

Decision released from confidential session			
Recommendation from (agenda report)	Date of meeting	Recommendation to (decision-making meeting)	Date of meeting
n/a	n/a	Council	23 September 2021
Report Title and number			
Directors remuneration 2021 - Nelmac Ltd (R26238)			
Documents released			
Decision and report (R26238)			
Decision			
Resolved CL/2021/219			
<i>That the Council</i>			
<ol style="list-style-type: none"> <i>1. <u>Receives</u> the report Directors remuneration 2021 - Nelmac Limited (R26238) and its attachment (A2045559); and</i> <i>2. <u>Approves</u> an increase of 3.3% in the directors' remuneration pool to \$152,310 for Nelmac Ltd for the 2021/22 year; and</i> <i>3. <u>Agrees</u> that the report Directors remuneration 2021 – Nelmac Limited (R26238) and decision be made publicly available once the 2021 Nelmac Annual General Meeting has taken place.</i> 			
			<u>Carried</u>

Directors remuneration 2021 - Nelmac Limited

1. Purpose of Report

- 1.1 To consider the directors remuneration pool for Nelmac Limited for 2021/22.

2. Recommendation

That the Council

1. ***Receives*** the report ***Directors remuneration 2021 - Nelmac Limited (R26238) and its attachment (A2045559); and***
2. ***Approves*** an increase of 3.3% in the directors' remuneration pool to \$152,310 for Nelmac Ltd for the 2021/22 year; and
3. ***Agrees*** that the report ***Directors remuneration 2021 - Nelmac Limited (R26238) and decision be made publicly available once the 2021 Nelmac Annual General Meeting has taken place.***

2. Exclusion of the Public

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

3. Background

- 3.1 The Council has a procedure for setting remuneration for Directors of Nelson City Council (NCC) Council Controlled Trading Organisations (Attachment 1).

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- 3.2 The procedure aims to set out a policy whereby the directors' remuneration pool for Council Controlled Trading Organisations is between the lower quartile and median of the previous two years' survey results with CPI movements in between years.
- 3.3 The agreement of the shareholder is required for a resolution to increase the directors' remuneration to be passed at the Company's Annual General Meeting (AGM).

4. Discussion

- 4.1 Officers recommended in 2020 that there be no change to the remuneration pool for that year due to the impact of Covid-19 and that the matter be revisited in 2021.
- 4.2 When the procedure was put in place in 2014, the directors' fee survey indicated that the Chair of Nelmac Limited was being paid 36% below the lower quartile. It also showed that directors were being paid 12% below the lower quartile compared to similar companies.
- 4.3 In the intervening seven years the overall remuneration pool has been increased by 25% (excluding the additional director brought on in 2019) which has seen a narrowing of the gap to the policy.
- 4.4 Given that there was no increase in 2020 an option would be to increase the remuneration pool for both years' CPI movement (annualised to December 2019 plus annualised to December 2020, CPI of + 1.9% and 1.4% respectively) a total increase of 3.3%. An alternative option would be to increase directors' remuneration by the movement in Consumer Price Index (December 2020 annualised CPI) of 1.4%.
- 4.5 Officers recommend that there be an increase of two years CPI of 3.3% to the remuneration pool this year, consistent with the Joint Shareholder Committee decisions for the Port Nelson Limited and Nelson Airport Limited boards. It is worth noting that June 2021 annualised CPI is 3.3% reflecting recent higher inflation.

Policy review October 2021

- 4.6 The procedure for setting remuneration for Directors of Nelson City Council Controlled Trading Organisations (Attachment 1) is due for a review in October 2021. The Joint policy review undertaken in April 2021 by the Joint Shareholders Committee didn't make any changes to that policy so it is unlikely that the review in October 2021 will have any material impact on the decisions in this report.

5. Options

Option 1: Increase the Directors' remuneration pool by December Consumer Price Index (CPI) of 3.3% for 2019+2020 CPI

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Advantages	<ul style="list-style-type: none"> • Low increase: \$4,866 increase in the pool. • The remuneration pool should stay similar relative to other organisations. • Reflects the relative strength of the NZ economy. • Nominal additional cost to the Company.
Risks and Disadvantages	<ul style="list-style-type: none"> • Public perception of increase, given impact of COVID-19 on some of the community.
Option 2: Increase the directors remuneration pool by December Consumer Price Index (CPI) of 1.4% (2020 CPI)	
Advantages	<ul style="list-style-type: none"> • Low increase, \$2,064 increase in the pool • Remuneration pool should stay similar relative to other organisations
Risks and Disadvantages	<ul style="list-style-type: none"> • Public perception of increase, given impact of COVID-19 on some of the community. • Given the small cost saving (over two years CPI) it will not send a positive signal to the Company Board
Option 3: Do not increase the Directors' remuneration pool	
Advantages	<ul style="list-style-type: none"> • Aligns with policy and procedure as remuneration still falls between lower and median quartile • Given impact of COVID-19, no increase could be perceived as appropriate • No cost
Risks and Disadvantages	<ul style="list-style-type: none"> • Remuneration pool may fall relative to other organisations • It will not send a positive signal to the Company Board

6. Next Steps

- 6.1 A letter will be sent to the Board confirming the remuneration pool for 2021/22.

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Attachments

Attachment 1: A2045559 - Procedure for setting of Director fees of Nelson City Council Controlled Trading Organisations

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Important considerations for decision making
<p>1. Fit with Purpose of Local Government</p> <p>Appropriate setting of director remuneration for Council's Council Controlled Trading Organisations supports the provision of good quality local infrastructure.</p>
<p>2. Consistency with Community Outcomes and Council Policy</p> <p>The recommendations in this report in relation to director remuneration are aligned with the policy "Procedure for Setting Remuneration for Directors of NCC Council Controlled Trading Organisations".</p> <p>The agreement of the shareholder is required for a resolution to increase the directors' remuneration to be passed at each company's Annual General Meeting (AGM).</p>
<p>3. Risk</p> <p>There is limited risk to Council resulting from this recommendation.</p>
<p>4. Financial impact</p> <p>There is no direct financial impact on Council resulting from this recommendation.</p>
<p>5. Degree of significance and level of engagement</p> <p>This matter is of low significance because it is setting director remuneration for Boards of Council Controlled Trading Organisations which has limited impact on ratepayers and residents.</p>
<p>6. Climate Impact</p> <p>None.</p>
<p>7. Inclusion of Māori in the decision making process</p> <p>Maori have not been consulted in preparation of this report</p>
<p>8. Delegations</p> <p>Council retains all responsibilities, powers, functions and duties in relation to governance matters for Nelmac Ltd.</p>