



**14.4 SOUTH MELBOURNE MARKET COMMITTEE MEMBERSHIP**

**EXECUTIVE MEMBER: KYLIE BENNETTS, DIRECTOR, OFFICE OF THE CEO**

**PREPARED BY: IAN SUMPTER, MANAGER SOUTH MELBOURNE MARKET**

**1. PURPOSE**

- 1.1 To seek Council endorsement of the remuneration and recruitment process for the independent members of the South Melbourne Market (SMM) Section 86 Committee (the Committee).

**2. EXECUTIVE SUMMARY**

- 2.1 On 3 October 2018, Council approved a revised Charter and Instrument of Delegation for the Committee. This Charter and Instrument of Delegation will take effect from 1 March 2019 to enable a structured transition to the new governance arrangements.
- 2.2 Part of the required transition arrangements is to reconstitute the membership of the Committee. Under the new Charter from 1 March 2019, the Committee will consist of an independent Chair (unless precluded by the Victorian Local Government Act), two (2) independent members and two (2) councillor representatives. This report proposes a remuneration and recruitment process for the independent members of the Committee.
- 2.3 Previously remuneration for independent members of the Committee has been determined by officers. While there is no issue with this approach, officers are of the view that from a best practice perspective it would be more appropriate and transparent for Council to make this decision.
- 2.4 This report enables Council to consider the type of remuneration that should be paid to independent members of the Committee (annual versus sessional fee); the total quantum of this remuneration and the framework it is assessed against; the nature and size of any annual increases as well as the remuneration review process more broadly.
- 2.5 Importantly, Councillor representatives on the Committee **do not receive** any payment for their participation, as there is no provision for this under the Local Government Act.
- 2.6 Finally, this report outlines the proposed approach to recruitment for all independent members of the Committee to ensure that appropriate arrangements are in place prior to 1 March 2019.



### 3 RECOMMENDATION

That Council:

- 3.1 Notes that Council will be responsible for authorising any changes to the remuneration rates for all independent members of the Committee from this day forward.
- 3.2 Endorses the payment of an annual fee for all independent members of the Committee as this better reflects the responsibilities and time commitments required to successfully fulfil these roles.
- 3.3 Endorses the use of the Victorian Government Appointment and Remuneration Guidelines as a framework to guide remuneration decisions for all independent members of the Committee.
- 3.4 Endorses the classification of the SMM Committee as a Group A Board - Band 5 under the Victorian Government Appointment and Remuneration Guidelines.
- 3.5 Considering, Recommendation 3.4 and an assessment of the remuneration of a similar profile goods and produce market, endorses the annual remuneration for the SMM Committee as:
  - 3.5.1 \$24,000 GST inclusive for the independent Chair; and
  - 3.5.2 \$12,000 GST inclusive for the independent members of the Committee.
- 3.6 Notes that either the Council or the SMM Committee can request that the Council, review the remuneration of all independent members of the Committee at any point in time.
- 3.7 Endorses the application of a CPI increase at the beginning of each financial year for the independent Chair and independent members of the Committee, with the earliest time that this adjustment can take effect being 1 July 2020.
- 3.8 Notes that recommendations 3.2-3.6 will take effect from 1 March 2019.
- 3.9 Notes the recruitment approach for all independent members of the Committee and the Committee appointment process for the two Councillor representatives as outlined in this report.

### 4 KEY POINTS/ISSUES

#### Authorising Environment

- 4.1 Previously remuneration for all independent members of the Committee has been determined by officers (however it is noted that changes in 2017 were subject to a Councillor briefing). While there is no issue with this approach, officers are of the view that from a best practice perspective it would be more appropriate and transparent for Council to make this decision.



As a result, through this paper it is recommended that Council is responsible for authorising any changes to the remuneration rates and approach for all independent members of the Committee from this day forward.

- 4.2 In doing this it is recommended that the Council determines the basis of payment (i.e. sessional fee versus annual amount); the total quantum of remuneration and what this is assessed against; the nature and size of any annual increases as well as the remuneration review process.
- 4.3 This report provides the opportunity to establish appropriate arrangements for all independent members of the Committee, to take effect from 1 March 2019.
- 4.4 Importantly, Councillor representatives on the Committee **do not receive** any payment for their participation on this Committee, as there is no provision for this under the Local Government Act.

#### **Basis of Payment – Sessional Fee versus Annual Amount**

- 4.5 Historically all independent members of the Committee have received a sessional fee for the services they provide to the Committee (this includes attendance at Committee meetings as well as an hourly payment for participation on interview panels for expressions of interest for new leases and licences and the like).<sup>1</sup>
- 4.6 A sessional fee is an effective form of remuneration if the roles of members are primarily discharged at committee meetings and there are minimal expectations of members outside of these meetings. Sessional fees can act as an incentive to encourage people to attend meetings and other activities, and participate in an active way.
- 4.7 On 3 October 2018, Council adopted a new Charter and Instrument of Delegation for the Committee which will take effect from 1 March 2019. A key element of these new arrangements is a stronger and more direct role for the Committee in both the strategic and day-to-day operations of the SMM. Officers are of the view that to successfully discharge this new role, all members, but in particular the independent members and most importantly the Chair, will need to make a significant contribution both within and outside of Committee meetings.
- 4.8 In line with this expectation, it is recommended that a more appropriate form of remuneration to attract candidates with relevant skills and experience would be to adopt an annual fee approach to remuneration. This approach would provide a better indication to prospective candidates of the broad ranging nature of the role. It would also provide greater certainty and financial controls for this budget line.

#### **Payment Amount**

- 4.9 The current remuneration of the independent members of the Committee includes: -
  - 4.9.1 \$24,000 for the independent Chair, (which was increased from \$8,000 in the 2016/17 financial year);

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<sup>1</sup> It is acknowledged that in 2017, following a Councillor briefing, officers made changes to payment arrangements for the independent Chair making this an annual rather than sessional payment.



- 4.9.2 \$1,000 per meeting plus GST for independent members of the Committee (noting that the charter requires at least six (6) meetings per year as well as additional fees at \$150 per hour for other activities undertaken outside of meetings, for example participation in expression of interest processes for market stalls. Over the past year this has typically resulted in a cost of over \$11,000 for the two independent members of the Committee.
- 4.10 It is understood that the above remuneration rates were set based on independent advice provided to officers through previous governance reviews of the SMM.
- 4.11 It is recommended that Council strengthens the framework by which the remuneration for all independent members of the Committee are assessed and adopts the Victorian Government Appointment and Remuneration Guidelines. These guidelines outline the processes and principles for appointing and remunerating board members of, and other appointments to, non-departmental entities in Victoria - <https://www.dpc.vic.gov.au/index.php/policies/governance/appointment-and-remuneration-guidelines>
- 4.12 Using these Guidelines, it would be reasonable to classify the Committee as a 'Group A Board', i.e. commercial boards of governance or entities of State significance as determined by the Premier at Band 5 – an organisation with a turnover of below \$50 million or assets below \$50 million or profit below \$5 million.
- 4.13 As a Group A Board at Band 5 the remuneration ranges from \$12,367 to \$26,192 for the Chair and \$7,420 to \$13,991 for members.
- 4.14 With respect to the level of remuneration that would be appropriate within Band 5, officers are of the view that it would be appropriate to retain remuneration for the independent Chair of the Committee at \$24,000 but be clear that this is inclusive of GST. Furthermore, it would seem appropriate to set the remuneration rate for independent members of the Committee at \$12,000 inclusive of GST.
- 4.15 The above recommendation is made cognisant of the Victorian Government framework and benchmarking of remuneration against a similar profile goods and produce market which remunerates its members at a rate of \$25,750 for the independent Chair and \$15,450 for members (this rate was as at 2015 and there is currently no annual increase process for this market). In contrast, the Chair of the Council's Audit Committee receives \$11,200 GST inclusive and members receive approximately \$9,500 GST inclusive.

#### **Nature and Size of any Annual Increases**

- 4.16 To retain appropriately skilled independent members of the Committee and for operational efficiency, it is recommended that the remuneration for all independent members of the Committee increases by CPI at the beginning of each financial year. Given that membership of the newly constituted Committee will only take effect early in 2019, it is recommended that the first time the newly constituted Committee should be eligible for a remuneration increase is at 1 July 2020.



### **Remuneration Review Process**

4.17 Notwithstanding the process outlined in Section 4.16 of this report, it is recommended that at any point in time the Council or the SMM Committee may make a request to Council seeking review of the remuneration of the independent members of the SMM Committee. As part of making this request, the Council and or the SMM Committee must outline the reasons for the remuneration review request. The process for undertaking such a review will be endorsed by the Council of the day.

### **Recruitment Process**

4.18 Following endorsement of remuneration for the independent Committee members, officers will arrange for: -

4.18.1 Advertisement of the roles in October and into early November 2018;

4.18.2 Short-listing of suitable applicants in early November 2018;

4.18.3 Interviews of suitable applicants in mid-November 2018;

4.18.4 References, police and working with children checks in late November 2018;

4.18.5 A report to Council in December 2018 to appoint suitable applicants.

4.19 Once Council has made appropriate appointments, officers will work with successful candidates to ensure they have appropriate induction ahead of the first meeting of the newly constituted Committee in March 2019.

4.20 In December 2018, officers will also seek a Council decision on the two (2) councillor representatives that will form part of the newly constituted Committee from March 2019.

## **5. CONSULTATION AND STAKEHOLDERS**

5.1 Not as a result of this report.

## **6. LEGAL AND RISK**

6.1 Not as a result of this report.

## **7. FINANCIAL IMPACT**

7.1 Currently the SMM has a budget of \$40,000 in 2018/19 for the payment of remuneration fees to all independent members of the Committee. The proposal as outlined in this report would cost \$48,000 for an entire financial year and \$12,000 for the period March – June 2019.

7.2 To date this financial year, due to vacancies and the meeting schedule, only \$2,250 has been spent on remuneration fees for the independent members of the Committee. As a result, the costs associated with increasing remuneration from March 2019, could be accommodated within the 2018/19 existing budget without adversely impacting on traders, the customer experience at the market or ratepayers more broadly.



- 7.3 With respect to the 2019/20 financial year, officers are of the view that the \$8,000 additional budget required to fund this proposition, could be found within the existing budget of the SMM without adversely impacting on traders, the customer experience at the market or ratepayers more broadly. Officers are of the view that this modest increase is critical to ensuring that the SMM attracts the best possible independent candidates.

**8. ENVIRONMENTAL IMPACT**

- 8.1 Not as a result of this report.

**9. COMMUNITY IMPACT**

- 9.1 Not as a result of this report.

**10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY**

- 10.1 The review of the governance of the SMM and in particular the Committee, has been a Council priority for some time. This report responds to that priority.

**11. IMPLEMENTATION STRATEGY**

11.1 TIMELINE

Officers will use best endeavours to meet the following timelines: -

- 11.1.1 20 October 2018 – Council report on recruitment approach for independent members, including remuneration;
- 11.1.2 21 October – November 2018 – recruitment of independent members;
- 11.1.3 5 December 2018 – report to Council seeking to appoint independent members and report to appoint Council representatives;
- 11.1.4 December – February 2019 – onboarding of independent members and development of operating agreement;
- 11.1.5 March 2019 – new charter, instrument of delegation and Committee take effect.

11.2 COMMUNICATION

- 11.2.1 Current independent Committee members will be advised as soon as possible of Council's decision.
- 11.2.2 A broader communication and engagement plan is being developed to inform stallholders and community.

**12. OFFICER DIRECT OR INDIRECT INTEREST**

- 12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

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**ATTACHMENTS** Nil