



Report of the

REMUNERATION AUTHORITY

for the year ended 30 June 2017

Presented to the House of Representatives Pursuant to
Section 27 of the Remuneration Authority Act 1977



14 September 2017

Hon Michael Woodhouse
Minister for Workplace Relations and Safety
Parliament Buildings
WELLINGTON

Dear Minister

I have the honour to submit the Annual Report of the Remuneration Authority for the year ended 30 June 2017, in accordance with section 27 of the Remuneration Authority Act 1977.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Fran Wilde'.

Hon Dame Fran Wilde DNZM QSO
Chairperson

REPORT OF THE REMUNERATION AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

Introduction

This report covers the 12 months to 30 June 2017.

This has been an unusually busy year for the Remuneration Authority, with reviews initiated on local government and the judiciary, as well as reviews and updates of our internal policies and procedures, the arrival of a new member of the Authority and new staff, and the move to a new office. During the year we issued 124 determinations. The remuneration increases in many cases were around 1.7%, which reflected the change in the labour market statistics over the previous year.

Jurisdiction

The Remuneration Authority is established under the Remuneration Act 1977. It is an independent statutory body which determines the remuneration (sometimes including superannuation rights, expenses and allowances) for a variety of senior public office holders (and in some cases their partners). These include the Governor General, Members of Parliament, the Judiciary, elected members of local authorities and a range of statutory officers.

In carrying out its duties the Authority is required to balance a number of statutory criteria which can be summarised as:

- fairness to the person(s) whose pay is being set;
- fair relativity with comparable positions;
- the ability to recruit and retain suitable people;
- fairness to the taxpayers or ratepayers (including taking account of the prevailing economic and fiscal conditions);
- the requirements of the position(s) concerned;
- the conditions of service enjoyed by the person(s) whose remuneration is being determined.

These criteria do not apply to Members of Parliament, whose remuneration is fixed according to a legislated formula.

Governor-General and Former Governors-General

Under the Governor-General Act 2010 the Authority is charged with determining the salary of the Governor-General, and the annuities for former Governors-General and their surviving spouses and partners.

During the year the Authority increased the salary of the Governor-General by 1.7% from 1 November 2016. This salary is fully taxable as earned income. Annuities payable to former Governors-General (or surviving spouses or partners) were also increased by 1.7% from 1 April 2017.

Members of Parliament

Salaries and Allowances

Section 8 of the Members of Parliament (Remuneration and Services) Act 2013, requires the Remuneration Authority to determine the salaries and allowances paid to Members of Parliament (MPs). The salaries are determined according to a formula set out in section 18B of the Remuneration Authority Act, which is based on the change in ordinary time weekly earnings for full-time equivalent (FTE) employees in the public sector, as determined by Statistics New Zealand's Labour Market Statistics - Quarterly Employment Survey (QES). The change in the ordinary time weekly earnings for FTE employees in the public sector between 2016 and 2017 was 2.46% (as at 30 June 2017).

The formula also requires taking into account any change in MPs' personal benefit or potential personal benefit that has arisen because of a change in entitlements. For the Authority to take into account the value of changes in personal benefit, the following conditions must apply:

- a) There must have been a change in entitlement under a determination or direction issued under the Members of Parliament (Remuneration and Services) Act 2013; and
- b) That change in entitlement must have resulted in a change in personal benefit or potential personal benefit.

Changes in personal benefit due to changes in usage or changes in the Inland Revenue's assessment of fringe benefit tax do not trigger any salary change.

The Authority determined that there was no change in personal benefit during the 2016/17 year. Therefore, this has resulted in salary increases of 2.46% for MPs.

An adjustment was made to the MPs' tax-free out-of-pocket allowance which covers out-of-pocket expenses incurred while undertaking parliamentary business. This allowance was increased by the annual movement in the consumer price index of 1.7% as at 30 June 2017.

The Authority finalised its Parliamentary Salaries and Allowances Determination 2017 during August 2017.

Accommodation and Travel Services

Under the Members of Parliament (Remuneration and Services) Act 2013 the Authority is responsible for determining the:

- a) accommodation services within New Zealand for MPs and qualifying electoral candidates;
- b) accommodation services within New Zealand for Ministers, additional to those for MPs;
- c) travel services within New Zealand for family members of MPs, Ministers, and qualifying electoral candidates; and
- d) the extent to which the above services may continue to be provided after an MP vacates her or his seat or, in the case of a Minister, ceases to be a Member of the Executive Council.

The Authority issued its first accommodation and travel services determination under the above Act in 2014. It is called the Members of Parliament (Accommodation Services for Members and Travel Services for Family Members and Former Prime Ministers) Determination 2014 (the Principal Determination). It came into force on 21 September 2014 and expires on 23 September 2017.

During the 2016/17 year, the Authority issued two determinations amending the Principal Determination. One enabled the provision of security arrangements at an MP's residence if required and on the same basis as security provisions already available for Ministers. The other addressed two accommodation issues for Ministers. The first of these provided that any MP who becomes Prime Minister is entitled to live in the official residence, Premier House, as a "ministerial residence" irrespective of that MP's normal place of residence. The other provided for Ministers accompanying formally-designated Guests of Government to be able to stay at appropriate accommodation outside of Wellington regardless of the normal cap on temporary accommodation costs of Ministers.

Former Prime Ministers

The Members of Parliament (Remuneration and Services) Act 2013 requires the Authority to determine the annuity of former Prime Ministers and their surviving spouses or partners. This annuity was increased by approximately 1.8%, effective from 1 January 2017.

The Authority also has the responsibility under the Act to determine the entitlement to travel services within New Zealand for former Prime Ministers and their spouses or partners. No change was made to this entitlement during the last year.

Judiciary

During the year a full review of judicial remuneration and allowances (including Judges of the Court Martial and Coroners) was begun. This is a major undertaking that is continuing over two reporting years. The Authority is working closely with

representatives of the different Benches and the Ministry of Justice in this review. Apart from looking at remuneration (including superannuation provision) the Authority is also looking at allowances, including accommodation allowances that it is specifically enabled to do under the District Court Act 2016 and the Senior Courts Act 2016, which both came into force on 1 March 2017.

In anticipation that there could be future changes resulting from this review, the Authority decided on an increase of approximately 1.7% across the board for all judicial positions, including Judges of the Court Martial and Coroners, in the year under review. The Authority also reviewed the principal allowances applicable to each judicial position and has left them at their current levels, pending the outcome of the review. However, the Authority did introduce a new allowance covering Coroners. This taxable allowance is in recognition of the fact that all Coroners and the Chief Coroner are, from time to time, rostered to act as National Duty Coroner. This role ensures that there is a Coroner on duty 24 hours per day every day of the year.

Local Government

Pursuant to clauses 6 and 7 of Schedule 7 of the Local Government Act 2002, the Remuneration Authority determines the remuneration of local authorities elected members.

During the year we issued 10 principal or amending determinations for local authorities. This reflected the fact that following the 2016 local government election, a number of councils changed their committee structure, with consequent changes to payments for positions of additional responsibility.

As noted in last year's report, the Authority remains concerned that the expectations placed on local representatives continue to increase and remuneration does not in all circumstances reflect the skill and effort required. To address these and other issues, a major review of local government remuneration and allowances was begun in the year under review. The Authority has been working with local government representatives to understand the complexities of the roles and also the differences between different size and types of councils. The result of first part of this review – largely around expense allowances – was implemented in the determination that came into effect on 1 July 2017, so was not in the 2016 determination, which saw expenses largely unaltered and remuneration increased across the board by 1.7%.

Statutory Officers

For statutory officers, remuneration is determined on appointment and reviewed annually. The review date for most of these positions is 1 July each year. Remuneration for these positions is set by reference to the job size of each position (determined independently), relativity to similar positions within the broader public sector, as well as information from Statistics New Zealand, State Services Commission and private sector remuneration survey consultancies. The job sizes of positions are reviewed whenever the scale, scope or complexity of the position has

changed to a degree necessary to warrant a review or in most cases at least every 4 to 5 years.

Remuneration increases for statutory positions ranged from 1% to 3.4%, depending on whether the current remuneration was in line with the job size. Overall the average was around 1.7%.

We note that at the more senior levels there still remain large gaps between private sector and public sector remuneration for the same sized jobs.

Internal Changes

Late in 2016 there was a change in membership of the Authority, with long-serving member Angela Foulkes replaced by Len Cook. The Authority would like to acknowledge the work of Ms Foulkes over the years and thank her for her significant contribution.

During the year we re-organised the way we work internally, with the engagement of a senior remuneration specialist as Director of the Office of the Remuneration Authority, supported by an analyst/administrator. With the high level of technical expertise now required in setting remuneration for most of the senior decision-makers in the public sector, the new arrangement has been particularly useful.

We have begun upgrading all our processes and systems, in particular developing electronic tools to replace manual processes. In addition we have begun what will be a series of major reviews of our approach to the remuneration setting for all our client groups. Finally, we are updating policies and have made a commitment to having as much of our policy as possible publicly available on our website, while still maintaining required confidentiality regarding individual clients and our discussions with them or their representatives.

Physically we also relocated the office, a move that was disrupted by the earthquake in November 2016. Some of our work was delayed for a period as it was difficult to access hard copy files.

Overall, we completed significantly more work during this year than the previous year and are beginning to eliminate delays in issuing determinations for all our client groups.

Appreciation

We also record our appreciation of the work done by contractors and of the assistance we have received from numerous organisations and individuals. Early in the year under review, we were being serviced by staff seconded from the Ministry of Business, Innovation and Employment (MBIE), and we would like to thank them as well as other departmental officers who have been helpful, in particular Parliamentary Counsel Office, Crown Law, State Services Commission, Parliamentary Service and Ministerial Services.

Annex

Membership of Authority

- The Hon. Dame Fran Wilde DNZM QSO (Chair)
- Mr Geoff Summers (Deputy Chair)
- Mr Len Cook CBE

Staff

The Authority is supported by a Director of the office of the Remuneration Authority and an Analyst/Administrator. Specialist contractors and advisers are engaged as the need arises.

Determinations

The Authority completed and issued the following determinations during the year. In each case the parties affected by the determination were consulted prior to issuing the determination.

- Governor-General (Salary) Determination 2016
- Governor-General (Annuities) Determination 2017
- Parliamentary Salaries and Allowances Determination 2016
- Members of Parliament (Accommodation Services for Members and Travel Services for Family Members and Former Prime Ministers) Amendment Determination 2016
- Members of Parliament (Accommodation Services for Members and Travel Services for Family Members and Former Prime Ministers) Amendment Determination 2017
- Parliamentary Annuities Determination 2017
- Judicial Salaries and Allowances Determination 2017
- Judicial Salaries, Allowances, and Superannuation (Court Martial Appeal Court and Court Martial) Determination 2017
- Coroners (Salaries and Superannuation) Determination 2017
- Local Government Elected Members (2016/17) (Certain Local Authorities) Determination 2016
- Local Government Elected Members (2016/17) (Certain Local Authorities) Amendment Determination 2016
- Local Government Elected Members (2016/17) (Certain Local Authorities) Amendment Determination (No 2) 2016

- Local Government Elected Members (2016/17) (Certain Local Authorities) Amendment Determination 2017
- Local Government Elected Members (2016/17) (Certain Local Authorities) Determination 2016 Amendment Determination (No 2) 2017
- Local Government Elected Members (2016/17) (Auckland Council and Local Boards) Determination 2016
- Local Government Members (2016/17) (Canterbury Regional Council) Determination 2016
- Local Government Members (2016/17) (Canterbury Regional Council) Amendment Determination 2017
- Local Government Members (2016/17) (Canterbury Regional Council) Amendment Determination (No 2) 2017
- Local Government Members (2016/17) (Canterbury Regional Council) Amendment Determination 2017 Amendment Determination 2017
- Individual independent statutory officers and members of boards (105 separate determinations were issued).

Website

www.remauthority.govt.nz