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**REPORT 4**

*(1215/11/IM and 1215/10/01/IM)*

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**ELECTED MEMBERS' REMUNERATION: 2007/2008  
FINANCIAL YEAR**

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**1. Purpose of Report**

To submit for the Council's consideration and approval, a proposal for the initial allocation of the 2007/2008 remuneration pool amongst the elected members of the Wellington City Council and the Tawa and Makara/Ohariu community boards.

**2. Executive Summary**

The Remuneration Authority has advised the Council that its elected members' remuneration pool has been set at \$1,303,396 for the 2007/2008 financial year; an increase of \$34,725 on this year's pool.

The Mayor's annual salary for 2007/08 has been fixed at \$146,178 by the Remuneration Authority; an increase of \$4,607 on the salary she is currently receiving. This increase must be fully met from the pool, leaving a balance of \$30,118 for allocation amongst the Council's remaining elected members, including its community board members.

Based on the rules and principles set by the Remuneration Authority the Council must now decide how the "new" pool is to be initially allocated amongst its elected members (excluding the Mayor whose salary has already been set). Once agreed the Council is required to submit its proposal to the Remuneration Authority for approval.

The Council's proposal must be approved by the Remuneration Authority before the new remuneration rates can be implemented. The rates, once approved, will remain in force until the date on which the results of the October 2007 elections are declared, following which an interim determination will be issued by the Remuneration Authority to cover the period immediately after the new Council comes into office and until the Council is in a position to submit a final proposal for the balance of the 2007/08 financial year based on its new governance structure.

**3. Recommendations**

It is recommended that the Council:

- 1. Receive the information.*

2. *Agree that the salary only model be confirmed as the basis of remuneration for the elected members of the Wellington City Council for the 2007/2008 financial year.*
3. *Note that the remuneration framework requires all community board members to be paid an annual salary (i.e. there is no provision for the payment of meeting fees to community board members).*
4. *Agree that the following salaries be paid to the elected members of the Wellington City Council and the Tawa and Makara/Ohariu community boards from 1 July 2007 until the date on which the results of the October 2007 elections are declared and that the Council's proposal be referred to the Remuneration Authority for its approval:*

<i>Mayor</i>	<i>\$146,178 pa</i>
<i>Deputy Mayor</i>	<i>\$100,305 pa</i>
<i>Chair, Strategy &amp; Policy Committee</i>	<i>\$97,069 pa</i>
<i>Portfolio Leader (x 5)</i>	<i>\$84,126 pa</i>
<i>Chair, Regulatory Processes Committee</i>	<i>\$77,655 pa</i>
<i>Chair, Audit &amp; Risk Management Subcommittee</i>	<i>\$71,184 pa</i>
<i>Chair, Grants Subcommittee</i>	<i>\$71,184 pa</i>
<i>Councillor (x 4)</i>	<i>\$64,713 pa</i>

<i>Tawa Community Board</i>	
<i>Chair</i>	<i>\$19,950 pa</i>
<i>Elected Member (x 5)</i>	<i>\$7,630 pa</i>

<i>Makara/Ohariu Community Board</i>	
<i>Chair</i>	<i>\$12,336 pa</i>
<i>Elected Member (x 5)</i>	<i>\$4,816 pa</i>

*Note:*

- (a) *The Mayor's salary is set by the Remuneration Authority.*
  - (b) *These figures represent a salary increase of 3.25% for the Mayor and an "across the board" salary increase of 2.67% for all other elected members, including community board members.*
  - (c) *The level of community board members' remuneration met from the pool has been retained at 63.84%.*
  - (d) *The Tawa and Makara/Ohariu community boards have given their approval to the recommended remuneration rates for the elected members of their respective boards.*
  - (e) *No additional payments are to be made to the two Northern Ward Councillors who have been appointed by the Council as members of the Tawa Community Board.*
5. *Note that the Remuneration Authority will issue an interim determination (in August 2007) to fix salaries to cover the period immediately after the new Council comes into office and until a new governance structure is in place.*

6. *Note that a new and final determination will be issued by the Remuneration Authority as soon as practicable once the Council's new governance structure is in place and that that determination will carry through to 30 June 2008.*
7. *Note that once a final determination has been made for the balance of the 2007/2008 financial year, the Remuneration Authority will approve any back dating of salaries it considers appropriate.*
8. *Agree to that the car currently supplied to the Mayor is for mayoral use only and that the Remuneration Authority be advised of this.*

Note:

*The Remuneration Authority has determined that "mayoral use only" means that the car can be used by other officers, can be driven home and garaged by the Mayor but does not permit any private use.*

9. *Note that the Remuneration Authority is proposing to put in place new procedures for the consideration and approval of council expense policies and that further details of these procedures will be notified in due course.*
10. *Note that the Council is required to notify the Remuneration Authority of any dissent expressed by members of the Council or its community boards in relation to the Council's final remuneration proposal.*

#### **4. Background**

The Remuneration Authority has advised that the elected members' remuneration pool for the 2007/2008 financial year has been increased from \$1,268,671 to \$1,303,396, i.e. an increase of \$34,725 (2.74%).

The Mayor's salary, which is set by the Remuneration Authority, has been increased from \$141,571 to \$146,178, an increase of \$4,607 (3.25%). This salary must be met from the pool.

The allocation of the 2006/2007 pool, as recommended by the Council and determined by the Remuneration Authority, was as follows:

Mayor	\$141,571 pa
Deputy Mayor	\$97,696 pa
Chair, Strategy and Policy Committee	\$94,543 pa
Portfolio Leaders (x 5)	\$81,937 pa
Chair, Regulatory Processes Committee	\$75,634 pa
Chair, Audit and Risk Management Subcommittee	\$69,331 pa
Chair, Grants Subcommittee	\$69,331 pa
Councillor (x 4)	\$63,028 pa

Chair, Tawa Community Board	\$19,431 pa
Member, Tawa Community Board (x 5)	\$7,431 pa

Chair, Makara/Ohariu Community Board	\$12,015 pa
Member, Makara/Ohariu Community Board (x 5)	\$4,691 pa

The Council must now decide how the 2007/2008 pool is to be initially allocated and to forward its proposal to the Remuneration Authority for its consideration and approval. The approval of the Remuneration Authority is required before the Council can implement its proposed remuneration rates.

In view of the fact that it is election year the Remuneration Authority will be issuing up to three determinations during the year, similar to the process it followed in 2004. The process it will follow is set out in section 5.3 of the report.

A summary of the remuneration framework and the Remuneration Authority's rules and principles that the Council is required to adhere to is attached as **Appendix 1**.

## **5. Discussion**

### **5.1 Decisions to be made**

In preparing its proposal the Council is required to make the following decisions:

- To decide whether the remuneration pool should be allocated on a salary only basis or whether it should be a mix of salary and meeting fees.
- To agree appropriate levels/rates for the different positions/roles on the Council and its community boards and, using that information, develop a proposal for the allocation of the money within the remuneration pool.
- To confirm or reconfirm the basis on which the car is supplied for the Mayor's use

### **5.2 Basis of remuneration for elected members**

In deciding the method of remunerating its Councillors, the Council has the option of paying its members on a salary only basis or a combination of salary and meeting fees. It has chosen the salary only option in the past, with the agreement of the Remuneration Authority.

The salary only model has worked satisfactorily both insofar as elected members and Council officers are concerned. The advantage of this option is that elected members receive a regular income and know what their annual salary is going to be. No requests have been received from elected members to change back to the

salary/meeting fee option which applied prior to 1 July 2003. Insofar as Council officers are concerned the salary only option is also better for administrative reasons.

However, the rules set by the Remuneration Authority require all community board members to be paid an annual salary (i.e. there is no provision for the payment of meeting fees to community board members). The Remuneration Authority has previously determined that the salary received by those councillors who have also been appointed by the Council as a member of a community board is to incorporate the remuneration for both roles (i.e. those members are not entitled to any additional remuneration for their role as an appointed member of the community board).

It is therefore recommended that the Council adopt the salary only model as its basis of remuneration for the 2007/2008 financial year.

There is no proposal to recommend a change to the “status quo” insofar as the payment for the two Northern Ward Councillors who are appointed to the Tawa Community Board is concerned.

### **5.3 Distribution proposal**

The Council’s governance structure has not changed since the Remuneration Authority approved the Council’s remuneration proposal for the 2006/2007 financial year.

In order to keep the current relativities in place and to maintain the position taken last year to meet 63.84% of the total remuneration payable to the council’s community board members from the remuneration pool (rather than the previous 50%), it is recommended that an across the board percentage increase be applied to all salaries (excluding the 3.25% increase for the Mayor). This equates to a 2.67% salary increase for all elected members, including community board members. The continuation of the decision to meet a greater percentage of the community board members salary from the pool (i.e. 63.84% rather than 50%) will result in a saving of \$13,081 to the ratepayer.

Both the Tawa and Makara/Ohariu community boards have given their approval to this proposal without dissent.

The approval of this proposal will result in the following salaries being paid to the Council’s elected members, including its community board members, for the period 1 July 2007 and up to and including the date on which the results of the 2007 local authority elections are declared.

Position	Current Salary	Proposed Salary	Proposed Increase
Mayor	\$141,571	\$146,178	\$4,607
Deputy Mayor	\$97,696	\$100,305	\$2,609
Chair, Strategy and Policy Committee	\$94,543	\$97,069	\$2,526
Portfolio Leader (x 5)	\$81,937	\$84,126	\$2,189

Chair, Regulatory Processes Committee	\$75,634	\$77,655	\$2,021
Chair, Audit and Risk Management Subcommittee	\$69,331	\$71,184	\$1,853
Chair, Grants Subcommittee	\$69,331	\$71,184	\$1,853
Councillor (x4)	\$63,028	\$64,713	\$1,685
Chair, Tawa Community Board	\$19,431	\$19,950	\$519
Elected member, Tawa Community Board (x5)	\$7,431	\$7,630	\$199
Chair, Makara/Ohariu Community Board	\$12,015	\$12,336	\$321
Member, Makara/Ohariu Community Board (x 5)	\$4,691	\$4,816	\$125

#### **5.4 Timing of determinations**

Because it is an election year and the issues that raises, the Remuneration Authority has advised that its intention is to issue an initial determination in June 2007 that will be based on the Council's recommendations for the distribution of the indicative pool. It is proposed that that determination will cover the period from 1 July 2007 and up to and including the date on which the results of the 2007 local authority elections are declared.

The Authority is aware that a number of councils could have changes in the number of elected members or changes affecting community boards as a result of representation reviews. It has therefore advised that it intends to follow the practice used in 2004 and issue an interim determination to fix salaries to cover the period immediately after the new councils come into office and until their new governance structures are determined. The salary levels will be set at a conservative level to allow new councils to review committee structures, allocation of responsibilities and adjust to any increased or reduced level of membership.

Although the interim salary rates will not take effect until the day after which the election results are declared, the Authority expects to promulgate this interim determination in early August 2007.

The final determination, to carry through to 30 June 2008, will be issued as soon as practicable once the Authority has had time to consider the recommendations from the incoming council in regard to the allocation of the pool for the balance of the 2007/2008 financial year based on its new or reconfirmed structure. It is unlikely that this final determination will be gazetted much before February/March 2008.

The Authority has advised that any backdating of salary adjustments will normally be adopted to line up with the date on which the relevant council decisions are made. Further advice on this process will be issued at the time the interim determination is issued in August 2007.

### **5.5 *Mayoral car***

The Mayor is currently provided with a council vehicle on the basis that the vehicle will be used for mayoral use only.

The Remuneration Authority has determined that “mayoral use only” means that the car can be used by other officers, can be driven home and garaged by the Mayor but does not permit any private use.

If the car is used for part or full private use an amount, calculated by the Remuneration Authority, is deducted from the Mayor’s annual salary.

The Council is required, as part of the remuneration process, to confirm or reconfirm the basis on which the car is supplied for the Mayor’s use.

The Mayor has indicated that the car continues to be used for mayoral use only and that she wishes to continue with that arrangement.

### **5.6 *Payment of allowances and reimbursement of expenses***

The payment of allowances and reimbursement of expenses to elected members, including members of community boards, also requires the approval of the Remuneration Authority.

The Authority has advised that it is proposing to put in place new procedures for the consideration and approval of council expense policies and details of these procedures will be notified in due course.

No further action is required on the expenses policy at the moment. The Council will be advised of the procedure and its decisions sought, if necessary, once the new process is known.

### **5.7 *Unanimity of the Council’s decision***

In submitting its proposal the Council is required to notify the Remuneration Authority with details of:

- (i) any dissent at Council, and
- (ii) any dissent from community boards.

A community board also has the ability to express any opposing views it might have on the Council’s final proposal direct to the Remuneration Authority if it so wishes.

If the Council’s recommendations are unanimous and reasonable it is unlikely that the Authority will withhold its approval. It does, however, have the power to amend any proposal if the level of dissatisfaction is high or if the proposal is considered unreasonable.

## **6. Conclusion**

The Council is required to submit its initial 2007/2008 elected members' remuneration proposal to the Remuneration Authority for its approval by 1 April 2007 at the latest.

The recommended proposal has been considered by both the Tawa and Makara/Ohariu community boards and they have indicated their support of the proposal without dissent.

The new remuneration rates which will come into force on 1 July 2007 (and remain in place until the date on which the results of the October 2007 elections are declared) cannot be implemented until the Remuneration Authority has given its approval.

Contact Officer: *Ross Bly, Special Projects and Electoral Officer.*

## **Supporting Information**

### **1) Strategic Fit / Strategic Outcome**

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

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

*The project relates to C534: Elections, Governance and Democratic Process. The expenditure involved has been provided for in the Elected Members' budget in the 2007/08 Draft Long Term Council Community Plan.*

### **3) Treaty of Waitangi considerations**

*There are no Treaty of Waitangi implications.*

### **4) Decision-Making**

*This is not a significant decision.*

### **5) Consultation**

#### **a) General Consultation**

*Consultation with the Remuneration Authority is ongoing. No public consultation is required.*

#### **b) Consultation with Maori**

*No specific consultation is required.*

### **6) Legal Implications**

*There are no legal implications.*

### **7) Consistency with existing policy**

*This report is consistent with existing Wellington City Council policy.*

## SUMMARY OF THE REMUNERATION FRAMEWORK - ITS RULES AND PRINCIPLES

### *Basis of the remuneration system*

- The Remuneration Authority approves a “remuneration pool” for each local authority, the size of which is determined on a number of consistent and transparent criteria (set by the Authority).
- The factors used by the Remuneration Authority to determine the size of the remuneration pool (for a territorial authority) are:
  - Population (50% weighting)
  - Expenditure (33% weighting)
  - Assets Gross (17% weighting)
- The Mayor’s salary is set by the Remuneration Authority and must be fully met from the pool.
- The balance of the pool is available for distribution to the Council’s remaining elected members, including community board members.
- There are two options available to Council for distributing the pool
  - A salary only model, or
  - A salary: meeting fee split (e.g. 75% salary and 25% meeting fee).
- The Remuneration Authority must issue at least one determination every three years. In normal circumstances an annual determination will be made.

### *General principles which apply*

- The size of the remuneration pool is both the maximum and minimum amount payable to elected members.
- All proposals must be approved by the Remuneration Authority prior to implementation.
- The maximum number of hours any individual member may be paid for is 40 hours per week (i.e. 2080 hours per annum).
- Different salary and meeting fee weightings, to those originally provided by the Remuneration Authority, may be proposed.
- Any divergent views of Councillors and community board members, in respect of the Council’s proposed allocation of the pool, must accompany the proposal submitted for the Remuneration Authority’s approval.

## APPENDIX 1

- The Remuneration Authority is under no obligation to approve any scheme and will look at each proposal on its merits. Any proposal that is likely to result in distortions in behaviour or lack of fairness in relativity will not be approved by the Authority.
- The Remuneration Authority will not determine how the remuneration for elected members should be funded.
- Any amendment to a determination requires the prior approval of the Remuneration Authority.
- All Councils are required to publish in their Annual Report:
  - the remuneration scheme adopted (i.e. salary or salary/meeting fee split)
  - the actual payments received by each elected member, and
  - the total amount of expenses reimbursed to each elected member.

### ***What remuneration is included in the pool***

- The Mayor's salary, as determined by the Remuneration Authority, and the remuneration for the remaining elected members of Council.
- The total salary for any appointed community board members.
- At least half the salary for elected community board members. Up to 100% of these remuneration costs can be met from the pool.

### ***What remuneration is excluded from the pool***

- Meeting fees paid to elected members in respect of resource consent hearings.

**Note:** A member who acts as the chairperson of a resource consent hearing is entitled to a fee of \$85 per hour of hearing time. A member who is not the chairperson of the resource consent hearing is entitled to a fee of \$68 per hour of hearing time. For any period of hearing time that is less than one hour, the fee must be apportioned accordingly. These fees have been set by the Remuneration Authority.

- No more than half the salary for elected community board members.
- The costs incurred in the reimbursement of expenses (i.e. mileage allowances, cell phones etc).
- The payment of Trustees/Directors fees to those elected members appointed to the Council's Council Controlled Organisations.

## APPENDIX 1

### ***Remuneration for community board members***

- All community board members must be paid a salary (i.e. the payment of meeting fees is not an option).
- No more than half the salary costs for elected community board members can be met from outside the remuneration pool.
- Total salary costs for appointed community board members must be met from the remuneration pool.

### ***Mileage allowances***

Where an elected member needs to use their own vehicle on council business, they are entitled to be paid a mileage allowance of up to 70 cents per kilometre. This rate has been set by the Remuneration Authority to reflect both cost recovery and an element of remuneration in respect of travelling time.