

**MINUTE EXTRACT FROM THE NON-PUBLIC MINUTES OF THE COUNCIL MEETING HELD ON
MONDAY 12 DECEMBER 2016**

C2 DIRECTOR REMUNERATION - DUNEDIN CITY HOLDINGS LIMITED GROUP COMPANIES

A report from Finance summarised the proposed increase in directors' fees for Dunedin City Holdings Limited and its subsidiaries and associated companies (CCOs).

Cr Andrew Whiley entered the meeting following the adjournment at 4.55 pm.

The Acting Group Chief Financial Officer responded to questions from Councillors.

It was suggested that the remuneration of Dunedin City Holdings Limited (including Dunedin City Treasury Limited) directors should be deferred until the completion of the Aurora/Delta Review.

Moved (Cr Aaron Hawkins/Cr David Benson-Pope):

That the Council:

- a) **Notes** that the Dunedin City Holdings Limited Board policy of using the independent survey endorsed by the Institute of Directors be reaffirmed for the 2016/17 year commencing 1 October 2016.
- b) **Approves** the increase of directors' fees by 2.9% for the following CCOs effective from 1 October 2016:
 - City Forests Limited
 - Dunedin Venues Management Limited
 - Dunedin International Airport Limited
 - Taieri Gorge Railway Limited
- c) **Notes** that the directors' fees for Dunedin Venues Limited remain unchanged as the Board was only appointed in June 2016.
- d) **Notes** that any change in directors' fees for Aurora Energy Limited and Delta Utility Services Limited be deferred until the findings of the Deloitte review are known and DCHL has formed an opinion on the composition of the Boards of these two companies.
- e) **Notes** that any decision on directors' fees for DCHL be deferred until the investigation into the Delta and Aurora Boards is resolved

- f) **Agrees** that the information contained in the report remains confidential until Council has determined the level of fees and advised Dunedin City Holdings Limited of the outcome, at which point the information can be made public.

Division

The Council voted by division.

For: Crs David Benson-Pope, Christine Garey, Aaron Hawkins, Marie Laufiso, Jim O'Malley, Conrad Stedman and Lee Vandervis (7).
Against: Crs Doug Hall, Mike Lord, Damian Newell, Chris Staynes and Andrew Whiley and Mayor Dave Cull (6).

The division was declared CARRIED by 7 votes to 6

Motion carried (CNL/2016/182)

DIRECTOR REMUNERATION - DUNEDIN CITY HOLDINGS LIMITED GROUP COMPANIES

Department: Finance

REASONS FOR CONFIDENTIALITY

Grounds:	S48(1)(a) - The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
Reason:	S7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. S7(2)(b)(i) - The withholding of the information is necessary to protect information where the making available of the information would disclose a trade secret.
In particular:	The information contained in this report remains confidential until Council has determined the level of fees and advised Dunedin City Holdings Limited of the outcome at which point the information can be made public.

EXECUTIVE SUMMARY

- 1 This report summarises the proposed increase in directors' fees for Dunedin City Holdings Limited and its subsidiaries and associated companies (CCOs).

RECOMMENDATIONS

That the Council:

- a) **Notes** that the Dunedin City Holdings Limited Board policy of using the independent survey endorsed by the Institute of Directors be reaffirmed for the 2016/17 year commencing 1 October 2016.
- b) **Approves** the increase of directors' fees by 2.9% for the following CCOs effective from 1 October 2016:
 - Dunedin City Holdings Limited (incorporating Dunedin City Treasury Ltd)
 - City Forests Limited
 - Dunedin Venues Management Limited
 - Dunedin International Airport Limited
 - Taieri Gorge Railway Limited
- c) **Notes** that the directors' fees for Dunedin Venues Limited remain unchanged as the Board was only appointed in June 2016.
- d) **Notes** that any change in directors' fees for Aurora Energy Limited and Delta Utility Services Limited be deferred until the findings of the Deloitte review are known and DCHL has formed an opinion on the composition of the Boards of these two companies.
- e) **Agrees** that the information contained in this report remains confidential until Council has determined the level of fees and advised Dunedin City Holdings Limited of the outcome at which point the information can be made public.

BACKGROUND

- 2 Council has an established process for calculating the quantum of fees for each organisation using the annual Institute of Directors (IoD) survey. This system has been in effect since 2004.

DISCUSSION

- 3 The IoD surveys actual payments made across a wide range of organisations. The 2016 survey includes information about 2,174 directorships covering 730 members and 1,624 organisations. Overall there was a 22.5% increase in participation from organisations, compared to the number of organisations surveyed last year.
- 4 This year, overall median fee levels have moved at a similar, but slightly lower level than 2015, moving from \$41,610 to \$42,994, which represented a 3% overall increases, rather than the 4% seen in 2015 (*Institute of Directors Fee Report, 2016*). Median fees for non-executive chairs increased 2.9%, which was the same rate as 2015.

- 5 When comparing director remuneration practices, it is important to compare "like" organisations in terms of size. Fees are therefore calculated according to four size criteria:
- annual turnover;
 - asset value;
 - shareholder's funds; and
 - staff numbers.
- 6 Fee movements are broken down by industry, annual revenue and organisation type. We note the following increases for organisations of a similar size to Council companies:

Overall measure	DCHL measure	Percentage increase
Revenue	\$200.1 - \$500 million	2.9%
Organisation type	Council controlled organisation	6.1%
Industry	N/A	N/A

- 7 There is no information relating to an industry that represents a relevant comparison for Council companies. Therefore only information relating to revenue and organisation type has been relied upon.
- 8 Given the low inflationary environment, an increase of 6.1% would seem to be in excess of what would be deemed a fair and reasonable increase in Directors' fees. Therefore it is recommended that directors' fees for Council companies should be increased by 2.9%.
- 9 The table below sets out the current directors' fees in total for each company, along with the proposed increase if the 2.9% was applied – note figures have been rounded down to the nearest \$000.

	Current Director Fees	Proposed Increase %	Proposed Director Fees	# Directors
Dunedin City Holdings (including Dunedin City Treasury)	313,608	2.9%	322,000	5
City Forests	138,092	2.9%	142,000	4
Dunedin Venues Management	75,570	2.9%	77,000	4
Dunedin International Airport	94,462	2.9%	97,000	4
Taieri Gorge Railway	102,336	2.9%	105,000	6
Dunedin Venues	42,000	0.0%	42,000	3
Note: Rounded down to the nearest \$000				

OPTIONS

Option One – Recommended Option

That the directors' fees for DCHL Group companies be increased by 2.9% from 1 October 2016 in line with previous practice (except for Dunedin Venues Limited as noted).

Advantages

- Process of setting fees consistent with previous years.

Disadvantages

- Increase in excess of CPI.

Option Two – Recommend an alternative level of increase

- 10 There is the option to set an alternative level of increase, noting that this would be a departure from historical practice.

NEXT STEPS

- 11 Advise DCHL of proposed fee levels for each company
- 12 DCHL to advise individual companies of the outcome of the remuneration review.

Signatories

Author:	Gavin Logie - Acting Chief Financial Officer
Authoriser:	Sue Bidrose - Chief Executive Officer

Attachments

There are no attachments for this report.

SUMMARY OF CONSIDERATIONS***Fit with purpose of Local Government***

This report relates to providing an administrative function for the continuing operation of Dunedin City Holdings Limited and its subsidiaries and associated companies.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	☐	☐	☒
Economic Development Strategy	☐	☐	☒
Environment Strategy	☐	☐	☒
Arts and Culture Strategy	☐	☐	☒
3 Waters Strategy	☐	☐	☒
Spatial Plan	☐	☐	☒
Integrated Transport Strategy	☐	☐	☒
Parks and Recreation Strategy	☐	☐	☒
Other strategic projects/policies/plans	☐	☐	☒

There is no contribution to the Strategic Framework.

Māori Impact Statement

There are no known impacts for tangata whenua.

Sustainability

There are no implications for sustainability.

LTP/Annual Plan / Financial Strategy / Infrastructure Strategy

There are no implications.

Financial considerations

There are no direct financial implications for Council.

Significance

Not applicable.

Engagement – external

The fee increase is supported by the Institute of Directors Annual Survey.

Engagement - internal

Not applicable.

Risks: Legal / Health and Safety etc.

There are no identified risks.

Conflict of Interest

There are no known conflicts of interest.

Community Boards

There are no implications for Community Boards.