

REPORT OF THE CITY MANAGER

1. REMUNERATION OF ELECTED MEMBERS AND CHRISTCHURCH CITY HOLDINGS LIMITED – DIRECTORS’ FEES RR 8665

(A) REMUNERATION OF ELECTED MEMBERS

1. In September 1998 the Minister of Local Government made the Local Government (Local Authorities Salaries and Allowances) Determination 1998 which revised the rates of remuneration for elected members.
2. The Determination sets out the maximum salaries and meeting allowances that can be paid to Mayors, Deputy Mayors, Chairpersons of committees and members of territorial and regional authorities, and also sets out the maximum salaries and allowances payable to Chairpersons and members of Community Boards.
3. The rates are all expressed as maxima and it is within the discretion of the Council to decide on the level of payment not exceeding the maximum in each instance. The Determination also provides for a minimum salary equal to 10% of the maximum salary payable.
4. Although the previous Council resolved to approve the payment of the then maxima at its inaugural meeting in November 1995, it later declined (with one exception) to approve the following increases in the maximum rates subsequently approved by the Minister with effect from the dates shown:
 - 2% increase effective from 1 May 1996. (The Council resolved in March 1997 that the daily allowance payable to members of Community Boards be increased to \$135 per day as from 1 July 1997, but that all remaining salaries and meeting allowances remain at the November 1995 levels for the balance of the 1995-1998 term.)
 - 3% increase effective from 1 July 1996. (The Council resolved in September 1997 not to accept this increase.)
5. As the September 1998 determination (which provides for a further 3% increase) was not received until just before the elections, the outgoing Council was unable to consider the possible application of the revised rates approved by the Minister. However the rates previously paid are shown below in brackets in each case.
6. The maximum rates applicable in the case of the Christchurch City Council are as follows:

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6.1 Mayor

Maximum annual salary of \$94,320 - no daily allowance.

(Amount paid as at September 1998 - \$87,150)

6.2 Deputy Mayor and Chairpersons of Standing Committees

(i) Meeting allowance \$185 per day
plus (ii) Salary \$31,820 per annum

(Amounts paid as at September 1998 = \$170 per day and \$29,400 per annum)

6.3 Councillors

(i) Meeting allowance \$185 per day
plus (ii) Salary \$15,910 per annum

(Amounts paid as at September 1998 = \$170 per day and \$14,700 per annum)

6.4 Chairpersons - Community Boards

(i) Meeting allowance \$145 per day
plus (ii) Salary \$18,180 per annum

(Amounts paid as at September 1998 = \$135 per day and \$12,600 per annum)

6.5 Members of Community Boards

(i) Meeting allowance \$145 per day
plus (ii) Salary \$9,990 per annum

(Amounts paid as at September 1998 = \$135 per day and \$5,670 per annum)

7. The Determination provides that where a person receives a salary for the position of:

1. Mayor;
2. Deputy Mayor;
3. Chairperson of a Standing Committee;
4. Councillor;
5. Chairperson of a Community Board;
6. Community Board member

the Council cannot pay to that person more than one of those salaries.

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So, a Councillor who is also a Community Board member cannot receive two salaries. Similarly, a Councillor who is the Chairperson of a Community Board cannot receive a Councillor's salary and the salary for the Chairperson of the Board.

8. Section 101ZQ of the Local Government Act 1974 provides that Councillors appointed to Community Boards are legally members of the Boards. Consequently **when attending meetings of the Boards or Committees thereof, Councillors receive the Board daily remuneration rate** and not the Council daily rate.

Conversely, Community Board members appointed as members of a Committee of the Council are paid at the same rate as Councillors.

9. As in the past, a daily rate is specified, not a meeting rate, ie only one payment can be made per day despite the fact that two or more meetings may be held on the same calendar day (**except** in the case of City Councillors who are also members of Community Boards attending both a Community Board meeting and a Council committee meeting on the same day, in which case two daily payments at the respective rates for Councillor and Community Board member may apply.)
10. Section 101ZZO of the Local Government Act provides that a member receiving remuneration from another source for his or her attendance at a meeting shall not be paid remuneration by the Council.
11. Councillors may only be paid for meetings of Standing Committees or Community Boards if they are members of the relevant Committee or Board.
12. Where the Council appoints a person who is not a Council or Community Board member to represent the Council on an outside organisation, that person cannot receive any remuneration from the Council.
13. Where a non-elected person is appointed to a committee or subcommittee of the Council or a Community Board that person is entitled to receive the appropriate daily meeting allowance but cannot receive a salary.

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(B) CCHL – DIRECTORS' FEES

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.

For this reason, this report has been presented to the inaugural meeting of the new Council. It is considered to be an appropriate time to review CCHL directors' fees, given that the Council is also considering Councillor remuneration at this time.

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.

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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.

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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):

	Southpower	LPC	CIAL	CTL
Chairperson	48,667	34,000	35,000	26,000
Deputy chair	29,667	26,000	20,000	12,000
Director	27,333	18,000	16,750	12,000

- 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.

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- Recommendation:**
1. That the incoming Council resolve as to the levels of remuneration to apply as from 4 November 1998 for:
 - (a) The Mayor.
 - (b) The Deputy Mayor and Chairpersons of Standing Committees.
 - (c) Councillors.
 - (d) Chairpersons of Community Boards.
 - (e) Members of Community Boards.

Note: Although members have a pecuniary interest in this decision, section 6(3)(a) of the Local Authorities (Members' Interests) Act 1968 enables discussion to take place and a vote to be taken on this issue.

2. (a) That directors fees for CCHL be set at the following levels:

Councillor director	\$10,000
External director	\$20,000
Chairperson	\$20,000
- (b) That CCHL directors' fees be reviewed on a triennial basis, immediately following the Council elections.

Note: The Councillors who are **not** allowed to discuss or vote on this matter, either for a direct or indirect pecuniary interest, are the Mayor and Councillors Austin, Buist, Close, Fahey, Ganda, Harrow, Howell, James, O'Rourke and Wright. All other Councillors, being 14 in number, can take part in the discussion and voting on this item.

M A Richardson
CITY MANAGER

30 October 1998