

**MINUTE EXTRACT FROM THE NON-PUBLIC MINUTES OF THE COUNCIL MEETING HELD ON TUESDAY
26 MARCH 2019**

C7 REMUNERATION MATTER

A report from the Mayor's office provided a recommendation from the Chief Executive Appraisal Subcommittee regarding the remuneration for the Chief Executive.

During discussion Cr Newell left the meeting at 1.01 pm.

Moved (Mayor Dave Cull/Cr Chris Staynes):

That the Council:

- a) **Approves** a total annual remuneration for the Chief Executive of \$444,000 effective from 23 November 2018, the commencement of her current contract (including Kiwisaver contribution and any additional week of annual leave the CEO may elect to take above the five weeks in her contract).

Motion carried (CNL/2019/064) with Cr Vandervis recording his vote against.

REMUNERATION MATTER

Department: Office of the Mayor

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.

EXECUTIVE SUMMARY

- 1 This report provides a recommendation from the Chief Executive Appraisal Subcommittee regarding the remuneration for the Chief Executive.

RECOMMENDATIONS

That the Council:

- a) **Approves** a total annual remuneration for the Chief Executive of \$450,000 effective from 23 November 2018, the commencement of her current contract (including Kiwisaver contribution and any additional week of annual leave the CEO may elect to take above the five weeks in her contract).

BACKGROUND

- 2 The DCC Committee Structure and Delegations manual, approved by Council 21 February 2017, states that the Chief Executive Appraisal Subcommittee is to oversee the performance of the CEO, and to negotiate the CEO's terms and conditions of employment. This process includes "recommending to Council the remuneration of the Chief Executive (which may be adjusted in line with increases in general staff remuneration)".
- 3 When the current Chief Executive was appointed in November 2013, she began her role being paid a base salary, including Kiwisaver and vehicle entitlement, of \$350,581 and five weeks of annual leave. This salary was approximately 85% of the package paid to her predecessor, and he himself was being paid at below 100% of the job grade as it was assessed at that time. Paying the new CEO at less than 100% of her graded salary rightly reflected her newness to the role, and was in line with DCC's common practice that new staff be paid at 85% or 90% of the role's full assessed value, and increase towards 100% over time as they prove their competence.
- 4 After her appointment, the CEO elected not to receive a pay rise in her first two years, instead requesting that DCC fund half the cost for her to complete a postgraduate Diploma in Organisational Leadership at the Saïd Business School at the University of Oxford, a qualification she completed with a rare 'Distinction' grade. In 2015 we did,

however, increase her leave entitlement by one week, which is equivalent to approximately a 2% increase in salary.

- 5 Since this time, the CEO has requested that her salary not be adjusted to the 100% salary level. Instead she requested that for the remainder of her five-year term, because of the austerity measures being imposed across the council, that she receive the same annual percentage increment as her staff; generally this has been approximately 2% per annum. When she completed her five-year contract late 2018, she was receiving a remuneration of \$379,355 plus an additional 2% equivalent in the extra week's salary – so her current 'total remuneration' was approximately \$387,000.
- 6 This means she was still being paid approximately 87% of the Strategic Pay assessment of the salary of the role, assessed against other Local Government Chief Executives. She is the DCC's only employee that is clearly fully competent but is not paid 100% of the Strategic Pay grade salary assessment.
- 7 She was reappointed to a new two-year contract on 23 November 2018. She requested she continue to receive a salary and annual increments in line with those awarded to her staff. At that time, the Chief Executive Appraisal Subcommittee sought information from Strategic Pay on the appropriate remuneration level for the Chief Executive to accompany her new contract. A report was provided and considered by the Subcommittee on Friday 15 March 2019.

DISCUSSION

- 8 Strategic Pay have sized the Dunedin City Council CEO role and assessed its salary range compared to other local government CEOs. They assess the appropriate salary range for the role is \$418,100-\$444,000. Furthermore, they assess that a CEO who is "Demonstrating Added Value" should be paid in the range \$444,000-\$495,700.
- 9 The Subcommittee are of the unanimous view that our CEO is clearly "demonstrating added value". This is demonstrated in many ways, not least the recent A grade given to the organisation by the CouncilMARK evaluation process – a dramatic improvement in her five years in the role.
- 10 However we were also mindful of her request only to award an increase that is easily defensible to her staff, and of the financial constraints DCC still faces. We therefore agreed that for her new contract she be paid towards the lower end of the "added value" range. Accordingly, we recommend her current contract be awarded a total remuneration of \$450,000. This would include any Kiwisaver contribution and would also include any additional week of leave she might wish to take over the standard five weeks. We further note that had the CEO's predecessor's remuneration been increased annually by 2% between the end of his term in the role, and the current time, the total being paid would be \$450,000.

OPTIONS

- 11 There are two options available to Council. Council could accept the recommendation of the Chief Executive Appraisal Subcommittee, or Council could select another amount to pay the Chief Executive for the remainder of her term.

Option One – Recommended Option

- 12 The Chief Executive Appraisal Committee recommend that the Chief Executive be paid a total remuneration of \$450,000, effective from the beginning of her current contract. This amount will include any Kiwisaver component, and will include any annual leave over five weeks that she elects, up to a maximum of one additional week.

Advantages

- The CEO would now be paid as a fully competent member of staff, and in fact in recognition of her performance over the last five years, is paid at a level that reflects, to a small degree, that she is “demonstrating added value” in the role.
- The DCC CEO role would be remunerated in line with other council CEOs in the country, which accurately reflects both her performance, but also the size of the role when it goes to market late next year.

Disadvantages

- This increase will inevitably attract negative media and social media attention. This is likely to include commentary that attempts to paint Councillors in a bad light. That said, Council receives negative media attention when anyone associated with Council - elected or employed - receives an increase in remuneration.
- The CEO has requested that she continue to receive the salary increase that her staff receives and has been strong on this matter. She also would prefer not to have the media attention this increase will bring.

Option Two

- 13 Council could decide to award the CEO another level of total remuneration, either below the Subcommittee's recommendations or above.

Advantages

- A lower salary for the new CEO contract would, if it were low enough, mean that Councillors avoid negative media attention over the salary issue.

Disadvantages

- If lower, the CEO would be the DCC's only employee that is clearly fully competent, but is not paid 100% of the Strategic Pay grade salary assessment.
- The salary, if it is too low, will not send the appropriate market signals about the size of the role when the CEO position is publicly advertised at the end of her current term in late 2020.
- If Council appoints a different CEO next year, they may request a salary in line with the market. If the incumbent's salary is set too low and a higher salary is needed to attract a good candidate, any anticipated negative media attention would fall upon any new CEO which is a difficult position in which to place a new appointee.

NEXT STEPS

- 14 Once the Council agree an appropriate total remuneration package, it will be put in place for the current year of the CEO's new contract, effective from the date the contract began.

Signatories

Authoriser:	Mayor Dave Cull -
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Attachments

There are no attachments for this report.

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This decision relates to the salary of the elected members' sole employee. Having a CEO is a requirement under the local Government Act.

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	☐	☐	☒

Māori Impact Statement

There are no know impacts for tangata whenua

Sustainability

There are no implications for sustainability.

LTP/Annual Plan / Financial Strategy / Infrastructure Strategy

There are no implications.

Financial considerations

This salary change can be met from within budget.

Significance

This decision does not meet the threshold of significant decisions.

Engagement – external

There has been no engagement outside the Chief Executive Appraisal Subcommittee and Strategic Pay.

Engagement - internal

There has been no engagement outside the Chief Executive Appraisal Subcommittee and Strategic Pay.

Risks: Legal / Health and Safety etc.

There are no risks in this report.

Conflict of Interest

There is no conflict of interest.

Community Boards

There are no implications for Community Boards.