

REPORT 4
(1215/52/IM)

SUBMISSION - REVIEW OF LOCAL AUTHORITY REMUNERATION SETTING

1. Purpose of Report

To seek the Committee's approval to the Council's draft submission (attached as Appendix 1) on the Remuneration Authority's Discussion Document 'Review of Local Authority Remuneration Setting'.

2. Recommendations

Officers recommend that the Strategy and Policy Committee:

- 1. Receive the information.*
- 2. Agree to the Council's draft submission (attached as Appendix 1) in response to the Remuneration Authority's Discussion Document 'Review of Local Authority Remuneration Setting.'*
- 3. Delegate to the Chief Executive and the Governance Portfolio Leader the authority to make any editorial changes to the draft submission and any changes required as a result of decisions of the committee.*

3. Background

The current system of setting remuneration for local authority elected members was established by the Remuneration Authority in 2001/2002 after consultation with local authority representatives. Apart from the changes which were introduced this year, on the way in which the remuneration rates for Mayor's and Chairs (of Regional Councils) are now set, the pool system has remained relatively unchanged for the past 10 years.

The Remuneration Authority indicated earlier this year that it was planning to undertake some broader work in the area of council/community board remuneration, with the view to any changes being implemented in 2012/2013.

A discussion document has now been released by the Remuneration Authority in order to facilitate a review of how the Authority goes about setting remuneration for elected members of local authorities in a way that meets the requirements of both the Local Government Act and the Remuneration Authority Act.

The discussion document:

1. Examines the need for a review
2. Outlines the expected consultation process
3. Sets out a timetable for the review
4. Outlines historic and current processes for setting residual pools for local authorities, noting any issues
5. Outlines historic and current processes for setting remuneration for Mayors of Territorial and Unitary Councils and Chairs of Regional Councils, noting any issues
6. Explains two broad options for future determinations of remuneration for elected members (excluding Mayors and Chairs) with high-level pros and cons for each option
7. Examines in more detail each option, including possible ways of implementing each
8. Outlines inputs which would be helpful from local government representatives.

Local Government New Zealand (LGNZ) has also released a background paper, outlining their initial thinking on issues raised in the discussion document, in an endeavour to assist local authorities in making their submissions.

Submissions on the discussion document close on Thursday 10 November 2011.

The expectation is that a final proposal will be prepared following this consultation and the final decision will be made by the Remuneration Authority.

4. Discussion

4.1 *Problems with the current system*

The current pool system has been in place for approximately 10 years and, in comparison to the previous approach where the salaries were set by the Minister of Local Government, it has provided councils with considerably more discretion when setting elected members' remuneration.

However, over time this system has experienced a number of problems which have been identified by the Authority itself, for example:

- Lack of equity in what elected members earn between councils of a similar size
- Problems created by the decision that half community board salaries should come from the councillors' pool
- Difficulties in maintaining relativities between councils
- Problems with the interim period following each election and the time taken to gazette remuneration schemes

To address these problems the Remuneration Authority has developed two options on which it is seeking the sector's views, namely an amended pool option and the option of specified salaries.

4.2 Pool or specified salary?

Advantages with the pool model:

The primary advantage of the pool model for councils is in having the freedom to develop bespoke governance arrangements and pay elected members accordingly.

There are however some downsides:

- 1 the time taken for new councils post elections to decide their governance and thus remuneration requirements
- 2 the perception held by some in the community that elected members are deciding their own remuneration
- 3 ongoing administration is more complex and time consuming for the Remuneration Authority.

Advantages of the specified salary model

- 1 Certainty of income immediately after election
- 2 Once relativities are determined the system should be less complex than the pool.

Disadvantages arise from the difficulty of developing a system that reflects the diversity of local government's governance arrangements. It is a complex task for the Remuneration Authority to distinguish between committee chairs with wide delegations and those with no delegations, or community boards with wide powers and those with none.

4.3 Consultation and Engagement

No consultation has taken place with external parties.

4.4 Financial Considerations

There are no direct financial implications resulting from the preparation of this submission.

4.5 Climate Change Impacts and Considerations

There are no climate change implications.

4.6 Long-Term Council Community Plan Considerations

There are no direct LTCCP implications.

5. Conclusion

This report seeks the Committee's approval to the draft submission to the Remuneration Authority's discussion document on the Review of Local Authority Remuneration Setting.

Submissions close on Thursday 10 November 2011.

Contact Officer: *Ross Bly, Special Projects Officer*

Supporting Information

1) Strategic Fit / Strategic Outcome

This project supports Outcome 7.2.B – More actively engaged: Wellington will operate an open and honest decision making process that generates confidence and trust in the democratic system.

2) LTCCP/Annual Plan reference and long term financial impact

The project relates to C534: Elections, Governance and Democratic Process.

3) Treaty of Waitangi considerations

No Treaty implications.

4) Decision-Making

This is not a significant decision.

5) Consultation

a) General Consultation

b) Consultation with Maori

No public consultation or consultation with Maori is required.

6) Legal Implications

There are no legal implications.

7) Consistency with existing policy

There are no implications for Council policy – the submission is consistent with Council policy.

**Submission from the Wellington City Council on the
Remuneration Authority's Discussion Document -
'Review of Local Authority Remuneration Setting'**

**Submission to: Remuneration Authority
PO Box 10084
Wellington**

**Submission on: Remuneration Authority Discussion
Document on
'Review of Local Authority Remuneration
Setting'**

**From: Wellington City Council
101 Wakefield Street
PO Box 2199
Wellington 6140**

Date: 10 November 2011

**Contact: Email contact: ross.bly@wcc.govt.nz
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1. Introduction

- 1.1 The Wellington City Council ('the Council') welcomes the opportunity to comment on the Remuneration Authority's discussion document 'Review of Local Authority Remuneration Setting'.

2. General Comment

- 2.1 The Council acknowledges that the Remuneration Authority has obligations under the Remuneration Act and the Local Government Act for the setting of salaries and allowances for local authority elected members. It accepts that the current system for setting elected members' remuneration needs some modification to correct an apparent lack of equity in what elected members earn between Councils of a similar size.
- 2.2 However, it is firmly of the view that a one size solution will not fit all and that there will continue to be reasonably significant variances in the remuneration of elected members between Councils – and that is acceptable given the degree of variation in roles and responsibilities of elected members.

3. Specific Comments

3.1 Preferred remuneration setting option

- 3.1.1 The Council favours the amended pool model option over the specified salary approach because of its flexibility. It has the ability to address a number of the problem areas identified by the Remuneration Authority while also providing councils with discretion to determine appropriate governance frameworks and remuneration.
- 3.1.2 Any perception that exists amongst the public that elected members set their own salaries needs to be dealt with, no matter which option is chosen. How this is done is one of the key questions that need to be addressed.
- 3.1.3 Any suggestion that the value of a Council's assets be removed from the formula for setting remuneration pool is not supported. The value of a local authority's assets should be retained as one of the three statistics that are used to establish the correct relativities between Councils. The elected members are responsible and accountable for the prudent stewardship of the city's assets and resources and some recognition of this responsibility needs to be acknowledged.
- 3.1.4 It could be said that asset levels are reflected in expenditure (depreciation/interest costs). One observation to make in supporting that the two are different is that if the focus is only on spending then an asset purchased with debt funding would add more to the pool than the same asset purchased without debt funding, which would not make sense.

3.2 Job sizing of roles

- 3.2.1 The Council acknowledges that the job sizing of an elected member's role is an appropriate way of determining a fair level of remuneration for the role and has itself used Hay Group Limited on a couple of occasions over the last few years to carry out reviews of its members' roles.
- 3.2.2 It is important that the Remuneration Authority has good knowledge of the roles and responsibilities and hours etc, or to what degree there is a variance in complexity of issues different authorities tackle. Wellington City would be happy to put its name forward as one of the sample councils for this job sizing exercise if the decision is taken to proceed. In the future, one option to consider would be to require job sizing to be done every time there is a major change of the governance structure in a Council, or every 6 years to align with representation review outcomes.
- 3.2.3 It is important to note that job sizing a councillor role will be affected by the number of councillors. The current 'top down' model job sizes a whole Council, gives a pool size, and then allows Councils to distribute that pool among its members subject to the Remuneration Authority's sign-off. The suggested approach seems to be to job size the 'base' councillor role and, it is assumed, any additional responsibilities and then the total ('pool') cost is arrived at by adding up all the councillor roles (ie. 'bottom up'). If the number of councillors changes then that will affect the amount of work each individual councillor does – so that needs to be considered – perhaps when the job sizing is done. For example when Wellington City Council dropped from 19 to 14 councillors in 2004 it undoubtedly changed the level of work required per councillor.

3.3 Time commitment

- 3.3.1 The elected member positions on the Wellington City Council are basically full time roles – sometimes more than – if done comprehensively.
- 3.3.2 Some acknowledgement needs to be given to the fact that as elected members of the capital city a number of additional civic duties, over and above all other local authorities, are required to be undertaken.
- 3.3.3 It is also important to stress that the additional responsibilities (for the Deputy Mayor, chair, portfolio leader etc) are certainly not insignificant and the time and responsibilities involved should be considered during a robust job sizing exercise. This is less an issue for our Council this triennium, but we are making comment on a national regime.

3.4 Community Boards

- 3.4.1 The Council supports the view that community boards should be treated as a separate level of representation and that the representation role of

community boards should not be recognised by reducing that component of councillor salaries. Again it needs to be stressed that a one size fix for community boards won't fit all. In a perfect world community boards would take on a lot of the smaller scale representational responsibilities, but there is no guarantee (based on some research we undertook a few years ago) that this will happen – ie. councillors will still have many/most of the potholes, trees, parking type issues referred to them.

- 3.4.2 Because we only have the two community boards we are happy to continue our current practise of meeting the full 100% of Community Board members' salary from the Council pool.

3.5 Cost of governance per head of population

- 3.5.1 The concerns raised in the discussion document seem to be that the cost per ratepayer (councillor/community board) varies significantly. The point needs to be made that there is a fairly robust process (and arguably more objective than remuneration because there is a lot more guidance in statute) that leads to decisions on the numbers of representatives and how they are organised, and the Remuneration Authority has to take the outcomes of that as a given.

- 3.5.2 Some will seem relatively overrepresented (cost more) and some less – but that is a function of each community not being the same, and should be seen as perfectly valid. In our view the Remuneration Authority should not judge the governance model – either its representation structure or the way in which Councils choose to arrange their operations.

3.6 Adjustment of pool size for abnormal population growth

- 3.6.1 The suggestion that some recognition might be given to those councils that experience a high population inflow over holiday periods is noted.
- 3.6.2 It's worth observing that, especially post the Auckland governance changes. Wellington would be unique in the scale of large daytime inflow of non residents for work or business. This is obviously a very significant component affecting everything we do as a Council.

3.7 Payment of Meeting Fees

- 3.7.1 The salary only model has worked satisfactorily for this Council both insofar as elected members and Council officers are concerned. The major advantage of this option is that elected members receive a regular income and know exactly what their annual salary is going to be. The system is still working satisfactorily and there are no plans to change back to the salary/meeting fee option which operated prior to July 2003.
- 3.7.2 However some Council's still obviously find the option of paying meeting fees a useful variation and the Council supports the ability for Councils to pay meeting attendance fees if they so desire and that a cap be set.

3.8 Extra Pool for District Plan Reviews

- 3.8.1 The discussion document seeks comment on whether elected members ought to be specifically remunerated for District Plan meetings (by this we have assumed that the discussion document refers to District Plan hearings) and raises the option of increasing the pool in years when the District Plan is subject to review.
- 3.8.2 There are two issues to distinguish between when considering this part of the approach to remuneration; the increased workload for each Council when it determines the policy framework that is required when the District Plan is reviewed (ie. prior to notification), and the time spent by the individual elected members that are appointed to sit on district plan hearings (ie. post notification of a plan or plan change).
- 3.8.3 The District Plan is a key part of all Councils strategic and operational policy framework. It is this Council's view that the review of the District Plan and decisions on the notification of changes (and also the decisions on settling appeals at the end of the process) are a core part of any Council's functions and should not be separately remunerated. The scale of a District Plan review and the breadth of issues faced by each Council will most usually align with the factors that determine pool size, and any additional responsibilities of an elected member for the District Plan will be taken into account in each Council's allocation of the pool to elected members. (For example in the Wellington case, one of the key responsibilities of the Portfolio Leader for Urban Development is the District Plan).
- 3.8.4 Accordingly the option of increasing the pool to meet the additional workload (as described above) in the years that there are District Plan reviews, is not supported.
- 3.8.5 In addition the Council does not support increasing the size of the pool to enable increased remuneration to the elected members that sit on District Plan hearings. While the workload is substantial in many cases, it is a fundamental part of the policy function required of Council's and its elected members under the Resource Management Act.
- 3.8.6 However should the Remuneration Authority determine that elected members should receive remuneration for district plan related matters, the Council seeks that it takes into account the following:
- Do not distinguish between a District Plan review year (or years);
 - The need for clear guidelines/rules;
 - Considering remuneration for time spent sitting on hearings panels only, and applying the same approach as that applies to resource consent hearings;
 - Allow each Council the discretion to determine whether it will remunerate its elected members for sitting on district plan hearings (within the guidelines).

3.8.7 Finally, there is a practical and potentially difficult administrative issue that arises with the reference to 'the years where there are District Plan reviews'. The review of the District Plan often involves many years and in some cases, because of substantial plan changes in the 'non-review' years, there can be a similar workload on the District Plan in non-review years as in some review years. For example in our Council's case it took from July 1994 to July 2000 to complete the first District Plan and since July 2000 there have been 76 plan changes. While there was a very heavy workload in the early years of the 1994 review, there were several years in the 'non-review period' where the number and complexity of plan changes meant that the workload in those years was far more significant than the later part of the 1994 review. Should the Remuneration Authority decide to provide for the remuneration of elected members for District Plan hearings, it is submitted that this issue would be overcome by implementing a similar regime as for resource consent hearings.

3.9 Varying governance and representational roles between Councils

3.9.1 The Council notes the view expressed by LGNZ (in its Memorandum to local government CEO's dated 30 September 2011) that the different roles of regional and territorial authorities in terms of the balance between representation and governance, needs to be recognised. In their view territorial councils have a greater amount of representational responsibilities while regional councils have a larger governance component. Whilst not disputing that view it needs to be noted that territorial authorities also have heavy governance responsibilities as well as well as their representational ones.

On behalf of Wellington City Council

Garry Poole
Chief Executive