

DIRECTOR REMUNERATION - DUNEDIN CITY HOLDINGS LIMITED GROUP COMPANIES

Department: Executive Leadership Team

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 Dunedin City Holdings Limited of the outcome at which point the information can be made public.

EXECUTIVE SUMMARY

- 1 Attached is a report from Dunedin City Holdings Limited recommending changes to Director Remuneration for Group companies effective from 1 October 2022. Companies include:
 - Aurora Energy Limited
 - City Forests Limited
 - Delta Utility Services Limited
 - Dunedin Stadium Properties Limited – Chair only
 - Dunedin Venues Management Limited
- 2 A comprehensive review of director fees was performed by Strategic Pay Limited in late 2020. To inform the 2022 review, DCHL requested a market update from Strategic Pay (rather than a comprehensive review).
- 3 Director fees for Dunedin City Holdings Limited will be subject to a separate report to Council, noting that the Directors for DCHL also fill roles for:
 - Dunedin City Treasury Limited
 - Dunedin Stadium Properties Limited
 - Dunedin Railways Limited

RECOMMENDATIONS

That the Council:

- a) **Uplifts** Item C5 of the meeting of the Dunedin City Council held on 27 March 2023 – Director Remuneration – Dunedin City Holdings Limited Group Companies from the table.
- b) **Considers** adjusting the DCHL Group Chair and director remuneration to the levels set out in Table 1 of the attached report, to be applied for the two years commencing 1 October 2022.
- 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

- 4 Director fees for DCHL companies was last considered by Council at its meeting on 13 April 2021.
- 5 At that meeting the Council resolved:

Moved (Cr Mike Lord/Cr Doug Hall):

That the Council:

- a) **Agrees** that Dunedin City Holdings Limited (DCHL) Group director remuneration be reviewed every two years.
- B **Agrees** that the DCHL Group company Chairs' remuneration be set at twice that of directors for each individual company.
- c) **Approves** the adjustment of the DCHL Group Chair and director remuneration to the levels set out in Table 1, to be applied for the two years commencing 1 October 2020 (subject to agreement from the Crown in the case of Dunedin International Airport Ltd).
- d) **Agrees** that the information contained in the report remains confidential until Council had 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, Rachel Elder, Christine Garey, Doug Hall, Carmen Houlahan, Mike Lord, Jules Radich, Chris Staynes, Steve Walker, Andrew Whiley and Mayor Aaron Hawkins (11).

Against: Crs Sophie Barker, Marie Laufiso and Jim O'Malley (3).

Abstained: Nil

The division was declared CARRIED by 11 votes to 3

Motion carried (CNL/2021/065)

6 Further information is provided in the attached report from DCHL.

DISCUSSION

7 See attached report.

OPTIONS

Option One – Adjust Directors' fees based on the recommendations of Dunedin City Holdings Limited

8 That the chairs' and directors' fees for DCHL Group companies be increased as scheduled from 1 October 2022.

Advantages

- DCHL Group Directors' remuneration aligns with the external advice provided by Strategic Pay Limited and has an increase of between 1.56% and 1.6% on the rates approved for the two years commencing 1 October 2020.

Disadvantages

- Group-wide financial impact of \$12,800 (paid by companies) compared with the current level of remuneration.

Option Two – Recommend an alternative level of increase

9 There is the option to set an alternative level of increase, noting that this would represent a departure from the recommendations of Dunedin City Holdings Limited.

NEXT STEPS

10 Following Council's decision, DCHL will advise DCHL Group companies of the agreed fee adjustments commencing 1 October 2022.

11 A further report to Council will make a recommendation in relation to director fees for DCHL.

Signatories

Author:	Gavin Logie - Chief Financial Officer
Authoriser:	Sandy Graham - Chief Executive Officer

Attachments

	Title	Page
A	Director Fee Recommendation Report from DCHL	
		

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 level of proposed director fees have been based on external advice from Strategic Pay Limited.

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.

TO: Dunedin City Council

FROM: Keith Cooper, Chair
Jemma Adams, General Manager

DATE: 1 March 2023

SUBJECT: Recommendations for DCHL Group director remuneration

SUMMARY

Dunedin City Holdings Ltd (DCHL) has undertaken the scheduled biennial review of remuneration of directors of its subsidiary companies. The DCHL board's recommendations for subsidiary director fee levels are set out in this paper for Council consideration.

RECOMMENDATIONS

DCHL recommends that the Council:

- a) **Approve** the adjustments to Chair and director remuneration set out in Table 1, to take effect from 1 October 2022.

BACKGROUND

- 1 Remuneration of DCHL's subsidiary companies is set by Council, based on recommendations from the DCHL board. Remuneration is reviewed on a biennial basis, with the previous adjustment being approved in April 2021 (made effective from 1 October 2020).
- 2 Director fees are paid by the relevant company. Company Chair rates are set at twice that of directors for each individual company.
- 3 Council sets remuneration of directors of DCHL and Dunedin City Treasury Ltd (DCTL). This paper therefore does not include recommendations in relation to DCHL/DCTL.

DISCUSSION

- 4 In 2020 DCHL engaged Strategic Pay to undertake a comprehensive review and benchmarking of DCHL subsidiary company director remuneration, which informed DCHL's recommendations for Council. Council approved those recommendations and fees were set with effect from 1 October 2020. These are set out in Table 1 on the following page.
- 5 To inform the 2022 review, DCHL requested a market update from Strategic Pay (rather than a comprehensive review). The DCHL board considered this level of analysis to be appropriate in context of a comprehensive review having been completed two years ago.
- 6 The DCHL board overlaid this information with consideration of the following factors:
 - a) The complexity of the different operating environments;

- b) The risks and liabilities each of the organisations face;
 - c) Business model and life cycle;
 - d) Stakeholder management requirements;
 - e) Level of board discretion;
 - f) Director hours / workload; and
 - g) Internal pay policy.
- 7 Following this consideration, the DCHL board agreed to recommend the rates set out in Table 1 on the following page.
 - 8 For the most part, recommendations are based on increasing director rates by approximately 1.6%, and then maintaining the previously agreed relativity of Chair rates being set at twice that of directors for each individual company.
 - 9 Chair at 2.0x relativity is not in place at Delta. That is because at the 2020 remuneration review, Delta's director rates were held flat as they were above the range of fees recommended by Strategic Pay at that time. Delta director rates have therefore not increased since 2018. The DCHL board recommends they now be increased by approximately 1.6%, and that the Chair rate also be increased by 1.6% (rather than the 12% increase to Chair remuneration which would be required to maintain Chair/director 2.0x relativity).
 - 10 The recommendations set out in Table 1 would result in a \$12,800 total increase in DCHL annual subsidiary directors' fees from the existing rates.
 - 11 A remuneration increase for the directors of Dunedin International Airport Ltd is not recommended at this stage. As an associate company (jointly owned with the Crown), director remuneration at DIAL is jointly agreed with the Crown and is on a different review cycle to the rest of the DCHL Group. DIAL's director remuneration was agreed by DCHL and the Crown in November 2022, within the range approved by Council in 2021). DCHL is comfortable that DIAL remuneration does not require further review at this stage.

Public service consideration

- 12 Council's Procedure for Appointment and Remuneration of Directors of Dunedin City Holdings Ltd requires that the level of director's fees will reflect that there is an element of public service in serving on such a board (which DCHL interprets as including its subsidiary and associate companies).
- 13 DCHL considers that the basis of current director remuneration – that is, Strategic Pay's 2020 comprehensive review – takes the element of public service into account, as Strategic Pay's market analysis combined both the higher paying Private Sector organisations with the lower paying Public Sector organisations. DCHL believes Strategic Pay's recommended ranges were therefore likely to represent neither top or bottom of the market, but to be judicious and competitive.
- 14 Furthermore, DCHL believes it is important not to undervalue the work of CCO directors and the need to attract and retain highly skilled talent.

RECOMMENDATION

- 15 The DCHL board recommend that Council approve the adjustments to Chair and director remuneration set out in Table 1, to take effect from 1 October 2022.

NEXT STEPS

- 16 If Council approve the recommendations in this paper, Director and Chair fees at DCHL's subsidiary companies will be adjusted to the recommended rates set out in Table 1, and DCHL Group director remuneration will next be reviewed in late 2024.

Table 1: Current and Proposed Remuneration of Dunedin City Holdings Ltd subsidiary company directors

Company	# paid directors	Current (per annum)			Proposed (per annum)			Variance to current		
		Chair	Director	Total Pool	Chair	Director	Total Pool	Chair	Director	Total Pool
Aurora Energy	5	98,000	49,000	294,000	99,534	49,767	298,602	1.57%	1.57%	1.57%
City Forests	4	74,000	37,000	185,000	75,158	37,579	187,895	1.56%	1.56%	1.56%
Delta	4	80,000	44,285	212,855	81,280	44,990	216,250	1.60%	1.59%	1.59%
Dunedin Stadium Property	1	22,000	-	22,000	22,343	-	22,343	1.56%	0.00%	1.56%
Dunedin Venues Management Ltd	4	40,000	20,000	100,000	40,626	20,313	101,565	1.57%	1.57%	1.57%
TOTAL				813,855			826,655			1.57%