

Report No:	RCN11-11-02
File No:	
Date:	26 October 2011
<i>Decision required</i>	

REPORT SUMMARY

Report to: Full Council
Meeting Date: 3 November 2011
Report Author: Dennis Bush-King, Acting Chief Executive
Subject: **Review of Local Authority Remuneration Setting**

EXECUTIVE SUMMARY

The purpose of this report is to obtain Councillor agreement to a submission to the remuneration Authority on the process for setting elected member remuneration.

RECOMMENDATION/S

That the report be received.

DRAFT RESOLUTION

THAT the Tasman District Council adopts the proposed submission to the Remuneration Authority in Appendix 1 to report RCN11-11-02.

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1. Purpose

- 1.1 The purpose of this report is to obtain Councillor agreement to a submission to the Remuneration Authority on the process for setting elected member remuneration. Councillors have received a copy of the review document.

2. Background

- 2.1 The Remuneration Authority is responsible for setting the salaries of elected members throughout the country and recently released a discussion paper which reviews the method of setting remuneration levels. The current pool system has been in place for approximately 10 years. In comparison to the previous approach for setting elected members' remuneration it provides councils with considerably more discretion but over time 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 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.
- 2.2 To address these problems the Remuneration Authority has developed two options on which it is seeking the sector's views, an amended pool option and the option of specified salaries.

3. Which is Better, Pool or Specified Salary?

- 3.1 Both approaches have the potential to address the problems created by the current remuneration model.
- 3.2 The primary advantage of the pool model for councils is in having the freedom to develop best practice governance arrangements and pay elected members accordingly.
- 3.3 There are however some downsides:

- (a) the time taken for new councils post elections to decide their governance and thus remuneration requirements.
- (b) the perception held by some in the community that elected members are deciding their own remuneration.
- (c) ongoing administration is complex and time consuming for the Remuneration Authority (we currently pay about \$3,900 annually to the Authority 'for services rendered').

3.4 Advantages of the specified salary model:

- (a) Certainty of income immediately after election.
- (b) Once relativities are determined, and accepted, the system should become more standardised.

3.5 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. In our case there is also uncertainty that sufficient recognition is given to the responsibilities of unitary authority elected members (current multiplier is 1.25).

3.6 The factors used currently by the Remuneration Authority to determine the size of the remuneration pool for a territorial authority are:

- Population (50% weighting)
- Operational expenditure (33% weighting)
- Net assets controlled (17% weighting)

3.7 For regional councils the split is

- Population (30% weighting)
- Operational expenditure (30% weighting)
- Net assets controlled (5% weighting)
- Capital (35% weighting)

4. COMMUNITY BOARD CONSIDERATIONS

4.1 No consultation has taken place with the Community Boards at this stage.

5. DRAFT RESOLUTION

THAT the Tasman District Council adopts the proposed submission to the Remuneration Authority in Appendix 1 to report RCN11-11-02.

Dennis Bush-King
Acting Chief Executive

The Chairman
Remuneration Authority
PO Box 10084
WELLINGTON 6143

Dear Sir

REVIEW OF LOCAL AUTHORITY REMUNERATION SETTING

The Tasman District Council wishes to record its preference for the amended pool system for setting elected member remuneration. The amended pool option attempts to keep the flexibility that councils have with the current pool system while addressing the problems identified in the Review. Retention of a Pool does not avoid the appearance of Councillors setting their own allocation but it does have the advantage of familiarity and flexibility and could be more responsive to changes in circumstances. While we could see some benefit in the specified salary approach it was our second preference.

We agree that there should be a separate pool for community boards as they provide an additional and different level of governance within the community and we consider they should be funded from their own pool. It would be wrong to reduce the pool available for councillors given the presence of community boards as it would be arguable that their existence reduces councillor workloads in any significant way. In fact it increases workload for those Councillors who are appointed to sit on community boards but we are not asking that this be reflected in any special allowance for those Councillors. Not all Councils have community boards, and those that do vary as to numbers, coverage, and delegations. Accordingly we consider community board member salaries should come from a separately administered pool.

In determining pool size and relativities we agree that population and expenditure/turnover are appropriate attributes, although note that normally resident population does not account for visitor impacts. We also agree that net or gross assets are not helpful attributes as they do not adequately account for debt funding or the existence of CCTOs. Even using capital (as currently with Regional Councils) is open to interpretation. However we also consider that scope of functions, risks to be managed, representation workload, in a manner similar to determining remuneration for Directors, should be factored in.

Tasman Councillors, as members of a busy and active unitary authority fulfilling the full spectrum of territorial and regional councils, consider that the 1.25 multiplier is inadequate. While a district having a unitary authority only prepares one Long Term Plan, has one rating system, pays for one audit report, the issues are the same as if there were two councils, a territorial authority and a regional council. Unitary Councillor workload and job complexity is also influenced by the geographical size of the district, length of coastline, rivers, road and utility networks. Even expenditure does not adequately reflect the issues associated with managing these assets.

We do not consider the Authority needs to set minimum councillor salaries for each Council and nor do we consider standard salaries are needed. Councils are too different across the spectrum and committee structures and councillor responsibilities vary considerably. However template job descriptions might be helpful to promote more consistency.

We do not consider meeting fees should be provided for generally as there is too much variability in what constitutes a meeting. The Discussion paper also asks for feedback on whether extra pool amounts should be provided for “those years when district plan hearings are held”. The question suggests a lack of understanding of how the process works but we appreciate it acknowledges the associated workload with hearings whether it be a district plan, a regional plan, or a long term plan. Councils regularly are often involved in resource management plan hearings, not just at the 10 yearly review but many councils now employ a rolling review timetable. There are also hearings under other legislation: Local Government Act, Reserves Act unless of course a separate arrangement is to be provided for as with resource consent hearings, Dog Control Act, Sale of Liquor Act, Fencing of Swimming Pool Act, Biosecurity Act, and no doubt others. Such responsibilities are core business for Councillors as decision-makers and should be accommodated in base salary in the same way as for MPs who attend Select Committee hearings.

The Remuneration Authority needs to take a principled approach if hearings are to be separately provided for. It should be noted that not all hearings are quasi-judicial - for instance it is not uncommon for Tasman Councillors to attend 4 days of LTP hearings plus another 3-4 deliberating. Any payment for preparation and attendance at such hearings should be on a standard scale and outside of any remuneration cap, if special recognition is warranted. It is noted that with an increasing use of independent commissioners by some Councils, the pay gap is quite considerable for doing the same job as an elected member. The Remuneration Authority should not perpetuate this discrepancy.

Some councils have portfolio holders – there should be discretion from within the pool to fund according to workload in a similar way to Committee chairs.

The discussion paper acknowledges that some assessment will need to be made about the time commitment required of elected members as a proportion of full time appropriate for local authorities of different sizes. In our view it is not just the size of a local authority that influences the time commitment but also scope of functions. We do acknowledge that workloads will vary and accept the system should recognise this. Perhaps within a salary band four quartiles could recognise low, medium, high, and very high workloads? We observe that delegation of powers to staff is administratively expedient but varies between councils and may impact on some councillor workload. Such delegations should not be seen to disadvantage remuneration to elected members. Neither should the existence or otherwise of CCTOs negatively influence remuneration.

In summary the amended pool option has the ability to address a number of the problem areas identified by councils while also providing councils with discretion to determine appropriate governance frameworks and remuneration.

We are happy to be consulted further to explain any matters arising.

Cr Tim King
Deputy Mayor