

## **Report 99.573**

4 October 1999

File: E/5/2/3

Report to the Policy and Finance Committee  
From: Lloyd Bezett, Policy Analyst, Council Secretariat

### **Elected Members' Remuneration Submission**

#### **1. Purpose**

To consider a draft submission on the Department of Internal Affairs discussion document, *Local Authority Elected Members' Remuneration*.

#### **2. Background and Comment**

Council, at its meeting on 21 September authorised the creation of a Working Group of five Councillors to draft a submission.

Councillors were circulated the following document to assist in the discussion:

- Department of Internal Affairs discussion document, *Local Authority Elected Members' Remuneration*
- Local Government New Zealand submission, *A New Remuneration System for Elected Members*
- Local Government Forum working paper, *Local Government: Role and Remuneration of Elected Members*
- WRC 1998 submission on elected members' remuneration
- WCC paper, *Local Authority Elected Members' Remuneration: Call for Submissions*

In addition, the Working Party also considered personal submissions from Councillors Gibson and McDavitt.

The Working Party met on Thursday, 29 September to discuss the approach to be taken in the Council's submission. While not unanimous, the Working Party did agree that the submission address the following issues:

- Recognition of the perceived short-comings of the current system of remuneration
- Need for a system that both attracts suitable candidates and rewards councillors for the work done
- Recognition of the community service element of being an elected member
- Support for a meeting attendance allowance component to remuneration, but at a lower level.
- Support for a two tiered job evaluation process. The Higher Salaries Commission to define appropriate parameters and act as auditor – each council to engage independent agencies to determine remuneration levels for its own members based on job sizing.
- Support for a new Ministerial determination in the meantime, overturning the “nil” determination earlier this year.

#### 4. Recommendation

*That the Council approve the attached submission to the Department of Internal Affairs on the remuneration of elected members.*

Report prepared by

Approved by

LLOYD BEZETT  
Policy Analyst  
Council Secretariat

TED MAGUIRE  
Council Secretary

#### Attachment

Submission on *Local Authority Elected Members' Remuneration*

## **Submission on** *Local Authority Elected Members' Remuneration*

### **Methods of Remuneration**

There is clear feeling in local government the current remuneration arrangements are unsatisfactory and provide the wrong incentives. The problems have been described as:

- The use of population bands which fail to recognise the role, scale, activities and physical characteristics of individual local authorities
- The politicisation of the remuneration issue
- Remuneration levels acting as a disincentive to becoming involved in local government
- Failure to take account of the special requirements of the job
- Incentives to hold more meetings than may be necessary

### **Role and Responsibilities of Elected Members**

The Local Government New Zealand submission rightly identifies that the job of an elected member has grown over the ten years since local government reform. These changes have affected the skills, knowledge and experience needed by elected members. Strategic thinking and the ability to plan for the long-term costs to communities have become more important. A remuneration system should recognise these skills and encourage people with these abilities to participate in local government.

The increase in the complexity of issues and the range of functions undertaken by local government mean that the role of councillor is becoming a full-time job (particularly for mayors, council chairmen and committee chairpersons). The incompatibility with full-time employment may have a decided impact on willingness to stand.

While the Wellington Regional Council supports the traditional view that being an elected member involves an element of community services, an effective remuneration system should also adequately reward elected members for the commitment they have taken on.

There is very little financial security in the position of an elected member and this works against attracting the widest possible range of people from the community from putting their names forward. Members of Parliament have the security of a generous superannuation scheme and other benefits that are not available in local government. Only those persons who are in a position to take risks with their financial security tend to put their names forward. An examination of this Council (and many others) will show predominance of retired or self-employed councillors. It has been argued that if the salary is set at a sufficiently high level the present disincentive for professional and business people to become involved in local government could be removed.

## **Representative Role**

It should also be recognised that there is a conflict in the drive to attract more qualified candidates. One of the stated objectives of the reform of local government carried out in 1989 was councils, in their membership, reflecting the communities that elect them. It was hoped that more women, Maori, other ethnic communities and young people would stand for election. While there is a need to attract skilled candidates, elected members may also fulfil a representative role. A highly qualified council may not necessarily be representative of the community they serve.

## **Remuneration Structure**

### **Base Salary Only**

The Council opposes a move to a base salary only (i.e. no meeting attendance allowance). This would be simple to maintain and provide no incentive, as suggested in other councils, for excessive numbers of meetings. Councillors would receive a regular income without seasonal fluctuations. In periods with few meetings there would be greater certainty of remuneration and this may encourage a wider range of people to stand for councils.

However, the Council considers that the public expect there to be a link between attendance and councillors remuneration. There may also be a negative reaction to what would appear to be a substantial increase in payments to councillors.

### **Salary with reduced Attendance Allowance**

The Council supports a “liveable” base salary with a reduced attendance component. This has the advantage that it gives reward for both non-meeting work (e.g. preparation) and attendance at meetings. Specific time commitment at meetings by councillors is recognised and public perceptions on this point satisfied.

A perceived shortcoming of any remuneration system that includes meeting attendance is that it has the potential to be abused by brief or non-contributory attendance at meetings. It requires that a council exercise good discipline about scheduling of meetings to ensure that meetings and subcommittees do not proliferate purely to facilitate councillors being paid more attendance allowance.

It is appropriate that the base salary be higher than it is at present, with an attendance allowance set at a lower level. This would go some way to negate any incentive to hold unnecessary meetings. The lower meeting attendance might also provide less incentive for brief or non-contributory attendance, in order to qualify for an allowance, than the current higher level. The Council considers that while a standard meeting attendance allowance across all local government is appropriate, the level suggested in the Discussion Document (\$40) is too low.

## **Method of Evaluation**

The Wellington Regional Council strongly opposes continuing a system of Ministerial Determination of elected members' remuneration. The Council supports a comprehensive job evaluation process, which would do away with the need for bands altogether. Bands of the sort currently used are inappropriate and inadequate – they do not adequately reflect the different statutory functions, and therefore workload, of individual councils. A different approach to the setting of elected members' remuneration is required, rather than a tinkering with the current method.

The approach favoured provides flexibility for local authorities to set remuneration levels which reflect local circumstances, while providing appropriate accountability mechanisms. Ideally an independent body (such as a special division of the Higher Salaries Commission) with knowledge of local government would develop a consistent process for the evaluation of elected members' remuneration which allows for local choice within defined parameters, and then monitors and/or audits councils on compliance.

Individual councils would then employ an independent professional agency to evaluate the job size of elected members, adjusted for local conditions. The Wellington Regional Council currently uses this approach and employs Deloitte Touche Tomatsu to conduct a review following each Ministerial Determination. This job sizing could look at the workload of individual elected members or particular offices held. If sufficiently flexible the evaluation system could take account of the geography of some local authorities, and the long distances some councillors must travel to attend meetings. It should be noted that this Council's use of a job evaluation system has significantly depoliticised a very emotive subject.

However, it should be recognised that a job evaluation system that examines an individual workload creates its own incentives:

- Subcommittees can proliferate as a way of inflating councillors' responsibilities, and
- Appointment on outside organisations may be fought over.

No remuneration system is perfect and will always involve some element of political risk. However, concern over potential abuses of a system of remuneration should not be allowed to dominate its design.

## **Issues Outstanding**

### **Defining the Role of Elected Members**

One of the reasons that there is a large variation in the responsibilities undertaken by elected members is that local authorities have different views on the role of elected members and where the line between governance and management should be drawn. A more complete definition of the role of elected members, particularly their dual roles of governance and representation, may be beneficial.

## **Resource Consent Hearings**

It is recognised that those councillors with regular responsibilities for resource management functions have a higher workload than the typical councillor and a remuneration system should be able to take this into account. At present elected members may only receive a daily meeting attendance allowance for such work. This is in recognition that, while exercising a quasi-judicial function, they are also acting as representatives of the local community. Outside commissioners are commonly paid an hourly fee, with daily earnings well in excess of what can be paid to councillors in the same role.

A job evaluation process may be able to reflect the added responsibility and workload of councillors who hear resource consents. However, an alternative approach would be to pay councillors an hourly rate at half the rate paid to commissioners. This would reflect the dual role they fulfil. It would be necessary to remove the ability to claim meeting attendance allowance for resource consent hearing if this approach was adopted.

## **Expenses**

If councillors are to be considered as self-employed for tax purposes, then it is necessary that they be able to claim for expenses. The reimbursement of travel expenses should continue, with the ability to reflect the actual costs incurred. Other expenses (e.g. telephone and facsimile) can be legitimately claimed against income tax as “business expenses”.

## **Continuance of Salary**

Wellington Regional Council notes that Members of Parliament are entitled to a continuance of salary for a period of three months, should they retire or fail to be re-elected. This provides financial security during a period of transition and recognises that, unlike an employee, there is no security of tenure. The Council considers that the same principle should apply in local government and that elected members should be entitled to their base salary for a period after their retirement or defeat.

## **New Ministerial Determination**

In the meantime, the Council urges the Minister of Local Government to reconsider his decision not to issue a new Determination for elected member remuneration. The Minister’s decision will only delay the adjustment of elected members’ remuneration and emphasises the need for a system free from political interference.

## **Superannuation**

While the Wellington Regional Council supports elected members continuing to be self employed, consideration should be given to providing councillors with the opportunity for subsidised superannuation. A parallel can be drawn with Members of Parliament.

File: E/5/2/3

15 December 2004

Richard Marshall  
Policy Group  
Department of Internal Affairs  
PO Box 805  
WELLINGTON

Dear Richard Marshall

**Submission on *Local Authority Elected Members' Remuneration***

Attached for your attention is a copy of the Wellington Regional Council's submission on the above discussion document.

Thank you again for allowing us this short extension of time.

Your sincerely

LLOYD BEZETT  
Policy Analyst, Council Secretariat