MINUTE EXTRACT FROM THE NON-PUBLIC MINUTES OF THE COUNCIL MEETING HELD ON MONDAY 11 DECEMBER 2017

C6 DIRECTOR REMUNERATION - DUNEDIN CITY HOLDINGS LIMITED GROUP COMPANIES

A report summarised the proposed change in directors' and chairs' fees for the Dunedin City Holdings Limited Group from 1 October 2017.

Moved (Cr Doug Hall/Cr Chris Staynes):

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 2017/18 year commencing 1 October.

b) **Approves** the increase of directors' fees by 2.3% and Chairs by 1.9%.

c) **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.

Motion carried (CNL/2017/252) with Cr Vandervis recording his vote against

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:	This report is confidential because the information contained in this report remains confidential until Council has determined the level of fees and advised the Dunedin City Holdings Limited of the outcome at which point the information can be made public.

EXECUTIVE SUMMARY

1 This report summarises the proposed change in directors' and chairs' fees for the Dunedin City Holdings Limited Group from 1 October 2017.

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 2017/18 year commencing 1 October.

b) **Approves** the increase of directors' fees by 2.3% and Chairs by 1.9%

c) **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.

3 As well as using the IoD survey numbers the companies themselves provided feedback as to the number of staff, stage of the organisation (eg start-up, growth, established), Risk Profile, current or future significant events/changes in their organisation, hours worked and where did the board see itself within the market in terms of the level of remuneration.

4 Each of the Dunedin City Council Holdings Group companies saw themselves in the median quartile for where in the market they saw their terms of remuneration, apart from Taieri Gorge Railway Limited who saw themselves in the lower quartile.

DISCUSSION

5 The IoD surveys actual payments made across a wide range of organisations.

6 For the Chairs and Directors in each company taking into account the 1.9% and 2.3% increases they fell into the following quartiles, (note the quartiles did not change after adding the increases):-

Company	**Chairs - Quartile**	**Directors - Quartile**
City Forests Ltd	Median	Above lower
Dunedin International Airport Ltd	Below lower	Below lower
DCHL/DCTL*	Upper	Below upper
Dunedin Stadium Property Ltd	Below lower	Below lower
Dunedin Venues Management Ltd	Below lower	Lower
Taieri Gorge Railway Ltd	Below lower	Below lower

*Note DCHL and DCTL are combined into one board so the fees reflect that there are two companies with different risk profiles etc.

The table shows that most of the companies are being paid below the lowest quartile to similar organisations.

7 The framework used in the exercise to determine the quartiles of fees included the following the categories; New Zealand Owned companies, Council Controlled Organisations, Industry, Revenue, Total Assets, Shareholder Funds and Headcount.

8 The fee movement for Council Controlled Organisations was 3.4%.

9 The table below sets out the current directors and chairs fees in total for each company, along with the proposed increases of 2.3% and 1.9% respectively. – note figures have been rounded to the nearest $000.

	Current Director Fees	Proposed Increase %	Current Chair Fee	Proposed increase	Proposed total Fees	# Directors
City Forests Ltd	$29,923	2.3%	$54,120	1.9%	$146,982	4
Dunedin International Airport Ltd	$21,833	2.3%	$31,500	1.9%	$99,104	4
Dunedin City Holdings/Dunedin City Treasury Ltd	$55,765	2.3%	$99,630	1.9%	$329,713	5
Dunedin Stadium Property Ltd	$12,000	2.3%	$18,000	1.9%	$42,894	3
Dunedin Venues Management Ltd	$17,237	2.3%	$25,900	1.9%	$79,292	4
Taieri Gorge Railway Ltd	$16,000	2.3%	$25,000	1.9%	$107,315	6

10 This is an overall increase of $34,000 from last year.

OPTIONS

Option One – Recommended Option

11 That the chairs' and directors' fees for DCHL Group companies be increased by 1.9% and 2.3% respectively. From 1 October 2017 in line with previous practice.

Advantages

- Process of setting fees is consistent with previous years.

Disadvantages

- That the fees are set to low and the DCHL Group companies cannot attract the right calibre of directors.

Option Two – Recommend an alternative level of increase

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

NEXT STEPS

13 Advise DCHL of proposed fee levels for each company.

14 DCHL to advise individual companies of the outcome of the remuneration review.

Signatories

Author:	Natalie Brown - Acting Group Business Manager, Dunedin City Holdings Ltd
Authoriser:	Gavin Logie - Acting Chief Financial Officer Graham Crombie –Chair, Dunedin City Holdings Ltd

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 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.