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Information Paper

Determining the Remuneration of Local Government

Elected Members – Oversight of Issues

30 June 2018

Table of Contents

Introduction	3
Background to this Review	3
The Role of Local Government.....	6
Criteria used by the Remuneration Authority	8
Performance pay and setting remuneration for groups.....	15
Council Sizing	16
People Issues.....	17
Economic Issues	21
Financial Issues/Assets.....	22
Unitary Councils	25
Size Factors	25
Standardising Data	26
Weighting the Factors.....	26
A Local Government Pay Scale.....	27
Remuneration for Mayors and Regional Council Chairs	30
Chatham Islands, Christchurch and Auckland Councils	31
Total Remuneration Approach.....	31
Remuneration for Councillors.....	32
Current Approach	32
Creating a Governance Pool	33
Estimating Hours of Work.....	35
Assumptions about Councillor Time Use	37
Other Variables	37
Conclusions Regarding Councillor Remuneration.....	38
Chatham Islands Councillors	39
Auckland Governing Body Councillors	39
Auckland Local Board Members	39
Unitary and Regional Councillors.....	41
Community Board Members.....	41
Timing of Implementation	42

Introduction

1. This paper describes the changes that the Remuneration Authority is making to its approach to setting remuneration for local government elected members. The paper does not cover in detail allowances or expense reimbursements, which were addressed by the Authority in the 2017 Local Government determination and which will be further addressed again when the current work programme on remuneration is completed. The significant changes will be introduced following the 2019 local government elections, with some adjustments prior to that in the 2018/19 determination and the 2019/20 determination.
2. The Authority would like to thank all the councils and individuals who assisted in this process. We appreciated the interest of the sector and the ideas that were put forward. While not all have been able to be picked up and implemented by us, the range of suggestions and the conversations we had with many of you certainly gave us a deeper and more nuanced understanding of the issues facing local government.

Background to this Review

3. The Local Government Act 2002 gave the Remuneration Authority the responsibility for setting remuneration for local government elected members. To prepare for its first determination under this regime (dated 24th June 2003), the Authority undertook a review of roles and responsibilities of members, issued a discussion paper and received submissions. It then *“established appropriate models to assist in determining the cost and representation for each local and regional authority.”*¹ The model used four criteria – population, operational expenditure, assets controlled and rate of population change. The June 2003 Determination said that *“the application of these models resulted in an indicative pool of money notionally attributable to each local and regional authority. These indicative pools were used in general by the Authority in ultimately determining the major portion of remuneration for each member”*. Some meeting fees were still in place at that time. To assist the Authority to *“recognise the diversity of local government”*, councils were given the opportunity of recommending a suggested remuneration appropriate for the responsibilities of each position within the council and its community boards. This process remained in place for successive years till 2012.
4. In 2010 the Authority conducted a review of remuneration of mayors and regional chairs, observing that the time commitment and responsibilities of these roles had grown disproportionately to those of other elected members, particularly since the 2002 Act came into force. Between 2008 and 2011 the negative impact of the Global Financial Crisis on the

¹ Remuneration Authority Local Government Determination 2003

New Zealand economy was recognised by the Authority in depressing increases in local government remuneration. In the 2011 Determination the factors used by the Authority to help assess size were changed to population, expenses and assets. In late 2011 the Authority issued a discussion document ² outlining possible approaches and issues. This was followed in November 2012 by a further document ³ which presented the system that the Authority was proposing to institute from the 2013 local government election.

5. For a variety of reasons, in the years 2014 to 2016 the Authority did not completely implement the proposed process. However, significant elements are now in place. The key relevant elements of the 2013 proposal, since implemented, were:
 - a) Moving away from the traditional salary/meeting fee mix for local government remuneration.
 - b) Removing the pool system that allowed councils to recommend allocation of the pool.
 - c) Setting a base councillor rate for each council, with councils able to make submissions on additional remuneration for councillors undertaking additional responsibilities, paid out of a limited pool.
 - d) Basing the remuneration for councillors/mayors/chairs on:
 - the relative place of the council in the size index (derived from population and council expenditure).
 - the job size of the positions as assessed for sample councils;
 - the proportion of full time work as demonstrated by survey results;
 - the Authority's pay scale.
 - e) Basing remuneration for community board members on population.

6. In 2015 the Authority commissioned some work on local government role sizing from the Hay Group and in 2017 it conducted a survey of retiring local government members in an attempt to gain more understanding of work load. In 2017 the Authority issued a Consultation Document⁴, looking at both short term and longer-term measures. The Authority noted that it had decided to maintain several key approaches:
 - a) Maintaining a "total remuneration" approach rather than meeting fees.
 - b) Using a size index to determine relativity between various councils.
 - c) Adopting a "pay scale" for local government that is fair and seen to be fair.
 - d) Reviewing the components of the council size index every three years and applying appropriate factors to territorial authorities and regional authorities.
 - e) Recognising that unitary councils have dual responsibilities and sizing them accordingly.

7. Following input from the local government sector, the Authority issued the 2017 Determination, which updated key areas relating to expense reimbursements and

² Remuneration Authority *Review of Local Authorities Setting – Discussion Document (September 2011)*

³ Remuneration Authority *Remuneration Setting Proposals for Local Authorities – 2013 and Beyond (November 2012)*

⁴ Remuneration Authority *Consultation Document (2017)*

allowances. In particular, we acknowledged the demands on councillors who are members of plan hearing panels, an activity which requires a significant amount of time. Our more recent focus has been on remuneration, which is the subject of this paper.

8. In 2017 we were assisted in our initial thinking by a group of senior local government elected members (the Local Government Leadership Group) and we also presented to and had question and answer sessions at the Local Government New Zealand (LGNZ) Zone meetings, except for Zones 1 and 4 which did not respond to our request for meetings. We then conducted three webinars to give individual councillors the opportunity to hear us first hand and have their questions answered, as well as providing feedback on any issues. In 2018 we met with the sector groups of LGNZ and through a survey sought information from all councillors in New Zealand, as well as members of Auckland Local Boards, to give us a snapshot overview of workload. We also had discussions with some of the democratic services staff of some councils.

9. In summary, during this exercise over the past two years the Authority has:
 - Issued a consultation document to local government and received responses from 66 councils/boards, 14 individual elected members, as well as other organisations associated with the local government sector, including LGNZ and the Society of Local Government Managers (SoLGM)
 - Gained initial input from a representative group of local government elected members (the Local Government Leadership Group)
 - Surveyed outgoing councillors
 - Requested information from all current councillors in New Zealand and members of Auckland Local Boards
 - Met with LGNZ zones 2, 3, 5, and 6
 - Met with sector groups of LGNZ
 - Conducted three webinars for individual councillors
 - Consulted periodically with LGNZ
 - Briefed the Local Government Commission
 - Briefed the Minister of Local Government
 - Briefed the Department of Internal Affairs
 - Met with the democratic services staff of some councils
 - Received assistance from a range of professionals including academics, statisticians and remuneration specialists
 - Researched approaches to local government remuneration in similar jurisdictions (Australia and the UK)

The Role of Local Government

10. In our 2017 discussion paper on this subject, we quoted from a document⁵ issued by LGNZ in 1997. It contained a thoughtful summary of the role of local government and we reproduce the excerpt here again as a summary of the role of this critical sector.

11. The document said:

“The strength of representative democracy ultimately depends on two factors. One is the level of citizen participation and trust in democratic institutions. The other is the ability and commitment of elected representatives and their role in encouraging participation and promoting levels of trust.

Local government constitutes one of the underpinning structures of democratic society, providing ‘voice and choice’ to citizens and communities, and the mechanism for making decisions about local needs and preferences. It also provides a forum to debate issues of mutual interest and concern.

Good local government depends upon the goodwill and understanding of its citizens, and the quality of its staff. Most of all, however, it depends on the ability of those elected to govern. Attracting people with the capacity to lead and govern at local level involves a number of factors. These include:

- *The opportunity to contribute effectively, be professionally valued and receive a sense of satisfaction at achieving a job well done*
- *The existence of structures and processes to support and professionally advise elected members and enable them to contribute constructively on matters of community importance*
- *The presence of consultative and participative arrangements that strengthen relationships between and with their communities*
- *The existence of a remuneration system that enables people from all sectors of the community to commit time and effort necessary to fulfil their responsibilities as elected members without being unduly disadvantaged.”*

12. In our view, this characterisation of local government has not changed since it was written more than two decades ago. What has changed is the scope and breadth of local government responsibilities and how elected members are held to account. This has particularly been the case since the changes introduced in the Local Government Act 2002,

⁵ *Options for Setting Elected Members’ Remuneration – A Discussion Document for Local Government and Stakeholders* prepared by the Local Government New Zealand Elected Members’ Remuneration Working Party (1997)

which saw local government through a much less prescriptive lens than had been the case in previous policy and legislation. Since then there has been an increasing degree of responsibility moved from central to local government.

13. Major changes in the responsibilities of local government between 2006 and 2012 were summarised in a more recent LGNZ paper ⁶ which discussed what is often referred to amongst councils as “unfunded mandates” passed over from central government. The focus of the paper was cost, which is not per se the major focus of the Remuneration Authority. However, with additional responsibilities come not only extra cost, but also extra work and, in most cases, the requirement for substantially more specialist knowledge and understanding of legal frameworks. It was clear from reading the paper that there was significant additional responsibility and work involved in delivering the extra functions delegated to councils through legislation or regulation during the period it covered.
14. In the six years since then, a wide range of further responsibilities has been added, including statutory requirements around urban development, water quality and Treaty settlement co-governance arrangements. These have impacted on virtually all councils, though in different ways depending on local variables.
15. This trend of devolving work to councils was also noted by the Productivity Commission in its 2013 report ⁷, which said:

“There has been a steady stream of new statutes over the last decade, affecting local government regulatory activities to varying degrees.

Councils making decisions with environmental implications increasingly need access to:

- *Technical information and skills in interpreting technical information;*
- *Methods of modelling uncertain scenarios; and*
- *Skills in engaging with communities and stakeholders on technical issues.”*

16. The Commission went on to say that there is often limited analysis of local government capability or capacity to implement regulations prior to the allocation of additional regulatory functions (or changes to existing functions). Earlier in its report, the Commission quoted both the stakeholder groups of local government and councils themselves on the issue of capability, noting that “councils – particularly smaller councils operating in rural areas – recognise that they face capability challenges”.⁸ The Remuneration Authority took into account these observations in its deliberations. Those capability challenges may be able to be resolved by larger councils, which can afford the specialist staff required - though even in these cases, final decisions are routinely made by councillors. Being the representatives of the community in governance roles, elected members need to be skilled in interpreting and

⁶ LGNZ *The Impact of Government Policy and Regulations on the Cost of Local Government*, November 2012

⁷ New Zealand Productivity Commission *Towards better local regulation* May 2013 p.214

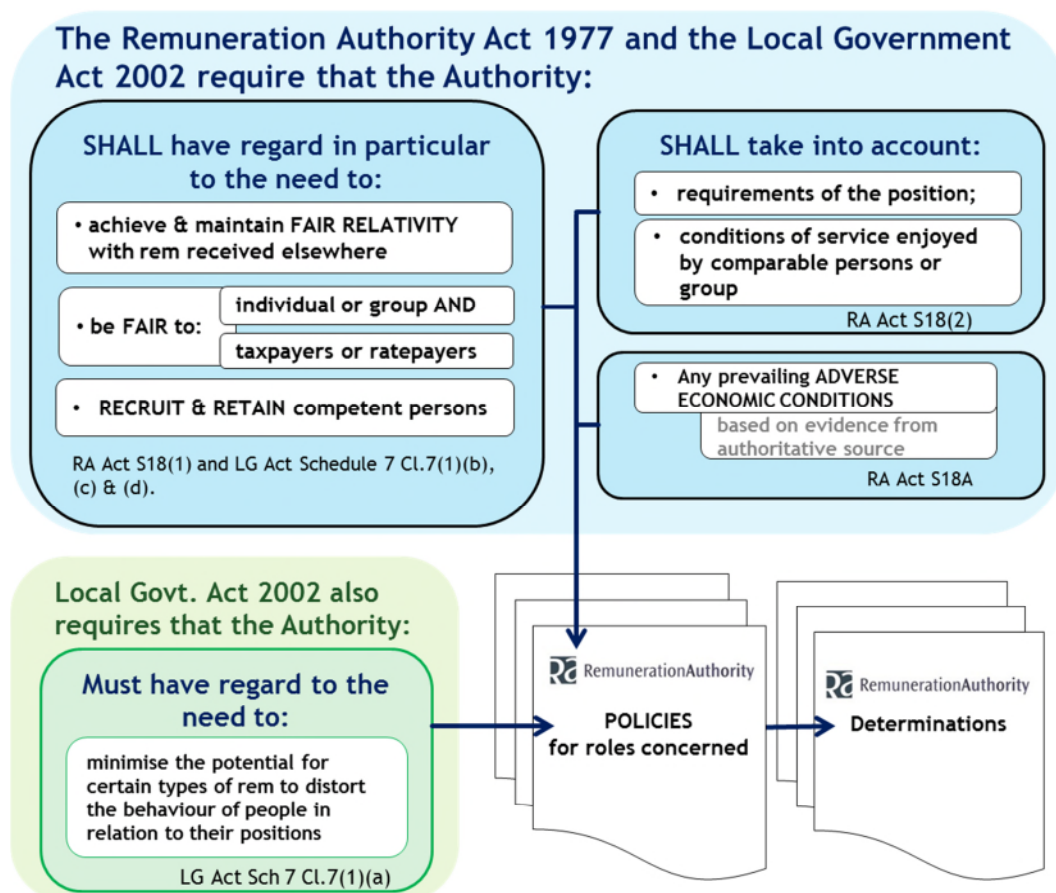
⁸ New Zealand Productivity Commission *Towards better local regulation* May 2013 p. 80

making decisions on complex (often technical or scientific) issues for which they experience the immediacy of local accountability. If a council is small and does not have the financial ability to attract the specialist staff required, this puts incredible stress on its elected members who, like their colleagues in larger councils, still have to make important decisions but frequently without the benefit of high quality expert advice. Such councils also have little distance between their members and those they represent.

17. In summary, in the 21st century local government elected members not only need time and commitment, but increasingly need to be able to grapple with complex policy issues that will shape our communities for generations. This situation is further exacerbated by modern technology and social media. Elected people are now far more accessible than they have ever been. In New Zealand we have always valued this accessibility and the fact that our politicians are close to and “amongst” the population. From the point of view of an elected member this accessibility means being constantly available.

Criteria used by the Remuneration Authority

18. The setting of remuneration for elected members is an important part of the support for a robust and healthy representative democracy in New Zealand. The work of the Authority in relation to its local government mandate is covered by two pieces of legislation – the Remuneration Authority Act 1977 and the Local Government Act 2002. The table below sets out the requirements of that legislation. Each of these requirements is then discussed below in the context of local government remuneration.



19. Our survey of local government elected members elicited many comments from respondents, which were very helpful to us in understanding the pressures they face. We reproduce a sample of the more typical ones below in the relevant sections and elsewhere in this paper.

“Fair relativity”

20. For local government, achieving fair relativity with remuneration received elsewhere is challenging. There is no other identical role. We looked at other jurisdictions to see if there were any benchmarks that would assist us. After examining a variety of other roles in New Zealand, we decided that the nearest occupation with similar but not identical characteristics was that of a Member of Parliament. We discuss this later in this paper.

“Fairness to individual/group”

21. History would suggest that people do not run for election to local government for money. Most understand that it is not highly paid and that there is a significant degree of “public service” by the individuals concerned. However, the local government environment in New Zealand has changed substantially over time and, especially in the last decade, the role of local government has widened considerably. Many local government representatives give up comparatively well-paid roles to be able to serve on a council and the local government role can inhibit them from gaining other suitable work to “back fill” their council remuneration. It is important that those who are elected are paid fairly, while taking into account the public service nature of the role. In our survey responses, some councillors said they were paid adequately or would do the job for less, but within the majority of responders there was strong congruence on two themes – the job is far bigger than the remuneration, even taking into account public good, and the pay and conditions discouraged many from standing for office.

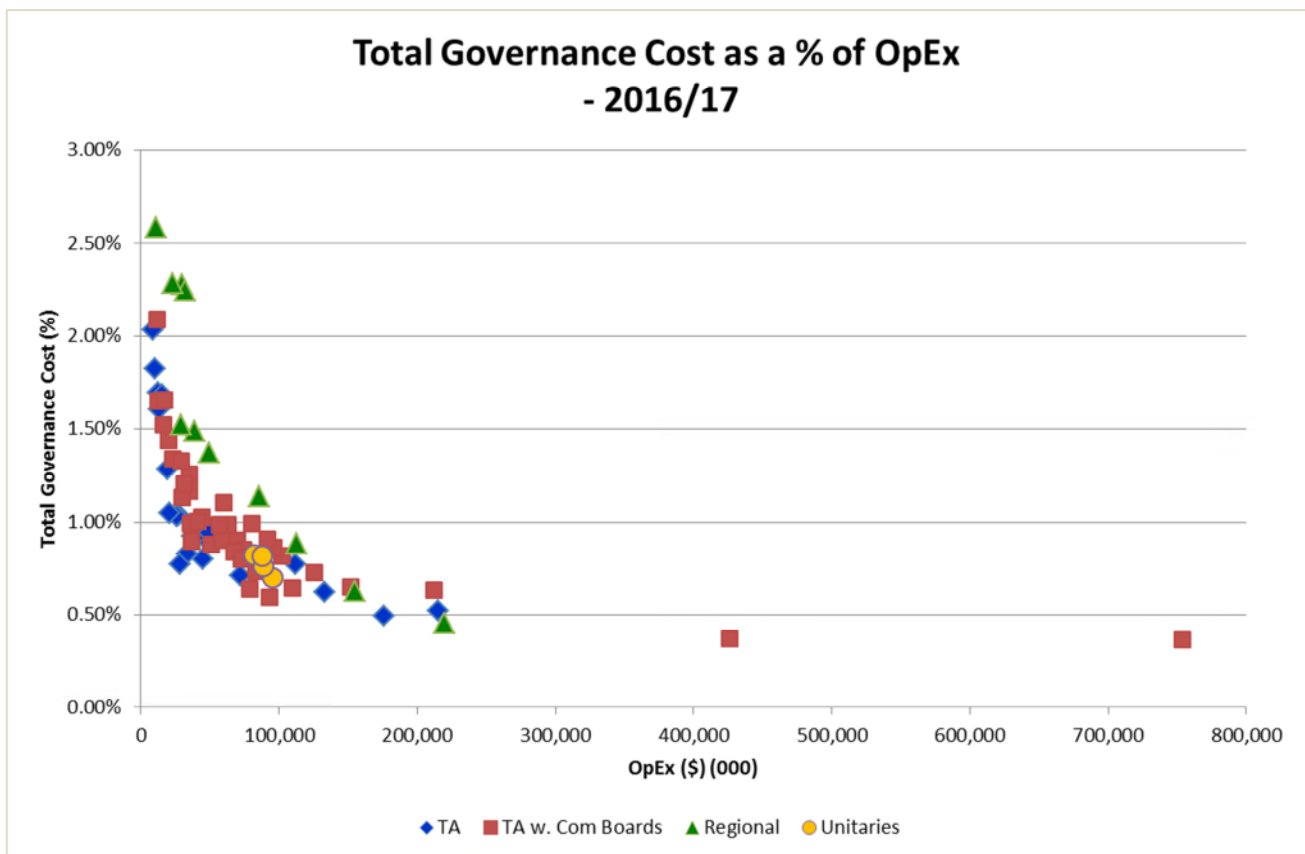
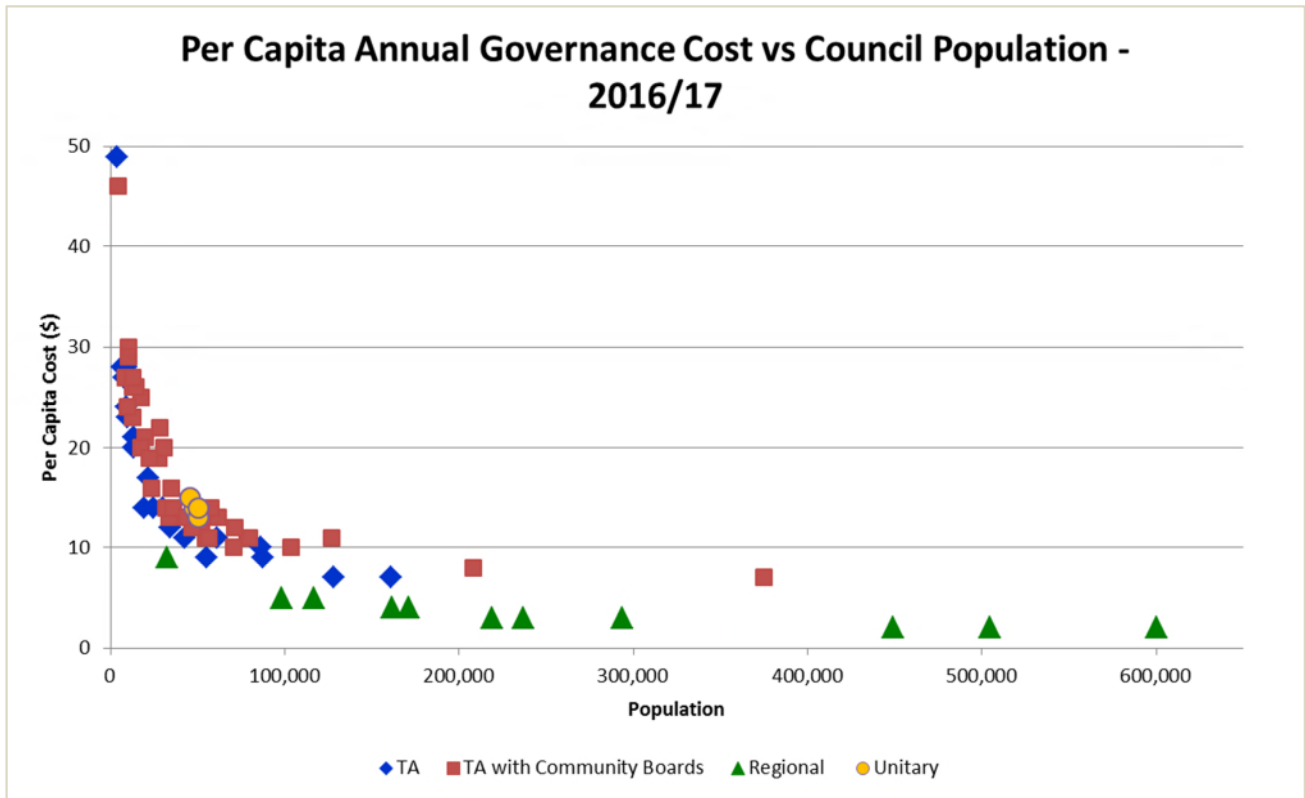
“Even allowing for the public good element, it is very low remuneration for the hours spent, the skills required and the contribution to the community”.

“Remuneration is very low at our council, generally requiring councillors to partake in other employment, potentially negating the councillors’ efficiency and commitment. However I don’t think any of us would consider we participate as councillors for the money, more as a duty to the community.”

“Fairness to ratepayers”

22. This provision is a counterbalance to the one above. In metropolitan councils with big populations, the proportion of operational expenditure committed to governance costs - that is, the payment of elected representatives - may be quite small. However, for councils

with a small population and fewer ratepayers, it is likely to be a higher proportion of operational spend. This difference is illustrated by the graphs below.



23. Albeit that governance costs are far from the biggest expenditure on any council, for smaller councils, with comparatively fewer ratepayers to share the burden, any increases would have a greater impact on their ability to spend on other services for citizens. We have been acutely aware of this during the course of this review. Unsurprisingly, these graphs also show that councils with Community Boards tend to have a higher governance cost than those of councils with similarly-sized populations that do not have Community Boards. Obviously the number of councillors on each council also has an impact.

“Recruitment and retention of competent people”

24. This requirement is related to the requirement for fairness to the individual or group so as to enable as wide a pool as possible to consider the role. Although the legislation does not define “competent” the Authority has for some time considered that for local government to represent its communities well, competencies amongst councillors must apply also to the diverse experiences and skills required to make decisions on behalf of those communities. Such diversity (or lack of it) was commented on by a number of survey respondents and would be easily observable in the makeup of many councils. There is a widely-held (and probably accurate) perception that this type of service is difficult for many people who have family or work responsibilities and would find a council role financially challenging.

“Although it shouldn’t be about money and I am lucky personal circumstances allow me to be an elected member, the current setup might exclude anyone who isn’t financially comfortable or can supplement their remuneration with a pension or has a partner who is earning a reasonable wage or has another part time job with flexible hours”

“I am a young person at the peak of my earning potential. I am earning about half as much as I would in my previous role. I think we need more young and middle aged, skilled and energetic councillors. We need to pay people to attract these skills. I struggle to support my family”.

“Many councillors like myself see this time on council as more of a community service. There is, however, no doubt that the need to have an alternative source of income is a barrier to wider diversity round the table”.

25. Many elected members need to rely on their partner's income to support their families, frequently at some cost to the family unit.

"As a young elected member the financial constraints this puts on my family and I are untenable."

26. Presumably other potential candidates cannot afford to give up their "day job" and are thus unable to offer their services to the community in this capacity. Many others endeavour to straddle both a representative role and another job in the workforce, often with great difficulty. There were frequent comments in our survey responses about this issue. In particular it was notable that those who were self-employed or who owned businesses found it less difficult to fit in council work, albeit that they paid the price in income loss.

"I am absolutely committed to my council work but for hours spent on council matters and because I am representing a low rate paying base council, there is a definite impact on my business."

"I run a small business and the income from Council does not compensate for the additional cost I incur employing additional staff to cover for me when attending to council duties. In all reality, it costs me financially to be a councillor."

"It is very hard to attract young people into the Council as the pay makes it not worthwhile. I'm lucky as I'm self-employed so I can kind of make it work, but if I was employed by a business there is no way I could be involved".

"The remuneration is pretty low for the amount of time spent on the role. But one of the biggest issues is how it impacts on other work roles with meetings, workshops, and other commitments which means I have to juggle my other part time role to fit around council expectations. That can be very difficult, but I need my other work to be able to pay the bills."

27. It is important that the remuneration level does not discourage diversity in local government. The Authority members understand the need to have wide demographic representation in these decision-making roles – gender, age, race and socio-economic status. Examples of local government leaders (mayors and regional council chairs) earning less than the average wage do not encourage people to see local government as a viable option because of personal financial constraints. In one instance we were told of a deputy mayor earning less than she might have had she been on an unemployment benefit – surely not a great example of the worthwhile nature of local government work.

“Two of the three main towns in our district have a deprivation index of 10. But our district has historically been represented more by older, wealthier white men than anyone else. I believe a higher remuneration could encourage diversity and a better and fairer representative of our struggling communities.”

28. Another issue that appears to be of growing concern in local government is that caring for dependents may limit options for some people, particularly younger women who may have child care responsibilities. This is seen by many as a barrier to participation. The Authority is looking at the carer issue and will make a decision prior to the 2019 election. We need to point out, however, that were we to approve councils providing reimbursement for carers, it would be up to each individual council to implement such a decision, as it is with all the allowances and reimbursements included in our local government determinations.

“Elected members do need some help with childcare when they need to attend meetings in the evening/weekends”.

29. Remuneration alone cannot address all these issues and obviously there are other determinants of participation. Most of these are beyond our jurisdiction. For example, there appears to have been a move from evening meetings to daytime meetings and possibly this has impacted on the ability of people to hold an outside position as well as a council role. This is something that has led to a type of “professionalisation” of councillor roles which may not always be appropriate, especially for smaller councils. We acknowledge that this is in direct conflict with the greater requirements to understand complex legal and technical issues that we refer to above. It is but one example of many contradictions in the democratic process of governing our local communities.

“Minimise potential to distort behaviour”

30. This requirement was the driver behind the 2013 proposal to replace the traditional meeting fee approach with remuneration for the whole role. The Authority recognises that attending formal council meetings is far from the only requirement for an elected member. Constituency work (including advocacy and now increasing expectation that politicians will

reach out to constituents on social media), council representation and meetings such as workshops are also a part of the basic role. There is also a significant amount of reading, some of it highly technical. In fact, with the increase in responsibilities of councils and the greater need for councillors to make legally binding decisions that are challengeable in court, the actual meeting time is probably less relevant than the preparation time (including workshops) prior to a formal decision being made. We see no reason to change the current approach of a “rate for the job” and few councils have suggested that we should.

“Requirements of position and conditions of service”

31. This is a difficult criterion to fulfil because each council is very different. Nevertheless, there are some basics that are shared everywhere – being in the public eye, erratic hours and being “on call” to constituents at all times. These issues drew considerable comment in the survey of elected members. The requirement to “upskill” was also commented on in a number of responses, citing the need to undertake RMA and IOD courses, amongst other training that now appears to be reasonably regular.

“Being the sole rep in a large area the role is more like full time than part time. For instance, my ten minute supermarket trips are now 30 mins. My 5-minute pop into town visits are now 30+ mins. I cannot step out the door at any private event without council business dominating a large part of the enquiries I receive. There is no box for day to day community interaction that is such an important part of our role”.

“I am a practicing solicitor – remuneration is poor for the work and skills involved.”

32. In the case of mayors and regional council chairs, the Authority has for the last few years considered that those roles are full time or near to full time such that incumbents would find it difficult to find other employment that would allow for the full delivery of the council role. In the case of other elected members, the situation differs considerably between councils. The survey results around time use are discussed in greater detail later.
33. It should be noted in this context that local government elected members are treated for tax purposes as independent contractors rather than wage and salary earners. For example, elected local government representatives are not eligible for the same ACC or Kiwisaver provisions as wage and salary earners. This is an issue that needs to be taken up by local government itself with the relevant central government authorities if local government members believe it is important.

“Prevailing adverse economic conditions”

34. The New Zealand economy is performing well, so we consider that there are no current prevailing economic conditions that would encourage us to provide a nil or extremely small increase in remuneration. Conversely, we have noted that the Government’s stated objective is to narrow the gap between the highest and lowest paid earners in a fiscally sustainable manner. Local government elected members are certainly not amongst the highest paid. We noted in particular the Prime Minister’s comment earlier this year that “the Government is particularly committed to raising pay levels for those on low and middle incomes.” On hours worked, many local government members would be in the category of low to middle earners. We see the current relatively strong economic conditions as an opportunity to re-align the local government remuneration system with a comparator group and correct obvious inconsistencies between councils, bearing in mind that there will always be a “public service” factor in elected member remuneration.

Performance pay and setting remuneration for groups

35. When reaching conclusions about local government remuneration, it is necessary for the Authority to check its decisions against all the above requirements. Given the significant differences in the circumstances of individual councils, this creates some challenges in determining the remuneration of over a thousand individuals across the country. In respect of these differences, we note that, in moving away from the pool system in 2013, the Authority wrote that “over time, the Authority became concerned that the pool arrangement.....was leading to a disparity of remuneration between similar positions in similar sized councils.” This is a serious issue which we have looked at carefully. We have concluded that the “disparity of remuneration between similar positions on similar sized councils” is of less consequence than local councils not having the flexibility to meet local needs. The disparity we want to remedy with our future approach is between the total governance costs of councils of similar sizes, rather than the individual roles on different councils. These issues are further discussed in the section on Remuneration of Councillors.

36. The ability of the Authority to determine the remuneration of every individual in a fair way is further complicated by the fact that the Remuneration Authority is not permitted (nor would it be viable) to take account of individual performance in its determinations. This is an issue that appears to be not well understood by the public. Usually at the time of a Remuneration Authority determination for elected people (whether in central or local government) there is some adverse comment in the media about the inappropriateness of the pay rise and, occasionally, how surprising it is that politicians get paid at all. Over the years, successive public opinion polls on trust indicate that politicians generally do not rank highly, yet, ironically, most New Zealanders will speak favourably of some individuals (often people they know) who hold public office. People grizzle about their “useless” councillors. Frequently the same people are unwilling to put themselves forward for election, sometimes for reasons (noted above) around remuneration and time requirements – or because it is a public role that most people recognise will interrupt or take over their private life.

37. Well-performing local government elected members should not be penalised because some others are not up to scratch. Within councils, non-performers are often widely recognised by their peers. However, sometimes it is more difficult for the public to identify them because they may have created a high personal profile in local media, not necessarily by being positive and constructive. We understand how difficult it can be for a council to manage bad behaviour and, although it is beyond our jurisdiction, suggest that the strength and utility of council codes of conduct might be an issue that local government collectively should address through LGNZ. The Remuneration Authority is not able to take account of the quality of personal behaviour or contribution in setting remuneration. The ultimate “employer” – the voting public – makes these decisions every three years.
38. The final comment regarding the role of the Authority is in regard to the judgement that we are required to exercise when setting remuneration. For any of our client groups, if there were an easy way of setting remuneration that simply relied on feeding a formula into a computer and getting a result, there would be no need for an agency such as the Authority. Our legislation directs us to “have regard to” or “take into account” the issues outlined above, but beyond that it is silent. In all of our considerations, there is a high degree of judgement involved. We most certainly endeavour to gather as much data as possible on which to base decisions and, in terms of this local government review, have gone to some lengths to obtain granular information. However, “one doesn’t fit all” and there will always be some within any group who feel that they are disadvantaged because of their particular personal circumstances. We have endeavoured to be fair and to be seen to be fair to all groups concerned.
39. Taking into account all the issues outlined above, we have decided to re-introduce a pool approach, but in a simpler way than previously, in that it will not be mixed with meeting fees. The new approach will be implemented when new councils assume office following the 2019 local government election.

Council Sizing

40. Normally, when sizing a role for remuneration purposes, the methodology takes into account characteristics of the job (including the responsibilities of the role – i.e. budget, management, other accountabilities) and then attributes required by the person filling the role e.g. “know how” (what the individual brings to the role) and problem-solving ability (related to the level or depth of issues to be dealt with). The Authority holds a considerable amount of information about what elected members, including council leaders, are required to do as part of their roles. However, it would be impossible to size every single elected role in each local authority. Thus we have in the first instance focussed on councils and their overall responsibilities, then created a council size index which we have applied to the roles. In the Consultation Document we defined council size as *“the accumulated demands on any council resulting from its accountability for its unique mix of functions, obligations, assets and citizenry”*. As we have progressed, this review it has become even more obvious to us that councils face such varying local conditions and challenges that even similarly populated councils may bear little relationship to one other. Nonetheless, we have endeavoured to

identify measures that provide an overall view of similarities, using characteristics that can be measured.

41. We initially proposed that the following factors should be used to measure the size of the different types of council (territorial, regional and unitary authorities):
 - Population (all councils)
 - Operational expenditure (all councils)
 - Asset size (all councils)
 - Number of guest nights (all councils)
 - Social Deprivation (TAs and unitary authorities only)
 - Land size (regional and unitary)
42. As well as considering the feedback we received, we also undertook detailed assessment of the availability, transparency and utility of various data sets to measure these and other factors that were suggested as appropriate for size indicators. Fundamentally we needed data that was consistent/comparable between all councils, that was from a reliable source and that was publicly available. These requirements eliminated some suggestions (either our proposals or from councils) that at face value were worthwhile exploring. There were many proposals, some quite similar, and others suggested by only one council.
43. In this section we discuss the main factors that we examined, either because they were on our list or because councils suggested them. Many of these potential factors for sizing councils are inter-related, so we have clustered them here under the broad headings of “people”, “economy”, “finances/assets” and “territorial characteristics”.

People Issues

44. We will continue to use population as a significant factor for measuring size. Although many councils agreed with this, a minority told us that population made no difference to a council workload and that it should not be a factor used – i.e. all councils are the same “size” because the work is similar and may take the same amount of time. Most disagreed with this and we remain convinced that population is a significant factor. The number of people represented by each elected representative is relevant. This is reflected in the fact that both Parliamentary electorates and council wards are required to be based on population formulae – for council wards “plus or minus 10%” of the population of other wards. We note that in both the UK and Australia, arguably the two jurisdictions most similar to ours, population is a major (in some cases the sole) criterion on which local government remuneration is based.
45. We also received suggestions for variations to simple population. Rate of population change was one that was obviously challenging councils with their planning, so we considered this. Sudden significant increases or reductions can be equally demanding on councils, especially in terms of decisions around long-term investment in and maintenance of infrastructure. The extreme example of this recently was following the Christchurch earthquake series, where Waimakariri and Selwyn councils have had population increases of 19% and 33% since the 2013 census, largely as a result of people moving out of Christchurch. Population is estimated annually by Statistics New Zealand using multiple information sources, which

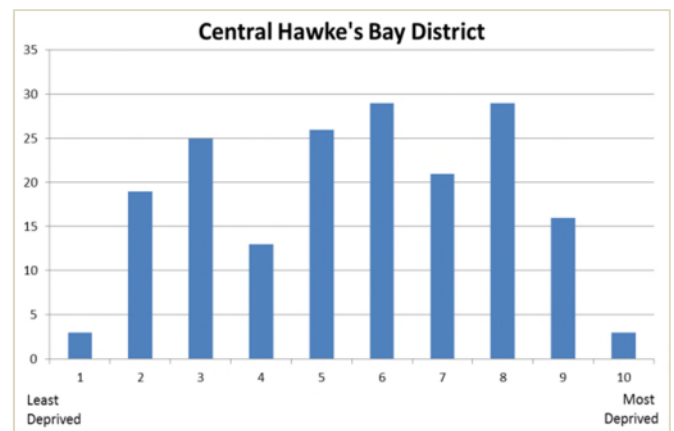
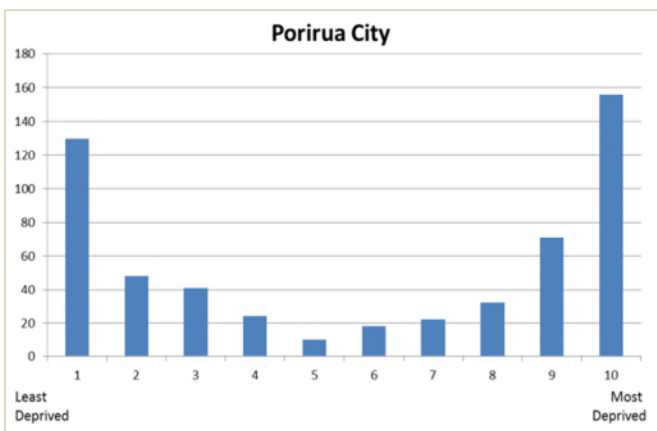
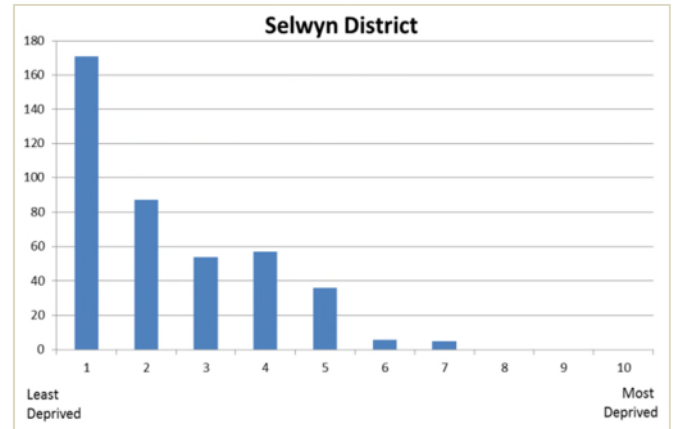
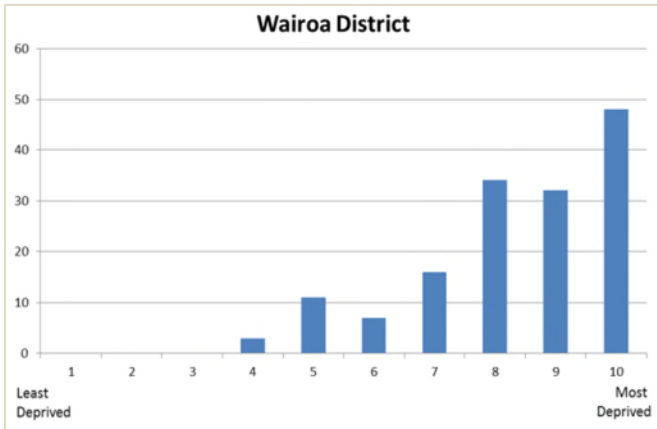
means there is no need to rely on census data which, if used, could be theoretically up to five years old by the end of a council triennium. We decided to use the annual estimate available immediately prior to the major determination at the beginning of each council triennium, which should pick up significant changes in a relatively short time.

46. There were also suggestions for using population projections rather than retrospective numbers, but we considered this to be too risky. Projections do not always materialise into reality and can be impacted by large natural events or economic shocks either locally, nationally or globally.
47. The use of number of electors or number of ratepayers was also suggested. We were not convinced of the utility of these indicators rather than total population. Even if people are not electors (for example, under-age or unenrolled new residents) or not direct rate-payers (i.e. people in rental accommodation) they are nonetheless constituents of councils and require services and infrastructure.
48. The issue of transient populations was raised by several councils. Transient populations include seasonal workers, students, holiday-house owners and tourists. Although seasonal population variations are more difficult for a council to manage than a stable population, when looking at the different categories we felt that they were likely to be accommodated in properties already covered in the rating system. In considering these we took into account the impact of the presence of these people on a council's services and infrastructure and thus on the council's quantity and cost of delivery. Seasonal workers may live in private rental accommodation (flats/houses/holiday parks) or in accommodation provided by the employer. In all these cases the accommodation units used will be rated at the appropriate level by the local council which, as a consequence, should provide the required infrastructure. Continuous or periodic occupation should not affect the rate level and by implication should contribute towards the infrastructure required for when the buildings are occupied, even if not continuously. Students – generally in a district for longer than seasonal workers - likewise will be in flats or student hostels – properties that are also rated.
49. Holiday home owners are, of course, ratepayers. That means that they are paying rates for local infrastructure and services, even though they may not use them all year round. It is possible that some councils may choose to not provide sufficient infrastructure for the peak season, thereby keeping rates down, but risking infrastructure failure when the population swells to its peak. There have been examples of this. Conversely, building sufficient infrastructure for the peak season is likely to put an extra burden on the local population who live in the area all year round. This is an issue particularly in areas where the economic position of the resident population may be generally lower than that of many of the holiday-home owners. We recognise that this poses issues for councils in those circumstances and have looked at using an offsetting factor - the socioeconomic deprivation index of the generally-resident population, discussed further below.
50. The surge in tourist numbers in recent years has benefitted the national economy and many regional economies but has also spawned a cluster of challenges for local government. Rubbish collection and disposal, provision of toilets and ablution blocks and monitoring camping locations are but a few of the requirements. In particular, the impact of freedom

campers is a vexed issue, though not the only one. In our discussion paper we proposed that we should find some way of measuring tourist impact and suggested that guest night count was an obvious mechanism. Some councils agreed with this and others did not. Some suggested that measuring visitor spend was a more useful mechanism for gauging the impact of visitors. We examined both these in detail.

51. Visitor spend data is gathered by the Ministry of Business, Innovation and Employment (MBIE) through analysis of credit card use and the home base of the card holders. There are various processes in place to try to eliminate commuters, for example, and also to estimate spend at the 25% of New Zealand retailers that are not on the network that provides much of the data for the analysis. However, visitor spend as an indicator does not capture all visitors, especially those who pass through a local area and stop at attractions, using local facilities paid for by councils, but not buying any goods or services in the district. A good example of this is Matamata-Piako where between 500,000 and a million people each year visit Hobbiton, without overnighting, but requiring public toilet facilities. Many of those people will have paid for their entry to Hobbiton while they were somewhere else, so the spend may be attributed to another location.
52. We then turned to the proposal for using visitor bed nights as a measure. Unfortunately, this, too, fails to provide a complete picture because it does not pick up the transient visitors (discussed above) who do not use local accommodation. In any case, those visitors who are captured in this data would generally be staying in commercial accommodation which would be rated appropriately by the council and thus be contributing to the cost of infrastructure and services, which is a significant part of a council responsibility. Recently there has been much media focus on the issue of domestic properties being rented out as short-term accommodation. This too presents difficulties, but it appears that increasingly councils are addressing this by considering the application of a commercial rate to properties listed on sites such as Airbnb and rented out for more than a certain number of nights a year.
53. In summary, we found that using the size of the visitor sector as a sizing factor for councils was difficult because of the measurement anomalies. Towards the end of this review the Government announced its policy on the implementation of a “tourism tax”. It is unclear at this stage how this might be implemented and, more relevantly, whether there would be any revenue sharing with local government, which certainly benefits from tourism but also bears a significant proportion of the cost in both money and effort.
54. There were a number of suggestions that we should use as a sizing factor a council’s co-governance responsibilities arising from a Treaty of Waitangi settlement. We considered this carefully, looking at the different manifestations of co-governance round the country. These range from advisory committees for water bodies to full-on joint committees to develop Regional Plans. Co-governance responsibilities are difficult to define in quantity or nature because each one is so different. Nor is there any data source on the impact on the workload of specific councils arising from their co-governance responsibilities. We assume that over the whole country, even if it is manifest differently in different places, local government will ultimately end up as a significant partner with iwi, but at present we are unable to include it as a factor to measure relative size.

55. There were also suggestions for measuring ethnic diversity, especially the Maori population. We assumed that (aside from co-governance) this was suggested because of the impact on councils of the socio-economic indicators of any population. The adjustment for socio-economic mix is captured in the Otago University Socioeconomic Deprivation Index which we will be using. Similarly, socio-economic or age diversity were also raised as possible criteria. Some councils described these characteristics as heterogeneity. We thought about what aspects of such diversity might cause extra burdens on councils and concluded that those that did were picked up by the deprivation index, which includes factors that drive council delivery in many areas. It captures the socio-economic position of parts of the population, rather than diversity as such, but is a recognised and available index. We have decided to use the Otago University Socioeconomic Deprivation Index because it is currently the one most commonly used and known, although we are aware that the School of Population Health at the University of Auckland has more recently developed a New Zealand Index of Multiple Deprivation as a way of measuring concentrations of deprivation.
56. The deprivation index is built up from mesh block data collected in each population census and gives a picture of the degree of deprivation in each TA area. Although the data is census-based and hence does not fit in with our proposed three-year timetable, we were told by academics who created the index that, at the level of aggregation we would use, the incremental change in the index in most communities would be relatively stable and thus a reliable picture of the socio-economic status of the community. In any case, we currently have no other way of obtaining this measure which we consider to be important and which people in local government have told us is important to them.
57. The dimensions of the index include characteristics that we consider would be issues for councils when representing and providing for their citizens. They include:
- Working-age people:
 - on a means-tested benefit
 - with no internet access at home
 - unemployed
 - in a single parent family; or
 - without qualifications
 - Low income households
 - People not living in own home
 - People with no access to a car
 - People with fewer bedrooms than they need
58. Councils with higher proportions of their population in higher socio-economic deprivation bands (8 – 10) will be given a higher weighting. Some councils commented that their wealthier suburbs were more demanding but, acknowledging that wealthier citizens may be better equipped as lobbyists, we still felt that on balance a higher deprivation index was more challenging for councils in terms of overall service provision. The graphs below illustrate the differentials in the Deprivation Indices of some councils and show that there are clear, quantifiable differences. The first pair, Wairoa (population 7,880) and Selwyn (population 44,595) show completely opposite deprivation characteristics. In the second pair, Central Hawkes Bay has a reasonably “normal” distribution of deprivation, whereas Porirua has extremes at either end of the index.

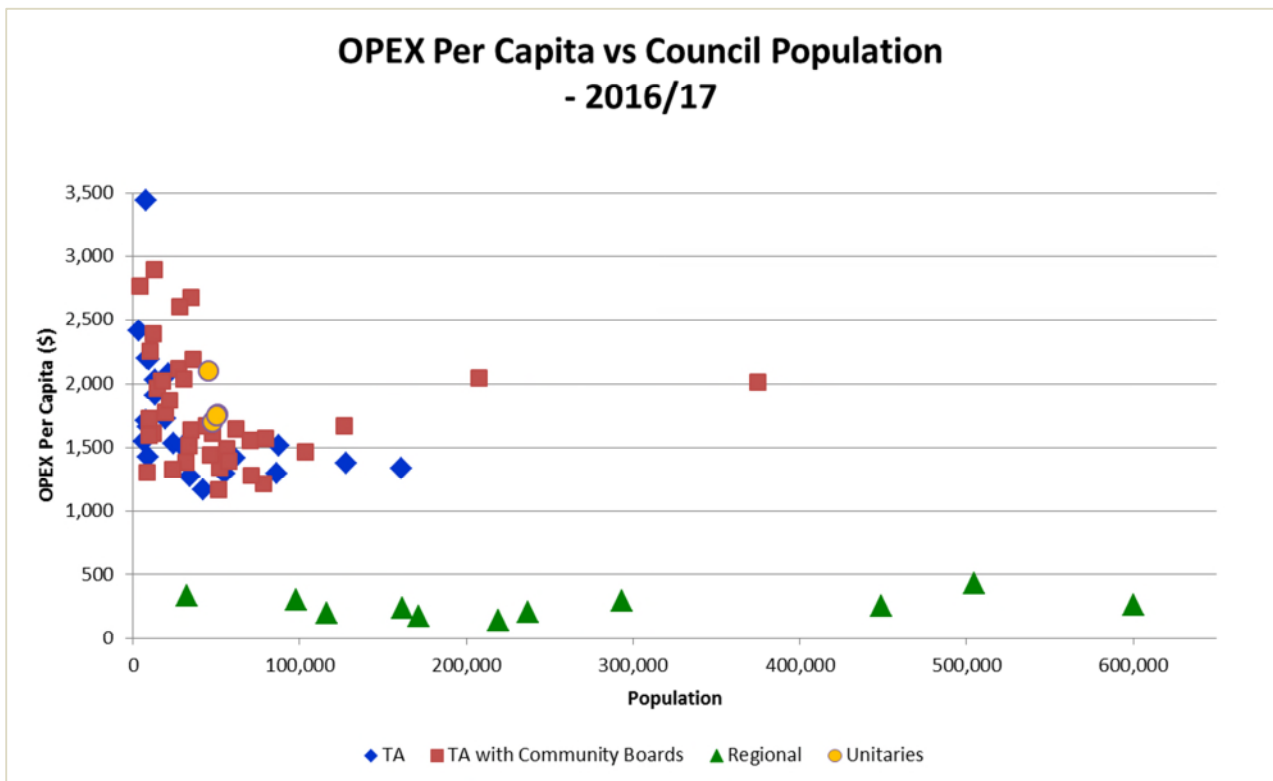


Economic Issues

59. Economic growth was proposed as a factor by many councils. On face value it had some attraction, because there are serious challenges and a high degree of acumen required in making judgments on spending on infrastructure for fast-growing communities. It could also be argued that it is even more difficult for councils with the reverse problem: how do you decide what to do about aging infrastructure when your population is rapidly shrinking - and often those remaining are also aging and on fixed incomes? Regardless, regular data on economic growth is available only for regions, not for districts, so this proposal did not meet our criteria of readily available information.
60. We also received suggestions for using the number of rating units or the amount of rateable land within a council boundary. Clearly this type of data is available, but we were not sure what relevance it has, given the huge differences in the types of rating units/properties. For example, major commercial buildings in large metropolitan areas, small suburban residential properties and large farms all generate different types of both income and work for councils and are simply not comparable.

Financial Issues/Assets

61. When we looked at financial indicators, we were aware that the operational expenditure of any council to a certain extent reflects population, but is not an exact parallel. Operational expenditure per capita does vary, with smaller councils often spending relatively more per capita than larger ones. The reasons for this revolve round the need for all councils to provide a basic level of services and infrastructure, regardless of population size. The graph below illustrates this.



published annually for the 30 June year. Every council needs to provide an infrastructure platform appropriate for the needs of its district, which means that councils with similar populations may have major differences in the size/scale of their infrastructure. A good example of this is in Wairarapa. South Wairarapa District Council with a population just over 10,000 supports three wastewater treatment plants, but its next-door neighbour, Carterton, with a population of just over nine thousand, has only one. In both these cases there are also holiday home owners not normally resident. Where assets are shared, the value of the council's share will be used. We considered whether we should include assets owned/operated by CCOs on behalf of councils and decided that if the council were the ultimate shareholder, then the ultimate responsibility for the asset remained with the council, regardless of the governance structure. We also considered examples of councils whose investments include full or part ownership of large one-off assets such as ports. These are included.

64. Assets included will be those that are provided by councils to Statistics NZ (i.e. those required under schedule 10 of the Local Government Act 2002). By way of example, assets include:

- Land (Operational, Restricted and Infrastructural) including playing fields and sports grounds
- Buildings (operational and restricted)
- Three waters infrastructure
- Roads (local share) and council-owned rail assets
- Social assets such as libraries, collections and playgrounds
- Parks
- Maritime assets, including ports/ferries etc.
- Flood protection infrastructure
- Footpaths and footbridges
- Carparks
- Heritage assets
- Investment assets.

65. We note that the Government is investigating a possible new model for the delivery of the three waters. If this were to result in the ownership and operation of this infrastructure being removed from local government, then this would obviously impact on the size of councils.

Territorial Characteristics

66. Some territorial authorities suggested that land area should be included as a sizing factor for TAs as well as regional councils. There were variations on this, including population "sparsity", geographic spread and remoteness/isolation of communities. For example, in the case of Tasman District, some communities are unable to be accessed by land, so council representatives' travel by water to reach residents. Many councillors round the country have long distances to travel between smaller communities. When we originally suggested land area as a measure for regional and unitary councils, it was as a proxy for their significant land/water regulatory responsibilities. In the case of the TAs who said they should also have that measurement, a number suggested it should be for rural/provincial districts because of the large distances covered and the consequent increase in working time for elected

members. We considered this carefully but concluded on balance that there is no common measure that would give a true picture of the relative difficulties of these circumstances, outside of the travel time requirement for elected representatives. There is already a travel time payment available for all councillors which, together with the car mileage allowance, is intended to compensate for these long-distance journeys on council work. The travel time allowance and the reimbursement of vehicle expenses will both be examined at least every three years to ensure that they remain up to date and fair.

67. We reviewed our own proposal to use land area as a proxy for the regional/unitary regulatory responsibilities and decided it needed to be more exact, in order to capture the water regulation role. We have decided to use the term “geographic size” which covers not only land area but also the extent of water bodies such as lakes, harbours and estuaries, as well as the coastal marine area.

Public Transport

68. A further issue for regional and unitary councils was their role in the delivery of public transport. For the large metropolitan-based regions (in particular Auckland and Wellington) this work is a considerable part of their mandate, in Auckland delivered through the Auckland Transport CCO. Having looked at the spread and impact of this work on regional councils, we concluded that this responsibility could be measured by an indicator of public passenger vehicle boarding numbers and have included it as a factor in measuring regional and unitary councils.

Other Issues

69. As well as the issues outlined above, councils gave us some very thoughtful comments relating to size measurement which have formed a background to our thinking on both size and the weighting of factors. We looked at all of the issues suggested but for a variety of reasons (usually data measurement availability) were not able to utilise many of them. For example, several councils pointed out that smaller councils have fewer staff and contractor resources to support and advise elected representatives, who consequentially often have to do more work within their communities and carry out more of their own research than do those in well-resourced councils. Some councils also commented on the loss of privacy for councillors in smaller communities – though we note this is a phenomenon also faced by well-known local politicians in larger centres.
70. Waimakariri District Council suggested that we should consider “exceptional circumstances of extended duration – e.g. recovery from natural disaster”. We considered this carefully, obviously in the light of the experience of councils impacted by the Christchurch earthquake sequence and, more recently, the Kaikoura earthquake. The issues for us were the scale and the impact of an event. Every year some councils round the country are impacted by various disaster events, especially flooding, which for parts of their population can be equally as catastrophic as a large earthquake. Recent examples include flood damage on the west coast of the South Island, in Edgumbe and the east coast of the North Island. This raises the issue of scale – what would be the cut-off point? We were unable to decide a formula upon which to base such an assessment. In addition, there is the question of impact – the breadth

of the impact and the duration of the response phase.. Again, there are serious challenges in drawing a line somewhere along the “disaster continuum”. We do note that in some cases there are interventions from central government in the form of financial support, for example through the Mayoral Relief Fund or an increase in the Financial Assistance Rate provided for councils by the New Zealand Transport Agency. This type of financial support is critical for both response and recovery, but it does not alleviate the extra work imposed on elected members, which we recognise is sometimes of heroic proportions, especially in the 12 months or so immediately following the event. Following the Christchurch earthquake, Christchurch Community Boards members did get an extra payment for their increased work as a result of the impact of the disaster on their populations. That was an ad hoc decision by the Authority following a request from the Christchurch City Council. We have decided to maintain that “ad hoc” approach for nationally significant disasters, rather than trying to formulate an exact policy to use when regularly sizing councils. This will allow us to tailor our response to fit the circumstances, including the scale of the event and the length of time that any council is in response mode following a disaster.

71. Hamilton City Council wrote that the proposed weighting for TAs does not appropriately capture the scale or complexity of attributes that contribute to the workload of a council and that it may be more helpful to cluster authorities by issues rather than size or “urbanicity”. We considered how this might work and again it appeared that the data on which to base our judgement in this case could be elusive and may be seen quite differently by different councils.

Unitary Councils

72. In our discussion document we suggested that Unitary Councils could be measured by using the accumulated factors that we agreed for both territorial authorities and regional councils. The thinking behind this was that Unitary Councils had both TA and regional responsibilities and thus should be actually measured for these responsibilities rather than continuing the practice of adding an additional 12.5% across the board, which has been the practice in recent years. We decided to measure the unitary councils using the same characteristics as both TAs and regional councils and then created a scale for the unitary councils

Size Factors

73. The final list of factors we have decided to use to measure the relative size of councils is as follows:

Territorial Authorities

- Population (source = Stats NZ Estimated resident Population at 30 June each year)
- Total operating expenditure (source = Stats NZ Local Authority financial Stats at 30 June each year)
- Total assets (source = Stats NZ Local Authority financial Stats at 30 June each year)
- Socioeconomic deprivation index (source = University of Otago Socioeconomic Deprivation Indices compiled at each census)

Regional Authorities

- Population
- Total operating expenditure
- Total assets
- Geographic size (includes land and marine/water area) (source = Stats NZ Geographic Areas)
- Public passenger transport boardings (source = Ministry of Transport Public Transport Passenger Boardings at November each year)

Unitary Authorities

- Population
- Total operating expenditure
- Total assets
- Socioeconomic deprivation index
- Geographic size
- Public transport boardings

74. All factors we use will be retrospective but measured at “a point in time” as near as possible to the time of our decision. That means that, except for the Deprivation Index, no data sets should be more than three years old. The data sets are available either from Statistics New Zealand or from the annual reports of councils themselves.

Standardising Data

75. Because most of the measures (whether assets, population or operational expenditure) have huge size differences and are non-linear we had to standardise them by the usual practice of applying logarithms. This is because the characteristics of the largest councils would have swamped the analytical methodology. Because the variables are of quite different magnitudes, we transformed all of them except the Deprivation Index data by logging the raw data. The measure based on the Deprivation Index was treated differently because it did not have the same exponential form.

Weighting the Factors

76. The factors alone are not sufficient to generate a size index for councils. The importance and impact of each one in relation to the work of councils is critical. Because of the inherent differences between councils, even a decision on weighting different factors could be seen as advantaging or disadvantaging some councils. We spent considerable time discussing weightings and looked at the initial “intuitive” weightings the Local Government Leadership group had allocated more than a year ago when we first started working on this issue. Ultimately, the weightings we agreed were an informed call by members of the Authority. There is no scientific or statistically demonstrable way of allocating weightings in this instance. It is a matter of judgement informed by extensive consultation with local

authorities and empirical work we have undertaken. This exercise was one of the most challenging parts of our review. We used regression modelling as a means of validating our approach.

77. When we decided on the relative weightings of the factors, we then applied the weights we allocated to each variable to the transformed and scaled information about each council, which gave us consistency. This then gave us a size index which not only identifies the council rank when ordered by size, but also a measure of the magnitude of the differences. This approach was applied to the regional and unitary council indices as well.
78. The order of the Council rankings within the three size indices is attached to this paper as Appendix 1. Clearly the application of these factors has resulted in the movement of councils in relation to where they used to sit in the previous size index.

A Local Government Pay Scale

79. Our Act requires the Authority to “have regard in particular to the need to achieve and maintain fair relativity with remuneration received elsewhere”. In past years this has meant assessing remuneration changes against those of other specified groups. For example, last year we increased remuneration in the sector by 1.7% across the board, reflecting the previous year’s increase in public sector remuneration⁹.
80. However, we feel that it is not sufficient to simply benchmark regular changes in remuneration in either the public sector or the whole workforce. We wanted to find some consistency between councils (using the council size index) then identify a similar occupation or group of occupations which could provide a demonstrable basis for linkages, as we are legally required to do. In our earlier consultation document, we set out the groups we considered as benchmarks and our conclusions on each of them. For the sake of completeness in this report, we reproduce below the section of the earlier report that dealt with our consideration of a comparator group:

The Authority considered and rejected as inappropriate the following:

- a) Local government senior managers’ salaries.

Information on local government management remuneration is readily available in market salary surveys and through councils’ annual reports. However, employees of councils are selected for the knowledge, skills and experience they hold relative to the needs of the employment role. Elected members do not fit that profile at all. They are democratically chosen by the electors to represent the interests of the people of a particular area and provide governance over the council’s operations. There is no logical alignment that would connect the remuneration of the two groups.

⁹ Statistics New Zealand Labour Market Statistics: March 2018 (wage inflation)

b) Central government sector senior managers' remuneration.

Information on public sector management remuneration is readily available in market salary surveys and the State Services Commission's annual reports but this option suffers from exactly the same difficulties as option (a) above.

c) Remuneration of directors on boards, including public sector boards, commercial boards and large not-for-profit boards.

A significant part of the work of elected members consists of representational activities of one sort or another. Most boards of directors do not have this role. Those that do are often in the not-for-profit or NGO sector and, even there, the nature and time requirements of the representational work, including managing constituency issues, is different. Further, most boards are governing an enterprise that is essentially focused on a single group of goods or services within

one industry, whereas councils have a significant array of services that are not necessarily similar in any manner – for example, providing building consents compared to social services.

Other aspects of local government elected roles which differ from the above are:

- *The sheer "visibility" of the people involved, resulting in a lack of privacy. In some cases where the elected person is very high profile or important in a community, or when the community is very small, this is extreme and often their close family members are also impacted by this.*
- *This visibility is associated with the need for publicly elected representatives to "front" on difficult issues. This is less common amongst other boards' members and managers. When something goes wrong on a council the councillors and mayor/chair are held to account by the public, whereas on a board it would normally (though we recognise not always) be the CEO.*
- *The meeting requirements on local government are more onerous than they are in other sectors. The Local Government Official Information and Meetings Act 1987 and public expectation is that meetings will be held in public and that information behind decisions and actions will be readily available.*
- *Finally, and perhaps related to all the above, local government entities hold far more frequent meetings/workshops than do other governance boards and the distinction between governance and management is less clear than it is in most other models.*

In the light of this, the Authority looked at a possible alignment with parliamentary remuneration for comparative purposes. Even though (as we note above) local government is not an exact match to central government, parliamentarians are also democratically elected to represent sections of the populace, and those who are members of the Government of the day also exercise

governance over the public service. Within the parliamentary group there are different levels of remuneration between backbenchers, ministers and some other identifiable roles.

Given the obvious difference between central and local government elected members, any remuneration alignment could not be a direct one-on-one relationship. However, the nature of the roles is such that there are also similarities and this is the closest the Authority can find to “fair relativity with remuneration received elsewhere”. As in other areas of our work, this decision involved a degree of judgement – there is no exact science here and we would observe that the utility and value of any elected person is in the eye of the beholder.

We therefore propose that mayor/chair remuneration be related to that of MPs, but capped so that the highest remuneration for any individual mayor or chair cannot be more than that of a cabinet minister. All other mayor/chair roles would be provided with a relative alignment below that upper limit.

81. Most councils responding to our consultation document agreed that (taking account of the difference in job sizes) parliamentary remuneration was a useful comparator for local government. Some disagreed, but there were virtually no useable examples of another appropriate comparator. Given our legal obligation to “have regard in particular to the need to achieve and maintain fair relativity with remuneration received elsewhere”, we have confirmed our proposal to use the parliamentary salary scale as a comparator for local government, which we stress does not mean that elected councillors would be paid the same as an MP, much less a Minister. We looked at the remuneration of various positions held by MPs. For example, cabinet ministers with portfolios currently get paid \$296,007, ministers without portfolio \$217,676, under-secretaries \$194,374 and party whips \$179,713. Backbench MPs are paid \$163,961 annually. We decided that it would be inappropriate for any local government elected member to earn more than a cabinet minister, which will thus become the top end comparator for the local government sector.
82. Having applied the weighted factors to all councils and ranked them within the size index, and having decided to use parliamentary salaries as a comparator, we then brought these two decisions together to create a local government pay scale. In doing this, there are a few issues that we have had to address:
- The largest local government unit in New Zealand by population is Auckland Council and the smallest is the Chatham Islands Council. Because of their extreme sizes, these two outliers have been excluded from the size index to allow us to draw up a sensible and workable scale for the majority of councils.
 - Even within the rest of the group, there is a wide range of population sizes – e.g. for TAs from 375,000 (Christchurch) to 3,740 (Kaikoura). There is also a wide range of sizes within our newly devised index based on the weighted factors identified above.
 - While we have taken Auckland out of the size index because of its sheer scale, we had to consider carefully the current closeness of the remuneration of Auckland

governing body councillors and Christchurch councillors. This needs to be resolved but will take more than one year to do so.

Remuneration for Mayors and Regional Council Chairs

83. Having settled on an appropriate size for each council, the Authority then decided on an appropriate level of remuneration for the elected leader of that council, using the pay scale we created. We have for some time considered these positions to be full time but the outstanding question in regard to “full time” is what to do in the case of mayors or chairs who are not formally working full time in the role - although even with smaller councils this is a small minority. Overwhelmingly we heard from councils round the country, and we know from our own experience and observation, that being a mayor/regional council chair is all-consuming. The exact hours of formal work in some cases may not constitute 40 hours a week – though in most they are much more. But in all cases the person in the role is “on call” 24 x 7 and the degree of night and weekend work (even at events at which most citizens would be able to relax and enjoy themselves) is hugely intrusive into personal life. It was also pointed out to us that the very few hours of the normal “working day” that mayors/chairs may not be formally in the role leave no opportunity to get any part time job in a practical sense. Some incumbents have their own businesses or farms and it appears from our survey results that they commonly have to pay a third party to fill in for them. One mayor said he was lucky to have a partner who could take over the business – that is not uncommon but for us that begs the question of family choice.
84. When looking at groups to identify a remuneration structure that could appropriately inform our decisions for local government, one such group was local government managers. As noted above, we have not used that group as a formal comparator for our elected members’ pay scale but did observe the differences in scale of remuneration. There was a wide span. It is not uncommon for CEOs to earn more than 200% more than the mayor – in one case it was 393%. At the other end of the scale, the minimum differential was 106%, with the average around 175%.
85. We also looked at remuneration paid to other council staff, particularly on smaller councils. In one council, the mayor was earning approximately \$7000 more per year than the dog control officer. While recognising that dogs and dog control are a highly political and vexed issue for local government and taking into account the “public service” element in mayoral remuneration, we nonetheless concluded that this differential was somewhat smaller than it should be.
86. Overall, we have formally decided that, with the exception of the Mayor of the Chatham Islands, mayor and regional council chair roles should be remunerated as full time roles according to the rank of the council on the size index.
87. Another issue that we raised in the consultation document and which emerged more strongly in the consultation itself was the high degree of congruence between the work of elected representatives on all councils, regardless of size. Most councils agreed to our

proposal that there should be a base remuneration for mayors. We have decided to proceed with this, with the exception of the Chatham Islands Council. The most obvious way to operationalise this was to translate it into a minimum fulltime salary for a mayor. In order to decide what that should be, we first considered whether the average wage should be a sensible point of reference. The role of a mayor/regional council chair includes key elements not likely to be present in the jobs of other New Zealanders earning the average wage. All mayors/chairs are their council leaders, amongst other things steering big policy decisions through the council and acting as a broker between various interests. In times of emergency, mayors have a critical role to play. A mayor is the “first citizen” - civic leader of her or his community, speaking for the district/city and consulted and informed on many of the big issues, even those not directly within the ambit of the council. A regional council chair is not necessarily considered the first citizen of the wider region (not being elected as chair by the population at large), but nonetheless has a significant role as an opinion leader in that community and will be involved in/informed about many big issues.

88. Given the breadth and importance of these roles to New Zealand’s communities, we felt that the average wage was a minimal level for mayor or regional chair remuneration and that, under ordinary circumstances, the salary would be considerably higher. However, taking into account the public service element, the average wage serves as a useful starting point at this time. Our current intention is that, following the 2019 local government election, approximately 1.25 times the average wage will be our base remuneration for mayors/regional chairs. The minimum will be reviewed periodically to decide if the average wage it is still a valid comparator.

Chatham Islands, Christchurch and Auckland Councils

89. As noted above, both Auckland and the Chatham Islands councils are so far outside the mainstream in terms of size that we needed to consider them separately. We have positioned the Mayor of Auckland as the highest paid person in local government and have decided that remuneration for this role should not be any higher than that of a Cabinet Minister. It should be noted that the difference in size between Auckland and the next biggest councils – Christchurch City Council and Canterbury Regional Council – is so large that the remuneration differential will not follow our scale. We will be placing the remuneration of the Mayor of Christchurch so that it better reflects a group of parliamentary positions that sit below that of a cabinet minister.
90. The opposite is the case for the Chathams. The estimated population is 640 which is far smaller than any other type of council in New Zealand. As a consequence of this, the Chatham Islands have a tiny ratepayer group. We had to consider our legal requirement to be fair to ratepayers, so have limited remuneration. However, we have decided that the Mayor of the Chatham Islands Council should receive no less than eighty percent of the average wage.

Total Remuneration Approach

91. In future the Authority will determine a “total remuneration” amount for each mayor/regional council chair. This means that those who chose to have a council car

provided will need to have their paid remuneration adjusted accordingly. Councils will calculate and adjust this, rather than the current practice of coming back to the Authority on each occasion when a council vehicle is changed. The formula is attached to this paper as Appendix 2 and will be included in each determination. We have also decided that there should be a limit on the value of council-supplied vehicles because residents do not expect to have to support an expensive vehicle for their civic leader. The limit will relate to the actual purchase price, on road costs, other dealer charges and GST paid and will be set out each year in the determination. All current vehicles will be “grandparented” out. The value applying for vehicles purchased in the 2018/19 year is set out in Appendix 2.

92. Because, with the exception of the Mayor of the Chatham Islands, mayor/chairs will be paid as full-time roles the incumbents will no longer be able to claim a travel time allowance.

Remuneration for Councillors

Current Approach

93. The current approach is that the Remuneration Authority allocates basic councillor remuneration for each council and each council then has the opportunity to utilise a pool (twice the “base pay” of one of their councillors) for positions of additional responsibility. Under this approach, councils are not allowed to distribute the whole of the additional amount evenly amongst all councillors. The base pay is currently related to population and operational expenditure, though the relativities between councils have not been reviewed over the last few years. The Authority considers that this approach has severe limitations. For example, many councils find the rules restrictive and it is not uncommon for us to be asked if each councillor can hold a portfolio and the additional remuneration allocation divided up equally. In the past we have not allowed this, but the portfolio approach - and the requests for equal division - are becoming increasingly common. More relevant is the fact that, in its community, each council experiences a unique set of circumstances that require a tailored response in terms of how the council organises itself. For some, a basic councillor payment for most of the councillors with just a few committee chairs may be sufficient. For others, there will be a need to spread the workload and consequent remuneration more evenly.
94. Another area of difference is the number of councillors on each council. Councillor numbers are beyond the influence of the Authority but our work on this remuneration review has thrown the issue into stark relief. The idiosyncratic differences we see now are a legacy of historical circumstances. Issues such as amalgamations and boundary changes, population sparsity or density - and even the presence or absence of activist community groups at particular times - have all contributed to decisions over decades to increase or decrease the number of elected members on any particular council. The biggest council outside of Auckland is Christchurch with 16 councillors, followed by Palmerston North with 15 and a group of others with 14. The smallest number of councillors is six - Mackenzie, Waitomo, Opotiki, Wairoa and West Coast Regional councils. The situation is exemplified in

the following chart, which shows an enormous variation in populations represented by councils with a similar number of councillors.

Councillor Numbers (excl. Mayor) in Comparison to Population

Council	Number of Councillors	Estimated Population 30 June 2017
Wellington	14	212,700
Hastings	14	49,900
Clutha	14	17,550
Hamilton	12	165,400
Nelson	12	51,400
Hauraki	12	19,850

Council	Number of Councillors	Estimated Population 30 June 2017
Tauranga	10	131,500
Waimakariri	10	59,300
Stratford	10	9,420
Thames-Coromandel	8	29,000
Central HB	8	13,850
Kawerau	8	6,940

95. As noted earlier in this paper, councils with larger ratepayer bases can more easily absorb higher governance costs than can smaller ones. There is no doubt that in the 21st century, ubiquitous mobile technology, better transport linkages and the mass media have had a homogenising effect. On the other hand, even in cities, local populations pride themselves on the difference between their area and often quite close neighbouring suburbs. Frequently this is accompanied by expectations of having “their” councillor represent them. This diversity enriches our culture and social fabric but the question we faced was whether any group of New Zealanders living in a particular part of the country should pay a significantly higher governance cost than those living in another part of the country with a council of comparable size.

Creating a Governance Pool

96. We have concluded that while councils should be able to recognise different circumstances within their boundaries and not be restricted as to remuneration allocation between different roles, the total cost of governance also has to be fair to ratepayers and should be closely related to the council size rather than number of councillors. From the time of the 2019 local government elections, we will be implementing a “governance pool” allocated to each council and aligned with the ranking of the council on our size index. It is important to stress that this will not be a national pool. The governance pool will provide the total amount that can be paid in remuneration to councillors in each individual council (aside from the mayor or regional council chair, whose remuneration will be determined by the

Authority). The pool system will also apply to Auckland Local Boards which will have the same requirements as councils for making decisions on the allocation of the pool in each case. At this stage we have made no decision as to the application of the pool to community board members.

97. The governance pool will reflect the ranking of the council within the appropriate size index (TA, unitary or regional). It will not have any relationship to the number of councillors on a council or the number of councillors nation-wide. Thus, if a council wishes to change the number of councillors and the Local Government Commission agrees, the size of the governance pool will not change, it will just have to be shared amongst more or fewer people.
98. During the consultation some suggested to us that since all councillors nationwide have a base set of responsibilities the Authority should set a base remuneration (similar to the approach we are now taking for mayors) – or even that all should be paid exactly the same regardless where their council ranked on the size index. We do not accept that all councillors throughout the country should be on the same remuneration, but we do accept that there should be a base amount, which is discussed later.
99. Each council may allocate its own pool according to its own priorities and circumstances. Roles may include not just “internal” council roles such as deputy mayor, committee chair or portfolio holder, but also other jobs either internal or representing the council on outside groups. There will be four requirements for each council:
 - The whole pool must be utilised. We understand that in any community there will be pressure to “keep rates down” by paying councillors less and we feel it is important that councils are protected from such pressure.
 - The council will need to decide a base remuneration for councillors who have no additional responsibilities. This could be equal to or higher than the base amount set out by the Authority.
 - For any roles with additional remuneration attached, the council will be required to have a formal vote to set out the positions of responsibility and the committee structure, decide who will be undertaking each role and also decide the annual dollar value of remuneration attached to each role, in addition to the basic councillor remuneration.
 - Following its formal decision-making, the council will need to forward its adopted resolutions to the Authority for consideration for inclusion in the determination. A timetable will be available for this.
100. The last requirement not only fulfils the law regarding the setting of local government remuneration but is also a safeguard against the possibility of a rogue council where a majority is tyrannising a minority in terms of remuneration. In our discussion document we proposed that recommendations to the Authority on the council governance pool would need to be agreed by a majority of, say, 75% of the council. It was pointed out to us in the consultation that in the case of a small number of seats on a council this may provide some difficulties. We considered a simple majority without the use of the mayor’s or chair’s casting vote. However, on reflection, since the mayor and chair remuneration is outside of the pool and therefore the holders of those positions have no personal interest in the

remuneration being considered, we have decided that if there is a split in the council on this issue, the mayor or regional council chair may use a casting vote.

101. Nonetheless we acknowledge that there could be an unlikely but possible circumstance where a council is dominated by a strong majority with a very small minority being in some way “penalised” for disagreeing or disputing decisions. The law stipulates that only the Remuneration Authority can decide councillor pay, so each council’s views will be forwarded to us as a recommendation. Under normal circumstances we would endorse that recommendation and implement it within the determination. However, if a council proposal appears to be unbalanced, or if a councillor or CE makes a formal request for the Authority to review the proposal, we will act.

Estimating Hours of Work

102. The governance pool will reflect the ranking of the council in our size index, but it also needs to reflect other factors. In determining remuneration in a “regular” job, the employer would take into account variables summarised earlier in the paper - the nature of the role, the employee’s competence and hours of work. We have outlined the nature of this role and public expectations of elected members. It is for the voters to decide whether an election candidate is competent to undertake the role – the Authority is not an employer. In making a determination, the Authority has to assume that all councillors are competent and are completely fulfilling their duties in the best possible way.
103. In assessing hours of work, we reviewed the information we already held. The research that the Hay Group conducted for the Authority in 2015, interviewing the mayor/chair of 20 territorial and regional authorities, a representative sample of committee chairs, councillors, community board chairs and members, and selected representatives of Auckland Council including the Mayor, Deputy Mayor, committee chairs, local board chairs and members. The Hay Group concluded that average work time per week was around 20 hours. The 2017 retiring councillor survey, which had 75 responses, showed similar results. “Half time” is also the experience in some of the jurisdictions we looked at, though it should be noted that no other system of local government is exactly like that in New Zealand. Earlier this year we undertook a survey of all councillors across New Zealand and all Auckland Local Board members in order to ascertain hours of work in their roles as elected members. 659 councillors and 113 Auckland local board members responded.
104. This is the most comprehensive information that the Authority has had available to it about the hours councillors work in their local government roles. The survey responses showed a huge variation in hours worked not only between councils but also within councils. Some of these differences might be attributed to differences in interpretation of the questions that were asked. For example, we saw from the comments included in the responses that some included all their time on email and social media, while others did not include this at all. Other comments indicated that many respondents had taken a rather narrow view of the questions in terms of constituency work and preparation for meetings. We did expect that the questions were sufficiently broad to pick up all work, so, taking into account the comments, have assumed that quite a few respondents did not report all facets of their council work. We also note that many respondents commented on the “lumpy” nature of

the work and the fact that the cycle which we asked them to review included Easter break. We have taken this into account.

“The other activity you didn’t include in time spent was keeping constituents informed on social media and answering emails – that’s probably another 50 – 60 hours per month”.

105. As well as reporting on their time use in the survey answers, other issues raised in comments included the following:

- **24/7 Availability:** There is no doubt that the advent of digital communications, in particular social media, has had a major impact on local government just as it has on society in general. A very common comment was around the fact that councillors are now expected to be available 24/7, even if just to rapidly answer emails. The comments that accompanied the survey responses frequently raised this issue.

“Being a councillor is a fulltime commitment to service, in that no matter where I go in my community I am likely to be approached by community members wanting to talk about some aspect of Council rates, roads or services. I expect and am happy to give my time and attention to these residents. In addition, I willingly take phone calls from residents at times that suit them – at all hours of the day and night. I also receive many invitations to attend events across my very geographically spread ward. While these events are lovely and it is a privilege to be invited, they do take up much personal/weekend/public holiday/family time. All of this needs to be acknowledged as relevant to our remuneration level”.

- **Time between meetings:** This issue was raised frequently. Clearly it is not an issue over which the Authority has any control, but the scheduling of meetings can increase the time requirement for councillors if there are long periods of down time between meetings on the same day. It is difficult to anticipate how long debate will continue, but (as is not uncommon in board meetings) agendas can be structured so that the important issues are considered early, allowing an estimation of finish time. If there is another meeting scheduled to follow, perhaps with a small refreshment break, that in itself provides a discipline on participants to finish on time. This is not just a matter of efficiency for its own sake. It impacts in a significant way on councillors who have external jobs and can be a source of conflict when they cannot reliably schedule other work.

“Because the diary is changed so regularly and often additional meetings or workshops are scheduled in on the days or weeks we should be free, it’s virtually impossible for me to make other commitments – work, family or out of (the district)”.

- **Travel Time:** Many clearly misunderstood why we did not ask specifically for travel time to be included in the survey response. There are already provisions for councils to pay travel time and vehicle cost reimbursement, but it is obvious that in some instances councils are not paying either cost reimbursements or travel time allowances (or both). The determination in this respect is enabling so councils may choose whether or not to use these provisions. We suggest that councils should conduct an assessment of the travel time of their councillors and, particularly in rural and provincial areas where there are long distances to be covered, should consider making these payments. We will review this in the next year. We consider that the current travel time allowance is sufficient on an hourly basis and it is unlikely to be increased in the near future. Vehicle cost reimbursement is tied to the policies of the IRD.

106. A related issue that drew many comments was the difficulty of ensuring diversity of representation under prevailing work/time/remuneration conditions. We reported some of these comments earlier because we think they give a flavour of the passion and conviction that we observed amongst many elected members and the need for change to encourage a more representative group of people in local government. Remuneration that recognises the extent of the role is part of this solution to this.

Assumptions about Councillor Time Use

107. Despite some (expected) inconsistencies, the survey data and associated comments nevertheless showed some trends that we were able to use as a basis for assumptions about councillor time use in relation to council size. It was evident that in the large “metro” councils (Christchurch, Wellington, Hamilton, Tauranga and Dunedin) a councillor is likely to work up to full time – i.e. one full time equivalent (FTE). There is a second group of councils where councillor workloads sit between full time and half time, with the workload of members of the remainder of councils generally varying around or below .5% of an FTE. It must be stressed, however, that the survey returns showed that both between and within councils, work time differs, even allowing for different roles such as deputy mayor or committee chair. Many work more than a full-time job in their council role, while others apparently put in minimal effort. However, the overall pattern was sufficient for us to use as a basis for decisions.

Other Variables

108. Having collected information on council rankings on the size index and the time basis for the job, we were then confronted with two other variables that distorted some of our results and impacted the concept of a governance pool – the number of councillors on a local authority and whether a council has community boards. Our approach to setting a “total cost of governance”, irrespective of the number of members of any council, is outlined above. The law provides for TAs and unitary authorities to have a minimum of six councillors and a maximum of 30, including the mayor. Regional councils need to have

between six and 14 members. The average number across all TAs is 10 councillors and across regional councils is also 10 councillors. Just as councillor time varies roughly according to the size of the council, so there is an approximate trend in councillor numbers – also with exceptions.

Conclusions Regarding Councillor Remuneration

109. Because of the variations, we decided that (with a few exceptions outlined below) we are unable to take into account the number of councillors on any council and have placed each council on the pay scale by using its overall ranking in the size index combined with average approximate hours worked for councils of similar ranking. We have used Christchurch (the largest council excluding Auckland) to anchor the top of our pay scale. We have anchored the bottom of the councillor pay scale in relation to a proportion of the average wage.
110. For those councils at the bottom end of our size index, we have taken on board feedback received during our consultation suggesting that there is a “basic job” for any councillor, no matter how small the council size. Our current intention is that when the governance pool approach is fully implemented following the 2019 local government election we will, in the first instance, relate the lowest councillor remuneration to a half time equivalent of about two thirds of the average wage. In the case of the smallest councils this will breach our “governance pool” approach and means that the pool for each of those councils will need to reflect the current number of councillors, rather than the ranking of the council on the size index. We note that of the 13 councils impacted, one has 14 councillors, but the average number of members of the remaining 12 councils is between eight and nine. This approach will not apply to remuneration for the Chatham Islands Council which will continue to be determined on a judgement basis.
111. We will begin the adjustments in the 2018/19 Determination and have completed the transition following the 2019 election.
112. In making these changes we are conscious of the effect that the new council size rankings will have on remuneration of individual councils, including:
 - Not all local government remuneration will increase as a result of these changes. In some cases, there will be little change because we have assessed the council pool to be at the right level for the ranking of the council on the index.
 - Because of the impact of the pool approach, in some cases where there are increases members of councils with a high number of councillors (e.g. 14 – 16) will get relatively smaller remuneration increases compared with councils of similar ranking on the size index but with fewer councillors.
 - Elected members of Taranaki Regional Council will not receive an increase in 2018/19 because they are currently paid more than they would be according to their ranking on the new regional council size index. The same applies to Christchurch City Councillors who will not receive an increase this year while we begin the adjustment of other councils on the TA index, which has Christchurch sitting at the top. In the next twelve months we will also be looking more carefully at their relativity with Auckland. Ironically, the presence of the deprivation index in our size measures lifts remuneration

in areas where the ratepayers may find it least affordable. In some cases we have moderated the increases to take account of affordability, as required under our legislation.

113. The impact of differing numbers of councillors on relative total governance pools will be actively considered by the Authority in future years when deciding local government remuneration.

Chatham Islands Councillors

114. Each year the Authority will make an informed judgement on the adjustment for Chatham Island councillors.

Auckland Governing Body Councillors

115. In Auckland the councillor roles are full time and there are 20 councillors. The next largest council is Christchurch, but the size of Auckland is vastly different, as is the mandate, with Auckland being a unitary council. Basically Auckland has hit the “ceiling” in our local government pay scale. In addition, the delegations that the Auckland Council gives to the Auckland Local Boards are changing in this financial year, which presumably will result in changed workloads. We have set the salary of the Auckland Mayor and in 2018/19 we will make an adjustment for governing body councillors that relates to the rise in the Mayor’s remuneration. Thereafter we will create a pool for Auckland councillors that takes into account the size of the council, including the impact of the proposed changes in delegations to Local Boards.

Auckland Local Board Members

116. Auckland’s 21 Local Boards were set up in 2010 as part of the re-organisation of Auckland local government arrangements following the report of the Royal Commission on Auckland Governance. The remuneration was set by the Authority at that time. The statutory powers of Local Boards were set out in the legislation¹⁰ that created the Auckland Council and those powers are more extensive than those applying to community boards, but less extensive than those applying to councils, which have the power of general competence. Also, with the exception of the Waiheke and Great Barrier Island boards, their populations are in the top half of TA populations. The local boards (comprising 149 local board members) have a significant and wide-ranging role and, for some purposes, are considered to be local authorities.
117. The Auckland Council’s Governing Body focuses on regional issues and the local boards on their local areas. They are not committees of the Auckland Council’s Governing Body, but are fully accountable for the decisions they make. Local boards also have a key advocacy role in regional decisions and policies. The extent of the local board governance role is reflected in the annual budget. For the 2017/2018 financial year, the combined annual

¹⁰ Part 2 of the Local Government (Auckland Council) Act 2009

operating budget of local boards is \$287,444,000. The combined capital budget is \$172,888,000. The scope of decision-making responsibilities of local boards is significant and wide-ranging. In addition to their statutory responsibilities to develop local board plans and local board agreements and to engage with their communities, local boards have decision-making responsibility for the non-regulatory local decisions about:

- planning and place-shaping
- maintenance and improvements to street environments and town centres
- business area planning
- arts and culture facilities and initiatives
- community development and facilities
- events
- libraries
- recreation and sports facilities and initiatives
- parks
- environmental management.

118. Local boards also have decision-making responsibilities for non-regulatory local decisions on fees and charges, service specifications, procurement and asset renewal. They can propose local bylaws and local targeted rates and they work with council-controlled organisations on services the CCOs provide in the local board area. As with councils, there is a base level of work and activities that all local boards have to undertake, regardless of budget or population size.

119. The Governance Framework Review that Auckland Council undertook in the last couple of years found that local boards are not sufficiently empowered to deliver on their responsibilities. As a result, local boards have now been delegated powers to manage land under the Local Government Act 2002 and to dispose of local service property and reinvest sale proceeds according to Council policy. Boards also have been given reasonably full discretion to prioritise all renewals funding in relation to all council assets in their area. Further changes are being discussed for implementation in the forthcoming year.

120. Because the Authority does not have certainty around these proposed changes, we are not at present in a position to decide how to size Auckland Local Boards or to construct a pay scale for them, though we do intend to do so in the 2018/19 year. In terms of quantifying work time, our survey response rate from elected members in Auckland, including members of Auckland Boards, was slightly less than the response from the rest of the country. This did not assist in assessing time requirements, but we are conscious of the workload of the Deputy Chairs of Auckland Local Boards and will recognise this in the 2018/19 determination by increasing their remuneration to 60% of that of board chairs, regardless of not having yet developed a pay scale. In the immediate future, remuneration for members of Auckland Local boards will be adjusted to reflect the public sector increase in the last year. We will be engaging in a detailed discussion with Local Boards and the Auckland Council in the near future, with a view to revisiting all their remuneration in the July 1 2019 determination. By then we assume more delegations will have taken place and we will thus be in a position to develop an appropriate pay scale. We also intend to implement a pool system for Auckland at the same time as for the rest of the country.

There will be a pool for the Governing Body (the Council) and a separate one for each of the Local Boards, which will make its own decision regarding allocation of its pool.

Unitary and Regional Councillors

121. Our approach to councillor remuneration for unitary and regional councils was slightly different because the sample sizes of these two groups were limited. For regional councils, there was also a large variation in councillor numbers, between six and 13 (not counting the chair). We have therefore related unitary and regional councillor remuneration changes to the changes in the remuneration of the chair of each council, which is set out above. We also then looked at the relativity between the three groups (TAs, unitary council and regional councils) to assess that there was a fair fit amongst all three pay scales.

Community Board Members

122. Forty TAs and unitary councils have community boards. The circumstances that have led to councils of the same size having different numbers of councillors are in some cases similar to those that have led to the apparently random formation of community boards. Frequently community boards were set up in 1989 when smaller local government units were being amalgamated and the communities that previously had their own council were given a community board instead. Other councils set up community boards in response to the 1989 legislation which required councils with a population over 20,000 to establish them. This requirement was abolished two years later. Even within a single local authority boundary, some communities now have their own community boards and some do not. Although all councils have the same legal opportunity to delegate functions to community boards, there are many variations in their levels of delegation, with most having very little decision-making power. According to Hammond and Hammond in their recent survey of community boards¹¹ “...the trend is for community boards to advise their local councils, rather than exercise executive power themselves. The only area community boards consistently have decision-making powers in is the administration of community grants”.
123. In our discussion paper we asked councils to tell us if they thought that community board members should be paid out of the same pool as councils. Most of the councils that responded to the survey and that do not have community boards gave us no opinion. Of those that do have community boards, and who gave an opinion, there was an equal split as to whether community board members remuneration should come out of the council pool. In some instances, we have been given informal views of community boards from council leaders that do not correspond with the formal positions of councils. We note that there has been a 30% decline in the number of community boards in the last decade. We have considered carefully the fairness of the fact that local authorities with community boards tend to have a higher cost of governance than those without them - yet presumably

¹¹ Callum Hammond and David Hammond *Serving New Zealand? A 2018 Survey of Community Boards*, p.10

the volume of work is the same, just spread out amongst more people. Clearly many of the hundreds of community board members work extremely hard and with great commitment to their communities. However, in view of the flimsy evidence available about the utility or otherwise of community boards, we have decided that until such time as there is an overall review of their role, community board members will have remuneration adjusted annually by a maximum of the increase in public sector pay the previous year. If councils with community boards wish to increase the remuneration of their community board members, they will need to take the money out of the council governance pool. However, they will not be able to decrease the remuneration level of community board members. Chairs of community boards will continue to receive twice the remuneration of other community board members. Councils will be able to decide whether or not to give extra remuneration to any councillors serving on community boards, as part of their package of recommendations to the Authority.

Timing of Implementation

124. The Authority intends to review the ranking of each council on the size index every three years. At the beginning of each election year we will issue a list showing the new governance pool we propose for each council (NB this is not a national pool), to be implemented by the new council immediately following the next election. This timing will allow existing councils to assess changes and make recommendations for remuneration based on the size of the pool available, well before the election at which they will be implemented. People considering running for office will have this information prior to the election. Even though they will not know exactly which “job” they may have on a council in terms of portfolio holder or committee chair, for example, they will have an indication of the remuneration they could expect if elected as a councillor without any additional responsibilities.
125. We will expect each council to submit a proposal in the first part of the calendar year in which the election is scheduled and we will issue a determination in the middle of that year which will have two parts: Part One for the period from July 1 till the day on which the new council assumes office, and Part Two for implementation when the new council takes office following the election. When the new council takes office, all councillors (except the mayor) will receive the base councillor remuneration set out in Part One of that year’s Determination. For positions of responsibility (including the subsequently elected chair of a regional council), the remuneration will apply from the date the new council makes its formal decision on roles. If newly elected councils wish to change the proposal they will have a window of three months following the election to do so and submit the proposed changes to us for incorporation into a determination that will be backdated to the date the new council made its formal decision on roles and appointments.
126. In the years between the assessments of the “governance pool”, all local government elected member remuneration will be changed on an annual basis using the same public sector equivalent formula that the Authority utilises for parliamentary remuneration.

127. All of the changes to the remuneration outlined above will be phased in over the next two determinations – 2018/19 and 2019/20 - not necessarily in equal tranches.
128. In 2018/19 the Determination will introduce the first of three steps towards re-aligning councils to their new ranking on the size index. The following will occur:
- With the exception of Auckland, all mayors and regional council chairs will have remuneration changed (or in the case of Taranaki Regional Council, maintained) according to their council ranking on the size index.
 - With the exception of Auckland Council, Chatham Islands Council, Christchurch City Council and Taranaki Regional Council, all councillors on TAs, unitary and regional authorities will receive the higher of either a 1.5% increase or approximately 25% of the figure we are currently considering for their council pool following the 2019 election. The 2018/19 figures will be contained in the 2018/19 Determination as dollar amounts, but the proposed 2019/20 pools will not be advised to councils until later this year. It should be noted that the currently assessed pools may change for 2019/20 if there are significant changes in the New Zealand economy or other outside stresses that require consideration.
 - The Auckland Mayor and Governing Body councillors will receive an increase of 2%.
 - Auckland Local Board members and chairs will receive an increase of 1.5%, pending the outcome of further review in 2018/19.
 - Remuneration for deputy chairs of Auckland Local Boards will increase to 60% of their respective chair's remuneration.
 - Chatham Islands Councillors will receive an increase of 2.5%.
 - Members and chairs of community boards will receive an increase of 1.5%.
129. By early in the calendar year 2019 councils will have been advised of the governance pool that they will be allocated following the 2019 local government election. They will be asked by the Authority to provide a formal response outlining how the pool will be allocated to individual roles within their council following the 2019 election.
130. In the determination to be implemented on 1 July 2019 the following will occur:
- Part One (applying until the new council assumes office following the election) will give similar (though not necessarily identical) rises to those in 2018/19, except that the remuneration of Auckland Local Board members and Auckland councillors may be adjusted to take account of variations in responsibilities.
 - The Authority has not yet any proposal for community board remuneration in either part One or Part Two of the 2019/20 determination.
 - Part Two (introducing the governance pool following the 2019 local government election) will apply the whole new governance pool for each council/local board, including the process requirements outlined in this paper. These requirements will be communicated formally to councils during 2018.
 - New councils elected in 2019 will have the opportunity to amend proposals submitted to the Authority by the outgoing councils.

Appendix 1: Size Indices Rankings

Ranking	Territorial Authority
1	Christchurch
2	Wellington
3	Hamilton
4	Dunedin
5	Tauranga
6	Hutt
7	Whangarei
8	Far North
9	Hastings
10	Palmerston North
11	New Plymouth
12	Rotorua
13	Waikato
14	Napier
15	Porirua
16	Whanganui
17	Invercargill
18	Kapiti Coast
19	Waimakariri
20	Selwyn
21	Western BOP
22	Waipa
23	Taupo
24	Whakatane
25	Timaru
26	Thames-Coromandel
27	Horowhenua
28	Queenstown Lakes
29	Upper Hutt
30	South Taranaki
31	Southland
32	Matamata-Piako
33	Masterton
34	Ashburton
35	Manawatu
36	South Waikato
37	Kaipara
38	Hauraki
39	Waitaki
40	Tararua

Ranking	Territorial Authority
41	Clutha
42	Ruapehu
43	Central Otago
44	Rangitikei
45	Central HB
46	Hurunui
47	Grey
48	Wairoa
49	Gore
50	Opotiki
51	Waitomo
52	Buller
53	Kawerau
54	South Wairarapa
55	Otorohanga
56	Westland
57	Stratford
58	Waimate
59	Carterton
60	Mackenzie
61	Kaikoura

Ranking	Unitary Authority
1	Auckland
2	Gisborne
3	Tasman
4	Nelson
5	Marlborough
6	Chatham Islands

Ranking	Regional Authority
1	Canterbury Regional
2	Wellington Regional
3	Waikato Regional
4	Otago Regional
5	BOP Regional
6	Manawatu-Wanganui Regional
7	Hawkes Bay Regional
8	Northland Regional
9	Southland Regional
10	Taranaki Regional
11	West Coast Regional

Appendix 2 – Provision of Motor Vehicle for Mayor and Regional Chair

A local authority **may** decide to provide its mayor or regional chair with a motor vehicle after taking into account what is the **most cost effective option** for the local authority and their ratepayers. The options are the provision of a motor vehicle to undertake local authority business or the ability for the mayor/regional chair to claim a vehicle mileage allowance for costs associated with local authority business.

The **maximum purchase price** that will apply in the 2018/19 year for a local authority provided motor vehicle is:

- **Petrol/Diesel = \$55,000** (including on-road costs, dealer charges and GST paid)
- **Electric/Hybrid = \$65,000** (including on-road costs, dealer charges and GST paid)

If the mayor or regional chair is provided with a vehicle, the local authority **must** deduct from the annual remuneration of the mayor or regional chair the appropriate amount calculated in accordance with the one of the following formula:

a) **Full Private Use**

$$V \times 41\% \times 20\% \qquad \text{eg: } \$42,800 \times 41\% \times 20\% = \underline{\$3,510}$$

b) **Partial Private Use** – if a smaller usage is claim. This must be supported by a log book.

$$V \times 41\% \times 10\% \qquad \text{eg: } \$42,800 \times 41\% \times 10\% = \underline{\$1,755}$$

Note an amount less than 10% for partial private use is no longer applicable.

c) **Restricted Private Use** - ie: no personal use. The motor vehicle is driven home and kept secure by the mayor or regional chair overnight. The motor vehicle is available to be used by other local authority staff when not being used, on local authority business, by the mayor/regional chair. This option must be supported by a log book.

No deduction from annual remuneration

Where:

- **V** = actual purchase price, on-road costs, dealer charges and GST paid
- **41%** = assessed annual value of motor vehicle
- **20%** = assessed as full private use
- **10%** = assessed as a lesser amount of private use which must be supported by a log book

For example:

	A	B	C
Annual Remuneration as shown in either schedule 1 or schedule 2	\$85,220	\$85,220	\$85,220
Motor Vehicle Deduction	\$3,510	\$1,755	\$0
Salary	\$81,710	\$83,465	\$85,220

The deduction from the mayor or regional chair's annual remuneration is effective from the date that they are provided with the motor vehicle.

Vehicle mileage for the use of a private car by the mayor or regional chair cannot be claimed if a local authority motor vehicle is provided.

The above policy will apply to all new or replacement motor vehicles from 1 July 2018.

The purchase price of current motor vehicles provided to individual mayors and regional chairs before 1 July 2018 are "grandparented" until the current vehicle is either replaced or relinquished. However, local authorities will need to commence appropriate deductions from their mayors/regional chairs annual remuneration from 1 July 2018, as specified in the Local Government Members (2018/19) (Local Authorities) Determination 2018.