



Wellington Water Committee | Komiti Ngā Wai Hangarua

09 November 2021

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Appointment of Directors to Wellington Water Limited

Purpose of Report

1. The purpose of this report is to recommend the recruitment process for the appointment of two directors to the Board of Wellington Water Limited ('the board').

Recommendations

That the Committee:

- (1) receives and notes the contents of the report;
- (2) notes Mr Geoff Dangerfield has resigned as Chair of the Board of Wellington Water Limited (the board);
- (3) notes that Ms Lynda Carroll was elected as the Chair of the board on 22 October 2021;
- (4) appoints Jackson Stone as the recruitment agency to undertake an identification and selection process to identify up to two suitable candidates for appointment;
- (5) agrees to appoint an interview panel comprising of a number of Committee members and Ms Lynda Carroll as an observer/adviser; and
- (6) agrees that this interview panel will work with Jackson Stone to shortlist and select preferred candidates to be considered for appointment by the full Wellington Water Committee.

Background

2. Mr Geoff Dangerfield resigned as Chair of the board. Ms Lynda Carroll has been elected as the Chair of the board.

Membership of the Board

3. The current board comprises of five directors. They are:

Director	Term ends
Mr Philip Barry	1 July 2022
Ms Kim Skelton	1 September 2023
Mr Mike Underhill	1 September 2023
Ms Lynda Carroll (Chair)	1 July 2024
Ms Leanne Southey	1 July 2024

4. The constitution requires appointments to be made by Class A shareholders (Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council, Wellington Regional Council and South Wairarapa District Council). Directors' appointments need to be made by unanimous resolution of Class A shareholders and any appointee cannot be a person disqualified from acting as director under the Companies Act 1993. This appointment right has been delegated to the appointees of the Councils on the Wellington Water Committee in accordance with the Appendix to the Shareholders' and Partnership Agreement. All appointees from Councils must be at a meeting to appoint Directors in order for there to be a quorum.
5. In addition, the Wellington Water Committee's role comprises (amongst other things):

"seeking and interviewing candidates for Wellington Water Limited's Board as needed and recommending to the holder of Class A Shares appointments and/or removals of directors of Wellington Water Limited".

In accordance with Wellington Water Limited's constitution, the minimum number of Directors is four and the maximum is eight. The Board is able to continue to act notwithstanding outstanding vacancies.

The Shareholders' and Partnership Agreement identifies that all Directors must be independent directors selected by the Wellington Water Committee in accordance with the Board Skills Matrix, attached as Appendix 1 to the report. An independent director is defined in the Shareholders and Partnership Agreement as:

"...a Director appointed by the Shareholders jointly by agreement and who is neither a member (including Councillors and Mayors) of nor a person employed by any local authority (as defined under the LGA)".

Independent Directors

6. The Constitution of the company records directors shall be independent directors.
7. Each Class A Shareholder is entitled to jointly appoint and remove directors, subject to the maximum number of directors permitted under the Constitution.
8. Directors shall be appointed and removed by the unanimous resolution of the Class A Shareholders.
9. An appointee must not be a person disqualified from acting as a director under the Companies Act 1993.
10. The minimum number of directors shall be four and the maximum number of directors shall be eight, or such other number fixed by Special Resolution.
11. A director may be appointed and removed from office at any time by the Class A Shareholders by written notice to the company.

Skills of Directors

12. Class A Shareholders may appoint a person to be a director of the company only if the person has, in the opinion of the Class A Shareholders, the skills, knowledge, or experience to:
 - (i) guide the company, given the nature and scope of its activities;
 - (ii) contribute to the achievement of the objectives of the company; and
 - (iii) all Director appointments must be made in accordance with the Shareholders and Partnership Agreement, including the Board Skills Matrix.
13. The skills matrix, attached as Appendix 1 to the report, already provides an outline of the requisite characteristics of a Board member. It is also helpful to consider the issues facing the delivery of water services now and in the next 5-10 years. These issues include:
 - (i) Government's three waters reform – to preserve the interests of the existing shareholding Councils and Mana Whenua it would be helpful for the directors to be skilled in working with Government in a reform environment.
 - (ii) Te Ao Māori and Tikanga Māori – the inclusion on the board of at least one director with knowledge of the Māori world view would align with both Government and shareholding Councils' aspirations to work in partnership with Mana Whenua.
 - (iii) The asset challenge facing the region in the face of rising freshwater standards, COVID-19 and the myriad of climate change issues.

14. The skills matrix outlines in some detail the requirements of a director. Given the criticality of the period ahead it is helpful to focus recruitment on professional experienced directors who can assist the company to navigate the times ahead. In addition to the skills matrix it would be helpful if experience in regulatory and environmental matters was available within the mix of experience on the board.

Process to Identify Directors

15. The Wellington Water Board is near its minimum, so the appointment process should be implemented, noting though the Board is able to continue to act notwithstanding outstanding vacancies.
16. The appointment of Directors is a critical decision point for shareholding Councils. Although Mana Whenua representatives do not have a vote, this is an opportunity under the new constitution for these representatives to have a role in recommending preferred Director appointments to the shareholding Councils.
17. According to the constitution the Chair is appointed by the Directors. In practice the Wellington Water Committee has indicated which of the Directors it would prefer to be Chair.
18. Given the challenging times ahead as the Government's water reform programme unfolds, it is recommended that recruitment should target **two** additional directors.
19. The appointment of Directors should be conducted as an open process. In the past Jackson Stone & Partners have provided recruitment services for Board appointments and they have conducted a public process involving a call for individual expressions of interest alongside a targeted search for suitable candidates for appointment. It may also be beneficial to ask them to prepare a long list for approval so that there are ready replacements if a Director stands down. This reduces the recruitment cost at the next vacancy.

20. A proposed recruitment process is outlined below:

Date	Action
29 November 2021	Wellington Water Committee meeting: <ul style="list-style-type: none"> • approves process for director recruitment including appointment of Jackson Stone & Partners and interview panel for shortlisting and interviewing candidates
To be added	Jackson Stone & Partners initiates recruitment
To be added	Long list presented to panel and shortlisting completed
To be added	Interviews completed by panel
March 2022	Wellington Water Committee meets to appoint Directors.

Legal Considerations

21. Each shareholder Council has delegated to its appointed Committee member all its responsibilities and powers in relation to the appointment, removal and remuneration of the company's Directors.
22. Under section 57 of the Local Government Act 2002 (LGA), a local authority may only appoint a person to be a Director 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.
23. These obligations also extend to the appointed Committee member, exercising their delegations. They are mirrored in the Constitution of the company at clauses 11.7 and 11.8.
24. The Constitution of the company also specifies that a Board must collectively have relevant knowledge and experience of certain matters as set out in Schedule 1 of the Constitution.

Appendices

No.	Title	Page
1	Schedule of Board Skills Matrix	185

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Schedule 1**BOARD SKILLS MATRIX**

Each Director of the Company must have the skills, knowledge, or experience to:

- guide the Company, given the nature and scope of its activities; and
- contribute to the achievement of the objectives of the Company.

In making all Director appointments, the Shareholders should ensure that the Board collectively has the following attributes:

COLLECTIVE BOARD ATTRIBUTES

Candidates with the ability and willingness to:		Desirable but not mandatory	At least one director	Multiple directors	All directors
1	Chair the Board		√		
2	Participate fully in the life of the Board and on subcommittees as required				√
3	Demonstrate the individual attributes outlined below				√
Relevant knowledge and experience in/of:					
4	Governance and leadership experience				√
5	Commercial strategic and business acumen			√	
6	Engineering, infrastructure asset planning and management		√	√	
7	A strong understanding of the Wellington region and the local government context, including appreciation of public accountability		√	√	

8	Practical, and preferably leadership experience in Water Services		√		
9	Resource and environmental management and the RMA	√			
10	Commercial law and/or contract management	√			
11	Accounting/finance and/or risk management	√			
12	Relationship management skills and experience.	√			
13	<ul style="list-style-type: none"> - Demonstrates a familiarity with the geographic area in which the Company is operating and iwi interests in that area - Demonstrates an understanding of Te Ao Māori and Tikanga Māori - Maintains, upholds, and proactively engages with, the principles of the Treaty of Waitangi - Demonstrates a commitment to kaitiakitanga and stewardship in relation to the natural environment. 		√		

REQUIRED INDIVIDUAL ATTRIBUTES FOR DIRECTORS

13	Professionalism	<ul style="list-style-type: none"> - Demonstrates behaviours and commitment to the vision and values of the Company and its objectives and strategic direction - Empathy and clear understanding of the objectives of the parties to the Shareholders and Partnership Agreement - Common sense, integrity and a strong sense of public service ethic
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		<ul style="list-style-type: none"> - Applies knowledge of the Companies Act and Local Government Act and knows when to seek advice - Recognises perceived and real conflict of interest situations, when to declare an interest and acts accordingly and appropriately
14	Communication	<ul style="list-style-type: none"> - Mediates constructively and effectively to resolve differences and conflict - Listens and asks questions to maximise own understanding of situations and contributes constructively to meetings - Applies political instinct and knowledge of the political context to relevant situations - Exhibits open and transparent communications skills
15	Decision Making	<ul style="list-style-type: none"> - Makes decisions honestly and in good faith - Ability to take a wide perspective on issues and think strategically and critically - Encourages new initiatives and tries to be inventive and original when tackling issues and solving problems. - Establishes decision-making criteria to determine the best outcome in line with Company and values of the parties to the Shareholders and Partnership Agreement - Undertakes effective analysis of both qualitative and quantitative data for problem solving, planning and decision making - Acquaints themselves fully with all the relevant facts, and consider whether expert advice is needed - Applies fluency with financial concepts to the review of internal financial reports - Contributes to the development of stretching but achievable goals, objectives and KPIs - Implements and monitors performance against KPIs and budgets in order to achieve outcomes and respond to changes in the Company's operating environment

16	Team Work	<ul style="list-style-type: none"> - Ability to work positively honestly and proactively with the Chief Executive, Chair and other directors of the Company - Maintains oversight of the Company's organisational culture and the depth of management - Ability to work positively with the parties to the Shareholders and Partnership Agreement, with an appreciation of their role as customers, shareholders and mana whenua representatives (including recognising demands on them for transparency and accountability)
17	Strategic Leadership	<ul style="list-style-type: none"> - Understands director responsibilities and can distinguish governance from management - Takes a proactive and forward thinking approach, identifying possible risks and opportunities, and encourages the continuous improvement of service provision to the client councils - Demonstrates an affiliation with and passion for the geographic area in which the Company is operating and maintains a commitment to the principles of the Treaty of Waitangi - Keeps up-to-date on Company and industry issues and opportunities and maintains relevant technical and professional expertise - Responds to and influences constructively future-focused strategic change management within the Company - Strives to identify relevant financial, operating, market, health and safety, and legal risks and to ensure that best practice risk management is in place for the time - Assists with the high level development and oversight of resilience planning - Contributes to the Company's strategic and business planning including championing the Company's vision and values