selected by the Committee in accordance with the Board Skills Matrix (which is to be set out in Schedule 1 to the Shareholders' Agreement). The draft Board Skills Matrix is attached as **Attachment 1**.

The draft Board Skills Matrix aligns with the expectation of the shareholding councils that the Board should have a range of skills sets, including, among others, engineering and asset management experience, a strong public service ethic, and an appreciation of public accountability and the local government context.

The term "Independent Director" is defined in the Shareholders' Agreement:

Independent Director means a Director appointed by the Shareholders jointly by agreement (including pursuant to authority delegated to the Wellington Water Committee) and who is neither a member (including Councillors and Mayors) of nor a person employed by any Local Authority (as defined under the LGA).

In addition, an appointee must not be a person disqualified from acting as a Director under the Companies Act 1993.

The draft Constitution sets out that the minimum number of Directors is four and the maximum number is eight.

2.2 Skills of the Directors and Board

The Board Chair, in consultation with the Chief Executives, has identified that the existing independent membership of the Board would be usefully complemented though the appointment of directors with expertise in the fields of finance, economics, information technology, human resources and organisational development, and relationship and stakeholder management.

2.3 Appointment process

The Directors are to be appointed in accordance with the terms of the Company Constitution and Shareholders' Agreement.

The Constitution sets out that Directors must be appointed by the unanimous resolution of the Class A Shareholders (at this point these are the five Councils who have delegated this power to each of their Committee representatives).

2.4 Term of office

Under the draft Constitution each Director can serve a maximum of six years after which they must either resign or be removed as Director, unless the Shareholders agree to extend that Director's term of office.

2.5 Authorisation of payment or other benefit

The Companies Act 1993 enables the Board of a Company to authorise payment of a director fee. The Constitution of the Company requires the prior written approval of the Shareholder before the Board authorises payment. The five Councils have delegated this power to each of their Committee representatives.

It is proposed that each Director of Capacity Infrastructure Services Limited be eligible to receive a director fee of \$20,000 per year (\$40,000 for the Chair), being the rate previously set by the four city shareholders of Capacity.

3. Process to identify Directors

A local recruitment firm has been commissioned to undertake an identification and selection process to bring forward suitable candidates for appointment. The Board Chair and the Chief Executives will determine the preferred candidates for consideration by the Committee.

4. Proposed timing

The process will be advanced to enable the Committee to consider proposed candidates for appointment at its meeting on 19 November 2014.

5. Communication

No public communications are required.

6. The decision-making process and significance

The matter requiring decision in this report has been considered by officers against the requirements of Part 6 of the Local Government Act 2002.

6.1 Significance of the decision

Officers have considered the significance of the matter, taking into account the Council's significance policy and decision-making guidelines. Due to the procedural nature of this decision officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

7. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Endorses the process for the appointment of company directors, as set out in this report.*
4. *Confirms that each Director of Capacity Infrastructure Services Limited shall be eligible to receive a director fee of \$20,000 per year, with the total fee for the Chair being \$40,000 per year.*

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Attachment 1: Draft Board Skills Matrix