

Remuneration Setting Proposals for Local Authorities

2013 and Beyond

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Introduction

In September 2011, a discussion document was released by the Remuneration Authority to help review how the Remuneration Authority goes about setting remuneration for elected members of local authorities. The aim was to ensure that the process and outcomes met the requirements of the Local Government Act and the Remuneration Authority Act.

The discussion document showed the existing pool system was starting to give results that were counterintuitive, and there were indications that the results were not being as fair to councillors and ratepayers as was desirable.

The Remuneration Authority consulted with a group of representatives of local government, and Local Government New Zealand, to add their input and insights to the review, and would like to thank these people who contributed:

Dave Cull – Mayor Dunedin City
Adrienne Staples – Mayor South Wairarapa District
Brendan Duffy – Mayor Horowhenua District
Richard Kempthorne – Mayor Tasman District
Kevin Lamb – Administration Manager Waimakariri District Council
Brian Lester – CEO Ashburton District
Mick Lester – Chair, Community Board Executive Committee, Councillor Hastings District.
Michael Reid – Principal Adviser LGNZ

The Remuneration Authority received many responses to the consultation document and has determined a revised regime. It is now setting out the key features of the new system to allow input from the sector and to help the smooth implementation of the revised regime.

In the consultation document, the Remuneration Authority focused on two options for remuneration setting: a continuation of the current indicative pool model, and a specified-salary model. The proposal that the Remuneration Authority intends to implement draws, it hopes, on the best of both models. The proposal also focuses on bringing about a substantial reduction in bureaucratic and compliance requirements of the current system whilst maintaining transparency and ensuring local accountability to the Remuneration Authority for the final recommendations.

The Remuneration Authority initially hoped to implement the new regime for the 2012 financial year. It has decided, however, that to ensure a smooth transition for the sector the implementation will take place from the 2013 elections, with each local authority being provided with full details of their new remuneration framework early in 2013. This timing will give local authorities opportunity to recommend the structure and level of remuneration to the Remuneration Authority in time for a new determination to come into force after the 2013 elections.

The Remuneration Authority believes this will substantially reduce uncertainty about incomes for those standing for election in October 2013, with changes occurring only when the position of an elected representative includes additional responsibilities, or when an incoming council reviews and changes the structure for such positions.

Some aspects of the new system may require ‘fine tuning’. The Remuneration Authority is committed to working with local authorities during implementation. Details may require further attention, but the Remuneration Authority is keen that these matters are not seen as impediments.

This document:

1. Identifies the key components of the proposed remuneration-setting model in an executive summary
2. Discusses each component and outlines the reason for change
3. Explains the size index applied to each authority
4. Outlines the expected implementation process, on-going triennial reviews and annual adjustments.

The obligations of the Remuneration Authority for the setting of salaries and allowances for elected members of local authorities, as set out in the Remuneration Authority Act and the Local Government Act, are summarised in Appendix A.

The setting of remuneration for Auckland Council elected members follows a similar approach to that in this discussion document, but this discussion document is not meant to cover the remuneration setting for those members.

Remuneration Authority
November 2012

1. Executive Summary

- In the year preceding the local government elections, the Remuneration Authority will conduct a full review of remuneration in each local authority. The first such review will take place in the 2012/13 financial year for implementation from the 2013 elections.
- The Remuneration Authority will use a council 'size index' based on each council's population and expenditure, and anticipated hours of governance and representation, to develop:
 1. A remuneration level for mayors and regional council chairs, based on their council size index
 2. Base remuneration for community board chairs and community board members, based on the population served by the community board and levels of responsibilities
 3. An additional pool of funding from which each local authority can recommend to the Remuneration Authority additional payment for councillors or community board chairs and members who undertake extra responsibilities.
- Base remuneration for community board chairs and community board members will be based on the population served by the community board and levels of responsibilities.
- Each council will be given the opportunity to recommend the allocation of all or part of the additional pool (see 3 above).
- To assist local authorities in making recommendations, the Remuneration Authority will indicate the nature of the 'additional duties' that may be recognised for deputy mayors, committee chairs, portfolio leaders, and members of specialist panels and working parties.
- The Remuneration Authority will no longer approve pools of funding for general meetings, attendance at which is to be expected of council members.
- Incoming elected members (including those re-elected) will be remunerated at the base remuneration rate from the date election results are formally announced. Members elected unopposed will receive the base remuneration rate from election day. Councillors or community board members receiving additional remuneration to reflect extra duties will be remunerated at the base councillor rate until appointed to the positions that include those or other additional duties.
- The automatic review of the relationship between council size index and mayoral, regional council chair, and councillor remuneration will not begin until the year preceding the next local authority elections (initially 2015). However, where councils reallocate duties among members, they may apply to the Remuneration Authority to vary the way the additional pool is allocated. In the two mid-term years, the Remuneration Authority will review amounts of remuneration, taking into consideration any changes in council size indices and any general remuneration increase. It will apply any changes automatically to the remuneration levels set in the determination. Councils will be advised of any new rates to be applied no later than May in each of the mid-term years.

- The Remuneration Authority will continue to apply a loading of 12.5% to unitary authorities.
- Provisions will continue for councillors, local board members and community board members undertaking resource consent hearings, with similar provisions applying. The Remuneration Authority is considering whether some recognition can be given to the extra time that some councillors spend on some hearings for District Plan changes.
- The review and approval of allowances and expenses for elected members will also take place only every three years unless specific circumstances lead a council to request an interim review.
- The adjustment to mayoral salaries to reflect the provision of motor vehicles will be trialled to take place annually as at 1 July, but the Remuneration Authority reserves the right to change this if it feels that it might result in unfairness to ratepayers.

These changes update the current pool system of setting remuneration for local authority elected members, which was established in 2002, after consultation with local authority representatives.

Under the current system, a pool is established each year for each local authority. The allocation of the pool to each elected-member position is determined by the Remuneration Authority after considering representations from each authority.

Recent analysis shows a variety of salaries for different councillors and community board members, in which it is difficult to see fair remuneration for work done. This is illustrated by information drawn from the 2010/11 Determinations and included in the consultative document issued by the Remuneration Authority in 2011.

The current system establishes a 'governance pool' for each authority without regard to the size of the elected governance and representative structure, creating differences in remuneration driven by the size of those structures rather than the requirements of the position. The model the Remuneration Authority is now adopting relies on traditional ideas of job sizing to drive remuneration, and additionally reflects the hours spent by councillors and others on their tasks. A brief description of the matters taken into consideration in determining job size is included as Appendix 2.

The outcome will not be perfect, because how much work elected officials do is not standardised and is largely self-driven. However, the Remuneration Authority is confident that the new regime will see a more equitable distribution of income for elected officials.

Finally, it is important to recognise that the remuneration for local government positions, as for many public sector positions, is not set at a market rate. We acknowledge that those putting themselves forward for such positions are principally driven by a commitment to their local community, and therefore remuneration will continue to be set at modest levels.

2.1 The components of the remuneration of each council

■ Current practice

Two figures are provided to councils each year – a mayoral/regional chair entitlement and a pool showing the funds that are available for each council to apply to remuneration of elected officials.

These figures are drawn from a relationship that takes into consideration population, expenditure, net assets and the rate of change in these figures.

The pools are set without reference to the number of elected councillors, or the presence or otherwise of community boards.

This approach has seen individuals performing essentially the same job in similar-sized local authorities being remunerated differently.

The approach has also been seen as a deterrent to the existence of community boards, creating differences between councillors and community board members.

The strength, and possibly weakness, of the indicative system is that distribution of the pool requires an annual local debate.

There is also the opportunity for local structures of council governance to be established, and remuneration to be set according to local desires.

However, most councils apply the annual percentage increase in the pool across all positions, and most council structures are constant over time.

■ The future approach

At the beginning of each election year, the Remuneration Authority will set the base councillor salary and the mayoral/chair remuneration (excluding reduction for the provision of a car) for each council.

The base councillor salary and the mayoral/chair remuneration will be based on the council's size index, which will be derived from population size and council expenditure (see section 3 for more detail).

The relationship between councils' size indices and base councillor salaries, along with mayoral/chair remuneration, will be determined every three years, having regard to the job size of the positions of councillor, mayor, and chair (as assessed for sample councils by HayGroup). Regard will also be given to the proportion of full-time work applicable to the council (as determined by survey results); and Remuneration Authority pay scales.

The basic remuneration for each elected community board chair and for board members will also be set according to the size of the population served by the community board.

Councils will be invited to make representation to the Remuneration Authority for additional remuneration for

- community boards that have additional levels of responsibility
- councillor positions of responsibility (including Deputy Mayor).

The Remuneration Authority will set guidelines for these submissions (see sections 2.11 and 2.12).

■ Features of the new approach

The change sees a move away from using statistical data only to measure the 'governance' element of each council's work, to determining the size of the responsibilities arising from council positions, taking into account population and expenditure and the time needed to carry out duties.

This will overcome the distorting effect on remuneration of the size of the elected structure. Currently there are from six to fifteen elected officials in each local authority across the country. The difference in number comes from historical arrangements, the work of the Local Government Commission, and local advocacy. Whilst some of the difference in number reflects the complexity of the tasks that are undertaken, the Remuneration Authority considers that the size of the governance structure is currently over-emphasised with regard to remuneration.

Remuneration levels will still reflect the size of the local authority and its ratepayer base, but will now regularly investigate the size of the job to be done.

The long-standing tension created by councils' needing to set community boards' remuneration at the expense of their own remuneration is removed, and it is hoped this will have a positive effect on local democracy.

The change will have different effects on each council. To avoid significant changes to remuneration (both up and down) for existing councillors, the transition to the new approach will take place immediately after the 2013 elections. Councils will be advised well before the election of the remuneration levels to apply after the election, so candidates will know what their remuneration will be if elected.

2.2 The Remuneration Authority's process for regular review

■ Historically

The Remuneration Authority first established the remuneration arrangements for elected officials after a substantive review and consultation process in 2002. This involved establishing the size of elected positions, assessing appropriate remuneration and developing an indicative pool for each council that provided a sufficient amount to pay elected members appropriately at that time.

After consideration, a process was designed that enabled the Remuneration Authority to increase the indicative pool each year. The increase reflected income changes in the broader economy, population numbers, expenditure and net assets, and any unusual growth changes.

Within the indicative pool, a specific amount was allocated for mayoral and regional chair remuneration.

This model was used annually until 2010, when a separate evaluation of the size of mayoral and regional chair positions was undertaken. Following that review, mayoral and regional chair salaries were set independently of the pool, reflecting the increased work required of those positions, whilst the pool approach was continued for the other elected officials.

Over the period, the role of local government continued to change, and with it the size of elected positions. There was no formal mechanism in the system to trigger a review or assess the accuracy of the result.

■ The future approach

Local government is changing rapidly, and the expectations and accountabilities of elected officials are changing at the same speed.

The Remuneration Authority believes regular full reviews of amounts of work in the sector are needed.

The Remuneration Authority therefore intends to undertake a job-sizing exercise with a cross section of councils every three years. The exercise will include a survey, and assess the hours required for governance and representative activity.

Results from the survey and job sizing will then be used in a review of base remuneration, with a new council size index for each council. This will provide the foundation for basic remuneration for councillors and give indicative amounts available for positions with additional responsibilities.

The Remuneration Authority intends to undertake such a review approximately two years after each election, with the results available to local government at the start of each election year.

At that time, each council will be asked to make recommendations concerning extra remuneration for positions of additional responsibility. Such recommendations, if accepted by the Remuneration Authority, will form the basis of the determination for the period starting from the declaration of election results.

In the following two years, the Remuneration Authority will annually recalculate the size index for each council, and automatically apply any increase that is warranted in a 1 July determination. When any mid-term changes might lead to a reduction in base remuneration for councillors, the changes will not take place during the term of council, but will be part of the next pre-election review.

■ Features of the new approach

The Remuneration Authority believes this approach ensures that:

- the work of local government will be reviewed regularly
- undertaking the review in the final year of the electoral cycle will make certain elected members fully understand the nature of their positions at the time of the review
- reducing the number of remuneration recommendations and discussions from four times in the electoral cycle to one will allow more operational time for staff and elected officials
- Candidates standing for election will have greater certainty about the remuneration attached to the position
- There will no longer be any need to have temporary reductions in councillor remuneration following each election.

2.3 Allocation for positions of additional responsibility

■ The current approach

Under current arrangements, the Remuneration Authority allocates a total amount to pay elected officials. Typically, 50% of the remuneration of community board members is also met from this pool.

Councils are required to recommend the allocation of all such funds, after approval from council and (where established) each community board.

When the process proceeds smoothly, the Remuneration Authority has usually accepted council recommendations. When councils have been unable to reach agreement, the Remuneration Authority has determined an appropriate outcome.

The Remuneration Authority appreciates that councils do not all want a 'one-size-fits-all' approach, and therefore provides for local needs with a pool to recognise additional responsibilities accepted by individual elected positions. Currently some councils operate with a 'flat' structure, recognising only a deputy mayor as undertaking additional duties; other councils give various committees stated roles and responsibilities. Councillors on those committees have additional responsibilities and time commitments.

Over time, new roles have emerged, such as 'portfolio leaders'. Some councils have many remuneration rates, albeit with modest differences overall. It is impossible to verify, from the information provided to the Remuneration Authority, how such variations were established.

■ The future approach

Having set the base remuneration of each elected official, the Remuneration Authority has identified commonly required additional roles. It will provide guidelines for the allocation of additional sums of money for those performing additional duties. See section 2.12 for further discussion and Appendix B for draft guidelines.

The Remuneration Authority will also indicate the expected maximum from the total of the additional amounts.

Where councils believe they have distributed duties to all councillors and thereby increased the base responsibility of all councillors, they will need to justify their submissions before the Remuneration Authority will increase the base remuneration for their councillors.

A similar approach will be taken for community boards, recognising that varying amounts of responsibility are given to different community boards. See section 2.12 and Appendix B.

■ Features of the new approach

The additional pool will allow local flexibility around how duties are undertaken and accountabilities recognised, yet ensure the expectations of identified roles are clearly understood.

The new approach places the responsibility for setting higher rates firmly on councils. If a council chooses to operate with a structure in which the council as a whole determines matters of governance, the council can reject the idea of additional responsibilities and remuneration.

The change also lets the Remuneration Authority have fewer reviews of councillor remuneration, and ends the practice of reducing councillor remuneration immediately after the election.

2.4 Removal of salary/ meeting fee mix

■ Historical context

At one stage, the normal practice in local government was for councillors to receive most of their remuneration for attending meetings.

The pool system enabled this practice to continue, but limited the total funds available for meeting fees by requiring an amount to be set aside out of the indicative pool.

Currently, approximately 10% of councils use a meeting-fee approach. Each year, a number of these councils under-spend their pool and carry funds forward. Occasionally, the pool is exhausted before the end of the financial year.

The council collectively has a range of accountabilities. It is unclear why attendance at meetings should largely determine salary, or whether such an approach encourages behaviours that lead to good governance.

■ The future

In moving to a base remuneration rate, the Remuneration Authority considered whether a feature of the system should be the possibility of reducing the base rate to create a pool for meeting fees.

It decided, however, that such an approach was inconsistent with the 'rate for the job size' approach of the new system.

The Remuneration Authority considers that a councillor's role is more than attending meetings, and believes that idea should be reinforced, not undermined, by the remuneration regime.

It also believes that having meeting fees puts another barrier in the way of ratepayers being able to assess the real remuneration councillors receive.

From 2013, the Remuneration Authority will not approve meeting fees for core council business.

2.5 Council remuneration in election year

■ Historical approach

Since 2004, the Remuneration Authority has set a notional remuneration rate to be applied immediately after the local government election.

This rate is set at approximately 80% of the previous salary of councillors and does not include meeting fees or recognition of additional responsibilities.

After the election, councils are required to review their structure and remuneration. They then forward to the Remuneration Authority proposals approved by the council and, where established, by community boards.

The Remuneration Authority considers the proposals and decides to accept the proposals or refer them back to the local authority for further work.

A determination is then issued setting new (increased) rates of remuneration backdated to the election.

Because of the time taken preparing and considering recommendations, councillors have often had to wait for up to six months before receiving back pay.

■ The future approach

The Remuneration Authority intends to leave existing rates in place until the 2013 election, without the regular review for implementation that would otherwise have taken place in July 2013.

Consultation with councils will take place between January and April 2013, and a determination will be issued for the period from election day until 30 June 2014.

When they make the decision to stand, elected members will therefore know exactly what the basic remuneration will be after the election.

Councillors elected unopposed will experience no break in remuneration, but will revert from any higher salary to the basic rate from election day.

Remuneration of members standing for election will end on the day before the election. If they are re-elected, their basic remuneration will re-start on the day after election results are officially confirmed.

For those members who are subsequently appointed to positions with additional remuneration, that remuneration will apply from the date of their appointment.

Reconfirmation of remuneration after the election will not be required. No further determination will be issued until 1 July the following year unless the local authority seeks to amend the extra amounts available for additional duties.

■ Features of the new arrangement

This arrangement provides continuity of income to councillors, and certainty for those seeking election.

It reduces the number of determinations issued in the twelve-month period from three to one, whilst retaining the possibility of councils that genuinely choose to review the structure and process of their work.

The Remuneration Authority believes these changes will increase efficiency and transparency in the remuneration of councils immediately after the election, and release councillor and staff time for other activities.

2.6 The process in non-election years

■ Current practice

Each year the Remuneration Authority determines the pool of funding available for remuneration and the council is required to discuss and recommend the allocation of the funds.

Most councils apply the percentage movement that is granted, equally across positions. However, discussion and approval are required from council (and community boards, where they exist).

The process takes considerable councillor and staff time with, in many cases, little advantage to council or ratepayers.

■ The future approach

In non-election years, the Remuneration Authority will:

- re-assess each council's size index based on latest data
- determine an increase reflecting any changes in CPI or general wage growth and apply the increase to each council's base remuneration for councillors, and mayor or chair remuneration, calculated using the revised size index
- hold remuneration at the existing amounts until the next year, or next election, if the reassessment results in a decrease in remuneration
- adjust remuneration pro rata for positions with additional responsibilities to the change in base remuneration for councillors, for that council
- issue a determination including the updated rates.

It is possible that the Remuneration Authority could determine a general increase to adjust for changes in CPI or general wage growth for mayors and chairs that is different from the increase for councillors.

Councils will be able to review their structure, as in the past, but there will be no requirement to do so.

Where a review is undertaken and change is recommended, the Remuneration Authority will consider the new arrangements and issue an amending determination or consult further with the council.

■ Features of the new arrangement

Flexibility for a council-initiated change of structure is retained, but current bureaucracy around modest sums of money is reduced.

Processes will be required within the Remuneration Authority and in councils to ensure increases in remuneration and amounts of remuneration are made clear to ratepayers. Councils could choose to disclose councillor remuneration on their web sites.

2.7 Loading for unitary councils

■ Current practice

Pools from which unitary councils fund councillors' and community board members' remuneration are calculated in the same way as those for territorial authorities. Then a 12.5% loading is applied, to recognise the wider responsibilities of unitary councils.

■ The future

The same loading will be applied for the three-year period from 2013.

The Remuneration Authority will review the loading in the year preceding the 2016 council elections.

2.8 Resource consent changes to District Plans hearings

The Remuneration Authority has decided to retain the current arrangements for resource consent hearings. It will continue reviewing the hourly rate each year.

The Remuneration Authority is considering whether some recognition can be given to the extra time that some councillors spend on some hearings for District Plan changes.

2.9 Approval of elected officials' expense and reimbursement policies

The Local Government Act requires the Remuneration Authority to determine expenses and allowances payable to elected members.

Currently, the Remuneration Authority asks each council to confirm or amend its expenses and reimbursement policies each year.

In future, the Remuneration Authority will request such a review at the same time as it is undertaking its pre-election review of basic remuneration and the pool for additional responsibilities.

This will reduce bureaucracy. However, as is currently the case, councils will be able to seek approval to change the policies at any time when new issues arise.

The Remuneration Authority will continue to require that details of policies are available for inspection by ratepayers. Since all local authorities have web sites, the Remuneration Authority considers that details of expense policies should be published online.

2.10 Valuation of mayoral vehicle

The Remuneration Authority does not, at this time, intend to change the way in which the value of private use of mayoral vehicles is calculated.

However, to reduce compliance costs for issuing amending determinations, the adjustment made when the value of a vehicle changes will now apply from 1 July each year, rather than at the time of the change.

The Remuneration Authority will remind councils annually of this requirement as it prepares for the annual determination.

The Remuneration Authority reserves the right to change its policy on adjustments to remuneration caused by changes in vehicles if it feels the policy is grossly unfair to ratepayers.

2.11 Community boards

■ Current practice

The levels of remuneration for community board members, chairs, and (where appropriate) deputy chairs are recommended by each local authority. The Remuneration Authority makes its determination after considering those recommendations. For most councils, 50% of the remuneration for community board members comes out of the pool.

■ Future approach

Consistent with the future approach for elected councillors, the Remuneration Authority will set a base community board salary for each community board. The salary will be based on the population the community board serves and will assume that each community board member has similar basic responsibilities.

Appendix D gives an outline of the roles of community boards and community board chairs.

There is little delegated responsibility from council to community board in the base role, and this will be reflected in the base salary.

Depending on additional levels of responsibility, community board salaries may be approved up to a set maximum percentage over the base. The maximum additional percentage is likely to be about 30%.

The base salary for a community board chair will be twice the salary of a community board member (after the addition of any extra for additional responsibilities), provided the chair is carrying out the additional roles of the chair as set out in Appendix D.

If a deputy chair is appointed, then, depending on the role of the deputy, the salary for the deputy chair will be up to 1.5 times that of a community board member.

Where a councillor is also appointed as a member or chair of a community board, the maximum additional remuneration, if any, will be 50% of the community board role the councillor takes up. The Remuneration Authority is aware that many councils do not pay extra to councillors who are appointed to sit on community boards and will need to be convinced that any extra remuneration for such appointments does not raise anomalous situations for other councillors who may, for example, attend residents association meetings without additional remuneration.

The Remuneration Authority will determine any additional remuneration for additional responsibilities, or councillors appointed to community boards. Councils will need to make recommendations and include details of positions and additional responsibilities to the Remuneration Authority.

2.12 Positions of additional responsibility for councillors

■ Current approach

Councils make recommendations to the Remuneration Authority, giving position titles and recommended salaries. After considering the recommendations (and any further information the Remuneration Authority may call for) the Remuneration Authority sets the salaries for all positions of additional responsibility. The total of all salaries (including any provision for meeting fees) must be equal to the pool.

■ Future approach

The base salary for a councillor is meant to cover the basic role of a councillor, as set out in Appendix E.

Possible descriptions of positions of additional responsibility (including Deputy Mayor) are set out in Appendix F.

Following each election, each council will be invited to provide to the Remuneration Authority its recommendations for positions of responsibility (including Deputy Mayor) setting out, for each position:

1. the position title
2. a brief description of the main functions of the position
3. a note of any delegated authorities (including delegated authorities to speak on behalf of the council)
4. a recommended percentage addition to the base salary for a councillor, to apply to the position
5. any other information that might help the Remuneration Authority's decision-making.

Positions of responsibility can include appointments to community boards.

As a guide, the Remuneration Authority would expect the recommended percentage addition to the base salary for a councillor to be in the range of 5% to 15%, depending on the functions of the position and the delegated authorities. It would expect the recommended percentage addition for a Deputy Mayor to be in the range of 15% to 40%.

The Remuneration Authority would expect that total additional salaries for positions of additional responsibility would not be greater than the base salary for a councillor, for that council.

For each non-election year determination, the Remuneration Authority will, unless otherwise advised by a council, assume that positions of responsibility are unchanged. It will apply the same percentage additions to salary for the positions, based on the base salary for a councillor that is determined that year.

2.13 Matters outside this review

In the course of undertaking this review, a number of issues have arisen that fall outside the Remuneration Authority's ambit or require legislative amendment.

The Remuneration Authority believes two in particular have value.

The first is that the amount of allowances and reimbursements made to council members be made available publicly in a form that allows review and perusal.

The second is that the income members receive from being appointed to council-controlled organisations and trusts be offset against their remuneration.

Whilst the Remuneration Authority supports a closer review of these proposals, they fall outside the Remuneration Authority's powers and have not been included in this work.

3. The size index

■ Current practice

For the purpose of determining the size of pools for the remuneration of elected officials and for determining mayoral and chair salaries, a number of 'points' have been allocated to each council.

The number of points is based on the population served by the council, and the council's expenses and net assets.

For regional councils, an additional statistic, capital value, is used.

The weights used for each statistic have remained unchanged since the system was introduced in 2002.

Total points for all councils changed each year as the total population changed, and an individual council's share of the total points could also change.

A relationship between a council's points and the size of the pool (and mayoral and chair remuneration) was established in 2002. The same relationship was used each year, with some adjustment for general wage movements. The resulting pools or salaries were adjusted to reflect any abnormal changes that had occurred in numbers of the population served by the council over the previous five years, compared with the change in total New Zealand population over the same period.

Thus the size of the pool and of mayoral and chair salaries could change each year from a combination of growth in the New Zealand population, change in the council's share of the total points, any adjustment for abnormal change in population, and any overall adjustment for general wage growth.

■ The future

Each year, a 'size index' will be determined for each council.

The size index will be based on the population served by the council and council expenses.

There is a strong correlation between councils' populations and expenses, and between population and net assets. It could be argued that only the 'population' statistic could be used to determine the size index. However, it has been decided to also use the 'expense' statistic, to give extra weight to councils serving large transient populations. The need for additional services for such populations is reflected in higher council expenses.

The adjustment for 'abnormal population growth' has been discontinued, because it is felt that such growth will be reflected in a council's expenses.

The size index for each council is determined by taking into account the council's population and its published expenses. The size index is a relative measure between councils. Each year, as a council's population size and expenses vary, its size index may change (up or down) as its relativity with other councils changes.

Every three years (the years prior to an election year) the job sizes of councillors, mayors and chairs in sample councils will be assessed. Time spent carrying out mayoral, chair and councillor duties will also be assessed. From these data and the Remuneration Authority's standard pay scales, a fair remuneration will be determined for each of the sample councils.

A relationship will then be developed between the size index, mayoral and chair remuneration, and base remuneration for councillors, based on the sample councils.

Those relationships will then be applied to all councils.

The Remuneration Authority developed processes and methodologies for:

- deciding which statistics (eg population and expenses) to use in the determination of size indices, and
- deciding on the weights to apply to those statistics in the calculations, and
- the way of determining size indices, and
- determining the relationships between size indices and mayoral/chair remuneration for sample councils, and
- using those relationships for all councils.

The processes and methodologies have been peer reviewed by a senior lecturer in financial mathematics at Victoria University of Wellington and found to be sound.

4.1 Implementation – Transition to new system

A preliminary assessment of possible base salaries for councillors from each council has been made. It shows that that, in some councils, there could be significant changes (both up and down) in the remuneration payable to councillors who have no additional responsibilities. This was not unexpected, since in the past each council had made its own recommendations regarding remuneration without any firm guidelines from the Remuneration Authority.

Implementation of the new system has therefore been deferred until 2013, an election year.

Subject to confirmation that it is within the legislative powers of the Remuneration Authority, the 2012/13 determination will run to the 2013 election date. A new determination will take effect from the date of the elections and will:

- set councillors' base salaries, based on the new system, to apply from the election until 30 June 2014
- set mayoral and chair salaries, based on the new system, to apply from the election until 30 June 2014
- set remuneration for positions of additional responsibility, based on the new system, to apply from the election until 30 June 2014.

Whilst the rates for these positions will be established in the determination, the rate will apply to those individuals elected to the positions only from the date of their appointment.

Early in 2013, the Remuneration Authority will decide on mayoral and chair remunerations and the base salary for councillors for each council, to apply from the date of the elections. Councils will be advised of the amounts well before the elections so candidates seeking election will know their remuneration if elected.

Reasons for this approach are:

- remuneration until the elections will be based on the existing pool system and councillors' reasonable expectations regarding remuneration can be met, and
- potential candidates can be fully informed about remuneration before deciding to stand for election.

4.2 Implementation – Triennial reviews and annual adjustments

At each triennial review (which will take place in the year before local body elections and take effect from 1 July preceding the election date) the Remuneration Authority will carry out the following review tasks:

1. select sample councils and, if necessary job-size mayoral, chair and councillor positions
2. sample all councils concerning what proportion of a full-time position is needed to carry out mayor, chair and councillor duties
3. receive up-to-date population and expenses statistics for each council and thereby determine target remuneration levels for mayors, chairs and councillors for the sample councils
4. review population numbers and expense proportions used in the calculation of size indices to ensure they give a valid representation of relative council size for the purposes of determining remunerations
5. calculate size indices and develop a relationship between size indices and mayoral/chair and base councillor remuneration for the sample councils
6. apply those relationships to determine the mayoral/ chair and base councillor remuneration for all councils
7. set guidelines that each council may apply to increase remuneration for councillors with additional responsibilities
8. advise each council of the mayoral/chair and base councillor remuneration and invite recommendations for the allocation of the additional amounts for additional responsibilities (within guidelines)
9. advise each council of the base community board salary and invite recommendations for possible community board salaries in excess of the base salary based on additional responsibilities (within guidelines)
10. issue the determination for the period from the election date until the following 30 June.

In each of the two intervening years, the Remuneration Authority will:

1. receive up-to-date population and expenses statistics for each council
2. calculate the size index for each council using the population and expense proportions determined at the triennial review
3. determine revised mayoral/chair and base councillor remuneration based on the updated size indices, the relationships developed at the triennial review, and an allowance for general wage growth
4. make any adjustments to mayoral/chair salaries due to changes in cars or car use since the last determination
5. apply, for each council, the proportional increase in base councillor remuneration to all positions of additional responsibility (unless a council has advised a change in its structure)

5. Timetable and Consultation

■ Planned timetable

Activity	Timing
Finalise consultation document and distribute	Mid November 2012
Regional meetings	Complete by mid December 2012
Survey of councillor time	November/December 2012
Final documentation of new approach	January/February 2013
Promulgation of mayor/chair salaries, base councillor salaries, base CB salaries	March 2013
Recommendations from councils for extra duties	April 2013
Finalise all salaries	May 2013
Gazette determination to apply from elections	June 2013

■ Consultation

As part of the consultation process the Remuneration Authority has already consulted with representatives of local authorities and LGNZ

The Remuneration Authority now intends to:

- talk to zone conferences before the end of 2012, and
- talk to the rural sector group, the metros group, and the community board executive board, and
- seek written feedback from councils (not individuals), and
- consider all feedback and include it as appropriate in the final documentation, and
- where appropriate, advise how it feedback was taken into account.

Appendix A:

Remuneration Authority's obligations

The Local Government Act, Schedule 7 section 6, provides that:

1. The Remuneration Authority must determine the remuneration, allowances, and expenses payable to elected members
2. The Remuneration Authority may do one or more of the following things:
 - a. Fix –
 - i. Scales of salaries
 - ii. Scales of allowances
 - iii. Ranges of remuneration
 - iv. Different forms of remuneration
 - b. Prescribe –
 - i. Rules for the application of those scales, ranges, or different forms of remuneration
 - ii. Rules for reimbursing expenses incurred by elected members
 - c. Differentiate –
 - i. Between persons occupying different positions in different local authorities or community boards
 - ii. Between persons occupying equivalent positions in the same local authorities or community boards
 - d. Make determinations that apply to individuals, or groups occupying equivalent positions
3. Section 19 of the Remuneration Authority Act applies.
4. In determining remuneration under clause 6, the Remuneration Authority must have regard to the need to—
 - a) minimise the potential for certain types of remuneration to distort the behaviour of elected members; and
 - b) achieve and maintain fair relativity with the levels of remuneration received elsewhere; and
 - c) be fair both—
 - (i) to the persons whose remuneration is being determined; and
 - (ii) to ratepayers; and
 - d) attract and retain competent persons.

The Remuneration Authority Act has the following provisions which apply to determinations made under the local Government Act:

Sections 18 and 18 A require the Remuneration Authority when making determinations to have regard to, or to take into account:

- a. The need to achieve fair relativity with levels of remuneration achieved elsewhere
- b. The need to be fair to both –
 - a. the people whose remuneration is being determined, and
 - b. taxpayers or ratepayers
- c. The need to recruit and retain competent people
- d. The requirements of the position concerned
- e. The conditions of service for those whose remuneration is being determined and conditions of employment for comparable positions
- f. Any prevailing adverse economic conditions.

Section 19 covers the frequency of determinations and adjustments to determinations.

Appendix B: Draft guidelines for additional responsibilities

- Councillor positions of responsibility to attract between 5% and 15% addition to base councillor salary
- Deputy mayors may be paid up to an additional 40% of base councillor salary, depending on levels of delegation – this maximum to apply regardless of any other position of additional responsibility that may be held by the deputy mayor
- The maximum total of additional salaries for additional responsibilities (including those of Deputy Mayor) will be 100% of base councillor salary
- Depending on additional levels of responsibility, community board salaries may be approved up to 30% over the base
- The base salary for a community board chair will be twice the salary of a community board member (after the addition of any extra for additional responsibilities) provided the chair is carrying out the additional roles of the chair as set out in Appendix D.
- If a community board deputy chair is appointed then, depending on the role of the deputy, the salary will be up to 1.5 times that of a community board member.

Appendix C: Job evaluation and the Remuneration Authority

The most common reason for 'sizing' a job is to help the organisation benchmark how much it pays for a particular role in order to be sufficiently competitive. There are several approaches.

Job-title match surveys assume, for example, that all "Marketing Managers" do the same things and that there is a single market for such a role.

Job matching examines the job title together with representative activities. Organisations "match" their roles to the job that best represents their position, and look at size of organisation to get a reasonable comparison.

'Matching' approaches rely on jobs being the same or a close match, and on other organisations (or job holders, in surveys such as IPENZ and ICANZ) correctly matching jobs.

The Remuneration Authority uses a factor-based system, the Hay system, which looks at the specific content of a job and assesses each aspect against a set of standard scales and descriptions to find the most accurate requirements of the role, when performed to a fully competent standard. The resulting 'job size' is matched with other jobs of the same size (within or across functional or industry boundaries) and can be slotted into the appropriate band or grade within the pay framework.

Job evaluations are carried out independently by the Hay Group.

The Hay system makes judgements in three major areas:

- (1) **KNOW-HOW** – The combination of knowledge, skills and experience required for fully acceptable job performance. Know-how is considered in three dimensions:
 - a. practical/technical know-how
 - b. planning, organising and integrating (managerial) knowledge
 - c. communicating and influencing skills
- (2) **PROBLEM SOLVING** – The span, complexity and level of analytical, evaluative and innovative thought required in the job, expressed in the way know-how is used. Problem solving is considered in two dimensions:
 - a. thinking environment
 - b. thinking challenge

- (3) **ACCOUNTABILITY** – The scope given to the job holder to direct resources of all kinds and to influence or determine the course of events; and the job-holder's answerability for the consequences of their decisions and actions for the organisation. Accountability is also considered in three dimensions:
 - a. freedom to act
 - b. magnitude – area of impact
 - c. job impact

Appendix D: Community board members – Base role description

■ Representation and advocacy

- Representing and acting as an advocate for the interests of their community
- Considering and reporting on all matters referred to them by the council, or any matters of interest or concern to the community board
- Communicating with community organisations and special-interest groups in the community
- Bringing the views of their community to the attention of council
- Listening to the concerns of their community on issues pertaining to the community board
- Maintaining an overview of services provided by the council in the community, and commenting on any services delivered by the parent council
- Maintaining contact with various community representatives and other local stakeholders
- Championing causes which best relate to the interests of their community and campaigning for the improvement of the quality of life in their community.

■ Governance

- Participating constructively and effectively in the good governance of the community board as a whole
- Understanding and ensuring that basic principles of good governance are a part of the approach of the community board
- Understanding and respecting the differing roles of community board Chair and community board members; the roles of the parent council's Mayor, Deputy Mayor, committee chairs / portfolio holders and councillors; and the very different roles of the managers and staff of the parent council with whom the community board might work

- Recognising that the governance role does not extend to operational matters or to the management of any implementation
- Having a good understanding of the community board processes set out in the Standing Orders that determine how community board meetings are run and how decisions are made
- Developing and maintaining a working knowledge of council services, management processes, powers, duties and constraints
- Ensuring familiarity with agendas and other community board reports before meetings of the community board
- Being familiar with and complying with the statutory requirements of a community board member
- Identifying, being aware of and declaring any potential personal conflicts of interest, whether these are pecuniary or non-pecuniary.

Possible additional responsibilities of community board members:

- Undertaking any other responsibilities that are delegated to them by the council or are prescribed by Order in Council
- Preparing an annual submission to the council for expenditure within the community
- Participating in any relevant consultative processes with the local community and/or other organisations
- Representing the views and position of the community board to external parties, where delegated to do so, and with a clear understanding that only formal community board decisions can commit the community board to any particular course of action (and then only in matters where the community board is delegated to act)
- Participating, as needed, in the setting and monitoring of council policies, budgets, strategies and service delivery through annual and long-term planning processes.

■ Additional responsibilities of Chairs

- Chairing meetings of the community board
- Representing the community board to a high standard in the areas of activity and business delegated
- Promoting and supporting good governance by the community board

- Developing a clear understanding of the terms of reference of their community board, and of the scope and range of delegations in order to carry out the role of community board Chair
- Ensuring sufficient familiarity with parent council's Standing Orders and procedures that they can chair community board meetings and any other sessions for which they have responsibility
- Undertaking sufficient preparation before the meetings they are chairing to allow them to effectively carry out the role of Chair.
- Ensuring meetings they chair operate within the powers delegated by the parent council as set out in the parent council's Delegation Manual
- Managing the progress of business during meetings, including ensuring adherence to the parent council's Standing Orders and to other statutory obligations and requirements
- Ensuring that all participants in meetings have an opportunity to make an appropriate contribution within the bounds of Standing Orders and due process
- Maintaining and ensuring due order and decorum throughout meetings they chair
- Commenting to the media (or other agencies) as the community board spokesperson, where delegated/ authorised to do so, on issues that pertain to the community board
- Liaising with appropriate council staff in respect of the areas of delegated council business for which the community board has responsibility
- Providing leadership to the community board in helping form a consensus that is representative of the community
- Working closely with other members of the community board to ensure smooth community board decision-making
- Keeping abreast of all issues facing the community board.

Appendix E: Councillor – Base role description

■ Collective duties of the council

- Representing the interests of the council
- Formulating the council's strategic direction and relative priorities through the Long Term Council Community Plan (LTCCP), which determines the services and activities to be undertaken by council over a ten-year period
- Determining the expenditure and funding requirements of council activities through the LTCCP and annual planning processes
- Overseeing, developing and/or approving all council policies, administrative, legal, financial and strategic, including formal regional, city and/or district planning matters within the council's geographical area of responsibility
- Monitoring the ongoing performance of council against its stated objectives and policies (including formal sign-off of the Annual Report)
- Ensuring prudent use of council resources
- Law-making (bylaws)
- Overseeing council compliance with any relevant Acts of Parliament
- Employing, setting performance requirements for, and monitoring the ongoing performance of the council's Chief Executive. (Under the Local Government Act 2002, the local authority employs the Chief Executive who, in turn, employs all other staff on its behalf – elected members of council have no responsibilities for, and cannot direct, any staff employed by the council other than the Chief Executive.)

■ Representation and advocacy

- Bringing the views of the community into council decision-making processes
- Being an advocate for community groups and individuals at council meetings

- Balancing the need to advocate for specific interests against the needs of the wider community
- Listening to the concerns of local residents and ratepayers on issues pertaining to the council
- Maintaining contact with community representatives and other local stakeholders
- Participating in any relevant consultative processes with the local community and/or other organisations.

■ Governance

- Participating constructively and effectively in the good governance of the council as a whole
- Understanding and ensuring that basic principles of good governance are a part of the decision-making approach of the council
- Understanding and respecting the differing roles of Mayor (or Chair for a regional council), Deputy Mayor, committee chairs/portfolio holders and councillors
- Recognising that the governance role does not extend to operational matters or to the management of any implementation
- Having a good understanding of the council processes set out in the Standing Orders that determine how council meetings are run
- Developing and maintaining a working knowledge of council services, management processes, powers, duties and constraints
- Participating in the setting and monitoring of council policies, budgets, strategies and service delivery through annual and long-term planning processes
- Ensuring familiarity with agendas and other council reports before council meetings
- Being familiar with and complying with the statutory requirements of an elected councillor
- Complying with the Code of Conduct adopted by the council
- Identifying, being aware of and declaring any potential personal conflicts of interest, whether of a pecuniary or non-pecuniary nature.

Appendix F: Additional responsibility – Role description

■ Committee Chair/Portfolio holder

Responsibilities in addition to those of a councillor:

- Chairing meetings of the committees in the areas of council activity and business within their area of responsibility
- Representing the council to a high standard in the areas of council activity and business within their area of responsibility, recognising that conduct in the role of CC/PH reflects on council as a whole
- Promoting and supporting good governance by the council
- Developing a clear understanding of the terms of reference of their committees, and of the scope and range of the specific areas of council activities and business within their area of responsibility to allow them to carry out their role as CC/PH
- Ensuring sufficient familiarity with council Standing Orders and procedures to be able to chair council committee meetings and any other sessions of council for which they have responsibility
- Undertaking sufficient preparation before meetings they are chairing to effectively carry out their role as CC/PH
- Ensuring any meetings they chair act within the powers delegated by the council as set out in the council Delegation Manual
- Managing the progress of business during meetings, including ensuring adherence to the council Code of Conduct, Standing Orders and any other statutory obligations and requirements
- Ensuring that all meeting participants have an opportunity to make an appropriate contribution within the bounds of Standing Orders and due process
- Maintaining and ensuring due order and decorum throughout meetings they chair
- Commenting to the media (or other agencies) as the council spokesperson on issues arising that pertain to their committee or that are on the agenda in the areas of council activity and business within their area of responsibility, but only if delegated to do so by council
- Liaising with appropriate council staff in respect of the areas of council activity and business within the CC/PH area of responsibility
- Providing political leadership in building a political consensus around council issues in the areas of council activity and business that are within their area of responsibility
- Recognising and contributing to issues that cut across specific areas of council activity and business within the CC/PH area of responsibility 2s or groups
- Ensuring sufficient familiarity with council Standing Orders and procedures to be able to deputise competently for the Mayor in chairing council meetings and other sessions of council
- Representing the council in various local, regional and/or national settings, both formal and informal, as appropriate
- Working closely with other elected members of council to ensure smooth council decision-making
- Ensuring sufficient familiarity with the processes and procedures of various civic functions to be able to correctly follow the obligations of such civic functions in the event of deputising for the Mayor, should that need arise.

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