

REPORT OF THE CITY MANAGER

1. REMUNERATION OF ELECTED MEMBERS

1. In August 2001 the Minister of Local Government made the Local Government (Local Authorities Salaries and Allowances) Determination 2001 which increased the maximum 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. The previous Council resolved to approve the payment of the then maxima at its inaugural meeting in November 1998. It later declined to accept a 2.5% increase in the maximum rates subsequently approved by the Minister with effect from 18 January 2000.
5. As the August 2001 determination 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 actual rates paid during the previous Council term are shown below in brackets in each case.
6. The increased maximum rates which are now applicable in the case of the Christchurch City Council are as follows:

6.1 Mayor

Maximum annual salary of \$99,100 - no daily allowance.

(Amount paid as at September 2001 - \$94,320)

6.2 Deputy Mayor and Chairpersons of Standing Committees

	(i)	Meeting allowance	\$195	per day
plus	(ii)	Salary	\$33,440	per annum

(Amounts paid as at September 2001 = \$185 per day and \$31,820 per annum)

6.3 Councillors

	(i)	Meeting allowance	\$195	per day
plus	(ii)	Salary	\$16,720	per annum

(Amounts paid as at September 2001 = \$185 per day and \$15,910 per annum)

6.4 Chairpersons - Community Boards

	(i)	Meeting allowance	\$155	per day
plus	(ii)	Salary	\$19,110	per annum

(Amounts paid as at September 2001 = \$145 per day and \$18,180 per annum)

6.5 Members of Community Boards

	(i)	Meeting allowance	\$155	per day
plus	(ii)	Salary	\$10,500	per annum

(Amounts paid as at September 2001 = \$145 per day and \$9,990 per annum)

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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.

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, any elected Community Board members who may be 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. (This would apply, for instance, in the case of a Councillor appointed to represent the Council on an outside body, where the Councillor is then paid separately by the outside body to which he or she has been appointed.)
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.

Recommendation: That the incoming Council resolve as to the levels of remuneration to apply as from the date of the inaugural meeting 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. CHRISTCHURCH CITY HOLDINGS LTD: DIRECTORS' FEES

In line with the practice established three years ago, the purpose of this report is to recommend a revised level of fees for the CCHL board for the next three years.

Currently there are nine directors of CCHL. Six directors, including the Chairperson, are Councillors, and three are appointed externally.

The current fees are as follows:

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

The fees for Councillor directors were set in 1995, and have remained unchanged since then. Fees for external directors were increased to \$14,800 in 1997, and subsequently increased to \$20,000 in 1998.

For background information, the following table summarises the current fees of other companies within the wider Council group:

	<i>CCHL</i>	<i>ONZ</i>	<i>CIAL</i>	<i>LPC</i>	<i>RBL</i>	<i>CCL</i>	<i>JSL</i>	<i>SPBL</i>
Director	20.0	30.5	18.0	20.0	15.8	16.7	10.0	14.1
Director (Councillor) - (CCHL only)	10.0	-	-	-	-	-	-	-
Deputy chairperson	10.0	33.5	26.0	28.5	15.8	16.7	10.0	14.1
Chairperson	20.0	54.5	36.0	36.5	34.0	33.3	18.0	24.5
Number of directors (excl. MD)	9	6	6	6	5	5	7	6
Total fee	130.0	210.0	134.0	145.0	97.0	100.0	78.0	95.0
Average fee per Board member	14.4	35.0	22.3	24.2	19.4	20.0	11.1	15.8

DIFFERENTIAL FEES TO COUNCILLOR AND EXTERNAL DIRECTORS

Currently the fees paid to external directors are higher than those paid to Councillor directors of CCHL. (This is contrast to the Councillor directors of subsidiary companies, who receive the same payment as other directors.)

At the last fee review it was considered to be important to pay commercial rates of fees to attract and retain high quality external directors, given the significance of their contribution to CCHL.

At the same time, however, it was decided that CCHL Councillor directors should receive a lower amount. This was partly in view of the relatively large size of Council representation on the CCHL Board.

While valid arguments could be raised in favour of equalising fees between Councillors and external directors – after all, Councillor directors on CCHL have equal workloads and responsibilities to the external directors – it is considered on balance that the existing approach of differential fees should continue.

PROPOSED INCREASE IN FEES FOR EXTERNAL DIRECTORS

The Institute of Directors and PricewaterhouseCoopers ('IOD/PWC') publish an annual survey of directors' fees in New Zealand, analysed by type of company, value of assets, value of shareholders' funds and number of employees.

Based on the results of this survey, an appropriate level of fees for the external directors would be **\$22,500**, compared with the current level of \$20,000.

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PROPOSED INCREASE IN FEES FOR COUNCILLOR DIRECTORS

It is recommended that fees for Councillor directors be increased from \$10,000 to **\$14,000**. The recommended level takes into account the principle of preserving a differential from the fees of external directors, but also brings the fee levels a little closer to the remuneration of a Councillor who is not a director. (The current maximum salary payable to Councillors is \$16,720, plus a daily meeting allowance of \$195 per day.)

PROPOSED INCREASE IN FEES FOR COUNCILLOR CHAIRPERSON

It is recommended that the annual fee for the CCHL Chairperson be increased from \$20,000 to **\$28,000**.

By comparison, the fee as calculated using the IOD/PWC survey would be \$41,200.

Apart from the regular meeting schedule, high demands are often placed on the CCHL Chairperson. There is frequent media contact, and also the need to liaise regularly with the Chairpersons of the subsidiary companies. The responsibility for leading this company can be reasonably compared to chairmanship of a Council Standing Committee.

SUMMARY

If adopted, and assuming the same number and mix of directors, the above increases would result in the total annual directors' fees for CCHL increasing from \$130,000 to \$165,500.

RATIONALE FOR PROPOSED INCREASES

The following general observations can be made in support of the proposed increases:

- The fee levels derived from the IOD/PWC survey are historical in nature, and yet are intended to apply for the next three years;
- The value of the company's assets and investments is over \$980 million – the workload of CCHL, and the complexity of the issues that it deals with, have remained at consistently high levels.
- CCHL's fortnightly meetings represent a higher time commitment than most boards and standing Council Committees;
- It is appropriate to continue paying commercial levels of fees to the external directors, given the importance of their contribution to CCHL;
- The fees currently paid to Councillor directors are very low in relation to most other subsidiary companies, and well under commercial norms. Additionally, unlike Council meetings, Councillor directors do not receive separate attendance fees for CCHL meetings.

Recommendation: That directors' fees for CCHL be set at the following levels:

	Current fee	Proposed fee
Councillor director	\$10,000	\$14,000
External director	\$20,000	\$22,500
Chairperson	\$20,000	\$28,000

Note: The Councillors who are **not** allowed to discuss or vote on the matter, either for a direct or indirect pecuniary interest, are the Mayor and Councillors Austin, Baker, Condon, Corbett, Ganda, Harrow, James, Sheriff, Stewart, O'Rourke and Wright. All other Councillors, being 13 in number, can take part in the discussion and voting on this item.