

## Memorandum

To: Ken Blair  
 Chair, Clutha Health Incorporated

From: Bill Thomson

Re: Remuneration of Trustees

Date: 1<sup>st</sup> September 2014

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### Background

The appointed and elected Trustees of Clutha Health Incorporated have resolved to review the basis of their remuneration for their services to the Incorporated Society. It is understood that the following current level of remuneration was set at the time of the Society in 2007, and have not been subsequently reviewed:

- Chair \$85.00 gross per meeting
- Trustee \$55.00 gross per meeting

### Purpose of this Memorandum

The writer has been approached by Ken Blair in his capacity of Chairperson of Clutha Health Incorporated to consider this issue with reference to the practice of other entities and organisations within the community with a similar community focus, and taking into account an assessment of the time involved in discharging the responsibilities associated with being a Trustee of Clutha Health First.

### Approach to this Assignment

The writer has undertaken to prepare this recommendation to Ken Blair in his capacity as Chair of Clutha Health Incorporated for further discussion by the Trustees.

The writers approach has been to research the basis for remuneration for a full range of organisations working within the local community and liaise with Steve Kornyei of Hayward McAuslan Chartered Accountants and Gaye Cowie of Shand Thomson to gain a wider perspective on this issue.

### Questions Addressed in this Report

- Is it appropriate that the Trustees of Clutha Health Incorporated be remuneration for their contribution to the Incorporated Society?
- What is the workload of the Chair and Trustees at Clutha Health Incorporated?
- Assuming such remuneration is deemed to be appropriate, should it be based on:
  - meeting attendance, or
  - monthly fixed sum, or
  - a combination of both?

## Information Relied Upon

### ■ **Remuneration paid to Trustees/Directors of other Entities & Organisations Operating within the Clutha Community**

#### ■ **Clutha Health First Directors Fees**

Chair Annual Fixed Remuneration of \$12,000

Directors Annual Fixed Remuneration of \$5,000

#### ■ **Clutha District Council Councillor Remuneration**

Base Salary – \$16,500

Increased for Chairperson – approximately \$4,000

#### ■ **Otago Community Trust Trustee Fees**

Chair \$26,000 per annum

Trustees Monthly Fixed Remuneration \$1,000

#### ■ **School Boards of Trustees**

Meeting fee for Chair \$75 – tax free

Meeting fee for Trustee \$55 – tax free

#### ■ **Clutha Development Trust Trustee Fees**

Chair Annual Fixed Remuneration \$3,000

Trustees \$100 per Meeting Attendance\*

\* Trustee mileage allowance is paid if requested

#### ■ **Gore District – Clutha Health Incorporated Equivalent**

A \$3,500 allowance divided between Chair and all Trustees

#### ■ **Dunstan Hospital – Clutha Health Incorporated Equivalent**

Nil remuneration for Chair and Trustees

### ■ **As assessment of the time involved in discharging the responsibilities of Trustees, Clutha Health First**

There are approximately eleven meetings of Trustees per annum including the AGM.

On average these meetings extend for an hour and a half. We have assumed that the preparation time for these meetings is approximately one hour.

On average the Chair is involved in Clutha Health Incorporated governance matters, an average of two hours per week.

## ■ **Clutha Health Incorporated Constitution**

I note that the Constitution of Clutha Health Incorporated provides (Clause 17.3) that "subject to Clause 19(2) A Board member may be paid reasonable remuneration for services actually rendered to the Society. The Board members may be paid for travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board members or any committee the Board members or general meetings of the Society in connection with the business of the Society".

Clause 19.2 essentially prohibits Board members from exercising their responsibilities as Board members to gain pecuniary advantage in the business activities of the Incorporated Society (over and above fair and reasonable remuneration for their Trustee responsibilities).

## **Recommendation**

It is our opinion that it is entirely fair and reasonable for the Chair and Trustees of Clutha Health Incorporated to be rewarded for their input into the governance of the organisation.

Furthermore, the sound financial position of the Society, and the commitment required of Trustees fully justifies some level of remuneration for services rendered by Trustees.

However, as in most community based organisations the level of remuneration payable could never be regarded as fully "market related" since there is always an underlying presumption of personal **community** commitment and involvement in such organisations. In short, the basis of remuneration for such organisations is usually very much a case of receiving some payment for doing the job, but not doing the job solely because of the payment!

It is also fair and reasonable for Trustees to be appropriately reimbursed for any out of pocket expenses and travelling costs. However, Trustees of similar community organisations usually choose not to make such claims unless they are of a significant and/or "one off" nature.

It is our view that the most appropriate remuneration model for the Chair and Trustees of Clutha Development Trust is:

- A fixed annual sum for the Chair; and
- A payment to Trustees based on meeting attendance.

Our rationale for this is that:

- It recognises the considerable additional input required of the Chair which cannot be adequately covered by a meeting fee, and
- It rewards Trustees for their preparation for and attendance at meetings thereby avoiding any perceived inequity for Trustees who do not fully participate in the monthly meetings of the Incorporated Society.

In this respect the model we propose is similar to that utilised by the Clutha Development Trust.

Having considered the time involvement for both the Chair and Trustees of Clutha Health Incorporated we recommend the following rates of remuneration be considered by the Trustees.

Chair	\$3,500 - \$4,000 per annum
Trustees	\$150 per meeting
Other Office Bearers	Somewhere in between, dependant on relative workload *

\* It is noted that two of the Trustees of Clutha Health Incorporated have specific additional responsibilities involving:

- Treasurer duties;
  - Building supervision
- ..... which will require an assessment based on the time that this involves.

We would recommend that this be handled by a per month or per annum allowance in substitution for a meeting fee (as per the Chair's basis of remuneration).

It is also noted that any Trustee may:

- Elect **not** to receive the above remuneration, and
- In addition to the above remuneration claim for reasonable reimbursement of out of pocket expenses.

I can confirm that Steven Kornyei and Gaye Cowie who I have liaised with in the process of preparing this report and who has also had input into the recommendations concurs with the above recommendations.

### **Conclusion**

Ken I would be happy to provide you with any further clarification you may require after considering this report.

### **Bill Thomson**

ref: sjj/cluhs/LTO 2014 140901 memo remuneration of trustees