

**MINUTE EXTRACT FROM THE NON-PUBLIC MINUTES OF THE COUNCIL MEETING HELD ON TUESDAY
27 JUNE 2017**

**C4 DIRECTOR REMUNERATION - AURORA ENERGY LIMITED AND DELTA UTILITY SERVICES
LIMITED**

A report from Finance summarised the recommended directors' fees for Aurora Energy Limited and Delta Utility Services Limited.

The Chairman, Dunedin City Holdings Limited responded to questions on the proposed rates from Councillors.

Moved (Cr Mike Lord/Cr Doug Hall):

That the Council:

- a) **Notes** that the Dunedin City Holdings Limited Board will continue with the policy of using the Institute of Directors to benchmark the Directors' fees.
- b) **Agrees** the recommendation of Directors' fees as benchmarked by the Institute of Directors for Aurora Energy Limited and Delta Utility Services Limited as follows:
 - The total recommended remuneration for Aurora Energy Limited is \$220,500 - Chair and three directors.
 - The total recommended remuneration for Delta Utility Services Limited is \$204,000 - Chair and three directors.
- c) **Notes** that the information contained in the report remains confidential until Council has determined the level of fees and advised Dunedin City Holdings Limited (DCHL) of the outcome at which point the information can be made public.

Motion carried (CNL/2017/144)

DIRECTOR REMUNERATION - AURORA ENERGY LIMITED AND DELTA UTILITY SERVICES LIMITED

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)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied.
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 recommended directors' fees for Aurora Energy Limited and Delta Utility Services Limited.

RECOMMENDATIONS

That the Council:

- a) **Notes** that the Dunedin City Holdings Limited Board will continue with the policy of using the Institute of Directors to benchmark the Directors' fees.
- b) **Agrees** the recommendation of Directors' fees as benchmarked by the Institute of Directors for Aurora Energy Limited and Delta Utility Services Limited as follows:
 - The total recommended remuneration for Aurora Energy Limited is \$220,500 - Chair and three directors.
 - The total recommended remuneration for Delta Utility Services Limited is \$204,000 - Chair and three directors.
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BACKGROUND

- 2 Following the recommendation from the Deloitte review the Aurora/Delta Board has been split into two separate Boards, one for each company. The current directors were split between the two boards leaving vacancies for two directors on each. The remuneration of directors should be transparent, fair and reasonable. The Institute of Directors were asked to benchmark and perform an independent assessment of appropriate fees for the boards of Aurora Energy Limited and Delta Utility Services Limited.
- 3 The Institute of Directors considered the following when calculating the appropriate fees:
 - Information supplied by Aurora Energy Limited and Delta Utility Services Limited,
 - Data from the latest annual Institute of Directors/EY directors' fees survey,
 - Data, where available from similar organisations,
 - Data from organisations of similar size to Aurora Energy Limited and Delta Utility Services Limited,
 - Other data on relevant fees that the Institute of Directors holds confidentially, and
 - Comparable remuneration reports and recommendations by the Institute of Directors.
- 4 The Institute of Directors have considered the information provided by Aurora Energy Limited and Delta Utility Services Limited, the time commitments of the governance roles, current remuneration levels and the nature and risk profiles of the organisations.

Aurora Energy Limited

- Aurora Energy Limited is New Zealand's sixth-largest electricity distributor delivering electricity supply to more than 85,500 homes and businesses throughout Dunedin and Central Otago.
- The company is being restructured to regain responsibility for the delivery of functions previously contracted out to service providers. This will involve significant change as staff will become directly employed by Aurora Energy Limited, and the company will become a standalone lines company.
- There is expected to be a significant level of governance input required in the first two years to establish the company.

Delta Utility Services Limited

- Delta Utility Services Limited is an infrastructure specialist. They invest in, design, construct, manage and maintain energy and environmental infrastructure.
- The company is being restructured to remove the responsibility for the delivery of network design and operation functions previously carried out for Aurora Energy Limited. From 1 July 2017 Delta Utility Services Limited will have a significant contract to deliver network maintenance for Aurora and other networks.
- There is expected to be considerable additional input by directors for the first two years as the business evolves into a standalone contractor. The organisation also

faces significant issues around branding and public perception that will required a high level of governance input.

- 5 The data used by the Institute of Directors was based on the survey for 2016 as the 2017 had not been completed at the time of undertaking the review.

DISCUSSION

- 6 The DCHL Board received and considered the independent report from the Institute of Directors, taking into account the challenges and risks facing the companies.
- 7 The framework used by the Institute of Directors was to give a range of fees surveys in the following categories:-
- General trends for directors fees
 - New Zealand Owned companies
 - Council Controlled Organisations
 - Industry
 - Revenue
 - Total Assets
 - Shareholder Funds
 - Headcount
- 8 For the companies the benchmarking review looked at other organisations in the same industry and of the comparative size and taking into account the time commitments.
- 9 The DCHL Board recommended that the fees should be set at the lower level of the fee range.
- 10 The report deemed the following to be the appropriate fee ranges for the duties and responsibilities of the governance roles in these companies. These fee ranges are considered representative of the wider market.

Role – Aurora Energy Limited	Fee Range	Proposed Director Fees
Director Fee	\$45,000 - \$50,000	\$45,000
Chair Fee	\$85,500 - \$95,000	\$85,500

- 11 The total recommended remuneration for Aurora Energy Limited is \$220,500 - Chair and three directors. Note we have not recommended additional fees for those chairing subcommittees or the position of deputy chair.

Role – Delta Utility Services Limited	Fee Range	Proposed Director Fees
Director Fee	\$42,500 - \$47,500	\$42,500
Chair Fee	\$76,500 - \$86,500	\$76,500

- 12 The total recommended remuneration for Delta Utility Services Limited is \$204,000 - Chair and three directors. Note we have not recommended additional fees for those chairing subcommittees or the position of deputy chair.
- 13 Given all of these factors it is recommended that the proposed Director Fees are at the lower range.

- 14 The current fees for the combined Board is \$258,250, made up of Chair \$97,250, two directors \$55,000, who are committee chairs and one director \$51,000.

OPTIONS

- 15 Not applicable.

NEXT STEPS

- 16 This information should remain confidential until such time as 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.

Signatories

Author:	Natalie Brown - Acting Business Group Manager
Authoriser:	Gavin Logie - Acting Chief Financial 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 companies within the Dunedin City Holdings Limited Group.

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 – reporting only

Māori Impact Statement

There are no known impacts for tangata whenua.

Sustainability

There are no known impacts 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

There has been external engagement with the Institute of Directors.

Engagement - internal

There has been no internal engagement.

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 known implications for Community Boards.