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**Committee** Policy, Finance and Strategy  
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## Remuneration of Elected Members

### 1. Purpose

To adopted a remuneration proposal for submission to the Higher Salaries Commission.

### 2. Background

In December 2001 the Higher Salaries Commission assumed responsibility for determining remuneration for elected members of local government. Prior to this time remuneration was set by the Minister of Local Government.

Remuneration is set in accordance with the provisions of the Local Government Act 1974. The provisions in this Act are replaced by those in the Local Government Act 2002, with effect from 1 July 2003. Essentially there is little change from a legislative perspective, although from 1 April 2003 the Higher Salaries Commission will become the Remuneration Authority.

The current determination governing elected members' remuneration is the Local Government (Local Authorities Salaries and Allowances) Determination 2001, effective from 16 February 2001. This determination was the final made by the Minister and sets the maximum remuneration payable in terms of both annual salary and daily meeting allowances. Current Council policy is to pay at the maximum rates.

The Higher Salaries Commission has for some time been developing a new remuneration framework. The Commission have issued a number of discussion documents and sought submissions and other input from local authorities.

In December 2002 the Commission issued a proposed remuneration framework including the allocation of an indicative remuneration pool for each local authority. The proposal is included as **Attachment 1** to this report.

### 3. Decisions to be made by the Council

The Commission has asked each local authority to advise them whether:

- they wish to remain with the present conditions of remuneration and expenses until the date of the next local body elections; or
- they wish to adopt the new remuneration and expenses basis to be determined by the Commission to come into effect from 1 July 2003.

The Commission has also asked for a copy of the proposed rules for recovery of expenses by elected members.

The required information must be supplied by 10 March 2003. The Commission will then consider and review the recommendations made and will, in due course, make a determination.

#### **4. Should the Council adopt the new basis for remuneration?**

The Higher Salaries Commission has taken a long time to set a basis for determining the remuneration of elected members. In setting an indicative remuneration pool for the Council and the salary of the Chairperson, they have essentially provided what they consider to be a market worth of the collective council and the position of Chairperson.

The Commission has been clear that it is trying to remove politics from the remuneration of elected members, and believes that members should receive the remuneration as determined by the Commission. In addressing the proposition that a council takes less than the recommended pool, the Commission had this to say:

*No, because the HSC wishes to depoliticise the process and to avoid embarrassment for members who may want or need this level of remuneration. However, if individual members of the council feel strongly there is no objection to their receiving the remuneration and, after paying tax on it, returning the balance to the council.*

We strongly support the position of the Commission and recommend that the Council adopt the proposed remuneration pool. The question facing Councillors is how to allocate the pool in a fair and equitable manner.

If any Councillor does not wish to accept an increase in remuneration, we recommend that they follow the Commission's advice and either return a portion of their remuneration to the Council or donate it to charity.

#### **5. A proposed basis of remuneration**

If the Council agrees to adopt the new remuneration regime, it must determine the way in which the pool, minus the Chairperson's salary, is split up between the remaining councillors. The Commission has asked that the Council submit the basis for this allocation, which may be by way of salary only or by way of salary and meeting allowances. In any case, the collective remuneration must not exceed the pool.

We recommend that the Council adopt a salary only option. The reasons for this are:

- It provides a remuneration that better reflects the totality of the role of an elected member. Attendance at meetings is not a good indicator of workload. Liaising with the community, advocacy and keeping up-to-speed with council and government matters are more time consuming than meetings.
- It provides a fixed and pre-determined basis for allocating the remuneration pool, thereby avoiding the uncertainty associated with predicting the number of meetings that will occur in a particular year. While the Commission has made some provisions for transferring “unspent” meeting allowances to the next year, there would still be a possibility that the budget for meeting allowances was exceeded part way through a year. In this case, no further meeting allowances could be paid until the next year. Certainly there will be no “cushion” in the first year of the new regime.
- It removes the need to specify the circumstances when a meeting fee is payable and then to make on-going determinations.
- It removes the current anomalies that arise because a meeting fee is paid for attendance, irrespective of the duration of the meeting or of the attendance.
- It removes any perception by the public that Councillors hold more meetings than necessary to boost their income.
- It is simple to administer.

## **6. Previous job evaluation**

In the past the Council employed a job evaluation process to determine the market value of the various councillor positions. Deloitte Touche Tohmatsu conducted the evaluation process and the results have been used as a basis to determine a proposed allocation of the pool.

## **7. Proposed remuneration levels**

Recommended remuneration levels have been determined for three positions - Deputy Chairman of the Council, Committee Chairpersons and Councillors. The proposed allocations are based on the positions, not on the people filling these positions at the current time.

Setting an allocation of the pool is a difficult and sensitive task for Councillors. It is necessary to take a forward-looking view and ensure that the allocation split is fair and equitable. Setting remuneration from a pool makes things more complex as any change to one position affects all other positions.

The allocation being recommended is based on a time weighting of 0.8 for the Deputy Chairperson and Committee Chairpersons, and 0.6 for a Councillor. This figure comes from the Deloitte evaluation. An additional job weighting of 1.2 for the Deputy Chairperson, 1.15 for Committee Chairpersons and 1.00 for

a Councillor is then applied to derive workload points using a procedure set out by the Higher Salaries Commission. The workload points determine the remuneration from the pool.

The additional job weightings are based on the Deloitte evaluation with a value based adjustment to produce a result that looks fairest for all positions.

The resulting remuneration levels being recommended are:

- Deputy Chairperson of the Council - \$65,218
- Committee Chairpersons - \$62,500
- Councillors - \$40,761

The spreadsheet showing the calculation is included as **Attachment 2** to this Report.

## **8. Leave of absence**

If the Council adopts the salary only option of remuneration, it must decide how to deal with leave of absence. The Council could, for example, decide to withhold remuneration if a Councillor is absent for a set period of time. In this case, it would have to allow for variations between years with perhaps some balancing out in the final year of the triennium. Alternatively the Council could elect to make no deduction and provide guidance as to what is fair and reasonable in the code of conduct that must be developed under the Local Government Act 2002.

It is likely that the Higher Salaries Commission will expect the Council to have at least considered this issue when developing their policy on remuneration. A decision on how to deal with it will have to be made at the meeting.

In any considerations about leave of absence it should be remembered that apart from the Council Chairperson, all positions are regarded as part-time.

## **9. Chairperson's car**

The Council has always supplied a vehicle for use by the Chairperson of the Council and it is proposed that this practise continue. The Higher Salaries Commission has indicated that if the vehicle is to be available for private use it will reduce the remuneration of the Chairperson by a percentage of the cost of the car. The Chairperson of the Council has indicated that she wishes to have private use of the vehicle. It is recommended that the Council propose to the Commission that 12% of the cost of the vehicle (inclusive of GST) be deducted from the Chairperson's salary. This is the figure indicated in the Commission's proposal for the Chair of a region.

## **10. Allowances and expenses**

A proposed policy on elected members' allowances and expenses is included as **Attachment 3** to this Report. The policy is based on the current policy of

the Council and on input received from Councillors via the Council Chairperson. A key factor underlying the proposed policy is administrative efficiency. This is reflected by the provision of a number of standard allowances. Information gained from the Deloitte Touche Tohmatsu Public Sector Remuneration Report, March 2002, identified a general theme across the Public Sector of 'cashing up' of employee benefits, and the proposed policy is in line with this trend.

It is recommended that the Council adopt the proposed policy for submission to the Commission.

#### **11. Remuneration of appointees etc.**

At present appointees to Council committees and sub-committees and Iwi representatives on Ara Tahi are paid a daily meeting allowance and mileage. These positions will not be covered by the determination of the Higher Salaries Commission. It is recommended that the Council continue to pay the current daily meeting allowance. With respect to mileage, the Council must determine whether to pay at existing rates or to increase payments in line with the Higher Salaries Commission determination for elected members.

#### **12. Statutory hearings**

The Higher Salaries Commission has indicated that it will set the remuneration for statutory hearings and that this is likely to be \$60 per hour. Essentially this covers resource consent hearings and the Commission will set the rules about how this is applied. For example, preparation time will not be included. A key point is that the remuneration for statutory hearings does not come out of the Council's remuneration pool.

#### **13. Summary points to remember**

- The indicative remuneration pool represents an 11% increase on the pool from the last calendar year
- Councillors must decide how to allocate the pool – there is no leeway to move the pool upwards or downwards
- A policy on remuneration and expenses must be adopted and forwarded to the Higher Salaries Commission for approval
- The Higher Salary Commission must be advised of the Council's decision by 10 March
- Payments for statutory hearings are outside the pool
- Allowances are also outside the pool and as proposed include:
  - An increased travel allowance to compensate for time as well as cost
  - New allowances for phones, mobile phones and computers

- The Council can elect to remain on the current remuneration, including allowances and expenses, until the next election.

#### **14. Communication**

The Council's decisions will be communicated to the Higher Salaries Commission.

#### **15. Recommendations**

*That the Committee recommends to Council:*

1. *That it adopts the new remuneration and expenses basis to be determined by the Commission to come into effect from 1 July 2003.*
2. *That the new remuneration regime be based on salary only with no meeting fees.*
3. *That the following annual salaries be paid:*
  - *Council Deputy Chairperson \$65,218*
  - *Committee Chairpersons \$62,500*
  - *Councillors \$40,761*
4. *That it include guidance in the Code of Conduct to be developed under the Local Government Act 2002 on expectations for Councillors' attendance at meetings, availability to the public, and general performance of the role of an elected local authority representative.*
5. *That it propose to the Higher Salaries Commission that 12% of the cost of the Chairperson's car, inclusive of GST, be deducted from the Chairperson's salary to allow for the private use of a motor vehicle.*
6. *That it adopts the Proposed Policy on Elected Members' Allowances and Expenses – Greater Wellington Regional Council included as Attachment 3 to the Report.*
7. *That it continues to pay Appointed Members and Iwi representatives on Ara Tahi daily meeting allowances at the current rate and that from 1 July 2003 it pay them mileage rates at the same rate approved for Councillors by the Higher Salaries Commission.*
8. *That it note that the Higher Salaries Commission will set the remuneration for statutory hearings and that this is likely to be \$60 per hour.*

Report prepared by:

Report approved by:

**Wayne Hastie**  
Council Secretary

**Cr Margaret Shields**  
Chairperson

- Attachment 1: Higher Salaries Commission letter dated 18 December 2002**
- Attachment 2: Spreadsheet of proposed remuneration levels**
- Attachment 3: Proposed policy on elected members allowances and expenses**