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23 November 2010

To All Local Authorities (except Auckland)

Allowances and Reimbursement of Councillors' expenses.

The Local Government Elected Members (2010/11) (Except Auckland) Determination 2010 ('the interim determination') issued in August 2010 included a new provision to cover the travelling time and mileage undertaken by councillors and other elected officials. The intention of this provision was threefold:-

- To reimburse councillors for time spent travelling to meeting where that time was considerable
- To continue to provide mileage where distances travelled could be considered to be outside the normal travelling expectations
- To cap reimbursement that was in the nature of additional remuneration to councillors.

The Authority issued a consultation document in January 2009 which canvassed the issues around mileage and travel time, and was grateful for the range of submissions received.

The framework included in the interim determination was discussed with Local Government New Zealand and presented to the Council of Local Government New Zealand on the subject.

The Authority's letter of 6 September 2010, a copy of which is attached, explained the provisions of the determination and those that would receive automatic approval by the Authority, effectively minimum distance provisions for mileage and maximum annual mileage limits.

Many of the responses to the Authority have indicated that councillors wish to maintain the current unrestricted provisions. This is not an option. The Authority is however open to arguments for an adjusted framework that reflects local needs and the real cost of travel.

To assist councils in developing district or regional proposals or accepting the policy, the Authority has reconsidered the parameters of the mileage component.

The minimum journey provision will remain, as will the cap of 5000 kilometers at 70c. The Authority will however also automatically approve the payment of mileage at 35c per kilometre for travel in excess of 5000 kilometres.

It is the Authority's view that this creates a genuine reimbursement of direct costs incurred in undertaking council business, rather than establishing a non-transparent benefit that is in the nature of remuneration.

The Authority wishes to remind councils that until their new expenses are approved payment should be being made no more favourably than the provision in the determination.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Angela Foulkes', with a large, sweeping flourish at the end.

Angela Foulkes
Deputy Chairman

6 September 2010

To All Local Authorities (except Auckland)

EXPENSES AND ALLOWANCES

This letter explains the provisions of the latest interim determination (SR 2010/245) covering the period from the 2010 elections to 30 June 2011 and gives guidance on the setting of expense rules and rules for the payment of allowances.

Provisions in the Determination

The determination contains the following relevant provisions:

expenses rules is defined as “a local authority’s rules for paying expenses to a member of the local authority or its community boards that have been approved by the Remuneration Authority”

Clause 10 states: “A local authority may reimburse expenses in accordance with the expenses rules to the following persons:

- (a) its members; and
- (b) in the case of a district council or a city council, the members of community boards situated within its district.”

Clause 12 states: “A local authority may pay allowances in accordance with rules approved by the Remuneration Authority to the following persons:

- (a) its members; and
- (b) in the case of a district council or a city council, the members of community boards situated within its district.”

Clauses 13 to 15 set out general conditions surrounding to whom allowances may be paid, the circumstances under which they may be paid, and maximum rates of payment for each of Vehicle Mileage Allowance, Travel Time Allowance, and Communications Allowance.

Guidance

The Remuneration Authority recognises that each local body has its own characteristics which means that a single set of expense rules and allowance rules is not appropriate for all local bodies. The Authority expects each local body to develop its own rules for payment of expense and the provision of allowances, which will then be subject to Remuneration Authority approval before they can be implemented.

The Remuneration Authority’s expectations for the rules surrounding the payment of expenses and provision of allowances are as follows:

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Payment of Expenses

The rules should clearly state:

- The persons to whom expenses may be paid or reimbursed
- The general types of expenses which may be paid or reimbursed (and possibly some guidance on which expenses can be paid in advance and which should be subject to reimbursement)
- The levels of documentation required (separately for reimbursement and payment in advance)
- The authorities required for approval
- Any maximums or guidance on acceptable levels of expenditure.

Vehicle Mileage Allowance

In addition to the conditions contained in Clause 13, the rules should cover:

- A threshold of distance travelled for any one event (a threshold of 30 kilometres or more with only distance in excess of the threshold qualifying for payment will have automatic approval), and
- The maximum payment to any one elected member in a year (a maximum of 5,000 kilometres claimed in anyone year will have automatic approval), and
- The allowance per kilometre (must be less than or equal to \$0.70 per kilometre)

Travel Time Allowance

In addition to the conditions contained in Clause 14, the rules should cover:

- A threshold of travel time for any one event (a threshold of 2 hours or more with only time in excess of the threshold qualifying for payment will have automatic approval), and
- The maximum payment to any one elected member in a year (a maximum of 100 hours claimed in any one year will have automatic approval), and
- The allowance per hours of travel time (must be less than or equal to \$15.00).

Communications Allowance

The conditions in clause 15 are expected to cover most situations.

A local body may set the level of allowance less than \$500, and may extend the items or services that the allowance is to cover.

In setting policy regarding expenses and allowances, the Authority recommends that you take into consideration the Auditor-General's report on Controlling Sensitive Expenditure: Guidelines for Public Entities, issued in February 2007.

Yours sincerely



Angela Foulkes
Deputy Chairman