

| <b>Decision released from confidential session</b>  |                        |  |                        |
|---|------------------------|--|------------------------|
| <b>Recommendation from (agenda report)</b>  | <b>Date of meeting</b> | <b>Recommendation to (decision-making meeting)</b> | <b>Date of meeting</b> |
| Governance Committee  | 05Sep2019              | Council  | 19Sep2019              |
| <b>Report Title and number</b>  |                        |  |                        |
| Nelmac Director's Remuneration – 2019 (R10213)  |                        |  |                        |
| <b>Documents released</b>   |                        |  |                        |
| Report Nelmac Directors' Remuneration - 2019 (R10213) and decision  |                        |  |                        |
| <b>Decision</b>   |                        |  |                        |
| Resolved  |                        |  |                        |
| That the Council  |                        |  |                        |
| <ol style="list-style-type: none"> <li>1. <u>Approves</u> an increase in the directors' remuneration pool for Nelmac Ltd of 1.9% pa to \$147,444 for the 2019/20 year.</li> <li>2. <u>Agrees</u> that the report, Nelmac Directors' Remuneration - 2019 (R10213) and the decision be released from public excluded business once the 2019 Nelmac Annual General Meeting has taken place.</li> </ol> |                        |  |                        |
| <u>Carried</u>  |                        |  |                        |

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Item 4: Nelmac Directors' Remuneration - 2019



Governance Committee

5 September 2019

REPORT R10213

## Nelmac Directors' Remuneration - 2019

### 1. Purpose of Report

- 1.1 To consider the directors' remuneration pool for Nelmac Limited for 2019/20.

### 2. Recommendation

*That the Governance Committee*

1. ***Receives the report Nelmac Directors' Remuneration - 2019 (R10213) and its attachment (A2045559).***

Recommendation to Council

*That the Council*

1. ***Approves an increase in the directors' remuneration pool for Nelmac Ltd of 1.9% pa to \$147,444 for the 2019/20 year.***
2. ***Agrees that the report Nelmac Directors' Remuneration - 2019 (R10213) and the decision to increase the directors' remuneration pool by 1.9% be released from public excluded business once the 2019 Nelmac Annual General Meeting has taken place.***

### 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 Council Controlled Trading Organisations (Attachment 1).
- 4.2 The policy aims to set the directors' remuneration pool for Council held Council Controlled Trading Organisations are at a point between the lower quartile and median 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 2019/20 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 2017 quarter to the December 2018 quarter was an increase of 1.9%.
- 5.3 When the last full Strategic Pay review was undertaken in September 2017, the Governance Committee was advised that:
- 5.3.1 Reviewing Nelmac 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 The remuneration pool was adjusted by CPI of 1.6% in 2018 as well as increasing by \$25,287 to account for the additional director appointed.
- 5.5 Officers recommend an increase in the base remuneration pool this year of CPI (1.9%) which is consistent with the policy and the remuneration pool remains around the lower quartile.

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- 5.6 The next full review, using Strategic Pay data, will be undertaken in 2020 and there is an expectation that the remuneration for directors of similar sized companies will have moved by more than the CPI in the intervening 3 years. It is likely that some adjustment will be required to ensure the Nelmac director remuneration pool sits at a point between the lower quartile and median.

## 6. Options

| <b>Option 1: Do not increase directors remuneration pool</b>   |   |
|--|---|
| Advantages   | <ul style="list-style-type: none"><li>• No cost</li></ul>   |
| Risks and Disadvantages  | <ul style="list-style-type: none"><li>• Pool reduces further below the lower quartile which is inconsistent with the policy</li></ul>                       |
| <b>Option 2: Increase the directors remuneration pool by Consumer price index (CPI) of 1.9%</b>          |   |
| Advantages   | <ul style="list-style-type: none"><li>• Maintains relative with the lower quartile overall</li></ul>  |
| Risks and Disadvantages  | <ul style="list-style-type: none"><li>• None</li></ul>  |
| <b>Option 2: Increase directors remuneration pool by greater than Consumer price index (CPI) of 1.9%</b> |   |
| Advantages   | <ul style="list-style-type: none"><li>• Moves the pool to between the lower quartile and median of the Strategic Pay data in line with the policy</li></ul> |
| Risks and Disadvantages  | <ul style="list-style-type: none"><li>• Higher cost to company</li></ul>  |

## 7. Conclusion

- 7.1 The remuneration pool for 2019/20 for Nelmac 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 rem for directors of NCC CCTOs

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| <b>Important considerations for decision making</b>   |
|---|
| <p><b>1. Fit with Purpose of Local Government</b></p> <p>Appropriate setting of director remuneration for Council's Council Controlled Trading Organisations supports the provision of good quality local infrastructure.</p>   |
| <p><b>2. Consistency with Community Outcomes and Council Policy</b></p> <p>The recommendations in this report in relation to director remuneration are aligned with the Council policy "Procedure for Setting Remuneration for Directors of 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 the company's Annual General Meeting (AGM).</p> |
| <p><b>3. Risk</b></p> <p>There is limited risk to Council resulting from this recommendation.</p>   |
| <p><b>4. Financial impact</b></p> <p>There is no direct financial impact on Council resulting from this recommendation.</p>   |
| <p><b>5. Degree of significance and level of engagement</b></p> <p>This matter is of low significance because it is setting director remuneration for the board of Nelmac which has limited impact on ratepayers and residents.</p>   |
| <p><b>6. Inclusion of Māori in the decision making process</b></p> <p>No engagement with Māori has been undertaken in preparing this report.</p>  |
| <p><b>7. Delegations</b></p> <p>The Governance Committee has the following delegations to consider the setting of director fees</p> <p><i>Areas of Responsibility:</i></p> <ul style="list-style-type: none"><li>• <i>Nelson City Council Controlled Organisations and Nelson City Council Controlled Trading Organisations.</i></li></ul> <p><i>Powers to Decide:</i></p> <ul style="list-style-type: none"><li>• <i>None</i></li></ul>                            |

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*Powers to Recommend:*

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

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