

Decision released from confidential session			
Recommendation from (agenda report)	Date of meeting	Recommendation to (decision-making meeting)	Date of meeting
Governance Committee	25 July 2019	Council	08 August 2019
Report Title and number			
Nelson Regional Development Agency - Director Remuneration – 2019 (R10021)			
Documents released			
Decision, Report and Attachment			
Decision			
Resolved That the Council			
<ol style="list-style-type: none"> 1. <u>Approves</u> an increase in the directors' remuneration pool for Nelson Regional Development Agency of 1.6% p.a. for the 2019/20 year; and 2. <u>Agrees</u> that Report (R10021), Attachment (A2045559) and the decision (CL/2019/164) be released from public excluded business once negotiations are concluded. 			
<u>Carried</u>			

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Item 4: Nelson Regional Development Agency - Director Remuneration - 2019



Governance Committee

25 July 2019

REPORT R10021

Nelson Regional Development Agency - Director Remuneration - 2019

1. Purpose of Report

- 1.1 To consider the directors' remuneration pool for Nelson Regional Development Agency (NRDA) for 2019/20.

2. Recommendation

That the Governance Committee

Receives the report Nelson Regional Development Agency - Director Remuneration - 2019 (R10021) and its attachment (A2045559).

Recommendation to Council

That the Council

Approves an increase in the directors' remuneration pool for Nelson Regional Development Agency of 1.6% p.a. for the 2019/20 year; and

Agrees that Report (R10021), Attachment (A2045559) and the decision (CL/2019/xx) be released from public excluded business once negotiations are concluded.

3. Exclusion of the Public

- 3.1 This report has been placed in the public excluded part of the agenda in accordance with section 48(1)(a) and section 7 of the Local Government

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Official Information and Meetings Act 1987. The reason for withholding information in this report under this Act is to:

- Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

4. Background

- 4.1 The Council has a policy for setting remuneration for Directors of Nelson City Council (NCC) Council Controlled Trading Organisations (Attachment 1 A2045559). This policy was reviewed and approved in October 2018.
- 4.2 The procedure aims for remuneration of directors for Council Controlled Trading Organisations at around the lower quartile of the previous two years' Strategic Pay New Zealand Directors' Fees Report results.
- 4.3 The formal setting of this remuneration occurs through a resolution passed at the company's Annual General Meeting. The shareholders do not set individual Board members' remuneration; the shareholders approve a pool which is allocated by the Board.

5. Discussion

- 5.1 The operative provision of the policy applicable for the 2018/19 year is Section 3.8 "In the intervening two years before the next Long Term Plan, the remuneration pool may be adjusted by annual consumer price index (CPI) movement at the previous December" i.e. December 2017 annual CPI is used in setting the increase in the remuneration pool for the financial year from 1 July 2018.
- 5.2 The annual consumer price index (CPI) movement from the December 2016 quarter to the December 2017 quarter was an increase of 1.6%.
- 5.3 In considering the directors' remuneration increases at the September 2017 meeting the Governance Committee was advised that:
- 5.3.1 Reviewing NRDA Limited's chair and directors' fees against the 2017 and 2016 data indicated that the Chair was being paid 13% below the lower quartile compared to similar companies. Directors were being paid 5% above the lower quartile compared to similar companies. In dollar terms this data suggested the total remuneration pool was \$3,000 (3%) below the lower quartile. A CPI increase of 1.3% was approved.
- 5.4 Officers recommend an increase in the base remuneration pool this year of CPI which is consistent with the policy and the remuneration pool remains around the lower quartile.

6. Options

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Option 1: Do not increase directors' remuneration pool	
Advantages	<ul style="list-style-type: none">• No cost
Risks and Disadvantages	<ul style="list-style-type: none">• Pool reduces further below the lower quartile which is inconsistent with the policy
Option 2: Increase the directors' remuneration pool by Consumer Price Index (CPI) of 1.6%	
Advantages	<ul style="list-style-type: none">• Maintains relativity with the lower quartile overall
Risks and Disadvantages	<ul style="list-style-type: none">• None

7. Conclusion

- 7.1 The remuneration pool for 2019/20 for Nelson Regional Development Agency needs to be reviewed prior to the AGM scheduled to be held later in 2019. It is recommended that the remuneration pool be adjusted to take into account the CPI movement.

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Attachments

Attachment 1: A2045559 - Policy for setting remuneration for directors of NCC's Council Controlled Trading Organisations - November 2018

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Important considerations for decision making

1. Fit with Purpose of Local Government

Adjusting the directors remuneration pool in line with inflation recognises the important work that the directors undertake in delivering and supporting the purpose of local government, particularly, but not limited to, the economic wellbeing of the whole community.

2. Consistency with Community Outcomes and Council Policy

The Nelson Regional Development Agency work supports the following community outcomes:

- i. Our region is supported by an innovative and sustainable economy; and
- ii. Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement.

3. Risk

There is low risk in the decision to increase the remuneration pool.

4. Financial impact

An increase in the remuneration pool would come from approved budgets.

5. Degree of significance and level of engagement

This matter is of low significance to the public and no consultation has taken place.

6. Inclusion of Māori in the decision making process

No engagement with Māori has been undertaken in preparing this report.

7. Delegations

The Governance Committee powers to recommend to Council:

Documents from Nelson City Council Controlled Organisations and Nelson City Council Controlled Trading Organisations, including statements of intent, half yearly reports and appointments of directors.

POLICY FOR SETTING REMUNERATION FOR DIRECTORS OF NELSON CITY COUNCIL'S COUNCIL CONTROLLED TRADING ORGANISATIONS

Contacts Nikki Harrison, Group Manager Corporate Services
Nelson City Council

Approved by Nelson City Council

Date October 2018

Review October 2021

SETTING REMUNERATION FOR DIRECTORS OF NELSON CITY COUNCIL'S COUNCIL CONTROLLED TRADING ORGANISATIONS

1. Introduction

1.1 Nelson City Council has a significant shareholding in a council controlled trading organisation (CCTO), Nelmac Limited. This is an independent organisation, whose operations are governed by a board of directors.

2. Purpose

2.1 This policy sets out the agreed process for setting the remuneration pool for directors of governing boards of CCTOs controlled by Nelson City Council.

3. Process for setting of remuneration for directors

3.1. This process is intended to provide a consistent approach to the manner in which remuneration is set for directors of CCTOs, having regard to the need to attract suitably qualified directors along with the public service component of the roles.

3.2. The remuneration will normally be set for a three year period aligning with the Long Term Plan cycle.

3.3. In setting remuneration for the first year of the Long Term Plan, the Council will purchase the Strategic Pay New Zealand Directors Fees Report (or a similar market guide) in the previous July ie July 2017 for the Long Term plan 2018 – 28.

3.4. Officers will analyse this data together with the previous year's result and average the two years' results. This approach reflects the relative small sample size in New Zealand and the ability for respondents' movement in and out of the survey to have a significant impact on the results.

- 3.5. The data used for benchmarking will be representative of the type of organisation (local government) and other relevant factors including but not limited to, annual turnover, assets, shareholder funds and number of employees.
- 3.6. The number of respondents (sample size) for each factor will be used to weight the relativity of the measure ie. if there are only 2 respondents with an annual turnover of less than \$5m but 20 respondents with assets of \$5.1m to \$10m, the assets result will be weighted higher than than annual turnover.
- 3.7. Council, in approving the remuneration pool, will base their recommendation between the lower and median quartile of the previous two years' survey results.
- 3.8. In the intervening two years before the next Long Term Plan, the remuneration pool may be adjusted by annual consumer price index (CPI) movement at the previous December ie. December 2017 annual CPI is used in setting the increase in the remuneration pool for the financial year from 1 July 2018.

4. Remuneration of Directors

- 4.1. Directors shall receive fees in accordance with scales approved by Council.

5. Variation of Procedure

- 5.1. The procedures outlined in this policy may be varied to meet the requirements of the Organisation's rules, constitution, trust deed or other guiding document, provided that such variation meets the requirements of the Local Government Act 2002.
- 5.2. The procedures outlined in this policy may be varied in exceptional circumstances provided such variation is approved by the Council.