

20. Audit and Risk Management Committee - Remuneration

Reference / Te Tohutoro: 21/31305

Report of / Te Pou Matua: Diane Brandish, Acting General Manager, Finance and Commercial Group, diane.brandish@ccc.govt.nz

General Manager / Pouwhakarae: Diane Brandish, Acting General Manager, Finance and Commercial Group, diane.brandish@ccc.govt.nz

Confidentiality

Section under the Act:	The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
Sub-clause and Reason:	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons.
Plain English Reason:	To protect the reputations of the independent members of the Audit and Risk Management Committee with respect to their fees.
Report can be released:	As soon as the Audit and Risk Management Committee independent members and Chair have been advised of Council decisions.

Public Excluded Item 20

1. Purpose of the Report / Te Pūtake Pūrongo

- 1.1 The purpose of this report is to seek the Council's agreement to increase fees for the two independent members and the independent Chair of the Council's Audit and Risk Management Committee (ARMC) from 1 April 2021.
- 1.2 This report has been written in response to a Council resolution for staff to report back with recommendations on fees for the independent Chair and members of the ARMC (CNCL/2020/00051, dated 14 May 2020 refers).
- 1.3 The decisions in this report are of low significance in relation to the Christchurch City Council's Significance and Engagement Policy. The level of significance was determined by considering the extent to which the recommendations may impact the community.

2. Officer Recommendations / Ngā Tūtohu

That the Council:

1. Approves an increase of \$300 per meeting / \$1,800 per annum (plus GST) in the remuneration rate for the two independent members of the Council's Audit and Risk Management Committee to take effect from 1 April 2021 bringing the total fee per member to \$10,800 per annum;
2. Approves an increase of \$600 per meeting / \$3,600 per annum (plus GST) in the remuneration rate for the independent Chairperson of the Council's Audit and Risk Management Committee to take effect from 1 April 2021 bringing the total fee to \$21,600 per annum;
3. Approves an increase of \$50 per hour in the hourly rate for any work or attendances sought from the independent members and Chair of the Audit and Risk Management Committee that is outside the scope of the Audit and Risk Management Committee to take effect from 1 April 2021 bringing the total hourly rate to \$250;

4. Notes that the total increase in fees that the Council will need to fund is \$1,200 for the period 1 April to 30 June 2021 and \$7,200 per annum from 2021/22; and
5. Agrees to release this report to the public when decisions have been made and the independent members of the Audit and Risk Management Committee have been informed.

3. Reason for Report Recommendations / Ngā Take mō te Whakatau

- 3.1 To ensure the remuneration of ARMC independent members reflects fair market rates and to continue to attract high quality independent members, in part through competitive remuneration of members for the nature of work undertaken, discounted for public service.

4. Alternative Options Considered / Ētahi atu Kōwhiringa

- 4.1 Other options include:

1. Leave the fees at the current 2013 levels. The risk is that the Council finds it difficult to retain or engage high quality independent candidates to the ARMC.
2. Increase the fees by a lower amount than the recommended \$7,200 per annum to reduce the financial impact for the Council. The risk of retaining or attracting high quality independent candidates to the ARMC if the gap with the market (less public service discount) remains too wide.
3. Implement the proposed fee increase over a two-year period to smooth the financial impacts.

5. Detail / Te Whakamahuki

Background

- 5.1 The fees paid to the Chair and independent members of the Council's ARMC were set eight years ago, in 2013. In early 2020, staff were preparing advice to the Council, in consultation with the Chair of the ARMC recommending the fees be increased to be more representative of the time invested by the independent Chair and members, reflect the degree of risk that the ARMC is charged with minimising (using total assets as a proxy for potential risk) and market rates for the work undertaken, less a public service discount.
- 5.2 As a result of COVID-19 and the immediate aftermath of the lockdown in 2020, the report was deferred with the support of the Chair of the ARMC. However, when the Council considered appointments of independent members to the ARMC at its meeting on 14 May 2020, it resolved that staff report back with recommendations on fees for the independent Chair and members (CNCL/2020/00051 refers).
- 5.3 The independent Chair of the ARMC undertook a review of the fees paid to the independent members and Chair, with the then current members asked to review the actual time spent in carrying out their roles. She advised that she took into account the following when considering the need for fee increases:
 - they are manageable for the Council;
 - they are sufficient to entice capable candidates into the ARMC roles in future;
 - allowance is made for a public service discount (which was supported by the then independent members of the ARMC – two of the three current members were members at that time); and

- the charge-out rates to the private sector by the independent members of the ARMC, who are all highly respected members of their profession are significantly higher than the rates paid for their ARMC work.

5 [REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

5.5 The total increase of \$7,200 is a 20% increase over current fees set eight years ago. It is based on six meetings per annum including attendance and preparation time. The fees accrue to two independent members and the Chair.

5.6 Wage inflation between quarter 3, 2013 and quarter 3, 2020 (the latest data available on the Reserve Bank of New Zealand's inflation calculator) was 21.8%.

5.7 [REDACTED]

5.8 The Chair notes that the proposed increase in fees would acknowledge the additional complexity of the ARMC roles, as well as a stronger Council focus on risk over the past several years.

Funding implications for the Council

5.9 The following table sets out the funding implications for the current financial year and thereafter.

New Council funding	2020/21 3 mths (\$)	From 2021/22 (\$)
Total cost of ARMC proposed fees (GST exclusive)	7,200	43,200
Less current baseline	(6,000)	(36,000)
Total incremental cost to the Council	1,200	7,200

5.10 The additional costs of \$7,200 would accrue in full from the 2021/22 financial year. They would take effect from 1 April 2021 but there is only one meeting in that quarter the increase is for the current financial year is \$1,200.

Benchmarking with other councils

5.11 Staff have undertaken a benchmarking exercise to assess the reasonableness of the proposed increase in fees. The results are shown in the table below.

Public Excluded Item 20

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Public Excluded Item 20

5.12 Several key issues related to the information in the above tables include:

- The fees paid to independent ARMC members includes recompense for preparation time, workshops and other briefings central to the ARMC mandate, as well as attending the committee meetings.
- The fees shown above are stated net of GST, but are paid with GST added.
- The most appropriate benchmarks are Auckland Council and Wellington City Council, when comparing on a risk basis (total assets).

[REDACTED]

[REDACTED]

[REDACTED]

¹ Auckland Council staff advised that annual fees paid in the year to 30 June 2020 were in total \$81,000 allocated to the Chair for around 27 hours per meeting and independent members for around 18 hours per meeting. The hourly rates are the same.

² Hamilton City Council’s rate includes any other work required of the ARMC members, in addition to the expected five meetings per annum (i.e. it does not pay an hourly rate for any additional work)..

³ Marlborough District Council data was sourced in early 2020 and has not been validated for this paper due to the Council not responding to a request for information.

Staff Comment

- 5.13 Staff support the proposal made by the Chair of the ARMC, and agree with the rationale she used when reviewing the fees.
- 5.14 In addition, we propose that the Council agrees that the fees are reviewed at the start of each new triennium, to take effect from 1 April the following year. This would bring the ARMC into line with the approach taken for directors' fees for the CCHL group of companies. It will also help to secure high quality candidates for the ARMC's independent roles in future by providing confidence that the rates will maintain consistency with the market.
- 5.15 The proposed increase in the fees for the ARMC's independent members and Chair is lower than for other councils for the most part, including those managing significantly lower risk than this Council's ARMC. The Chair of the ARMC has herself proposed a prudent approach be taken given the current difficult economic environment, and that any remaining gap would be addressed when the fees are next reviewed (proposed to be after the next triennial election). In any event, the reasonable comparators are Auckland and Wellington councils, based on total assets managed as a measure of potential risk. The conclusion being that the Christchurch City Council's ARMC fees should probably sit somewhere between the two.

6. Policy Framework Implications / Ngā Hīraunga ā- Kaupapa here

Strategic Alignment / Te Rautaki Tīaroaro

- 6.1 Governance matters are strongly aligned to the strategic objectives of the Council.

Policy Consistency / Te Whai Kaupapa here

- 6.2 The decision is consistent with Council's Plans and Policies.

Impact on Mana Whenua / Ngā Whai Take Mana Whenua

- 6.3 The decision does not involve a significant decision in relation to ancestral land or a body of water or other elements of intrinsic value, therefore this decision does not specifically impact Mana Whenua, their culture and traditions.

Climate Change Impact Considerations / Ngā Whai Whakaaro mā te Āhuarangi

- 6.4 There are no climate change impact considerations.

7. Resource Implications / Ngā Hīraunga Rauemi

Capex/Opex / Ngā Utu Whakahaere

- 7.1 Cost to Implement - \$1,800 in 2020/21 and \$7,200 per annum from 2021/22.
- 7.2 Maintenance/Ongoing costs – nil.
- 7.3 Funding Source – rates.

8. Legal Implications / Ngā Hīraunga ā-Ture

- 8.1 There are no legal issues associated with the decisions in this paper.
- 8.2 This report has not been reviewed and approved by the Legal Services Unit.

9. Risk Management Implications / Ngā Hīraunga Tūraru

- 9.1 Not relevant.

Attachments / Ngā Tāpirihanga

There are no attachments to this report.

In addition to the attached documents, the following background information is available:

Document Name	Location / File Link
<enter document name>	<enter location/hyperlink>

Confirmation of Statutory Compliance / Te Whakatūturutanga ā-Ture

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

- (a) This report contains:
 - (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
 - (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.
- (b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories / Ngā Kaiwaitohu

Author	Linda Gibb - Performance Monitoring Advisor CCO
Approved By	Len Van Hout - Manager External Reporting & Governance Bruce Moher - Head of Financial Management Diane Brandish - Acting General Manager Finance and Commercial (CFO)