

Remuneration Authority
Consultation Document: Local Government Review
Auckland Council Governing Body Submission

Auckland Council thanks the Remuneration Authority for the opportunity to comment on proposed changes to the Authority's processes for determining the remuneration of local government elected members.

As the Authority will be aware, the governance of Auckland Council comprises a unitary authority with a governing body of a mayor and twenty members, together with twenty-one local boards. Under the Auckland legislation the local boards must make all the decisions relating to the activities of the council that are local and non-regulatory. The consultation document refers to community boards but does not refer local boards. It is important to note that local boards are different to community boards in important respects.

All local boards have had the opportunity to make submissions on the consultation document. The local board submissions are attached.

The consultation document makes proposals and invites feedback on specific questions. The submission from the Auckland Council governing body is set out below under those questions.

Council size

The discussion document defines council size as *"the accumulated demands on any council resulting from its accountability for its unique mix of functions, obligations, assets and citizenry"*. It proposes a number of measures on which to base council size such as:

- (i) population
- (ii) operational expenditure
- (iii) asset size
- (iv) social deprivation
- (v) guest nights.

For regional councils, social deprivation would not be used to assess size, but land area would be.

For unitary councils, land area would be added to all other factors in order to recognise regional responsibilities. The previous 12.5% loading would not apply.

Detailed explanations about why these factors were chosen are in the discussion document.

Remuneration Authority questions on sizing factors:

With regard to the proposed factors to be used for sizing councils

- *Are there significant influences on council size that are not recognised by the factors identified?*
- *Are there any factors that we have identified that you believe should not be used and why?*
- *When measuring council assets, do you support the inclusion of all council assets, including those commercial companies that are operated by boards?*

- *If not, how should the Authority distinguish between different classes of assets?*

The council notes that in previous years, 'growth' was included as a factor. Those councils experiencing higher growth might be expected to be faced with more complex issues to resolve than councils with stagnant growth. In a review conducted in 2012, the Authority stated:

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

In terms of the Authority's definition of council size (*"the accumulated demands on any council resulting from its accountability for its unique mix of functions, obligations, assets and citizenry"*) the council believes there is a case for the Authority to again include a factor reflecting growth. For Auckland, its growth, and subsequent demands for housing, infrastructure and public transport, are not just items that are reflected in expenditure, but are also reflected in the council's ability to work with government and develop planning solutions in a context where there are conflicting views on what those solutions should be.

The Authority has suggested adding a factor to take visitors into account. It proposes this should be measured by guest nights. The council draws the attention of the Authority to the comments of the Waiheke Local Board in regard to its experience of having influxes of visitors who do not stay overnight.

Weighting

The discussion document proposes weighting the sizing factors differently for different types of council.

Territorial authorities:

Population, operational expenditure
Assets
Deprivation index, visitor nights

Regional councils:

Operational expenditure, geographic size
Assets, population
Visitor nights

Unitary authorities:

Population, operational expenditure, geographic size
Assets
Deprivation index; visitor nights

Remuneration Authority questions on weighting:

- *Are you aware of evidence that would support or challenge the relativity of the factors for each type of council?*
- *If you believe other factors should be taken into account, where would they sit?*

If the Authority agrees that a factor reflecting growth should be included, its weighting would be similar to that of deprivation index and visitor nights.

Mayoral remuneration

The discussion document states that a base rate would be determined and additional amounts would be based on the size of the council as assessed above. The Remuneration Authority would set the mayor's salary.

Remuneration Authority questions on Mayoral remuneration:

- *Should mayor/chair roles should be treated as full time?*
- *If not, how should they be treated?*
- *Should there be a "base" remuneration level for all mayors/chairs, with additional remuneration added according to the size of the council?*
- *If so, what should determine this "base remuneration"?*

The Auckland mayoral position is currently treated as full-time and there is no rationale to suggest that this should change. The council notes that the Authority raises the question of mayoral remuneration later in its document when it discusses possible relativities. Any additional comments on mayoral remuneration are made under that section.

Councillor remuneration

The document proposes that a total remuneration pool would be set for each council and each council would decide how to distribute the pool among elected members (after the mayoral salary has been deducted). A 75% majority vote would be required. The Remuneration Authority would receive each council's decisions and would then make formal determinations.

The pool could be used to recognise additional workload arising from appointments to external bodies.

Remuneration Authority questions on councillor remuneration:

- *Should councillor remuneration be decided by each council within the parameters of a governance/representation pool allocated to each council by the Remuneration Authority?*
- *If so, should each additional position of responsibility, above a base councillor role, require a formal role description?*
- *Should each council be required to gain a 75% majority vote to determine the allocation of remuneration across all its positions?*

The pool arrangement requires elected members to discuss their own remuneration in order to make a proposal to the Authority on how a pool would be allocated. Since the creation of Auckland Council, the setting of remuneration has been at arms-length and determined by the Remuneration Authority, an independent body. The council, along with local boards, believes that remuneration should continue to be set independently and that elected members should not be involved in making proposals on how a pool should be allocated.

The council is also aware of undesirable incentives that a pool might create. Particularly when reviewing membership as part of a review of representation arrangements. A fixed remuneration pool creates an incentive to reduce, or at least to not increase, the number of members. While the governing body cannot currently review the number of members of the governing body, the membership of local boards will be reviewed in the statutory review of representation arrangements to be conducted in 2018.

External representation roles

The Authority notes that elected members are increasingly being appointed to represent councils on various outside committees and bodies.

Remuneration Authority questions on external representation roles:

- *Should external representation roles be able to be remunerated in a similar way to council positions of responsibility?*

In a city the size of Auckland there are many bodies that elected members liaise with or get appointed to. Introducing the possibility of remuneration could lead to an overly complex remuneration structure.

Governing body members currently receive remuneration that is based on an assumption that the role is full-time. It might be difficult to make a case that, for governing body members, appointments to other bodies are in addition to the full-time role or, if included as part of the full-time role, require additional responsibility.

It also begs the question of where are the limits in recognising additional responsibility. Some members belong to more committees than other members. Should committee membership be recognised? Some members attend more workshops than others. If a member is remunerated for being appointed to an external organisation but does not attend all meetings, should the remuneration be reduced? Does being a member of the Maunga Authority, for example, have more responsibility than being a member of a community trust? Auckland Council believes that being too fine-grained over recognising different levels of responsibility could create a very complex remuneration system.

The council prefers that members are remunerated by way of salary which covers all of the members' obligations.

Appointments to CCOs

The Authority notes that some councils make appointments of elected members to CCOs.

Remuneration Authority question on appointments to CCOs:

- *Do the additional demands placed on CCO board members make it fair for elected members appointed to such boards to receive the same director fees as are paid to other CCO board members?*

The Auckland Council cannot make appointments of elected members to its substantive CCOs other than to Auckland Transport. The position of the council is that if any member wishes to seek appointment to Auckland Transport then the member is able to put themselves forward for appointment through the same competitive process as outside candidates. If a governing body member was to be appointed through that process at the beginning of the triennium, then remuneration would be considered at that time.

In regard to the smaller non-substantive CCOs, the council's position is that elected members will not be appointed unless there is a compelling reason.

Local government pay scale

The discussion document discusses how the role of elected members might compare to other roles and other entities for the purposes of setting a pay scale. It considers local government managers, central government managers and boards of directors. These are not elected member roles.

The document then considers parliamentary elected member salaries for comparison.

Remuneration Authority questions on local government pay scale:

- *Is it appropriate for local government remuneration to be related to parliamentary remuneration, but taking account of differences in job sizes?*
- *If so, should that the relativity be capped so the incumbent in the biggest role in local government cannot receive more than a cabinet minister?*
- *If not, how should a local government pay scale be determined?*

The Authority suggests that there is no other industry where remuneration is comparable to local government other than parliamentary remuneration. The question refers to the “biggest role in local government” which would be the Auckland mayor. By setting the salary of the Auckland mayor to that of a cabinet minister, other mayors could be scaled accordingly.

The remuneration of members of parliament and of the executive are determined by the Remuneration Authority, the same body that sets local government remuneration. It is well-placed to determine appropriate relativity. However, the remuneration of members of parliament and cabinet ministers comprises not only salaries but also allowances that are not made available to local government elected members and this needs to be recognised when establishing benchmarks.