

Report 11.601  
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Committee Council  
Author Mike Timmer, Treasurer

## Local Government Funding Agency - Director remuneration

### 1. Purpose

To obtain Council's approval for the proposed fees for the Local Government Funding Agency (LGFA) Directors.

### 2. The decision-making process and significance

The matter requiring decision in this report has been considered by officers against the requirements of Part 6 of the Local Government Act 2002.

#### 2.1 Significance of the decision

Officers have considered the significance of the matter, taking into account the Council's significance policy and decision-making guidelines. Due to the procedural nature of this decision officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

### 3. Background

Section 57 of the Local Government Act 2002 provides for the appointment of Directors to Council controlled organisations. The section requires Councils to have a policy on such matters as appointment and remuneration.

As the LGFA is deemed to be a Council-controlled organisation, it would be appropriate for Council to resolve the remuneration of the LGFA Directors in line with its existing policy. Officers are currently reviewing the Council's policy on the appointment and remuneration of directors of Council organisations to determine whether it should be amended to include specific provisions relating to the LGFA. Any proposed amendments to the policy will be submitted to a future Council meeting for approval.

At its meeting on 1 November 2011 a paper (Report 11.539) updated the Council on the LGFA and provided for the appointment of LGFA Directors.

#### 4. Comment

We are now seeking Councillors approval of the LGFA Directors' remuneration.

The process for setting an appropriate level of remuneration for the Directors was led by the HR Consultant, Hobson Levy, and the compensation rates compared to existing CCOs and CCTOs.

As an example, the remuneration of CentrePort Directors, as reported in their recent June 2011 financial statements was as follows:

Remuneration of Directors	Group and Parent
Directors' remuneration paid during the year was as follows:	
W A Larsen	\$91,200
E M M Johnson	\$64,000
J G Jefferies	\$13,500
J A Monaghan	\$36,000
R S Janes	\$52,000
R M Petersen	\$48,000
D J Benham <sup>2</sup>	\$52,500

<sup>1</sup> Declared post balance date

<sup>2</sup> D J Benham is an employee of CentrePort Limited's majority shareholder Greater Wellington Regional Council (GWRC) - Directors fees for D J Benham were paid to GWRC.

The potential asset size of the LGFA is conservatively forecast to grow to \$3 billion in 5 years and \$5 billion in 10 years.

Based on the rates above and those being asked to be approved below it would appear the remuneration is reasonable.

#### 5. Proposed remuneration

The Shareholders Agreement, which forms part of the suite of LGFA foundation legal documents provides for the following remuneration arrangements:

**“Remuneration:** No remuneration or compensation for loss of office may be paid to a Director, and no other benefit may be provided to a Director, unless approved by Ordinary Resolution, provided that from the date of this agreement (unless and until

altered with the approval of an Ordinary Resolution) the following fees shall be paid to Directors:

(a) a fee of \$75,000 per annum to the Director acting as chairman of the Board, if that Director is an Independent Director;

(b) a fee of \$35,000 per annum to each Director (not being chairman of the Board);

(c) fee of \$10,000 per annum to the Director acting as chairman of the audit and risk committee and

(d) a fee of \$7,500 per annum to each other Director appointed as a member of the audit and risk committee.

**3.7 Payment of expenses:** Notwithstanding the provisions of clause 3.6, Directors are entitled to be paid for all reasonable travel, accommodation and other expenses properly incurred by them in attending meetings of the Board, or any committee of the Board, or meetings of Shareholders, or otherwise in connection with the business of the Company."

## 6. Recommendations

*That the Council:*

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Approves the proposed Directors' fees for the Local Government Funding Agency as set out in section 5 of this report.*

Report prepared by:



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Treasurer

Report approved by:

Bruce Simpson  
Chief Financial Officer