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## 21. REVIEW OF LOCAL AUTHORITY REMUNERATION SETTING



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**PURPOSE OF REPORT**

1. This report seeks the views of the Council on a discussion document circulated by the Remuneration Authority (RA) regarding the review of how remuneration is set for members of local authorities.

**EXECUTIVE SUMMARY**

2. The current system for determining remuneration for elected members (excluding the Mayor) of local authorities has been in place since 2002. Each year the RA allocates, on a points basis after considering population/expenditure/assets, a remuneration pool for each local authority. The RA makes the final decision on how that pool should be allocated among elected members after first considering recommendations from local authorities.
3. The RA is seeking feedback by 10 November 2011 from elected members – councils and community boards – on two possible options for changing the current system:
  - (a) an amended pool approach; similar to the current system in that local authorities would still recommend the allocation of their remuneration pool, but different in that the size of that pool would be reached through a different methodology; and
  - (b) a specified salary approach; quite different to the current system in that the RA would set the base salary for each type of position in each local authority, a process in which local authorities would have no recommendatory role.
4. These two options do not cover the salary of Mayors/Regional Chairs, which are set by a different process. After feedback is received on its discussion document, the RA will prepare a final proposal for further consultation with local authorities. Local Government New Zealand has established a working party to consider the RA's discussion document, which has provided some guidance/commentary for local authorities in considering this issue.

**FINANCIAL IMPLICATIONS****Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?**

5. Not applicable.

**LEGAL CONSIDERATIONS****Have you considered the legal implications of the issue under consideration?**

6. Yes. There are no legal implications arising from the Council providing feedback on the RA's discussion document on remuneration setting. Any future decisions of the RA to change the remuneration setting process are likely to require legislative changes and the Council will be informed accordingly.

**ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS****Do the recommendations of this report support a level of service or project in the 2009-19 LTCCP?**

7. Not applicable

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### ALIGNMENT WITH STRATEGIES

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

8. Not applicable

### CONSULTATION FULFILMENT

9. No public consultation is required. Each of the Council's eight Community Boards has received copies of the discussion document, and has had workshops on its contents. It is up to each Board to decide whether it wishes to provide feedback to the RA.

### STAFF RECOMMENDATION

It is recommended that the Council:

- (a) Notes the possible options put forward by the Remuneration Authority for changing how remuneration is set for members of local authorities
- (b) Decides whether it wishes to provide feedback to the Remuneration Authority on those options, and if so, whether it wishes to support/provide comment on the Local Government New Zealand working party comments outlined in **Attachment One**.

### BACKGROUND (THE ISSUES)

#### Current System for Determining Remuneration

10. The current system for determining remuneration for elected members of local authorities has been in place since 2002. In summary:
- (a) Each year the RA sets a national pool for remuneration in the local government sector as a whole
  - (b) Then the RA assesses which share of that pool each local authority should have. In doing so the RA takes into account population, expenses, and net assets of each. Points are allocated using weights for each as follows: population (50 per cent), expenses (33 per cent), net assets (17 per cent).
  - (c) Individual pools are advised to each local authority, which then makes recommendations to the RA for allocating the pool between groups of elected member positions (e.g. councillor, community board member)
  - (d) Half of community board salaries must be met from this pool
  - (e) Local authorities can have a salary only model (which is the case for Christchurch City Council), or a salary plus meeting fees model (note: in the case of the latter, no meeting fees are permitted for community boards).
11. The salary for Mayors/Regional Chairs has been excluded from remuneration pools since 2010, and is set by a separate process.

#### RA Discussion Document for Review of Current System

12. The RA is aware of some concerns from local authorities around the country with the current system, which include a perceived lack of equity in what elected members earn between councils of similar size, and difficulties in maintaining relativities between councils. This includes there being no universal delegation or representational guidelines for community boards, and the RA has no knowledge of levels of delegation or responsibilities for individual community boards.

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13. The RA has circulated a discussion document (**separately circulated**) to all local authorities inviting comment on a range of issues, specifically two options for adopting a new system:
  - a) an amended pool approach, or
  - b) a specified salary approach.
14. Salaries for Mayors/Regional Chairs are not covered by either of these options; the RA has signalled that it is comfortable with a revised system established in 2010 for those roles.
15. After receiving feedback from local government on the options outlined in its discussion document, the RA will prepare a final proposal for consultation with local authorities, with the final decisions to be made by the RA.
16. To assist local authorities with responding to the discussion document, a Local Government New Zealand (LGNZ) working party (**also separately circulated**) has also provided some commentary on the document, which outlines possible advantages and downsides of the two options.

### **Option One: Amended Pool Approach**

17. This option is similar to the current approach, though with some changes.
18. First, a national remuneration pool would no longer exist. The RA would determine, for each authority, either: a) a single pool, or b) one pool for councillors and one for community board members.
19. The key would be to ensure how a pool(s) reflects the extent and complexity of a council's business. This would be achieved by ranking councils by "size" and adopting a points formula, with each council having a number of points allocated to it:
  - a) A sample of councils would be job sized. A points formula (e.g. based on population, expenses etc) would be developed to apply to each sample council of the same size, and then be applied to all councils.
  - b) In order to determine a fair pool size in relation to points allocated to a council, an elected member's job is sized and multiplied by the number of councillors (and a margin is added for additional responsibilities).
  - c) All information in a) and b) above would be taken into account for calculations to determine individual council pools.
20. Councils then recommend the allocation of their pool(s) to the RA. Under this option, the RA may set minimum councillor salaries and/or specify standard councillor positions
21. Advantages of this amended pool approach as noted by the RA and/or the LGNZ working party are:
  - a) Councils having the freedom to develop their own governance arrangements and pay elected members accordingly.
  - b) Having a separate pool for each council should remove the issue of some growing faster than others and taking a bigger proportion of the national pool.

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22. Any downsides could be:
- a) The time taken for new councils post election to decide their governance and thus remuneration requirements
  - b) The perception held by some in the community that elected members are involved with deciding their own remuneration
  - c) Ongoing administration is more complex and time consuming for the RA.

***Option Two: Specified Salary Approach***

23. Under this option, the RA would set a base salary for each type of position in each local authority, and a similar approach would be taken with regard to community board positions.
- a) When setting a base salary for councillors, it would be estimated on relative council size. The RA notes research to date has indicated there are about three different job sizes across all local authorities, and the proportion of full time worked ranges from 20 per cent to 80 per cent (equivalent to four days a week on average). Relativities between councils (job size and proportion full time) would need to be determined.
  - b) When setting a base salary for Community Board members, the RA would be likely to take into account the population base of the Community Board and the level of delegation to the Board.
  - c) An additional small pool could be allocated to enable each council to pay additional salaries for additional responsibilities (e.g. district plan reviews). This additional pool would likely be based on a fixed percentage of the total of the base councillor and community board member salaries. The RA would determine the allocation of this small pool after submissions from Councils.
24. Advantages of this salary approach noted by the RA and/or the LGNZ working party are:
- a) The certainty of income immediately after election
  - b) Once relativities are determined, the system should be less complex than the pool approach.
  - c) Perceived greater fairness between councils.
  - d) Councillors with similar job sizes would be paid the same
  - e) Community Board members' pay may be fairer.
25. Any downsides could be:
- a) The difficult of developing a system that reflects the diversity of local authorities' governance arrangements. This approach would remove some ability for councils to arrange their salaries and positions to best meet their particular circumstances.
  - b) The RA would need to job-size more positions and to assess the proportion to which those positions are full time. There would be some complexity for the RA to distinguish between, for example, committee chairs with wide delegations and those with no delegations, or community boards with wide powers and those with none.

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**Feedback Sought on Options**

26. Feedback on the Remuneration Authority's discussion document is required by 10 November 2011. The key issue for feedback is: which approach do Councils and Community Boards prefer; the amended pool option or the specified salary option?
27. To assist Councils with working through the issues the LGNZ working party's paper provides some preliminary views. **Attachment One** outlines the LGNZ thinking on key issues in the RA discussion document, and the Council may wish to consider whether it wishes to support the LGNZ comments, or amend them depending on the preferred option.
28. Community Boards have had seminars on the topic and have been considering whether to provide feedback at individual Board level, or at Community Board Chair level (i.e. a joint Board Chair submission). At the time of writing this report, these views are not known but will be reported to the Council when available.