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Corporate Plan Output: Public Accountability Budget - Elected Members' Remuneration	

The purpose of this report is to seek input from the Council on a public discussion document recently released by the Minister of Internal Affairs, seeking comment on options to reform the system of remuneration for elected members. Copies of the document have been circulated to the Mayor, Councillors and all Community Board members, to allow them to make individual submissions should they so choose.

BACKGROUND

The issue of remuneration and how it is determined has become a contentious issue for local government over the last decade, and has attracted wide public interest. In September 1997 a similar discussion document was issued by an elected members' remuneration working party appointed by Local Government New Zealand. The latest discussion document issued by the Minister traverses most of the issues covered in the earlier document, and appears to reflect some of the earlier recommendations made by LGNZ, which are set out later in this report.

STATEMENT BY MINISTER OF LOCAL GOVERNMENT

In releasing the current document, the Minister of Local Government (the Hon Maurice Williamson) made the accompanying statement:

"I know that Councillors themselves and plenty of ratepayers have concerns about the current system. This document is an opportunity for them to suggest how it could be changed."

"Without trying to pre-empt the outcome of the process, I do think there are some very real issues, such as the payment of meeting allowances, that need to be dealt with. In my view, paying councillors an allowance to attend meetings creates incentives for them to meet unnecessarily to claim further allowances."

PRESENT METHOD OF DETERMINING REMUNERATION

The Minister of Local Government is currently responsible for determining the maximum and minimum levels for salaries and meeting allowances paid to elected members while councils are responsible for setting their own rates within these levels.

PREVIOUS SUBMISSIONS BY LOCAL GOVERNMENT NEW ZEALAND

Following extensive consultations with member authorities, the LGNZ working party made comprehensive submissions in April 1998 to the then Minister of Local Government. The recommendations made at that time by LGNZ are set out below. An explanation, in italics, is provided for each recommendation:

1. That clear principles for the purpose of setting elected member remuneration be adopted. *Local Government New Zealand* recommends the following principles:
 - 1.1 That elected representatives receive remuneration for the tasks and responsibilities of their office, taking into account the size, worth and statutory responsibilities of each position.
A criticism of the current system is that it is unfair, and fails to reward elected members equally for equal work and responsibilities.
 - 1.2 That remuneration reflect the ‘upon-demand’ nature of the work which prevents or interferes with elected members’ ability to maintain or access other sources of income.
The “upon-demand” nature of an elected member’s responsibilities often prevents them finding or holding full time or part time employment to supplement their income. Remuneration levels should be set so as to compensate for the consequent opportunity loss.
 - 1.3 That remuneration, including reimbursement for expenses, be sufficient to attract people from all sectors of the local community who have the capacity to represent the community well.
Related to the previous principle ,current remuneration levels, when related to the responsibilities of office, prevent some people from standing for office because of loss of income.
 - 1.4 That the process by which remuneration levels are set and adjusted be based on an objective assessment of the nature of the tasks and responsibilities involved in each position.
The current process of setting levels on the basis of population based bands creates a number of inequities, as responsibilities and commitment are affected by a range of factors other than population, such as urban growth.

- 1.5 That elected members not be out of pocket for expenses incurred in the course of their duties. This includes the right to be reimbursed for actual and reasonable expenses incurred while performing their duties.
This principle reflects a basic belief for those who accept public office, that they should be able to claim actual and reasonable expenses when fulfilling their public duties.
- 1.6 That remuneration systems and processes be transparent and clearly accountable. *Community trust in their political representatives requires that decisions made about reimbursement be made in an accountable and transparent process.*
2. That responsibility for the process by which elected members' remuneration is set be given to an external, non-political, agency such as the Higher Salaries Commission.
Such a move would place remuneration outside the sphere of political influence that has seen a decline in the relativity of local elected members' remuneration compared to the remuneration of central government politicians.
3. That remuneration levels for elected member positions should be determined by a professional "position evaluation" or job-sizing methodology based on the tasks and responsibilities of each position - in the same manner that MPs' salaries are set and adjusted. The external agency would be responsible for ensuring salary levels are reviewed on a triennial basis, to coincide with electoral cycles.
This might also involve annual assessments against external benchmarks, which is the approach taken by the Higher Salaries Commission to Parliamentary salaries.
4. That the process by which position evaluation is undertaken, that is whether undertaken directly by the Higher Salaries Commission or by each individual council, be a matter of further discussion between the Government and *Local Government New Zealand* once broad agreement on the changes has been reached.
The process for undertaking position evaluation can influence the accuracy of the assessments and the degree to which they address anomalies within the remuneration system.

5. That the current approach to meeting allowances be amended so that a standard fee be set for all councils, regardless of size, and that this fee be \$40 per meeting per day. *Currently meeting allowances range between \$100-\$180 per meeting per day, depending on the size of council. This variation was seen to be inequitable to smaller councils, and the size of the allowance has resulted, in some councils, in situations where more than 50% of an elected member's income is made up of meeting fees. The amount of \$40 has been recommended as it should ensure meeting allowances make up only a small proportion of an elected member's total remuneration, while recognising different workloads.*
6. That elected members involved in resource consent hearings be paid the standard fee for such hearings, also paid to external commissioners, established in accordance with each council's funding policy.
Resource consent hearings contain a large element of private benefit and should be paid for by the parties to each consent hearing. This would increase the neutrality between the choice of an external commissioner or councillor, by ensuring a standard fee applies to all.
7. That expenses should be reimbursed on an 'actual and reasonable' basis.
This is the approach most central government agencies have adopted, and should be guided by the same criteria used by the Government when defining "actual and reasonable". Under this option elected members would keep receipts of their expenditures and would present those to their council for reimbursement. We also recommend that this principle apply to the reimbursement of mileage.
8. That the legislative treatment of Mayors and Regional Council Chairs (Chairs) having lost their seat be similar to the way in which Members of Parliament are treated, and that consideration be given to similar treatment for elected members generally.
Unlike MPs, local government elected members' remuneration finishes on the night they lose office. This diminishes the attractiveness of standing for elected office, especially those of Mayor and Chair. At the least a three month continuance is needed to provide a grace period for the member to make the transition.

OPTIONS FOR REFORM COVERED BY PRESENT DISCUSSION DOCUMENT

The present review covers the following key issues:

Who should decide remuneration, and on what basis or bases?

Four options are given:

- Option 1 - Minister using existing criteria
- Option 2 - Minister using new criteria
- Option 3 - Independent agency, such as Higher Salaries Commission
- Option 4 - Local choice (i.e. each local authority would be able to decide the level of remuneration for its own positions)

As far as remuneration banding goes, options 1-3 could involve the development of remuneration bands to place limits on the remuneration that members might receive. In option 4, local authorities would be responsible for determining their own remuneration levels and therefore would not be constrained by bands.

Issue 2: Options for the composition of remuneration

Six options are suggested, i.e:

- Option 1 - Salary only
- Option 2 - Salary plus performance bonuses
- Option 3 - Salary plus function allowances (to reward participation in particular activities, such as resource consent hearings or Council meetings)
- Option 4 - Significant fringe benefits
- Option 5 - Salary plus a fixed allowance to cover expenses
- Option 6 - Salary plus actual and reasonable expenses

Issue 3: Options for providing additional local authority discretion

Two options are suggested, i.e:

- Option 1 - Maximum and minimum rates of remuneration

Maximum and minimum levels of remuneration could be established for each position, as at present, by an independent authority. However local authorities could be required to take into account certain criteria when making decisions on their particular levels of remuneration.

- Option 2 - Total remuneration

A “lump sum” for each authority could be determined by an independent agency with the local authority being responsible for dividing this amount up between members as it saw fit.

CONCLUSION

Individual members will have diverging views on this issue. When this Council discussed the 1998 LGNZ discussion document, a consensus view seemed to emerge that, rather than retaining the present system whereby each authority sets its own levels within the maxima prescribed by the Minister of Local Government, it would be preferable for mandatory rates to be prescribed by an independent agency such as the Higher Salaries Commission. The Council may wish to confirm or otherwise this view, and also express a view as to whether members should receive a salary only (rather than the present salary and meeting allowances) or whether any such salary should be supplemented by the allowances/fringe benefits suggested in the discussion document. It appears from the Minister's statement and the proposals contained in the discussion document that the present daily meeting allowances will be either discontinued or reduced.

On balance, I consider that rather than the Committee attempting to form a consensus view at its present meeting, it may be preferable for a subcommittee to be appointed with power to act to make submissions on behalf of the Council prior to the 4 October deadline.

RECOMMENDATION

It is recommended that a subcommittee be appointed with power to act to make submissions on the discussion document by 4 October.

The Chairman commented:

It is doubtful if any system of remuneration has ever been devised to reflect with precision the relative efforts of different persons performing a range of functions within the same workforce. That said, it is reasonable to argue that the current system **broadly** reflects the varying workload of elected members, in that it:

- (i) distinguishes between small and large authorities
- (ii) provides graduated salaries for members, chairpersons and mayors
- (iii) allows for separate payment of formal meetings and hearings.

- Recommendation:**
1. That the Legislation Subcommittee prepare a submission generally in support of the current system, subject to:
 - (i) the Higher Salaries Commission becoming responsible for determining remuneration levels to remove from elected members the invidious responsibility of having to set their own levels of remuneration.

- (ii) adequate compensation of travel costs of rural members.
- 2. That the submission be based on the principle that remuneration should enable an elected member to support himself or herself from Council remuneration **to the extent that the workload requires this**, with full-time equivalent remuneration where appropriate.
- 3. That, in the interests of transparency and accountability, the Council publish annually a record of elected member remuneration and attendance at formal meetings.