



# AGENDA

**Extraordinary meeting of the  
Nelson City Council**

**Thursday 15 May 2014  
Commencing at 1.00pm  
Council Chamber  
Civic House  
110 Trafalgar Street, Nelson**

Membership: Her Worship the Mayor Rachel Reese, Councillors Luke Acland, Ian Barker, Ruth Copeland, Eric Davy, Kate Fulton, Matt Lawrey, Brian McGurk, Paul Matheson (Deputy Mayor), Gaile Noonan, Pete Rainey, Tim Skinner, and Mike Ward

## Opening Prayer

## Apologies

### 1. Interests

- 1.1 Updates to the Interests Register
- 1.2 Identify any conflicts of interest in the agenda

### 2. Confirmation of Order of Business

### 3. Policy on Selection, Appointment and Remuneration of External Appointees to Council Committees 4-14

Document number A1183008

Recommendation

***THAT the report Policy on Selection, Appointment and Remuneration of External Appointees to Council Committees (A1183008) and its attachment (A1181155) be received;***

***AND THAT the Nelson City Council Selection, Appointment and Remuneration Policy for External Appointees on Council committee (A1181155) be adopted.***

### 4. 2014/15 Infrastructure Insurance Renewal 15-17

Document number A1173315

Recommendation

***THAT the report 2014/15 Infrastructure Insurance Renewal (A1173315) be received;***

**AND THAT Council remain with the Local Authority Protection Programme scheme for infrastructure insurance for the 2014/15 financial year;**

**AND THAT Council give the required one year's notice to withdraw from 1 July 2015, with the option to withdraw notice, to investigate other insurance options for future financial years.**

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## **Policy on Selection, Appointment and Remuneration of External Appointees to Council Committees**

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### **1. Purpose of Report**

- 1.1 To present a policy for selection, appointment and remuneration of external appointees to Council committees.

### **2. Recommendation**

***THAT the report Policy on Selection, Appointment and Remuneration of External Appointees to Council Committees (A1183008) and its attachment (A1181155) be received;***

***AND THAT the Nelson City Council Selection, Appointment and Remuneration Policy for External Appointees on Council committee (A1181155) be adopted.***

### **3. Background**

- 3.1 At its inaugural meeting on 29 October 2013, Council set its committee structure and indicated that consideration would be given to making external appointments to the Community Services, Planning and Regulatory and Governance Committees.
- 3.2 An external appointee is a person who is not an elected member. Schedule 7, clause 31 of the Local Government Act 2002 allows for such appointments.
- 3.3 At its meeting on 12 November 2013, Council adopted delegations for its committees. These delegations set the membership for the committees and included provision for up to one external appointment to the Planning and Regulatory Committee and up to two external appointments to the Governance Committee.
- 3.4 Through this process Council has indicated that these appointments must be appropriately remunerated and that a policy be developed.
- 3.5 At its meeting on 12 December 2013 Council appointed Derek Shaw to the Nelson Regional Sewerage Business Unit and resolved a \$250 per meeting rate of payment for this appointment until such time as a policy

could be adopted. Mr Shaw is currently the only external appointment to a Council committee.

- 3.6 In the development of such a policy it seems prudent to encompass the selection, appointment and remuneration for these appointments as a package.

#### **4. Discussion**

- 4.1 Attachment 1 is the proposed Nelson City Council Selection, Appointment and Remuneration Policy for External Appointees on council committees.
- 4.2 Council recognises that there may be circumstances where a committee's considerations may be assisted by the addition of specific skills and/or experience. For example, the Planning & Regulatory Committee may be better able to consider Maori issues with the appointment of someone able to bring resource management expertise and a Maori world view.
- 4.3 A number of other local authorities have an independent member chair their audit and risk committees, usually someone with a strong financial background.

#### **5. Selection and appointment**

- 5.1 The process for selection and appointment of external appointees is outlined in the attached policy.
- 5.2 This process for selection and appointment can be followed for appointments to both governing committees and single purpose committees. It is expected that the process would be varied to meet the requirements of the committee, provided that such variation meets the requirements of the Local Government Act 2002.

#### **6. Definitions**

- 6.1 The proposed policy report suggests that there is distinction between a governing committee and a single purpose committee. These are defined as follows:

##### **Governing Committee**

- 6.2 A governing committee is a committee which has a broad terms of reference, and where there may be consultation and deliberations on proposals. Such committees contribute to the overall governance of the City. Examples of these committees are the Planning and Regulatory; Works and Infrastructure; Community Services or Governance Committees.

## **Single Purpose Committee**

- 6.3 A single purpose committee is a committee which has terms of reference that are related to one subject matter. Examples of these committees are the Nelson Regional Sewerage Business Unit, District Licensing Committee or Resource Consent Hearing Panels.

## **7. Remuneration for Governing Committees**

- 7.1 Remunerating these roles is appropriate. Council seeks to attract and retain a high calibre of applicants.
- 7.2 Council wishes to ensure that it offers remuneration which is fair; which is administratively simple; and which recognises the community contribution appointees make.
- 7.3 Officers have made enquiries of other local authorities and found a wide variety of practice, from no remuneration, to following advice from the Institute of Directors.
- 7.4 In calling for expressions of interest in the roles, candidates were asked to indicate the remuneration they would seek. Again there was a wide variety, with some seeking an hourly rate and others indicating an annual remuneration.
- 7.5 Guidance has been taken from other authorities who use the Directors Fees Report produced by the Institute of Directors, and the base councillor salary determined by the Remuneration Authority. In conjunction with this, Council needs to balance following industry practice with the obvious 'community service' element in the role. Taking these factors into account, it would seem the remuneration level should be no more than \$12,000 per annum.
- 7.6 Remuneration for external appointees to council governing committees is therefore set at \$12,000 per annum.
- 7.7 There may be candidates who are not residents in Nelson. In setting a level of remuneration, it is proposed that this is treated as total remuneration. If, for the purposes of tax efficiency, a candidate wishes to have a portion treated as reimbursement of expenses, this could be within the delegated authority of the Chief Executive to administer. The cost to Council would remain the same.

## **8. Remuneration for Single Purpose Committees**

- 8.1 As defined, single purpose committees include the District Licensing Committee and Resource Consent Hearing Panels.
- 8.2 Remuneration for these committees is set by legislation. However, this is not true for all committees defined as single purpose committees.

- 8.3 Again, Council wishes to ensure that it offers remuneration which is fair; which is administratively simple; and which recognises the community contribution appointees make.
- 8.4 It seems prudent to provide consistent remuneration across similar committees. For this reason, external appointees to single purpose committees will be remunerated in accordance with the rates set out in the Local Government Elected Members (certain Local Authorities) Determination for resource consent hearings.
- 8.5 A minimum fee rate of one hour and a maximum fee rate of three hours will be paid to external appointees, per legally constituted meeting.
- 8.6 Reimbursement of expenses relating to vehicle mileage and travel time will be done in accordance with the Nelson City Council Expenses Policy for Elected Members (A355751). To claim expenses appointees are required to fill out and submit a claim form (A319932) to seek reimbursement. Any such claim must be made within the relevant financial year.

## **9. Training**

- 9.1 On the basis that appointees to both governing and single purpose committees are selected for their existing skills, they would not be eligible for any financial support for training. Where Council is organising any in-house training, appointees may attend with written approval of the relevant committee chair.

## **10. Effectiveness Review**

- 10.1 These appointments are being made on the basis that their skills, attributes or knowledge will assist the work of the committees.
- 10.2 It is appropriate that a review be programmed for the middle of the triennium to evaluate the success of this approach.

## **11. Budget**

- 11.1 In the draft Annual Plan 2014/15 \$6,400 was budgeted for payment of external appointees. Should this policy be adopted a better estimate of the budget required is \$37,500.
- 11.2 Whilst there have been some savings achieved in other areas of meeting servicing, the total costs cannot be absorbed. An additional \$12,000 would need to be included in the Annual Plan 2014/15.

## **12. Conclusion**

- 12.1 Council has indicated an intention to appoint external members to its committees. This report presents a policy for remunerating those appointees, proposing a differentiation between single purpose committees and governing committees.

Penny Langley  
**Manager Administration**

**Attachments**

Attachment 1: Nelson City Council Selection, Appointment and Remuneration  
Policy for External Appointees on Council Committees [A1181155](#)

Supporting information follows.



<b>Supporting Information</b>	
<b>1. Fit with Purpose of Local Government</b>	The proposal to appoint and remunerate external members to committees of Council is in accordance with the provisions of Schedule 7, clause 31, and supports good governance. It is to enhance democratic local decision making.
<b>2. Fit with Community Outcomes and Council Priorities</b>	This proposal supports good leadership, one of Council's outcomes.
<b>3. Fit with Strategic Documents</b>	N/A.
<b>4. Sustainability</b>	N/A.
<b>5. Consistency with other Council policies</b>	N/A.
<b>6. Long Term Plan/Annual Plan reference and financial impact</b>	It is anticipated that the estimated costs of \$25,500 can be accommodated within the existing budget.
<b>7. Decision-making significance</b>	This is not a significant decision in terms of the Council's Significance Policy.
<b>8. Consultation</b>	The subject of this report has not been consulted on.
<b>9. Inclusion of Māori in the decision making process</b>	Maori have not been included in the decision making process.
<b>10. Delegation register reference</b>	This is a decision for Council.

## **Nelson City Council Selection, Appointment and Remuneration Policy for External Appointees on Council Committees**

### **1. Purpose**

- 1.1. This policy sets out the process for selection, appointment and remuneration of external appointees to Council committees, in accordance with Schedule 7, clause 31 of the Local Government Act 2002.

### **2. Definitions**

#### **Governing Committee**

- 2.1. A governing committee is a committee which has a broad terms of reference, and where there may be consultation and deliberations on proposals. Such committees contribute to the overall governance of the City. Examples of these committees are the Planning and Regulatory; Works and Infrastructure; Community Services or Governance Committees.

#### **Single Purpose Committee**

- 2.2. A single purpose committee is a committee which has terms of reference that are related to one subject matter. Examples of these committees are the Nelson Regional Sewerage Business Unit, District Licensing Committee or Resource Consent Hearing Panels.

### **3. Selection and Appointment**

- 3.1. Council may appoint to a committee a person who is not an elected member if, in the opinion of Council, that person has the skills, attributes, or knowledge that will assist the work of the committee.
- 3.2. The Mayor, Committee Chair and Chief Executive (or their delegate) will agree the skills, attributes, and knowledge required to assist the work of the committee. This will be reflected in a position description for each committee to which an appointment is to be made.
- 3.3. This position description will guide the selection process. Based in this description, appropriate advertising will be undertaken. This may be via the New Zealand Planning

Institute, the Institute of Directors, the local newspaper or any other means deemed to be appropriate.

- 3.4. Applicants will be shortlisted by the Mayor and Committee Chair and interviews will be conducted.
- 3.5. Any person appointed to a committee must demonstrate sufficient experience in the relevant subject field to be able to add considerable value to the committee's discussion.
- 3.6. The following requirements of candidates for appointment, must be considered:

#### **Person and skills requirement**

- Strong and effective communication skills
- Competence and understanding of Council's needs relating to committee requirements, and of the issues and risks facing the Council
- Ability to apply relevant and specialist technical capability to the role required by the committee
- Ability to engage in effective relationships with the Council and Committee on an ongoing basis over the term of the contract
- Proven experience in operating practices at a governance level in organisations with public accountability requirements, including those outlined in 'Governance requirements' below

#### **Governance requirements**

- Understanding and ensuring that basic principles of good governance are a part of the decision-making approach of the Council
- Balancing the need to advocate for specific interests against the needs of the wider community
- A commitment to promoting the long term effectiveness of the Committee and the Council
- Understanding and respecting the differing roles of Mayor, Deputy Mayor, committee chairs, and councillors
- Recognising that the governance role does not extend to operational matters or to the management of any implementation

- Having a good understanding of the Council processes set out in the Standing Orders that determine how committee meetings are run
  - Developing and maintaining a working knowledge of Council services, management processes, powers, duties and constraints that fall under the Committee's delegated areas of responsibility
  - Ensuring familiarity with agendas and other Council reports before committee meetings
  - Being familiar with and complying with the statutory requirements of a committee member
  - Compliance with the principles of the Elected Members Code of Conduct adopted by the Council
  - Identifying, being aware of and declaring any potential personal conflicts of interest, whether of a pecuniary or non-pecuniary nature.
- 3.7. At the conclusion of the interviews, the preferred candidate will be contacted and informed that they are the preferred candidate.
- 3.8. A report will be presented to Council recommending the appointment of that candidate and setting the appropriate remuneration for the role.
- 3.9. The appointment will be considered to have commenced from the date of the Council resolution making that appointment.
- 3.10. This process for selection and appointment can be followed for appointments to both governing committees and single purpose committees. It is expected that the process would be varied to meet the requirements of the committee, provided that such variation meets the requirements of the Local Government Act 2002.
- 3.11. This policy covers only appointments made via a resolution of Council.

#### **4. Remuneration for Governing Committees**

- 4.1. Council recognises that attracting strong candidates requires such positions on committees to be remunerated.

- 4.2. Council wishes to ensure that it offers remuneration which is fair; which is administratively simple; and which recognises the community contribution appointees make.
- 4.3. On this basis guidance is taken from other authorities referencing the Directors Fees Report produced by the Institute of Directors, and the base councillor salary determined by the Remuneration Authority.
- 4.4. Remuneration for external appointees to council governing committees is therefore set at \$12,000 per annum.
- 4.5. No reimbursement of expenses will be offered. However, the remuneration will be considered total remuneration. If appointees incur travel costs, they may seek the tax efficiency of some remuneration being reimbursed as expenses.
- 4.6. The Chief Executive will have the discretion to reduce the remuneration paid by up to one third, and to pay this as reimbursement of expenses if an appointee makes such a request. In this event appointees are required to fill out and submit a claim form (A319932) to seek reimbursement. Any such claim must be made within the relevant financial year.

## **5. Remuneration for Single Purpose Committees**

- 5.1. As defined, single purpose committees include the District Licensing Committee and Resource Consent Hearing Panels.
- 5.2. Remuneration for these committees is set by legislation. However, this is not true for all committees defined as single purpose committees.
- 5.3. Again, Council wishes to ensure that it offers remuneration which is fair; which is administratively simple; and which recognises the community contribution appointees make.
- 5.4. It seems prudent to provide consistent remuneration across similar committees. For this reason, external appointees to single purpose committees will be remunerated in accordance with the rates set out in the Local Government Elected Members (certain Local Authorities) Determination for resource consent hearings.
- 5.5. A minimum fee rate of one hour and a maximum fee rate of three hours will be paid to external appointees, per legally constituted meeting.

- 5.6. Reimbursement of expenses relating to vehicle mileage and travel time will be done in accordance with the Nelson City Council Expenses Policy for Elected Members (A355751). To claim expenses appointees are required to fill out and submit a claim form (A319932) to seek reimbursement. Any such claim must be made within the relevant financial year.

## **6. Training**

- 6.1. On the basis that appointees to both governing and single purpose committees are selected for their existing skills, they would not be eligible for any financial support for training. Where Council is organising any in-house training, appointees may attend with written approval of the relevant committee chair.

## **7. Effectiveness Review**

- 7.1. Council will conduct a review of the effectiveness of the addition of external appointees at the mid-point of the triennium.

## **8. Policy Review**

- 8.1. This policy shall be reviewed three yearly at the commencement of each triennium.

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## **2014/15 Infrastructure Insurance Renewal**

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### **1. Purpose of Report**

- 1.1 To update Council on the 2014/15 infrastructure insurance renewal.

### **2. Recommendation**

***THAT the report 2014/15 Infrastructure Insurance Renewal (A1173315) be received;***

***AND THAT Council remain with the Local Authority Protection Programme scheme for infrastructure insurance for the 2014/15 financial year;***

***AND THAT Council give the required one year's notice to withdraw from 1 July 2015, with the option to withdraw notice, to investigate other insurance options for future financial years.***

### **3. Background**

- 3.1 Council is a member in the Local Authority Protection Programme (LAPP) scheme, which is a mutual scheme whose membership consists of local authorities. It is aimed at providing insurance cover for damage to infrastructural assets from natural hazard events. It only covers the 40% of damage costs not covered by Central Government National Disaster Recovery Plan, which covers the remaining 60%. Council will have \$653 million of infrastructure assets covered by the Local Authority Protection Programme in 2014/15 (\$612m in 2013/14).
- 3.2 Council gave notice last year that they were considering withdrawing from the LAPP scheme. Members must give one year's notice but are able to retract the notice by 16 May 2014. Council officers believe it is financially prudent to give notice to withdraw so that Council could look at other insurance options.
- 3.3 From 1 July 2012 until 30 June 2014 the LAPP provided a combination of reinsurance and mutual self insurance cover for its members as a way of limiting premium increases and rebuilding the fund after the Christchurch earthquakes. The maximum contingent liability per event would be up to four times the Council's annual contribution. The LAPP would meet the first \$6 million after the claimants deductibles, members would meet

claims from \$6 million to \$40 million, then full reinsurance would be bought up to \$80 million (which would cover up to a \$200 million event) with one reinstatement per financial year. Because of the one reinstatement per year, the maximum contingent liability per year would be up to 8 times the Council's annual contribution (if two major events in one year).

- 3.4 The possibility of Council having to pay a not-insignificant additional contribution was obviously a downside and one of the reasons officers recommended looking at other insurance options.
- 3.5 Council received a letter from LAPP on 8 May 2014 confirming that the mutual self insurance component of the scheme was being removed from 1 July 2014 and that LAPP would be purchasing reinsurance for that portion previously covered by the members.
- 3.6 Contributions for 2013/14 for LAPP were \$311,700. Officers have received indications that contributions for 2014/15 would be at a similar level even with the mutual self insurance portion being withdrawn. This is due to a softening on the global insurance markets since December 2013 as well as new GNS earthquake data reducing the risk profile and therefore pricing. This would be subject to a limit for any one event of \$250m total including the central government 60% component.
- 3.7 JLT (Council brokers) sourced a quote for 2014/15 insurance cover for our infrastructure assets. For a similar deductible to LAPP of \$1.4m the annual premium would be \$400,000. This would be subject to a limit for any one event of \$100m total including the central government 60% component.

#### **4. Discussion**

- 4.1 There are potential benefits of being a member of LAPP:
  - 4.1.1 The fund is being rebuilt (currently \$10m) as only a portion of the contributions is needed to purchase reinsurance and these funds belong to the members, assuming that there are no future large events. Interest on the fund is used to partially pay for the reinsurance. Historically this has reduced the contribution by up to 50%.
  - 4.1.2 The trustees have considerable discretion in paying out claims, which the reinsurers have to abide by. Anecdotal evidence from Christchurch indicates that some private insurers tend to litigate to reduce their payouts.
  - 4.1.3 Supporting the local authority sector, LAPP is a scheme set up by the sector for the benefit of the sector.
- 4.2 LGNZ commissioned a report in 2013 to review the insurance market for the local authority sector post Christchurch earthquakes and leaky homes and the impact thereof on the 3 sector-owned entities Civic, LAPP and Riskpool.



- 4.3 The report, prepared by Craig Stobo, makes recommendations which may impact on the structure and role of the LAPP scheme in the future. A working party has been set up to look at the way forward and it is advisable that Council pay close attention to any potential future changes.
- 4.4 Given this, and the removal of the mutual self insurance component from 1 July 2014, officers recommend remaining with LAPP for the 2014/15 insurance renewal. Council officers also believe it is financially prudent to give our notice to withdraw from 1 July 2015 so that Council can again look at other insurance options for the subsequent financial year.

## **5. Conclusion**

- 5.1 Officers have investigated other insurance options for the infrastructure insurance renewal for the 2014/15 financial year and believe that remaining with the LAPP scheme is appropriate at this time.

Nikki Harrison  
**Chief Financial Officer**

No supporting information follows.