

3. CHRISTCHURCH CITY HOLDINGS LIMITED – DIRECTORS’ FEES

RR 8850

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Corporate Plan Output: Trading Activities Monitoring	

The purpose of this report is to recommend an appropriate level of fees for the directors of Christchurch City Holdings Limited (‘CCHL’).

BACKGROUND

A recommendation put to the Council in 1997 for an increase in CCHL director fee levels was deferred by the Council for consideration following the October elections, rather than deal with the issue in mid-term.

This report was presented to the inaugural meeting of the new Council at which time it was resolved to refer it to the December round of “ordinary” Council meetings.

CURRENT FEES

The current level of fees is as follows:

Chairperson	\$10,000
External directors	\$14,800
Councillor directors	\$7,000

The current fee level for the Councillor directors was set three years ago in October 1995, and has not changed since that date. The fees for external directors were increased to their current level in 1997.

RECOMMENDED FEES

For the reasons outlined in this report, it is recommended that fees be increased to the following levels:

Chairperson	\$20,000
External directors	\$20,000
Councillor directors	\$10,000

RATIONALE FOR INCREASE

The factors set out below are considered relevant in considering the rationale for an increase in CCHL director fee levels. Councillor directors, externally appointed directors and the chairperson are each considered separately in this context.

Councillor Directors

- The time commitment associated with a CCHL directorship has increased significantly over the last two years. In addition to regular fortnightly board meetings, there are numerous other commitments including meetings with subsidiary companies, and time required for various specific projects.
- There are significant legal responsibilities imposed on individual directors by the Companies Act and other legislation, with the potential for personal liability.
- The issues dealt with by the CCHL board have become increasingly complex, and increasingly significant in relation to the Council's financial position.
- It should be borne in mind that CCHL board members do not receive allowances for attending meetings, in contrast to Councillors for Council and committee meetings.

Chairperson

In addition to the above factors, the role of the CCHL chairman has become particularly demanding. As the 'public face' of CCHL, it falls upon the chairman to liaise with the media and deal with their questions – in the past year this has been a significant commitment. Additionally, the chairperson maintains regular informal contact with the boards of subsidiary companies, and performs other tasks specific to the role of chairperson.

External Directors

Most of the aforementioned factors are relevant to CCHL's three external directors. In addition, these directors are leading businessmen and professionals. Their contribution to CCHL has been enormous. In order to retain directors of this calibre, it is important that their fees are set at competitive levels in order to compensate them for the earning capacity they are foregoing while engaged in CCHL activities.

While these directors received an increase in 1997, market information indicates that the amount currently paid is below the industry average.

EQUIVALENT RATES IN THE COMMERCIAL WORLD

- \$10,000 is a low fee in comparison to commercial norms, given the scale of the undertakings monitored by CCHL. To put this fee in context, the following table summarises the fees currently paid to directors of the CCHL subsidiaries (the large majority of whom are non-Councillor directors):
- The Institute of Directors, in association with Price Waterhouse, produces an annual survey of directors' fees, analysed by category and size of company. Applying the results of this survey to CCHL on an averaged basis would result in the following fee levels:

Chairperson	\$33,300
Director	\$19,600

ENTITLEMENT TO VOTE

Regarding the position of Councillors who are also directors of Council companies, and their ability to discuss and vote on the recommendation in this report, the Legal Services Manager comments:

“Councillors will be aware that section 6(1) of the Local Authorities (Members Interests) Act 1968 prohibits a Councillor from discussing or voting on a matter where that Councillor has a direct or indirect pecuniary interest in the matter.

Clearly, Councillors who are also directors of Christchurch City Holdings Limited have a direct pecuniary interest in the recommendation in this report.

However, in its decision in Calvert & Co v Dunedin City Council (1993), the High Court has held that any Councillor who is a director of any other Council company has an indirect pecuniary interest in the recommendation set out in this report within the meaning of section 6, so that Councillors who are directors of other Council companies are not permitted to discuss or vote on this recommendation.

- Recommendation:**
1. That directors fees for CCHL be set at the following levels:

Councillor director	\$10,000
External director	\$20,000
Chairperson	\$20,000
 2. That CCHL directors’ fees be reviewed on a triennial basis, immediately following the Council elections.