

## 2. ELECTED MEMBERS' REMUNERATION 2006/07

<b>General Manager responsible:</b>	General Manager Regulation and Democracy Services, DDI 941-8549
<b>Officer responsible:</b>	Secretariat Manager
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### PURPOSE OF REPORT

1. The purpose of this report is to:
  - (a) Enable the Council to make a decision at a May 2006 meeting to send to the Remuneration Authority regarding remuneration to be paid to elected members (except the Mayor) for the 2006/07 financial year; and
  - (b) Permit Community Boards to indicate to the Council their preferred option for the allocation of the 2006/07 remuneration pool amongst the elected members of the Christchurch City Council and the eight Christchurch community boards.

### EXECUTIVE SUMMARY

2. The Remuneration Authority has advised that the remuneration pool for the elected members of the Christchurch City Council and its eight community boards has been fixed at \$1,529,250 for the 2006/07 financial year and that the Mayor's gross salary has been fixed at \$151,330. In the case of the Mayor this figure represents the gross amount to be debited against the pool - the Mayor's net salary will be adjusted to reflect the fact that he has full private use of a car provided by the Council.
3. This represents an increase of \$59,306 in the 2005/06 pool of \$1,469,944.
4. Based on the rules and principles set by the Remuneration Authority the Council is now required to decide how it proposes to allocate the pool amongst its elected members for the 2006/07 financial year and, once agreed, to submit its proposal to the Remuneration Authority for approval. It should be emphasised that the Remuneration Authority expects the pool to be fully allocated, and it is thus incumbent on the Council to revise the current salaries to reflect the full amount of the pool.
5. The Council's proposal must be approved by the Remuneration Authority before any amended salaries proposed by the Council can be implemented.

### FINANCIAL AND LEGAL CONSIDERATIONS

6. The principal statutory provisions which apply in this instance are the Seventh Schedule of the Local Government Act 2002, and the Remuneration Authority Act 1977. Once this Council's 2006/07 remuneration proposal (or any variation thereof) has been approved by the Remuneration Authority, it will be gazetted via the Local Government Elected Members' Determination 2006.
7. Once the allocation of the increased pool has been decided by the Council and approved by the Remuneration Authority, it will be necessary to reflect the resulting expenditure in the nine different budget provisions for this item (councillors and eight community boards).
8. There are some substantial budgetary and rating implications associated with some of the options postulated in this report, ie:

Option	Additional Expenditure	Resulting Rate Increase
1	\$66,856	+0.036%
2	\$73,880	+0.040%
3	\$71,356	+0.038%
4	\$81,356.76	+0.044%
5	\$382,180.38	+0.204%
6	\$461,508.68	+0.247%
7	\$156,205	+0.084%
8	\$156,205	+0.084%

## **STAFF RECOMMENDATIONS**

It is recommended that the Community Board decide:

- (a) Which salary option it wishes to recommend to the Council.
- (b) Whether or not it wishes to also recommend any changes to the present allowances and expenses in respect of mileage allowances, and the communications allowance.

## BACKGROUND ON ELECTED MEMBERS' REMUNERATION 2006/07

9. The Remuneration Authority is responsible for setting the salaries of elected local government representatives (clause 6 of Schedule 7 of the Local Government Act 2002 refers).
10. A brief summary of the remuneration framework and the rules and principles which the Remuneration Authority works under is attached as Appendix A.
11. The Remuneration Authority revises remuneration pools annually, and each council is thus required to review its levels of remuneration prior to the start of each financial year, based on the new pool. Therefore, this report has been submitted to allow the Council to consider the allocation of the increased pool for the 2006/07 financial year. The salaries proposed will thus apply from 1 July 2006.
12. The Authority has now released the Christchurch City indicative pool for 2006/07, which amounts to:

Total pool	\$1,529,250
less Mayor's gross salary	\$151,330
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Net pool available for Deputy Mayor, 12 councillors, eight community board chairs and 32 community board members	\$1,377,920

13. This represents a total increase of **\$59,306** in this Council's remuneration pool.
14. Although included within the pool, the Mayor's salary is independently set by the Remuneration Authority.
15. It should also be noted that 50% of the total remuneration paid to community board chairs and elected (not councillor appointments) community board members is paid outside the pool.
16. The pool is fixed by the Remuneration Authority relative to other councils and has regard to population, expenditure and assets. The merging of Christchurch City and Banks Peninsula does not produce a remuneration pool equal to the sum of the two separate pools.
17. Although the Mayor's salary is set by the Remuneration Authority, it is included within the pool. Where a Mayor has partial or full private use of a car provided by the Council (as is the case in Christchurch), the Mayor's gross salary is reduced by an amount which reflects both the extent of private use and the value of the car supplied.

## DISCUSSION

### Decisions to be Made

18. In preparing its proposal the Council is required to make the following decisions:
  - To decide whether the remuneration pool should be allocated on a salary only basis, or whether it should be a mix of salary and meeting fees.
  - To agree appropriate levels/rates for the different positions/roles on the Council and its community boards and, using that information, develop an option for the allocation of the money within the remuneration pool.

### Basis of Remuneration

19. Although it is possible for the Council to recommend the payment of a mixture of salary and meeting fees to councillors, community board members must be paid on a salary only basis, without meeting fees.

## Distribution Options

20. The allocation of the increased pool was discussed with councillors and community board members at a seminar held on Thursday 16 March 2006. Three possible options for the allocation of the 2006/07 pool were presented at the seminar. Although the members present at the seminar did not indicate a preference for any of the three options presented, staff were requested to prepare some further options which:
- Provided for the chairs and members of the Banks Peninsula community boards to receive a salary equivalent to 80% of the salaries payable to the chairs and members of the metropolitan community boards.
  - Assumed that 75% (rather than the present 50%) of the salaries payable to the chairs and members of community boards can be paid outside the remuneration pool (this option being based on oral advice from two elected members that the Remuneration Authority had recently indicated that it might be possible for 75% of the community board salaries to be paid outside the pool, if the Council were to submit such a remuneration proposal).
21. In response to an earlier enquiry, the Chairman of the Remuneration Authority advised in May 2005 that:
- “Any increase in the pool arising from combining the two councils is unlikely to, in itself, be sufficient to meet the salary of a new councillor (at existing Christchurch rates) plus the salaries currently payable to the Banks Peninsula community boards. It may be necessary therefore for the Authority to consider, for example, allowing the funding of the two community boards to be met entirely from outside the pool. All this will require some detailed discussions with your council in due course.”*
22. The Chairman of the Remuneration Authority has since orally confirmed that, in recognition of Christchurch’s unique situation with the recent dissolution of Banks Peninsula District, the Authority is prepared to consider making “special arrangements” on a transitional basis for 2006/07, including the possibility of a greater proportion than 50% of the community board remuneration being paid outside the pool, or, alternatively adjusting the pool to reflect the additional payments resulting from the inclusion of Banks Peninsula.
23. The Chairman has indicated that any such “special arrangement” would be for 2006/07 and would not be permanent. Given that any such proposal for an increased amount of community board remuneration to come outside the pool is for one year only and that in 2007/08 (assuming minimal change in the pool figure) the elected members will be facing the same situation as now with having to operate within the 50/50 split, the question needs to be asked why members reach an arrangement for 2006/07 which needs to be reviewed again for 2007/08. Members could decide now to reach a decision for 2006/07 based on the 50/50 split which means the formula arrived at will have long term stability and any difficulty in arriving at that formula will be for this year only.
24. Staff were also requested to confirm the amount of the total pool figure. Staff retained Mr John Mackey from Deloitte to review the setting of the pool figure. Following a comprehensive review, Mr Mackey has advised that the Remuneration Authority’s calculation of the indicative remuneration pool for Christchurch City for the year ending 30 June 2007 appears to substantially comply with the legislation, and is materially correct.

## Principles Applicable to this Remuneration Review

25. Given that the Council is required to make a recommendation to the Remuneration Authority as to how the pool is to be divided it is considered appropriate that before considering options elected members consider the principles which should guide them in their deliberations on this topic.

26. It is considered that the following principles could be taken into account.

**Principle:** Remuneration for any elected position should be such as to attract people to hold office within the Council's governance structure so that remuneration should not limit the diversity of representation for councillor and community board positions.

**Principle:** Members with similar responsibilities should receive similar remuneration.

**Principle:** A differential rate of remuneration between the same class of elected member within the Council (e.g. councillor, community board chair or community board member) should exist only where it can be justified by reference to relevant differences.

**Principle:** Remuneration should be set at a level that acknowledges the impact that performing the role of an elected member has on personal lives and careers.

**Principle:** Remuneration should not be reduced part way through a three year electoral term, when that risk was not known to a candidate at the preceding election unless there are circumstances outside the Council's control.

### **Councillor Remuneration**

27. At its meeting on 5 May 2005 the Council resolved to have a differential for the Deputy Mayor in recognition of her high workload and additional responsibilities.

28. At its meeting on 8 December 2005 the Council resolved that the Banks Peninsula Ward councillor be remunerated at the same rate as the other councillors on the basis that that councillor has city-wide responsibilities as well as the other councillors.

29. The options below assume that the Council will not be changing its May and December 2005 resolutions in respect of these two positions.

### **Community Board Remuneration**

30. At its meeting on 2 December 2004 the Council adopted a proposed remuneration structure which provided for the payment of salaries of \$32,500 and \$20,000 for community board chairs and members, respectively. Following representations to the Remuneration Authority, the Authority increased these salaries to the amounts shown below:

<b>Position</b>	<b>2004 Salaries Proposed by CCC</b>	<b>2004 Salaries Fixed by Remuneration Authority</b>
Community Board Chairs	\$32,500	\$35,000
Community Board Members	\$20,000	\$22,000

31. At the time, the Remuneration Authority advised that in approving these increases, it had been mindful of the following factors:

1. *The need to equitably distribute the pool following the reduction in the number of councillors.*
2. *The consequential increase in representational activities for community boards.*
3. *The role of the community boards as established by Government policy and the Local Government Commission's determination regarding the Christchurch City representation review.*
4. *Representations made to the Remuneration Authority by community board members.*

32. The Authority also went on to say that Christchurch is seen as a model for how the two arms of local representation can work effectively at the macro and micro levels, and that the adjustments made by the Authority were not major, but established a slightly more rational relativity.
33. An issue that arose at the seminar on 16 March 2006 was that of a differential between “City board members and chairs” and “Peninsula board members and chairs.” At present City board members are paid \$22,450 per annum while Peninsula board members receive \$6,273 per annum. The figures for community board chairs are \$35,850 and \$11,412, respectively. These are relativities of 28% and 32% respectively.
34. Community boards have their respective roles set by the Local Government Act 2002 and the other legislation administered by the Council.
35. Section 52 of the Act provides that the role of a community board is to:
- (a) *Represent, and act as an advocate for, the interests of its community; and*
  - (b) *consider and report on all matters referred to it by the territorial authority, or any matter of interest or concern to the community board; and*
  - (c) *maintain an overview of services provided by the territorial authority within the community; and*
  - (d) *prepare an annual submission to the territorial authority for expenditure within the community; and*
  - (e) *communicate with community organisations and special interest groups within the community; and*
  - (f) *undertake any other responsibilities that are delegated to it by the territorial authority.*
36. That provision applies equally to all eight community boards. In addition, the Council has given the same level of delegations to all eight boards. The Council's expectation of the workload of community boards as far as their delegated authorities is the same.

#### **Land Area and Representation Ratios within each Community**

37. At the seminar on Thursday 16 March 2006, I was asked to provide information relating to the land area of each community, and the number of residents represented by each community board member. The following table sets out this information:

<b>Community</b>	<b>Land Area in Hectares</b>	<b>No of Members (including both elected and appointed members)</b>	<b>Population 2001 Census</b>	<b>No of Residents per member</b>
Akaroa/Wairewa	94,320	6	3,027	505
Burwood/Pegasus	4,540	7	52,944	7,563
Fendalton/Waimairi	10,610	7	51,210	7,316
Hagley/Ferrymead	5,800	7	52,515	7,502
Lyttelton/Mount Herbert	21,480	6	5,397	900
Riccarton/Wigram	9,800	7	54,939	7,848
Shirley/Papanui	9,660	7	53,304	7,615
Spreydon/Heathcote	4,490	7	51,306	7,329

38. Certainly, while there are population differences between the boards, the question needs to be asked whether the democratic responsibilities and the Local Government Act responsibilities of a Peninsula board member are any less because they represent fewer people. Apart from having a greater number of people to represent a City board member does not have any additional governance responsibilities to a Peninsula board member.

39. The question also needs to be asked whether the responsibilities associated with the role of democratic representation is dependent on the number of constituents represented? If Christchurch is truly one city, the starting point surely would be equality of remuneration, except where a differential can be rationally justified. All board members, regardless of the size of the population served by the board, need to have members fully engaged in their role and able to commit time to that role. Complex and contentious issues for a community board can arise from an area with a small population just as easily as an area with a large population. That can be more so where the small population area is developing and geographically is more challenging to administer.
40. Regarding a perception there may be that a larger population results in a higher workload, thereby justifying a higher level of remuneration, it must be borne in mind that at the present time the Council does not have any empirical data as to the workloads of elected members so that the "workload factor" should not be taken into account when the Council is setting remuneration. It has not been established with any certainty that having a greater population than another community board means the workload of a member of a board with a larger population is greater. In the absence of reliable data there is no rationale for a differential rate of payment for this reason.
41. Another factor to be borne in mind in setting remuneration is the geographical area of the community board areas. As can be seen from the table above the Lyttelton/Mt Herbert community is twice as large as the biggest City community, while Akaroa/Wairewa is nine times larger. The travelling time for a board member on the Peninsula in serving their constituents is greater than in a built-up urban area. The ability to claim mileage is available equally to all board members but should not recognition be given to the time physically spent travelling in addition to being present at meetings and engaging in board business?

#### **Auckland and Dunedin situations**

42. Auckland City and Dunedin City have both urban and island/rural areas, and it is considered appropriate to look at the remuneration systems used by those two Councils.
43. In Auckland City, there are extremely small differences between the salaries paid to the chairs and members of the eight Isthmus community boards, compared with the salaries paid to the chairs and members of the two Hauraki Gulf community boards, despite the significant differences in their respective land area and population, as the following table discloses:

<b>Position</b>	<b>Number of Positions</b>	<b>Current Salary</b>
Isthmus Chairs	8	\$19,197
Isthmus Members	34	\$9,411
Waiheke Island Chair	1	\$18,070
Waiheke Island Members	4	\$8,690
Great Barrier Island Chair	1	\$18,070
Great Barrier Island Members	4	\$8,690

44. There are eight Isthmus community boards, and two Hauraki Gulf community boards, with the following land area and population:

<b>Board/s</b>	<b>Land Area</b>	<b>Population</b>
Isthmus	658 square km (total)	401,000 (total)
Waiheke Island	22 square km	7,000
Great Barrier Island	285 square km	1,100

45. The Chairman of the Remuneration Authority has orally advised that the small differentials which apply in the case of the Auckland City community boards are partly attributable to the fact that members of the two Hauraki Gulf community boards are required to spend considerable time travelling by ferry to attend meetings etc.

46. A similar situation applies in Dunedin City, where identical salaries are paid to the chairs, deputy chairs and members of all six Dunedin community boards, despite the substantial disparities in their land area and population, as the following table discloses:

Board	Land Area	Population	Number of Board Members	Salaries Applicable
Chalmers	78 square km	5,400	6	Chair \$17,303 Deputy Chair \$12,214 Member \$8,142
Mosgiel/Taieri	677 square km	15,100	6	
Waikouaiti Coast	515 square km	3,270	6	
Otago Peninsula	121 square km	4,230	6	
Saddle Hill	40 square km	5,130	6	
Strath Taieri	1,836 square km	650	6	

### Remuneration Options

47. Eight options are attached to this report, comprising:

- Option 1, which envisages a range of reductions for the positions of Deputy Mayor, councillors, the chairs and members of metropolitan community boards and increases for the chairs and members of the Banks Peninsula boards.
- Option 2, which is based on the same percentage allocations of the pool as in 2005/06, with the same salaries being paid for the chairs and members of all community boards.
- Option 3, which assumes that 50% of the pool is allocated to councillors, and 27% to community board members, with the ratio between metropolitan and Banks Peninsula community board positions maintained near their present levels.
- Option 4, which is based on the assumption that the chairs and members of the Banks Peninsula community boards will be paid 80% of the salaries applicable in the case of the metropolitan boards (with 50% of the applicable salaries being paid outside the pool, as at present).
- Option 5 - this assumes the same relativities between all positions as shown in Option 3, and has been prepared on the basis that 75% of all community board salaries are paid outside the pool.
- Option 6 - this assumes that 75% of community board salaries are paid outside the pool, with the Banks Peninsula chairs and members being paid 80% of the metropolitan board salaries, with the salaries for the Deputy Mayor and councillors being adjusted so that the pool is fully allocated.
- Option 7 - this assumes the continuation of the present (2005/06 salaries and 2006/07) but with more than 50% of the community board salaries being paid outside the pool.
- Option 8 - this assumes reductions of \$2,000 for councillors, \$1,500 for metropolitan community board chairs and \$1,000 for metropolitan community board members, with the total amount resulting from these reductions being distributed to the chairs and members of the Banks Peninsula community boards, and with more than 58% of the Banks Peninsula community board salaries being paid outside the pool.

### Elected Member Allowances and Expenses

48. As part of its amended remuneration proposal, the Council is also required to seek the Remuneration Authority's approval for any amendments to the Schedule of Elected Member Allowances and Expenses previously approved by the Authority. The schedule attached as Appendix B is similar to the schedule previously approved by the Authority for 2005/06, with the following amendments:

- It provides for the payment of mileage allowance at a flat rate of 70 cents per kilometre for all qualifying travel, and clarifies the type of travel which qualifies for payment of mileage allowance.
- It proposes an increase in the communications allowance from \$120 to \$150 per month.



### *Mileage Allowance*

49. In September 2005, the Inland Revenue Department came out with new rules on mileage reimbursements for employees. Elected members are not, however, considered employees, but rather as “self employed” persons under the withholding tax regime. The IRD has indicated that it is reviewing mileage rates for self employed persons.
50. In the meantime, self employed persons may use the mileage rates published by the IRD, but only up to a maximum of 5,000 kilometres per year. If this is exceeded, the self employed person has the option of either using the specified rates up to 5,000 kilometres or, alternatively, claiming actual running expenses, apportioned for the percentage of business use. The mileage rates published by the IRD are:

#### **Banded rate**

1 to 3,000 kms	62 cents per km
3,001 kms and over	19 cents for each km over 3,000 (limited to 5,000 kms)

#### **Flat rate**

Any distance	28 cents per km (limited to 5,000 kms)
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51. It has been noted that these rates could disadvantage the Banks Peninsula councillor and Banks Peninsula community board members, who are required to travel greater distances than their urban counterparts to attend Council meetings and other related events.
52. Subject to the approval of the Remuneration Authority, it would be possible for the Council to amend its expenses policy to provide for the payment of up to 70 cents per kilometre for **all** qualifying travel incurred by elected members in any one year (ie the 70 cent rate would be paid for all travel, and would not be reduced after the member/s concerned had travelled 3,000 kilometres in any one year, or stopped completely after the member/s had travelled 5,000 kilometres in any one year). In this instance, the term “qualifying travel” refers to travel associated with attendance at the meetings or events set out in the Schedule of Elected Member Allowances set out in Appendix B to this report. Before the Local Government Act 2002 came into force, members could only claim for attendance at formally convened council, committee or subcommittee meetings, which they were required to attend. However, subject to the approval of the Remuneration Authority, mileage allowance can now be paid for attendance at a wider range of meetings or events, and the list of meetings or events set out in Appendix B has therefore been expanded to recognise this.
53. A number of other councils (eg ECan) pay their members at the rate of 70 cents per kilometre, with no limit, in recognition of the long distances their members are required to travel on the local authority’s business.
54. The revised schedule of elected member allowances and expenses attached has therefore been amended to:
- Provide for the payment of a flat rate of 70 cents per kilometre for all qualifying travel.
  - Clarify the type of travel which qualifies for payment of the allowance of 70 cents per kilometre.

### *Communications Allowance*

55. At present, a flat communications allowance of \$120 per month is payable to the Deputy Mayor, councillors and community board chairs as a contribution towards:
- Home telephone line rental
  - Monthly cellphone base rental charge
  - Council related toll calls made from home telephone line
  - Call charges for Council related calls made from cellphone.
56. It has been suggested that there is justification for an increase in the standard allowance of \$120, to reflect (inter alia) the high number of Council related cellphone calls made by elected members, and the fact that at least two councillors have wireless cards for their laptops, enabling them to stay in touch while on the move. It has also been pointed out that every phone call from Akaroa to the city is a toll call.

57. In these circumstances, there appears to be ample justification for the communications allowance to be increased from \$120 to \$150 per month. If the payment of this allowance continues to be limited to the Deputy Mayor, councillors and the chairs of the eight community boards, such an increase would result in the following additional expenditure:

Total annual payments at \$150 a month	\$37,800
Present annual payments at \$130 a month	\$30,240
Additional expenditure	\$7,560 per annum

58. At the recent seminar, some community board members gave their opinion that payment of the communications allowance should be extended to include all community board members, rather than being limited to community board chairs. The following schedule sets out the additional expenditure which would result if this suggestion were to be adopted:

<b>Amount of Monthly Allowance</b>	<b>Annual Expenditure if Limited to Deputy Mayor, Councillors and Community Board Chairs (21 positions)</b>	<b>Annual Expenditure if Extended to Include all Community Board Members (53 positions)</b>
\$120	\$30,240	\$76,320
\$150	\$37,800	\$95,400

59. Any increase in communications allowance from \$120 to \$150 per month, and any increase to include community board members, is currently unbudgeted.

#### **Unanimity of the Council's Decision**

60. In submitting its proposal the Council is required to notify the Remuneration Authority of:
- (i) Details of any dissent at Council, and
  - (ii) details of any dissent from its community boards.
61. A community board also has the ability to express any opposing views it might have on the Council's final proposal direct to the Remuneration Authority.
62. If the Council's recommendations are unanimous and reasonable it is unlikely that the Commission will withhold its approval. It does, however, have the power to amend any proposal if the level of dissatisfaction is high or if the proposal is considered unreasonable.

#### **CONCLUSION**

63. It is essential that each board reaches a decision as early as possible on its preferred remuneration option, and on any recommended alterations to the present allowances and expenses policy, so that the boards' views can be taken into account by the Council when it reaches a final decision on its preferred remuneration option at its meeting on Thursday 11 May 2006.
64. The new salaries and expenses approved by the Remuneration Authority will apply from 1 July 2006.