

## 10. ELECTED MEMBERS' REMUNERATION 2007/08

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### PURPOSE OF REPORT

1. The purpose of this report is to enable the Council to formulate a proposal to be submitted to the Remuneration Authority for the payment of salaries, expenses and allowances to elected members for the balance of this financial year; up until 30 June 2008.

### EXECUTIVE SUMMARY

2. Currently the remuneration pool for the elected members of the Christchurch City Council and its eight community boards has been fixed at \$1,581,844 for the 2007/08 financial year, with the Mayor's gross salary being fixed at \$156,590. This means that the amount available to be paid as remuneration for Councillors (including the Deputy Mayor) and community board members is \$1,425,254.
3. Based on the rules and principles set by the Remuneration Authority the Council is now required to determine how it proposes to allocate the pool amongst its elected members for the balance of the 2007/08 financial year and, once agreed, submit its proposal to the Remuneration Authority for approval. That approval must be given before the Council can implement its proposed remuneration structure. The proposal will cover the period between the date on which the new Council has assumed office and 30 June 2008.
4. This paper identifies five possible options for the Council to consider for its submission on a proposed remuneration structure:
  - (a) Option One: Continue the salaries of all elected member salaries at the same levels as those immediately prior to the elections.
  - (b) Option Two: Adopt the recommendation of the previous Council that would give equality in salaries among metropolitan and Banks Peninsula community board chairs, and board members.
  - (c) Option Three(a): Increase the salaries of Banks Peninsula community board chairs and members to 80% of the salaries of metropolitan board chairs and members outlined in Option One.
  - (d) Option Three(b): Increase the salaries of Banks Peninsula community board chairs and members to 80% of the salaries of metropolitan board chairs and members outlined in Option Two.
  - (d) Option Four: An increase in the salaries of Councillors and equality of remuneration among metropolitan and Banks Peninsula boards (a scenario proposed by the Remuneration Authority).
  - (e) Option Five: An increase in the salaries of Councillors and a continued differential between the metropolitan and Banks Peninsula community boards (another scenario proposed by the Remuneration Authority).

### FINANCIAL IMPLICATIONS

#### Do the Recommendations of this Report Align with 2006-16 LTCCP budgets?

5. Sufficient provision has been included in the 2007/08 Annual Plan for all elected member salaries to be continued at or about their present levels, until 30 June 2008.

## LEGAL CONSIDERATIONS

### Have you considered the legal implications of the issue under consideration?

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 2007/08 remuneration proposal (or any variation thereof) has been approved by the Remuneration Authority, it will be gazetted via the Local Government Elected Members' Determination 2007.

## ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

### Do the recommendations of this report support a level of service or project in the 2006-16 LTCCP?

7. Page 113 of the LTCCP, level of service under Democracy and Governance refers.

## ALIGNMENT WITH STRATEGIES

### Do the recommendations align with the Council's strategies?

8. Not applicable.

## CONSULTATION FULFILMENT

9. In March 2007, Community Boards were asked to express their views on the possible allocation of the 2007/08 remuneration pool following the elections. The following is a summary of the preferences indicated then by each Community Board:

Board	Deputy Mayor	Councillors	Metro CB Chair	BP CB Chairs	Metro CB members	BP CB members
Akaroa/Wairewa	92955	82261	25127	25127	15291	15291
Lyttelton/Mt Herbert	92955	82261	25127	25127	15291	15291
Burwood/Pegasus	88328	77269	35524	11308	22246	6216
Fendalton/Waimairi	No	Preference	Expressed			
Hagley/Ferrymead	88306	77250	35516	11412	22241	6273
Riccarton/Wigram	88306	77250	35516	11412	22241	6273
Shirley/Papanui	88326	77269	35524	11308	22246	6216
Spreydon/Heathcote	88306	77250	35516	11412	22241	6273

10. The Council's proposals must be received by the RA no later than Tuesday 20 November if they are to be included in the first amending determination of 20 December, otherwise the next deadline is 21 January for the second determination in mid-February.
11. In submitting its proposal to the Remuneration Authority, the Council is required to notify the Authority of:
- (i) details of any dissent at Council;
  - (ii) details of any dissent from its community boards.
12. Any person also has the ability to express any opposing views they might have on the Council's final proposal direct to the Remuneration Authority. Although there is no set closing date for the lodging of such submissions with the RA, they should be lodged as soon as possible after the Council has reached a final decision on its preferred remuneration structure, as the RA intends to deal with each application within a relatively short time-frame.

## STAFF RECOMMENDATION

It is recommended that the Council:

- (a) Adopt the salary only model as its basis of remuneration for elected members of the Christchurch City Council for the remainder of the 2007/08 financial year.

*Note: The remuneration framework requires all community board members to be paid an annual salary (ie there is no provision for the payment of meeting fees to community board members).*

- (b) Based on the recommendation of the previous Council, adopt Option Two for the allocation of the remuneration pool for the remainder of the 2007/08 financial year.
- (c) Resolve to submit to the Remuneration Authority for its approval the proposed rules and policies for the reimbursement of elected member expenses and allowances described in Appendix D of this report (attached).
- (d) Note that the Remuneration Authority must be advised of any dissent expressed by members of the Council or its community boards in relation to the Council's final proposal.

## BACKGROUND (THE ISSUES)

### Remuneration Framework

13. 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).
14. A brief summary of the remuneration framework and the rules and principles under which the Remuneration Authority works is attached as Appendix A.
15. This report has been submitted to allow the Council to consider the allocation of the 2007/08 pool for the balance of the current financial year. The Christchurch City indicative pool for 2007/08 amounts to:

Total pool	\$1,581,844
less Mayor's gross salary	\$156,590
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Nett pool available for Deputy Mayor, 12 Councillors, eight community board chairs and 32 community board members	\$1,425,254

16. 50% of the total remuneration paid to community board members and elected community board members (excluding members appointed by the Council) is paid outside the pool.
17. The pool is fixed by the Remuneration Authority relative to other councils. The factors used by the Remuneration Authority to determine the size of the remuneration pool for a territorial local authority are:
  - Population (50% weighting)
  - Expenditure (33% weighting)
  - Gross assets (17% weighting)
18. Only one salary is payable to elected members. Thus, a Councillor who serves as an appointed member of a Community Board is paid a Councillor's salary only, and receives no additional payment for serving on the Community Board.
19. Directors' fees paid to Councillors who serve as directors of Council-controlled organisations cannot be taken into account when considering Councillors' remuneration. The directors' fees paid to such Councillors reflect their service as directors of the companies concerned, rather than their role as Councillors.
20. Although the Mayor's salary is set independently 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.

### Post Elections: Interim Determination

21. The Remuneration Authority has made an interim determination which provides for the payment of the following salaries to members of the Christchurch City Council and Christchurch Community Boards in the immediate post election period:

<b>Position</b>	<b>Annual Salary</b>
Mayor	\$156,590 (less adjustment for value of car supplied)
Councillors	\$67,000
Metropolitan Community Board members	\$15,000
Banks Peninsula Community Board members	\$6,300

22. These interim salaries will apply up until the date on which the incoming Council has reached a decision on the preferred allocation of the indicative remuneration pool of \$1,581,844 and the Council's agreed proposal has been submitted to and approved by the RA. Any increases applicable (including those relating to the positions of Deputy Mayor and Community Board Chairs) can then be backdated.

### **Remuneration Principles Adopted by Previous Council**

- 23 At its 11 May 2006 meeting the Council adopted the following principles in relation to remuneration of elected members of the Christchurch City Council and its community boards:

**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 (eg 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.*

### **Decisions to be Made**

24. In preparing its proposal the Council is required to agree upon 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.
25. 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.

### **Basis of Remuneration**

26. 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.

### **Advice from the Remuneration Authority**

27. The following commentary is taken from a letter dated 1 August 2007 from the Remuneration that outlined its interim determination (as set out in paragraph 21 above), while signalling two possible approaches for the incoming Council:

*"The Authority is aware that the incoming Council and officers will face some challenges establishing a remuneration pool that brings expenditure within the indicative pool established by the Authority for the 2007/08 financial year."*

*"The Authority reiterates its previous advice that sitting representatives, having been protected from unanticipated remuneration reductions post the Christchurch City/Banks Peninsula amalgamation, must now develop a remuneration structure that reflects the respective responsibilities of elected representatives, but can be accommodated within the indicative pool".*

*“Councillors’ remuneration has been frozen since July 2005. Had normal movements applied, salary could have been expected to rise by approximately 7%. The Authority has factored in this movement (to a notional salary of \$83,450)...Having applied the Mayor’s salary and the notional councillors’ salaries to the pool, the Authority was left with a figure of approximately \$327,000 available within the pool to fund community boards. This equates to \$654,000 for community board salaries. Two principles could have been applied in allocating that pool: either a structure that reflected parity of remuneration among boards; or the current structure where two levels of salary apply.”*

28. Additional information relating to the Authority’s views on principles that could be applied is outlined below as part of the options identified.

#### **REMUNERATION STRUCTURE: THE OPTIONS**

29. Five options, a financial summary of which is provided in Appendix B attached to this report, have been identified for the remuneration structure for the remainder of 2007/08:

**Option One:** Continue the salaries of all elected member salaries at the same levels as those immediately prior to the elections.

*(Note: minor adjustments have been made to figures adopted by the previous Council, to ensure the available pool is not exceeded. These have been a minor reduction of 0.18% off each role).*

**Option Two:** Adopt the recommendation of the previous Council for this Council to consider a remuneration structure that would effectively give equality in salaries among metropolitan and Banks Peninsula community board chairs, and board members.

**Option Three: (a)** Increase the salaries of Banks Peninsula community board chairs and members to 80% of the salaries of metropolitan board chairs and members outlined in Option One. This would lessen the differential between the boards while giving some recognition to factors such as the larger population size within metropolitan community board areas.

**Option Three: (b)** Increase the salaries of Banks Peninsula community board chairs and members to 80% of the salaries of metropolitan board chairs and members outlined in Option Two. This would also lessen the differential between the boards while giving some recognition to factors such as the larger population size within metropolitan community board areas.

**Option Four:** An increase in the salaries of Councillors, and equality of remuneration among metropolitan and Banks Peninsula boards. This is Scenario 1 proposed by the Remuneration Authority. In comparison to the salaries applicable prior to the elections, councillor salaries and Banks Peninsula community board salaries would increase, and metropolitan community board salaries would decrease.

**Option Five:** An increase in the salaries of Councillors and a continued differential between the metropolitan and Banks Peninsula community boards. This is Scenario 2 proposed by the Remuneration Authority. In comparison to the salaries applicable prior to the elections, Councillor salaries and Banks Peninsula community board salaries would increase, and metropolitan community board salaries would decrease – though these increases and decreases would not be as substantial as those under Option Four.

30. While this Council is not bound by the remuneration principles adopted by the previous Council, as outlined in paragraph 23, it should be noted that Options Two and Four most closely meet those principles.

## ELECTED MEMBERS' EXPENSES AND ALLOWANCES

31. As part of its remuneration proposal the Council is also required to seek the Remuneration Authority's approval for the allowances and expenses proposed to be paid to elected members.
32. In July 2007 the Authority declined to approve the previous Council's proposal for the provision of broadband connections for Community Board members as well as Board Chairs. In August 2007 the Council resolved to request the Authority to reconsider its stance on that matter, as well as the views expressed by the Authority that in the new term the reimbursement of actual communications expenses would be more appropriate than payment of a communications allowance. Excerpts from a letter to the Authority from the Chief Executive relating to the broadband issue are as follows:

*"Your letter states that it is the Authority's view that "access to broadband is increasingly a normal household cost, which should not be reimbursed in full unless it is to facilitate a connection that is explicitly dedicated to Council business."*

*The Council does not share this view. It is not so much an issue about the cost, rather, it is about what is an appropriate service for dealing with the work that elected members carry out.*

*In Christchurch, the paper flow for Community Board members is similar to that of Councillors. Community Board members often attend and participate in the same meetings that Councillors do, such as seminars and portfolio group meetings. Community Boards can often be represented on committees or working parties considering complex issues affecting the whole city, for example, a subcommittee has been established for the purpose of the Bylaw Review, and all Boards are represented on that subcommittee. Many of the issues discussed at these meetings require lengthy reports, often with a range of data, photos and graphics. Those elected members without broadband find the length of time needed to download these files both unhelpful and frustrating.*

*In the 21<sup>st</sup> century, electronic communication by email is an essential tool for business purposes, particularly for Councils that comprise rural or a mix of urban and rural communities. Different postal service delivery timeframes for elected members often necessitate agendas and papers being sent out by email as well as by post. The Banks Peninsula ward is on a rural delivery postal service, which can cause delays for mail to be delivered (mail sent out on a Thursday afternoon often does not get delivered until a Tuesday morning, or later). Elected members on the Peninsula are therefore at a disadvantage compared to their city based colleagues, who receive papers earlier.*

*Access to broadband also assists Community Board members in the Banks Peninsula ward to communicate with each other without incurring toll call charges being involved.*

*To conclude, a dedicated broadband connection, with the Council meeting all the costs of an appropriate mid-level plan, is highly desirable for all elected members of the Christchurch City Council and its Community Boards."*

33. The Authority's response is attached as Appendix C. In summary, the Authority has indicated that:
- (a) Its guidelines envisage only partial reimbursement of broadband costs, except where volumes and confidentiality require that a dedicated line is provided.
  - (b) The use of allowances in lieu of reimbursement should be fully costed and justified to support any policies coming forward in the new term.
34. If the newly elected Council is still supportive of the provision of broadband connections to community board members, staff recommend that the Council request the Authority to once again reconsider its stance on that issue. The proposed schedule of expenses and allowances attached as Appendix D includes provision for elected members to claim reimbursement for a broadband connection.

## ELECTED MEMBER TRAVEL AND CONFERENCE ATTENDANCE

35. The Council is also requested to identify its preferred mechanism for the granting of approval for travel and conference attendance by the Mayor, Councillors and Community Board members. Following the 2004 elections, the previous Council appointed a Subcommittee comprising the Deputy Mayor and three other Councillors, with the following terms of reference and delegations:

### ***Terms of Reference/Delegations***

1. *Approval of actual and reasonable registration, travel, accommodation, meal and related incidental expenses incurred by members in attendance at conferences, courses, seminars and training programmes or such other matters as resolved by the Council, held both within New Zealand and overseas, provided:*
    - *The related expenditure can be accommodated within existing budgets*
    - *The major subject of the event (conference, course, seminar or training programme etc), is of significant relevance to the Council, and includes a significant policy/governance content*
    - *Attendance at the event is relevant for obtaining an understanding of policies and initiatives taken by other local authorities relevant to the Council's activities*
    - *In selecting which members should attend the event, preference is given to those members who have a responsibility for or who take a lead on the issues which the event is related to*
  2. *Approval of actual and reasonable travel, accommodation, meal and related incidental expenses proposed to be incurred by Mrs Yvonne Palmer for purposes associated with her current position as Chairperson of the NZ Community Board's Executive Committee."*
36. The foregoing subcommittee was empowered to grant approval for such travel or conference attendance by the Mayor, Deputy Mayor and Councillors. In the case of community board chairs and members, the prior approval of the relevant community board was required.
37. Rather than reappointing this subcommittee, feedback from the Mayor is that alternative arrangements should be established. Revised procedures are set out in clause 6.6 of Appendix D. This provides (inter alia) for the allocation of a discretionary sum of \$4,000 for each Councillor, and simplified rules relating to travel by the Mayor.