

**LOCAL AUTHORITY ELECTED MEMBER REMUNERATION SETTING 2013
(EXCLUDING AUCKLAND COUNCIL)**

ANSWERS TO FREQUENTLY ASKED QUESTIONS

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1. INTRODUCTION

The Remuneration Authority's new approach to remuneration setting for local authorities (excluding Auckland) has been developed to use for 2013 salaries, to take effect immediately after the 2013 elections. The current Determination will remain in force until the October 2013 local body elections.

The Remuneration Authority has outlined the new approach in full in its April 2013 document *Local Authority Elected Member Remuneration Setting 2013*, circulated to all councils and available on the Authority's website: <http://remauthority.govt.nz/documents/local-authority-elected-member-remuneration-setting-2013.pdf>

The Authority has since written to each council to provide specific information on the base salaries for their elected members to apply from the 2013 elections. The Authority will issue its formal Determination for 2013 remuneration after receiving all proposals from councils on extra pay for positions of additional responsibility.

The information in this paper has been prepared to assist councils with answering questions on the new approach, and to provide guidance on the information required by the Authority to handle approvals of extra pay for positions of additional responsibility. More specific guidance on completing proposals for that extra pay is provided in a separate document.

2. RECAP OF OVERALL APPROACH

The Remuneration Authority has set the base salaries for all elected members of local authorities including community boards. This is a significant change from the old system, where the Authority set a total remuneration pool but individual councils had significant input to how the pool was distributed among councillors and community boards.

To establish the base salaries the Remuneration Authority has:

- a) Undertaken a job-sizing exercise with a cross section of sample councils (for example unitary/territorial/regional, urban/rural, north/south). This exercise included a survey and assessment of the hours required for governance and representative activity.
- b) Developed a size index for each council. This is a measure of the relative size and complexity of each council's business.

Salaries for mayors and chairpersons of regional councils are based on the job sizing exercise and the council's size index.

A base councillor salary has been set for each council, based on the job sizing exercise and the council's size index. Extra pay for councillors with additional responsibilities is set based on proposals from councils, with a cap for each council on the total additional remuneration that can be paid.

Community board members' salaries are based on the population base for their community and a basic job description. Extra pay for community boards with additional responsibilities is set based on proposals from councils, with a cap for each board on the total additional remuneration that can be paid.

Meeting fees will no longer be available.

Q1 How is a size index compiled?

A size index is made up of a range of statistics, with weight assigned to each. The data used was:

- the population served by the council and
- the council's expenditure.

The Authority believes using standard data that can be externally verified is important. Both "expenses" and "population" provide such data and have been found to be key indicators of job size when sample councils have been reviewed.

Every year the Remuneration Authority will recalculate each size index using the latest available statistics on population and expenditure.

Every three years the types of statistics needed for size indices will be reassessed by the Authority prior to local body elections. A relationship is developed between a council's size index and salary based on job sizing, and the survey on hours of governance and representation.

Q2 Why doesn't the size index include data on:**a) assets?**

Assets are so closely correlated with expenditure that they have not been included as an indicator.

b) geographic spread?

Distance travelled by councillors in more geographically spread areas is now addressed in the travel-time component of the travelling expenses policy. This has been increased from \$15 to \$35 per hour.

c) the effects of fluctuating populations in tourist or holiday home areas?

To a large extent the variation in population in tourist areas is recognised by the inclusion of council expenditure in setting size indices.

Q3 How are different elected member positions job-sized?

The Authority uses the Hay Group system of job evaluation to size positions. Every three years (the year prior to an election year) the job sizes of councillors, mayors and chairs in sample councils will be assessed.

Q4 Why are meeting fees no longer possible?

The Remuneration Authority considers that an elected member's role is more than attending meetings, and believes that idea should be reinforced by the remuneration approach.

3. BASE SALARY AND ADDITIONAL PAY FOR COUNCILLORS**Q5 How is a councillor's salary calculated?**

A base councillor salary is set for each council based on the job sizing exercise and the size index for the council.

Councillors can also receive extra pay for:

- positions of additional responsibility (including deputy mayor/deputy chairperson) and
- taking on significantly extra duties during the District Plan process.

A council may draw on a pool of funds to provide additional pay for those who take on any of the above positions. A pool equivalent to 1.5 times of one base councillor salary is available to every council. For example, if the base salary for a councillor is \$40,000, then the total pool for that council which could be used for additional pay will be capped at \$60,000.

Proposals for expenditure from this pool must be submitted to, and approved by, the Remuneration Authority. Specific guidance on preparing proposals will be provided by the Authority in a separate document. The Authority must receive all proposals from councils before its 2013 Determination can be issued.

Q6 What kinds of councillor positions of additional responsibility can be recognised?

The Remuneration Authority has identified the commonly required roles of deputy mayor/chairperson and committee chairperson/portfolio holder. Anticipated responsibilities for such roles can be found on pages 23-24 of the Authority's April 2013 document *Local Authority Elected Member Remuneration Setting 2013*.

There may also be additional positions such as membership of specialist panels, working parties and external bodies. These are likely to vary from council to council. Before approving any additional pay the Authority would expect to see evidence of significant extra workload and/or responsibility required on an ongoing basis to carry out such positions. This could include the need to attend regular additional meetings, or to gain a technical knowledge base for a particular field of expertise.

Q7 Is there a limit to what an individual councillor can receive for positions of additional responsibility?

It is expected that:

- additional remuneration for a deputy mayor will not exceed 40% of the base councillor salary, and
- additional remuneration for committee chairpersons or portfolio leaders or other councillor positions of additional responsibility will be between 5% and 25% of the base councillor salary.

An example of how the above parameters might work follows.

- Council A has 10 councillors, each starting with a base salary of \$40,000.
- The Council has a total pool of up to \$60,000 (i.e. 1.5 times the base councillor salary) to allocate to some or all of its 10 councillors for positions with extra responsibility.
- The Council wishes to pay its Deputy Mayor an additional \$10,000 for carrying out the responsibilities of that role. That is 25% of the base councillor salary of \$40,000.
- The Council has up to \$50,000 remaining to allocate to its councillors for any positions of additional responsibility.
- The Council wishes to pay three of its councillors an extra \$5,000 each to undertake additional responsibilities as chair of a standing committee.
- That leaves the sum of \$35,000 that could be allocated to councillors for undertaking significant extra duties around the District Plan process.

Where a councillor is also appointed as a member or chair of a community board, the Remuneration Authority will not approve any extra pay for carrying out that role. The Authority is not convinced that any extra pay for such appointments does not raise anomalous situations for other councillors who may, for example, attend residents association meetings without additional pay.

Q8 Are councils expected to allocate and spend the total pool available for additional councillor pay each year? Can any unspent funds be carried over?

A council is not required to distribute its entire pool. Any unspent funds cannot, however, be carried over to the next financial year, with the exception of funds for additional duties to support the District Plan process. Prior approval for that carryover must be sought from the Remuneration Authority.

The exception of the District Plan process recognises the lengthy and often intermittent nature of that process. Councillors' work around the District Plan can fall unevenly across years. Given that fluctuation, the Authority expects councils to consider how this work might fall when making their proposals.

Q9 If the pool set aside for duties relating to the District Plan process is not fully spent, can the remainder be reallocated to councillors to top up their base salary?

No.

Q10 Can councils make a request for an increase in the size of the pool for additional councillor responsibilities if, in the course of the year, it appears that it is not sufficient to meet needs?

No.

Q11 What about when unforeseen circumstances arise, such as the need for a councillor to undertake duties for a period of time as acting mayor/regional chairperson, or acting committee chairperson?

Additional pay may be considered for such duties in exceptional circumstances, for example extended illness or extended holiday by the usual incumbent. A council would need to seek approval from the Remuneration Authority and provide a clear rationale for such payment. It is expected that funds for these acting duties would be sourced from savings made by adjusting the salary of the usual incumbent in the role, to reflect their decreased responsibility. This adjustment would comprise the difference, or a proportion of the difference, between a councillor's base salary and the additional component for the additional responsibility.

Q12 Does a council have to submit proposals for extra pay for those in positions of additional responsibility?

A council is required to submit proposals if it wishes to allocate some or all of its pool for positions of additional responsibility.

A council does not have to set extra pay for additional responsibilities if it chooses to operate with a flat structure. It can set only one additional payment, for example for the deputy mayor/deputy regional chairperson. Your proposal must be submitted to the Remuneration Authority regardless of the amount recommended.

Q13 Will councillors undertaking resource consent hearings under the Resource Management Act still be entitled to additional fees for that work?

Yes. Refer to the questions and answers under section 6.

Q14 Following our council's representation review, the number of councillors has reduced. Does this automatically reduce the remuneration levels available for the council?

Changes in councillor numbers will not affect the base councillor salary level for each councillor, or the size of the pool available for councillor positions of additional responsibility. The only impact of a reduction in councillors would be a reduction in the total remuneration costs for the council, with fewer councillors receiving the base councillor salary.

4. BASE SALARY AND ADDITIONAL PAY FOR COMMUNITY BOARDS

Q15 How is a community board member's salary calculated?

A base community board salary is set for each community board, based on the population the community board serves and a basic job description. The base salary assumes that each member of that board has similar basic responsibilities. These are set out on pages 16-18 of the Remuneration Authority's April 2013 document *Local Authority Elected Member Remuneration Setting 2013 (excluding Auckland Council)*.

If a community board has additional levels of responsibility, then the Authority may approve additional pay for that board after receiving proposals from councils.

Additional pay for community boards cannot be drawn from the pool of 1.5 times the basic councillor salary that can be used for councillor positions of additional responsibility, i.e. it is over and above the maximum amount of the councillor pool.

Q16 Why is only population data considered for the community boards' base salary? Why isn't a council's size index, used for the remuneration of mayors/regional chairpersons and councillors, also considered for the community boards?

The primary function of community boards is representation. It is therefore reasonable to expect that the time, effort and expertise required to represent a large number of people would be greater than that for a smaller number of people. Therefore it is reasonable for the remuneration of members of a community board serving a large population to be greater than that for members of a community board serving a small population.

It follows that community board remuneration linked to the board's population base would result in remuneration being fairer to its members.

Therefore community board salaries have been based on the community board population. This does not mean that the community board salary is a fixed multiple of its population; rather it means that there is relativity between a community board's population and the remuneration of its elected members.

Q17 What population data is used for calculating the base salary for community boards?

The Remuneration Authority draws on annual population estimates provided by Statistics New Zealand.

Q18 What kinds of community board roles of additional responsibility can be recognised?

Firstly it is important to note that the additional responsibilities must be to the board as a whole and not to individual members.

Councils should note that the Remuneration Authority will not automatically approve extra pay for community boards. Each proposal will be considered on a case by case basis. Evidence will be required to show how any community board is significantly operating above and beyond the role of community boards as outlined in section 52 of the Local Government Act 2002. Factors that the Remuneration Authority will take into account include:

- the implications for overall workload, such as significant additional hours required
- whether the additional responsibility is an ongoing one
- the extent to which the community board's members' 2013 base salary was modified upwards or downwards from its unadjusted 2013 members' salary.

It is not expected that any core council responsibilities would be delegated from a council to its board(s) as that would be seen as reducing the role of the council.

For those community boards that serve areas with fluctuating populations in tourist or holiday areas, the Authority would need evidence that those populations created significantly increased responsibilities and workload for community boards.

Q19 What extra pay can a community board receive for roles of additional responsibility?

The maximum percentage that can be added to the base community board member salary will be 30%. The maximum would only be approved, however, for roles where significant additional responsibility had been proven.

Q20 How is the remuneration of a chairperson of a community board calculated?

The remuneration of an elected chairperson will be twice the salary of a community board member (including additional pay for that board's members, if any). Confirmation that the chairperson will carry out the additional roles for that role, as described on page 18 of the Remuneration Authority's April 2013 document *Local Authority Elected Member Remuneration Setting 2013 (excluding Auckland Council)*, is required.

An example of how additional pay might be approved for a community board follows.

- Community Board A has a base salary of \$7,000 for each board member. The maximum additional pay for each board member, except the board chair, would be \$2,100.
- Extra pay of \$1,500 each has been approved by the Remuneration Authority for Community Board A's additional roles of responsibility. All board members, except the board chair, would each receive total remuneration of \$8,500.
- The board chair would receive total remuneration of \$17,000.

Q21 Does a deputy chairperson of a community board receive additional pay for carrying out duties as deputy?

No. The deputy chairperson is remunerated as a board member. They will be able to receive additional pay for any additional role of responsibility that the board might collectively have.

5. SALARY FOR MAYORS/CHAIRPERSONS OF REGIONAL COUNCILS**Q22 How are salaries for mayors and chairpersons of regional councils calculated?**

The salaries for mayors and chairpersons are based on the job sizing exercise and the size index for their council.

No additional remuneration can be provided above these salaries, with the exception of fees for resource consent hearings in exceptional circumstances (see response to question 27).

Q23 Are there any changes to arrangements for mayoral/regional chairpersons' cars?

The method for reducing the mayor/chairpersons' remuneration to reflect private usage of a council provided car remains unchanged i.e. value x 47% x 20%.

The Authority will continue to need to be informed whenever a mayor's or chairperson's car changes, or private usage of that car changes. Details of the new car's cost and details of any changed private usage will need to be provided before the next annual Determination.

The Authority will not, however, adjust the mayor's or chairperson's salary unless, in the Authority's opinion, the change in car or private use is significant enough to warrant a change. Changing a car for a later similar model and make would not normally trigger a salary change.

6. FEES FOR RESOURCE CONSENT HEARINGS

Q24 Will councillors undertaking resource consent hearings under the Resource Management Act still be entitled to additional fees for that work?

Yes. Hearings fees for non-council initiated resource consent hearings will continue to form part of the Remuneration Authority's Determination. The hourly rate will be reviewed each year.

Q25 Will councillors undertaking hearings under the Resource Management Act be paid for preparation time? If so, how is that to be calculated?

Yes. This is a change from the previous system.

Preparation time to be reimbursed should not exceed the time of the actual hearing. For example, if a hearing last for three hours then no more than three hours of preparation time may be paid for.

Preparation time may include time for reading, attending onsite meetings, or attending pre-hearing briefings/meetings.

Reimbursement will be at the same rates as those for actual hearings time, as set out in the Remuneration Authority's Determination.

Q26 If the chair of a council's Hearings Committee undertakes resource consent hearings and is paid additional fees for that, is he/she also entitled to receive an additional sum as the chair of the Hearing Committee from the fund for positions of additional responsibility?

Yes. Payment of fees for resource consent hearings is treated separately from payment for positions of additional responsibility. (Note also there is no cap on the payment of fees for resource consent hearings, while there is a cap on payment for positions of additional responsibility).

Q27 Are mayors and regional chairpersons able to receive fees for participating in resource consent hearings?

Generally no. The Remuneration Authority will not approve fees for full time or close to full time mayors/regional chairpersons. Fees might be considered in exceptional circumstances for part time mayors/regional chairpersons if a new council largely comprises inexperienced councillors, or if there is a significant hearing of a lengthy duration. In such circumstances no fees should be paid without seeking prior approval from the Authority.

7. REMUNERATION DURING THE 2013 ELECTION PERIOD

Q28 What happens to elected member remuneration during the October 2013 council elections period?

The remuneration set out in the 2012 Determination will continue to apply until new or re-elected members come into office on either:

- a) the day of the election, in the case of an uncontested election, or
- b) the day after the day of the official public notification of a council's election results, in the case of a contested election.

Remuneration for members not re-standing for election will cease on the day when members elected come into office.

The above timeframes are consistent with the current provisions of the Local Electoral Act 2001. They will be realigned if the Local Electoral Amendment Bill (No 2)'s provisions around these timeframes are enacted. That Bill is currently open for submissions.

Councillors or community board members receiving additional pay to reflect extra responsibilities will be paid at their base salary rate until appointed to the positions or roles that include those responsibilities. Their additional pay will apply from the date of their appointment. The Remuneration Authority does not need to be informed of the appointment of individuals to positions or roles of additional responsibility that have previously been approved by the Authority for funding.

No further Determination will be issued until 1 July 2014 unless in the meantime:

- a council seeks to amend any levels of extra pay previously approved for additional councillor or community board responsibilities and/or
- a council makes changes to its governance structure and seeks to make changes to councillor positions or community roles with additional responsibilities, with consequent changes to the allocation of the fund for extra pay.

Q29 Why are we being asked to submit proposals to the Authority now on additional pay for positions of additional responsibility, when they may change after the elections?

It is important that candidates are fully informed of the remuneration they will receive if elected. Some councils can take considerable time to reassess and implement any changes to their governance structures. The Remuneration Authority recognises there could be some changes after the elections but past experience indicates these are not likely to be significant.

Where councils do reallocate duties among members after the election they may apply to the Authority to vary the way the additional pool of funding is allocated.

8. TRANSITIONAL ISSUES

Q30 Can a council carry over any unspent meeting fees from the old system through to after the 2013 election?

No.

Q31 Why has the base salary for councillors and/or community boards in some areas increased a lot for 2013 and others only a little? Why has the base salary in some areas decreased?

Individual letters have been sent by the Authority to the mayors and chairpersons of each council, giving more details of the extent to which increases or decreases for their council have been limited, as well as indicating reasons for the new base salaries being different from 2012.

These increases or decreases have been due to a range of factors. For councillors, some of those main factors have been:

- whether or not all or part of community board salaries had been met from the 2012 remuneration pool
- whether a council had meeting fees, and the extent to which they were evenly spread amongst all councillors
- whether a council had a different number of councillors from similar-sized councils.

Some of the main factors leading to increases or decreases in community board salaries have been:

- whether a council had taken into account the relative population size when setting community board salaries
- the relativities between councils of community board salaries for similar sized populations.

Q32 Why has the Authority moderated for 2013 any large increases or decreases that the new approach has indicated? When will the levels of pay that the Authority says it would like to see be fully implemented? What guarantee is there that these levels will ever be reached?

Where the change in base councillor salary was significantly large, the Authority considered it best to limit the change to what it considered acceptable amounts. This is because the Authority is required to be fair to both job holders and ratepayers, as well as to take into account adverse economic conditions. Large increases could be regarded as having an adverse impact on ratepayers' costs and could be regarded as denigrating the position for retiring councillors. Large decreases could have an adverse impact on councillors standing for re-election and could be regarded as denigrating the position for new councillors. A similar approach was taken for community boards.

The Authority has therefore moderated large increases or decreases. Each council has been advised of the nature of the moderation that was applied and has also been advised that a further full review will be undertaken in 2015/2016 prior to the next local body elections. In 2015/2016 the Authority will consider the appropriate level of remuneration for local government elected members against the criteria in the Remuneration Authority Act. It is not possible to indicate now the outcome of that consideration. All the material and information considered during the current review will be available to the Authority in 2015/2016.

9. GENERAL

Q33 What was the range of increases for the 2013 remuneration?

As stated in the Remuneration Authority's April 2013 document *Local Authority Elected Member Remuneration Setting 2013*, the changes to base councillor salaries ranged from – \$17,500 to +\$16,200 before moderation. After moderation the changes ranged from – \$4,600 to +\$10,600.

Q34 What if council proposals for additional pay are not unanimous recommendations?

The Authority has traditionally accepted proposals that are unanimously supported. For split recommendations the Authority cannot overlook the possibility of political differences driving the proposal, or where the relativities established are well outside national norms. In those cases strong supporting documentation concerning the reasoning behind any change in the recognition of positions should be provided.

Q35 Are there any changes to current arrangements for the reimbursement of expenses, the mileage allowance, and the communications allowance?

Prior to the 2013 council elections, and every three years thereafter, the Remuneration Authority will reassess rates, thresholds, caps, and conditions for travel-time allowances, mileage allowances, communication allowances, and resource consent hearings.

As detailed decisions are made on these matters for 2013, further information will be placed on the Authority's website and distributed to councils. The Authority has already advised councils in its April 2013 document *Local Authority Elected Member Remuneration Setting 2013* that the maximum hourly rate for travel time will be increased to \$35 after the 2013 elections. The maximum mileage allowance will also be increased to 77 cents per kilometre for the first 5,000 kilometres, and increased to 37 cents per kilometre for distances greater than 5,000 kilometres.

Q36 What is the Remuneration Authority trying to achieve with this new system?

The Authority is confident that the new approach will see a more equitable distribution of income for elected members.

The Authority believes that 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. The Authority acknowledges 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.

The Authority intends to carry out an annual engagement with local government representatives to exchange views on remuneration setting.

Q37 What will happen after 2013?

In future the Authority will look in the year prior to local government elections at all the key components of remuneration. 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 Hay Group). Regard will also be given to the proportion of full-time work applicable to the councils (as determined by survey results), and Remuneration Authority pay scales.

In the two mid term years, the next being 2014 and 2015, the Authority will review amounts of remuneration, taking into consideration any changes in council size indices and any general remuneration increase. No base councillor remuneration will decrease as a result of their recalculation. The Authority will apply any changes automatically to the remuneration levels set in the Determination.

FOR FURTHER INFORMATION

More detailed guidance for councils preparing proposals for extra pay for positions of additional responsibility will be provided shortly by the Remuneration Authority. This will include a template that all councils are required to use for submitting proposals.

Any further queries on 2013 remuneration matters should be emailed to:

info@remauthority.govt.nz

Remuneration Authority
22 May 2013

May 2013