

Joe Gallagher

From: Emma Reeves <Emma.Reeves@housing.gov.ie>
Sent: 25 April 2017 12:12
To: Michael Goodwin; Joe Gallagher
Cc: Shirley Groarke
Subject: Ervia Group CE: Views

Michael,

Appointment of new Group Chief Executive

You may recall that Ministerial consent was provided to Ervia on 18 January last to the terms and conditions of appointment of the Group CE and these included the following terms:

Term	7 years
Notice Period	Not less than 3 months, not more than 6 months
Basic salary per annum	€220,000
Car	The use of a car provided by the company on terms determined by the company from time to time.
Pension	Choice of: contributory defined benefit scheme; defined contribution pension scheme; or company pension scheme (if already a member) i.e. as set out in the standard template contract
Health Insurance	The Employee shall be entitled, if he/she so wishes, to participate in private health insurance through the Company's group membership, and if he/she so participates the Company shall deduct the amount of the relevant premium from the Basic Salary.
Holidays	No more than 30 days

Following the recruitment process, a change to those terms is necessary as articulated by NewERA in its report attached. The salary will be €225,000 and it is intended to provide for health insurance for the Group CE, his spouse and his dependent children through the Company's group membership at the Company's expense, and that the contract of employment should ensure flexibility as regards the nature of the role should there be any restructuring of the Ervia group within the term of the CEO. The agreement of PER to the draft contract has been sought and is being progressed.

Your Minister's views on the revised remuneration package (revised salary, health insurance, and flexibility clause) for the appointment of a new Group CE, is hereby sought under Section 16(3) of the Gas Act 1976.

Appointments to the Boards – to note

The Group CE of Ervia will ex-officio be appointed to the Boards of Ervia, Irish Water and Gas Networks Ireland.

The approval of Government is required to the appointment of the new Group CE to the Board of Ervia, and a memo will be brought in due course, which will also note the appointments to the Boards of IW and GNI. No fees are payable for the appointment of the Ervia Group CE to the Board of Ervia in line with the One Person, One Salary principle.

An early response would be appreciated,

Regards
Emma

Emma Reeves
Water Services Governance
Department of Housing, Planning, Community & Local Government
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Is faoi rún agus chun úsáide an té nó an aonán atá luaite leis, a sheoltar an ríomhphost seo agus aon comhad atá nasctha leis. Má bhfuair tú an ríomhphost seo trí earráid, déan teagmháil le bhainisteoir an chórais.

Deimhnítear leis an bhfo-nóta seo freisin go bhfuil an teachtaireacht ríomhphost seo scuabtha le bogearraí frithvíorais chun víorais ríomhaire a aimsiú.

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1. Mr Michael Goodwin
2. Rúnai Aire

Recruitment of a Chief Executive Officer for Ervia – Revised Terms and Conditions

Decision Sought

The Minister for Housing, Planning, Community and Local Government has sought the views of the Minister, under Section 16(3) of the Gas Act 1976, on the terms and conditions for the appointment of a Chief Executive Officer to Ervia. The appointment of the CEO is a matter for the Board.

This request is attached at **TAB A**.

Background on CEO appointment

The current CEO of Ervia, Mr Michael McNicholas, was appointed to the role in April 2013 with the approval (at that time as the majority shareholding Minister) of the Minister for Communications, Energy and Natural Resources. Since November 2015, the majority shareholding Minister is the Minister for Housing, Planning, Community and Local Government.

The role of CEO will become vacant with effect from May 2017 and Ervia wish to proceed to recruiting the preferred candidate as soon as possible.

The draft terms and conditions, including salary, car and pension, **are not the same** as those of the current CEO. There were difficulties in attracting the calibre of candidate sought with the existing salary of €220,000 per annum and Ervia had initially sought an increase in the package to €250,000 plus VHI family insurance. Following further negotiation, **it appears that €225,000 plus VHI family insurance** will be acceptable to the candidate

The Minister for Housing, Planning, Community and Local Government has sought the approval of the Minister for Public Expenditure and Reform before providing his consent.

NewERA view

NewERA examined the proposal and noted the following in relation to the overall recruitment process:

- A total of 187 candidates were identified. However, many withdrew due to the complex nature of the job and the significant gap in salary expectation. Eventually six candidates were short listed with three progressing to the final interview. One of these withdrew due to the salary package on offer.

- The Ervia Chairman has indicated that, following detailed psychometric testing, a standout candidate was chosen by the interview panel.
- Ervia have now discussed terms with this candidate, including a salary package of €225,000 plus VHI family insurance.

NewERA concluded that under the relevant legislation, appointment of the CEO is a matter for the Board and accordingly NewERA (and the relevant Government Departments) have not been involved in the recruitment process. Having considered the strong advice of the Board that they have one recommended candidate only, NewERA has recommended that reliance is placed on the Board's assessment of the required remuneration terms and that the requested approvals are given. The NewERA report is attached at **TAB B**.

Appointment to the Board of Ervia

The CEO of Ervia will be appointed to the Board of Ervia as an ex-officio member. The approval of Government will be required for this appointment to the Board, and a Memo to Government will be brought by the Minister for Housing, Planning, Community and Local Government in due course. No fees are payable for the appointment of the CEO to the Board in line with the "One Person, One Salary" principle.

Recommendation

Given the detailed process carried out by Ervia in seeking to fill this position, and the analysis carried out by NewERA on the increased salary terms and conditions and their view that they are acceptable, it is proposed to revert to the Department of Housing, Planning, Community and Local Government as follows:

The Minister for Communications, Climate Action and Environment notes the proposed revised terms and conditions for the appointment of a new Chief Executive Officer to Ervia and the timeline for concluding the recruitment process, and in the circumstances, agrees with the proposed terms and conditions.

Joe Gallagher
Energy Security Division
2 May 2017

eSubmission Cover Sheet		
Current Status: 14 - Approved by Minister		
Details		
Title: Recruitment of CEO for Ervia File Ref: ERV 1 Division: Energy Security Division Participants: Michael Goodwin; Roisin Garland; Mary O'Donnell; Caoimhin Smith; Eilish Ruddle; Joe Gallagher Classification: Section requesting approval Final Approval by: Minister Commercially sensitive: Yes Press Release: No Urgent Date: 05/05/2017 00:00:00 Reason for urgency: To allow for the necessary appointment to be undertaken.		
Submission Documents		
170504 Recruitment of CEO for Ervia	Minister Signature	04/05/2017 Seana 13:02 McGearty
Submission on new Contract for CEO Ervia	Attachment	02/05/2017 Michael 17:16 Goodwin
TAB A request for Ministerial views on new CEO Contract. Ervia	Attachment	02/05/2017 Joe 14:02 Gallagher
TAB B NewERA report on Ervia CEO recruitment and salary	Attachment	02/05/2017 Joe 14:02 Gallagher
Printing instructions: Please print all documents		
Comments		

02/05/2017 Please see attached submission regarding the revised terms and Joe conditions for the appointment of a CEO for Ervia following a recruitment Gallagher: process carried out by Ervia. The NewERA report outlines the revised salary and notes other relevant issues of interest.

02/05/2017
 Michael Goodwin: Minister, please see the attached submission on the terms and conditions for the appointment of a new CEO to Ervia, which includes a salary of €225,000 and a family health insurance package. Following a long process, the terms and conditions provided have been agreed by Ervia subject to Ministerial approval. NewERA has recommended acceptance

of these terms and conditions and it is understood the Minister for Housing will approve them once your views are received and the consent of the Minister for PER is received. In the circumstances, it is recommended that the terms and conditions are supported.

History

02/05/2017 Energy Security Division: With Division

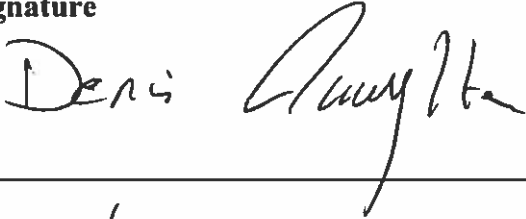
02/05/2017 Energy Security Division: With Head of Function

02/05/2017 Energy Security Division: Approved and sent to Minister

03/05/2017 Minister's Office: Received by Minister

04/05/2017 Minister's Office: Approved by Minister

eSubmission Cover Sheet

Title: Recruitment of CEO for Ervia
Summary/Recommendation The Ministers view are being sought on revised terms and conditions for the appointment of a CEO for Ervia
Comments 02/05/2017 Please see attached submission regarding the revised terms and conditions Joe for the appointment of a CEO for Ervia following a recruitment process Gallagher: carried out by Ervia. The NewERA report outlines the revised salary and notes other relevant issues of interest. 02/05/2017 Minister, please see the attached submission on the terms and conditions Michael for the appointment of a new CEO to Ervia, which includes a salary of Goodwin: €225,000 and a family health insurance package. Following a long process, the terms and conditions provided have been agreed by Ervia subject to Ministerial approval. NewERA has recommended acceptance of these terms and conditions and it is understood the Minister for Housing will approve them once your views are received and the consent of the Minsiter for PER is received. In the ciscumstances, it is recommended that the terms and conditions are supported.
Minister's Signature 
Date 4/5/7

✎ 00453-17: Approval of the Terms and Conditions for the appointment of the new CEO of Ervia

To: Minister	Author: Christopher Ryan
Status: Completed	Owner: Christopher Ryan
Purpose: Approval	Reviewers: Peter Brazel, Colin Menton
Division/Office: Remuneration and Industrial Relations	
Decision By:	

Final Comment
I agree - Paschal

Action Required
Approval of terms and conditions for the appointment of new CEO of Ervia

Executive Summary

In Jan 2017, the Minister for Public Expenditure and Reform consented to the following terms and conditions for the appointment of a new CEO to Ervia:

Term	7 years
Notice	Not less than 3 months, not more than 6 months
Basic salary	€220,000
Car	The use of a car provided by the company on terms determined by the company from time to time.
Pension	Choice of: contributory defined benefit scheme; defined contribution pension scheme; or company pension scheme (if already a member) as set out in the standard template contract

<p>Health Insurance</p>	<p>The Employee shall be entitled, if he/she so wishes, to participate in private health insurance through the Company's group membership, and if he/she so participates the Company shall deduct the amount of the relevant premium from the Basic Salary.</p>
<p>Holidays</p>	<p>No more than 30 days</p>

Following the recruitment process, a change to those terms is deemed necessary to conclude contractual negotiations. The revised package includes a salary of €225,000 and health insurance for the CEO, his spouse and his dependent children through the Company's group membership at the Company's expense and that the contract of employment should ensure flexibility as regards the nature of the role should there be any restructuring of the Ervia group within the term of the CEO.

D/HPLG endorses the proposed changes and we recommend your agreement to the appointment of the CEO on the terms and conditions specified.

Comments

- (10/05/2017 13:17:00) Peter Brazel: Minister, In the circumstances, the proposed terms and conditions for appointment are recommended.

Detailed Information

Appointment of the Chief Executive of Ervia under Section 16 of the Gas Act 1976 (as amended by Section 37 of the Gas Regulation Act 2013) requires the approval and consent of the Minister for Housing, Planning, Community and Local Government given with the approval of the Minister for Finance and the consent of the Minister for Public Expenditure and Reform having consulted with those Ministers and the Minister for Communications, Climate Action and Environment in relation to the terms and conditions for the appointment of a new Chief Executive Officer to Ervia.

The current Chief Executive was appointed for a 7 year term on the 7th of May 2013 but has decided not to complete the full duration of the contract and there is need for the recruitment of a replacement.

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Terms and Conditions for the previous CEO were more generous, on an exceptional basis, reflecting the challenges for Ervia in establishing Irish Water as a subsidiary. As this phase has now been completed, terms and conditions revert to those normally applicable for this position. In particular the previous salary of €250,000 drops to €225,000 which is in the current specified range for this role (€190,014 to €238,727).

Ordinarily Health Insurance is not paid for by the company but is requested in this case and supported by the NewEra report attached. Specifically NewEra recommend:

"Under the relevant legislation, appointment of the CEO is a matter for the Board and accordingly NewERA (and the relevant Government Departments) have not been involved in the recruitment process. In the context that the Board has strongly advised that they have one recommended candidate only and that the above remuneration terms are required in order to secure that candidate, and given Ervia's role in the critically important delivery of water services in the State, we recommend that reliance is placed on the Board's assessment of the required remuneration terms and that the requested approvals are given, subject to the proposed form of contract of employment being in a form and on terms acceptable to the relevant Government Departments. Such contract should ensure flexibility as regards the nature of the role should there be any restructuring of the Ervia group within the term of the CEO."

On the basis of this recommendation, and its endorsement by the Department of Housing Planning Community and Local Government, the Department of Public Expenditure and Reform supports the appointment of the CEO on the terms and conditions specified.

NewERA Report - Ervia CEO Remuneration

To: Minister for Housing, Planning, Community and Local Government
Minister for Public Expenditure and Reform
Minister for Finance
(together the "Ministers")

From: NewERA

Date: 25 April 2017

Subject: Ervia CEO Remuneration

1. Background

- Having regard to the relevant requirements of the Code of Practice for the Governance of State Bodies and section 16 of the Gas Act 1976 (as amended by Section 37 of the Gas Regulation Act 2013) Ervia sought the approval of the Ministers on 25 November 2016 in relation to terms and conditions of a Chief Executive Officer ("CEO") in order to enable the board of Ervia ("Board") to commence the process of recruitment of a new CEO (the incumbent CEO retires from the position in May 2017).
- By letter dated 18 January 2017 from the Department of Housing, Planning, Community and Local Government ("DHPCLG") approval of the following terms and conditions was confirmed:

Term	7 years
Notice period	Not less than 3 months, not more than 6 months
Basic salary per annum	€220,000
Car	The use of a car provided by the company on terms determined by the company from time to time.
Pension	Choice of: contributory defined benefit scheme; defined contribution pension scheme; or company pension scheme (if already a member) i.e. as set out in the standard template contract
Health Insurance	The Employee shall be entitled, if he/she so wishes, to participate in private health insurance through the Company's group membership, and if he/she so participates the Company shall deduct the amount of the relevant premium from the Basic Salary.
Holidays	No more than 30 days

The recruitment process has now concluded and Ervia has sought Ministerial approval for a variation in certain of above terms.

2. Summary of process undertaken by the Board as outlined by Ervia

- [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

3. NewERA's recommendation

Under the relevant legislation, appointment of the CEO is a matter for the Board and accordingly NewERA (and the relevant Government Departments) have not been involved in the recruitment process. In the context that the Board has strongly advised that they have one recommended candidate only and that the above remuneration terms are required in order to secure that candidate, and given Ervia's role in the critically important delivery of water services in the State, we recommend that reliance is placed on the Board's assessment of the required remuneration terms and that the requested approvals are given, subject to the proposed form of contract of employment being in a form and on terms acceptable to the relevant Government Departments. Such contract should ensure flexibility as regards the nature of the role should there be any restructuring of the Ervia group within the term of the CEO.