

Submission:
Councillor Remuneration Review

Local Government
(Councillor Remuneration Review) Panel

Cr. Alex Makin
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Councillor Remuneration Review

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Do you wish to make a presentation to the Panel on your submission?

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1.0 Executive Summary

Given the time commitment councillors provide, it is fair and reasonable to look at a level of remuneration that allows elected officials to adequately manage council, work, family and other commitments.

It has been estimated that the majority of councillors undertake between 11 to 30 hours per week on council duties and as such it is reasonable to view the commitment to council as a significant time component. Given this commitment and the current remuneration provided, it is unsurprising that youth are significantly under-represented as councillors given that younger people are often beginning to undertake significant career and family commitments.

While it would be wrong to entice candidates into council purely due to the remuneration provided, the current quantum may in fact be deterring committed individuals and particularly our youth from seeking election. Due to this, the following model is proposed and is broadly consistent with the view of the Municipal Association of Victoria:

| Category | Proposed scale | | Current scale | |
|----------|-----------------|----------------------|-----------------|----------------------|
| | Mayor allowance | Councillor allowance | Mayor allowance | Councillor allowance |
| Three | \$64,065 pa | \$28,475 pa | \$57,500 pa | \$18,000 pa |
| Two | \$54,456 pa | \$24,204 pa | \$46,500 pa | \$15,000 pa |
| One | \$44,846 pa | \$19,933 pa | \$36,000 pa | \$12,000 pa |

Table 1.1: Proposed remuneration for Mayors and Councillors in Victoria.

While there is merit in retaining a category system based on a council's recurrent income, the use of population as a factor does not adequately reflect the workload of a councillor. Furthermore the allowance should be indexed through Australian Government Remuneration Tribunal to ensure consistency with the other tiers of government.

2.0 Introduction:

I would like to thank the Councillor Remuneration Review Panel for the opportunity presented in regard to councillor remuneration. In 2005 I was elected as a Councillor for the City of Maroondah and am one of the few Victorian councillors younger than 30 years of age.

While I understand that both the Municipal Association of Victoria and the City of Maroondah have issued submissions, I believe that there is the need for a submission that explicitly explores the challenges facing younger people in local government.

Speaking from my own experience, I can testify to the challenges that the role provides particularly in regard to balancing career, family and other commitments. While such commitments are not exclusive to younger people, the effects are often more prominent for younger age groups. There may be councillors who are not putting the work into the role, but this is not a path I have wanted to take. In fact, I can confidently and honestly state that I have and will continue to represent my community to the fullest of my ability, despite ongoing competing demands for my time.

Lastly, I would like to state that while I am writing in support of higher remuneration this is not a grab for cash. People should not enter politics or local government due to remuneration, but it is reasonable to expect fair compensation to ensure that competing time demands can be managed and to maximise the ability to represent the community.

I would also like to state my desire to provide a verbal submission when the time arises.



—
Cr. Alex Makin
Councillor for Loughnan's Hill Ward
City of Maroondah

3.0 Allowance Frameworks:

Victoria currently utilises a three tiered system for setting the potential upper limit of councillor allowances. This system allocates a point system to each council through considering the recurrent revenue base and population.

Table 3.1 provides an overview of the Victorian remuneration system for local government:

| Category | Points | Mayoral allowance | Councillor allowance | No. Councils in categories 2000 | No. Councils in categories 2007 |
|----------|-----------|-------------------|----------------------|---------------------------------|---------------------------------|
| 1 | 1 - < 40 | Up to \$36000 | \$5000-\$12 000 | 27 | 26 |
| 2 | 40 - <190 | Up to \$46500 | \$5000-\$15 000 | 36 | 32 |
| 3 | 190 + | Up to \$57500 | \$5000-\$18 000 | 13 | 20 |

Table 3.1: Victorian Local Government remuneration scales

While it could be argued that the consideration of a council's recurrent revenue base is indicative of its potential capacity to pay allowances, the same justification cannot be made for the consideration of population in determining allowance scales.

Given that six councils have successfully applied through 'exceptional circumstances' to progress to the next highest category it would appear that the use of the two aforementioned factors is inaccurate in determining allowance limits.

This is reflected in the table 3.2 where both Wyndham and Corangamite are in higher categories than their population base would otherwise provide:

| VICTORIA | Current allowances | | | |
|---|--------------------|-----------------|------------------------|---|
| Council classification determined by adding council population and total revenue (excluding non recurrent) and dividing by 1000 | Mayor Max | Deputy Mayor | Councillors Min-Max | Example sizes of Councils in population) ¹ |
| Level 3 190+ points | \$57 500 | N/A | \$5 000- \$18 000 | 112 695 (Wyndham) to 191 479 (Greater Geelong) |
| Level 2 40-190 points | \$46 500 | N/A | \$5 000- \$15 000 | 16 616 (Corangamite) to 124 083 (Glen Eira) |
| Level 1 < 40 points | \$36 000 | N/A | \$5 000-\$12 000 | 3018 (Queenscliffe) to 18 492 (Horsham) |

Table 3.2: Council examples of the Victorian remuneration system

The population of a municipality does not adequately reflect the potential workload experienced by councillors, particularly within a metropolitan context. An example, the City of Maroondah, where I am currently a sitting councillor, is on category two whilst neighbouring municipalities, such as Knox and Whitehorse, are on category three. Despite neighbouring councils having higher populations (ranging approximately from 130,000 to 150,000 versus Maroondah's 100,000 residents) I do not believe that I have a lesser workload than my colleagues in these neighbouring councils.

In addition, given that the Electoral Representation Reviews is developing a relatively uniform range for the number of residents per elected representative, the use of population as an indicator for the potential upper limit of councillor allowances would appear to be no longer relevant.

While I believe there is merit in utilising council revenue as an appropriate base for setting the upper limit of council allowances I do not believe that the use of population is a reliable indicator given representation reforms. As such, only revenue should be considered within the use of the category system.

4.0 The quantum of annual allowances:

While the current figures for councillor remuneration might have adequately reflected the role back in 2000, these amounts are currently inadequate given community expectations placed on the role of a councillor.

In particular, there has been significant technological change within the past seven years, such as the prolific use of mobile phones, email and the Internet, which serve to raise community expectations for a prompt response from elected officials. While the current value of the allowance does not necessarily hamper an individual from being a responsive councillor, the need to juggle work, family and council commitments can become a source of strain if one wants to maintain a conscientious, diligent and prompt approach to the role of a councillor.

Likewise, councillors today need to understand a growing range of potentially complex issues, including, but not limited to, increasingly detailed planning applications, State, Federal and Local policies, environmental sustainability, accessibility, aged services, youth services and general advocacy. In this regard the current allowance does not adequately reflect the opportunity cost of forgone working hours when councillors undertake training courses to gain the required skill set.

While there are bound to be councillors that fail to adequately undertake the work and commitment required to comprehensively represent their respective communities and hence would in fact be overpaid in the eyes of the community, the current low quantum may be deterring committed community minded individuals from considering local government.

Associated with the councillor allowance is the responsibility that the role requires. While perhaps outside the scope of this review, it would be meritorious to require compulsory governance training for all councillors. Such training would reinforce the commitment required and potentially deter non-committed individuals from standing for election, thereby improving the perception of councillors within the community.

5.0 Allowances, representation and participation

Participation of youth within local government is low, meaning that councils are not adequately reflecting the demographics of their community and generational balance is not being achieved within a number of councils.

Local government should foster youth participation in the same way that participation for women has been encouraged. While women are still underrepresented as a group, this is slowly changing with 31% of councillors being female in 2006 against just 29% in 2003 (Source: 2006 MAV Councillor Census), even though it is outside the specific scope of this review, programs fostering youth participation should be undertaken by peak bodies such as the MAV and the VLGA and supported by the State Government. Figure 5.1 illustrates the current age profile of councillors within Victoria.

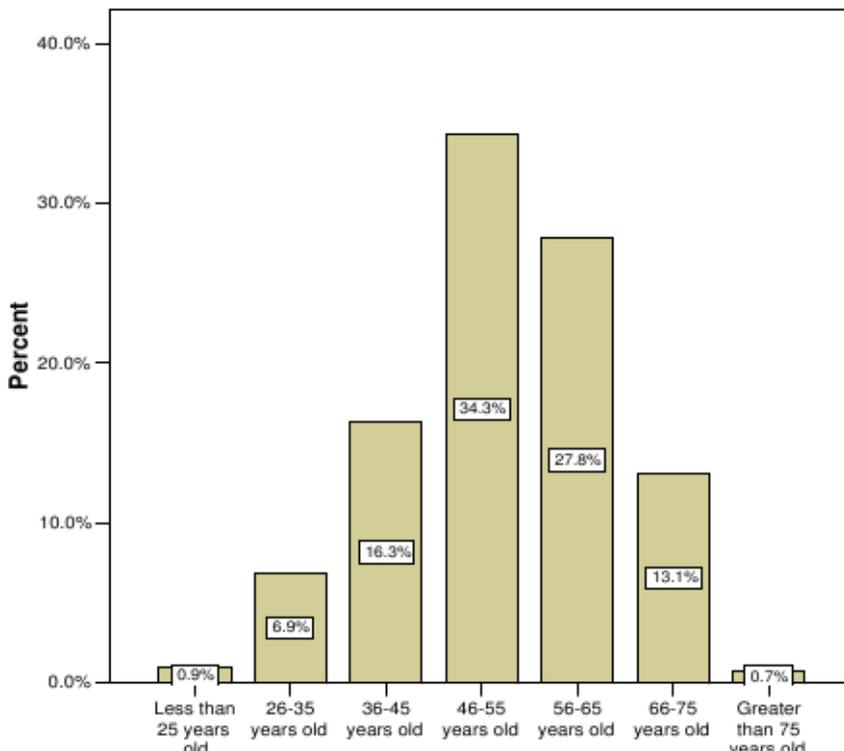


Figure 5.1: Age profiles of councillors in Victoria

(source: MAV Councillor Census 2006)

With many community organisations struggling to recruit young committed individuals, a stronger proportion of youth involvement in local government would help raise awareness of youth issues and should lead to stronger participation of young people with the community.

In particular, people aged less than 25 years old and those between the ages of 26 to 35 are significantly underrepresented within local government, while age groups between 46 and 65 and even those between 66 and 75 years old are substantially overrepresented.

Figure 5.2 demonstrates the current age profile of Victoria. Note that people younger than 18 have been excluded since they cannot stand for council.

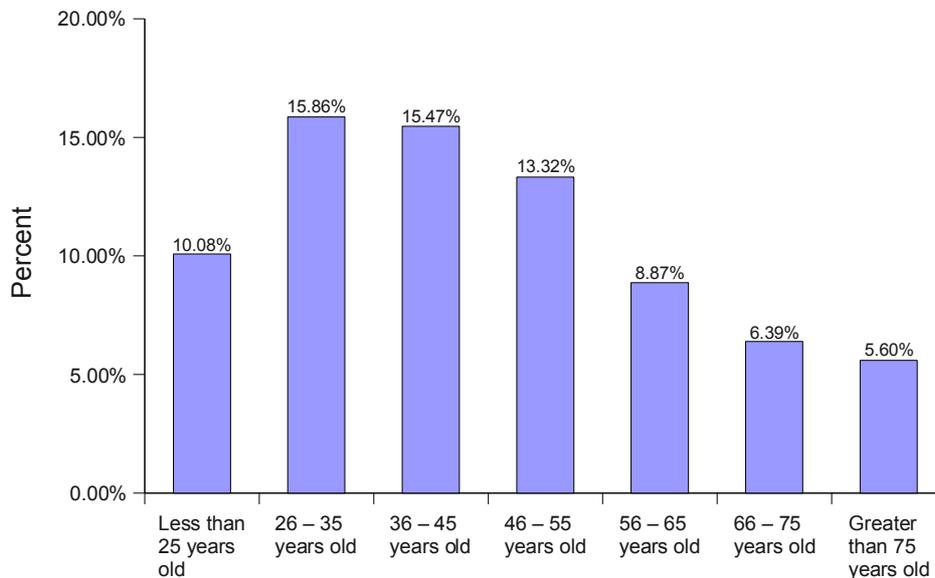


Figure 5.2: Age profile of Victoria

(source: ABS Census data)

The quantum of council allowances would be expected to play a significant part in this age skew. While councillors aged 46 and above are generally at a stable point in their careers or nearing retirement and hence generally have a stable income or asset base, young people often do not have this luxury. Older councillors typically would have a comprehensive work history and therefore able to negotiate flexible working hours, but this is not the case for young people who often need to make a positive impression at the beginning of their careers.

Young people, in contrast, face either study or are beginning to undertake career commitments that make it difficult to consider becoming a councillor. Likewise there is an increasing financial pressure for young people who are also also considering major financial commitments such as home ownership and families.

While it would be incorrect to entice young people into local government purely due to its remuneration, there is a need for adequate remuneration that would make it easier for young people to balance career and civic duties. The current allowance quantum requires young people to often juggle both council commitments and full-time work. Instead the quantum of allowances should be one where councillors could successfully undertake a mixture of part-time work and civic duties to ensure a healthy work/family/council balance.

The need for an increase in the value of the allowance is reflected through data that indicates that a majority of councillors spend between 11 and 30 hours per week on council duties. It should also be noted that a significant proportion of councillors (up to 30%) spend between 31 to 50 hours a week indicating that for some councillors the role is in effect a de-facto full time position.

Figure 5.3 demonstrates the average hours per week spent on council duties by Victorian councillors.

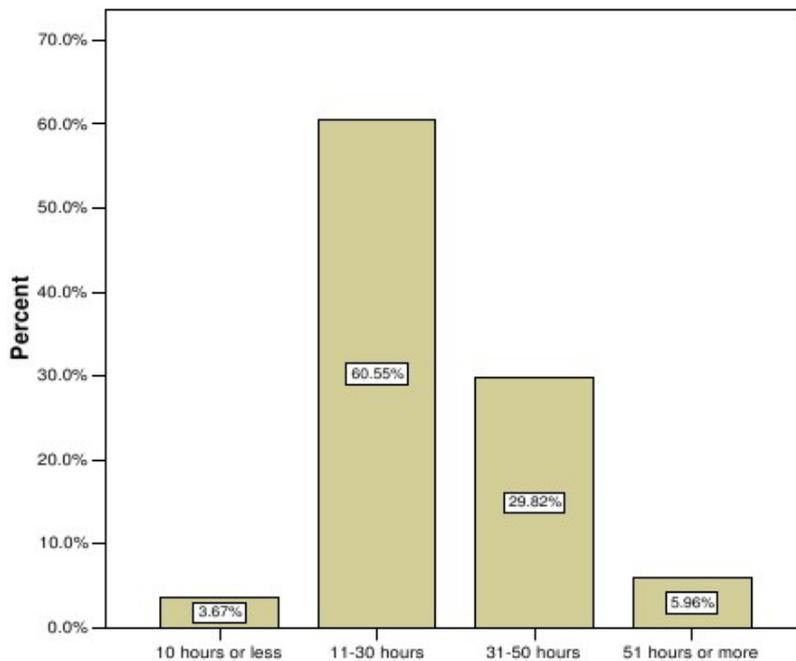


Figure 5.3: Hours per week spent on council duties

(Source: MAV Councillor Census 2006)

While the hours committed to council do vary between weeks, based on my own personal experience, I would state that I spend on average 20 hours per week on council related duties.

The Municipal Association of Victoria (MAV), as the peak body representing Victoria's local government sector, has estimated that councillors spend 16 hours per week on council activities and has equated this to 0.27 equivalent full-time (EFT) compared to an average backbencher workload of 60 hours per week. The MAV has also proposed the use of 15% discount to incorporate a community service component within the council role.

It is my view that this discounted rate is fair given that committed councillors would have generally been active community participants prior to being elected. While the MAV contends that the position of mayor as a full-time position should not have the 15% discount applied, I tend to differ given that mayors, like other councillors, should expect a community service component within their elected positions. Furthermore, just as it would be unwise to set a remuneration scale where

the motivation for standing for council becomes predominately financial, it would be unwise to create a situation where councillors consider running for mayor purely due to the factor of remuneration.

As such, table 5.1 reflects the recommendations council allowances:

| | Proposed scale | | Current scale | | | |
|----------|-----------------|----------------------|-----------------|----------------------|----------------------|-------------------------|
| Category | Mayor allowance | Councillor allowance | Mayor allowance | Councillor allowance | Mayoral Increase (%) | Councillor Increase (%) |
| Three | \$64,065 pa | \$28,475 pa | \$57,500 pa | \$18,000 pa | 11% | 58% |
| Two | \$54,456 pa | \$24,204 pa | \$46,500 pa | \$15,000 pa | 17% | 61% |
| One | \$44,846 pa | \$19,933 pa | \$36,000 pa | \$12,000 pa | 25% | 66% |

Table 5.1: Proposed remuneration for Mayors and Councillors in Victoria.

While increases of this magnitude may seem steep, this allowance would allow councillors to effectively manage council commitments and other part-time work. As is current practice, councils should retain the ability to set individual allowance rates so that the figures above would be respective maximum rates.

It should also be noted that since councillor allowances have not been adjusted since 2000, inflation has in effect eroded the value of the current allowance, meaning that the monetary value of the council allowance in 2007 is less that of when it was set in 2000.

While higher remuneration may lead to higher councillor retention rates, higher retention purely due to remuneration should not become a primary motivational factor for councillors remaining in local government. In considering the issue of retention rates a distinction needs to be made between councillors that have left the sector voluntarily and those that were voted out by the public. In the case of the former, higher remuneration along the lines of that proposed above, should make it easier for councillors to manage work and council commitments reducing the possibility of burnout and undue stress.

Higher remuneration may also assist in preventing local government from being seen as a stepping stone to either State or Federal politics and may therefore encourage individuals with presumably a high level of ability to remain within the sector. Likewise, such remuneration may also assist Local, State and Federal relations through ensuring that the other tiers of government view local government as an equal partner in governance and service delivery. The current view that councillors serve on a part-time voluntary capacity may result in somewhat negative perceptions of the sector within the other two tiers of government. While not necessarily the sole factor, this perception of councillors and local government in general may be in part responsible for the large degree of cost shifting that has occurred onto the sector.

6.0 Indexation and allowance reviews

Allowances should be indexed annually and this should be done in a manner that is transparent, accountable and unambiguous and maintains the value of the allowance in real terms. Given that indexation has not occurred for the current allowance its real monetary value has in fact eroded over the term of its existence.

It is important to note that had current allowance scales been adjusted annually for inflation (CPI) the quantum would have instead been the following:

| Year | Inflation rate (CPI) | Mayoral allowance | Councillor allowance |
|---------|----------------------|--|--|
| 2000-01 | - | 1. \$36,000 pa 2. \$46,500 pa 3. \$57,500 pa | 1. \$12,000 pa 2. \$15,000 pa 3. \$18,000 pa |
| 2001-02 | 2.9% | 1. \$37,044 pa 2. \$47,849 pa 3. \$59,168 pa | 1. \$12,348 pa 2. \$15,435 pa 3. \$18,522 pa |
| 2002-03 | 3.1% | 1. \$38,192 pa 2. \$49,332 pa 3. \$61,002 pa | 1. \$12,731 pa 2. \$15,913 pa 3. \$19,096 pa |
| 2003-04 | 2.4% | 1. \$39,109 pa 2. \$50,516 pa 3. \$62,466 pa | 1. \$13,036 pa 2. \$16,295 pa 3. \$19,554 pa |
| 2004-05 | 2.4% | 1. \$40,048 pa 2. \$51,728 pa 3. \$63,965 pa | 1. \$13,349 pa 2. \$16,686 pa 3. \$20,024 pa |
| 2005-06 | 3.2% | 1. \$41,329 pa 2. \$53,383 pa 3. \$66,012 pa | 1. \$13,776 pa 2. \$17,220 pa 3. \$20,665 pa |
| 2006-07 | 2.9% | 1. \$42,528 pa 2. \$54,932 pa 3. \$67,926 pa | 1. \$14,176 pa 2. \$17,720 pa 3. \$21,264 pa |
| 2007-08 | 3.5% (estimated) | 1. \$44,016 pa 2. \$56,854 pa 3. \$70,304 pa | 1. \$14,672 pa 2. \$18,340 pa 3. \$22,008 pa |

Table 6.1: Existing remuneration scales indexed annually for CPI increases

As a result this would mean the following when comparing a CPI indexed version of the current model against the proposal within this document:

| Category | Proposed scale | | Current scale (indexed to CPI) | | Mayoral Increase (%) | Councillor Increase (%) |
|----------|--------------------|-------------------------|-----------------------------------|-------------------------|-------------------------|----------------------------|
| | Mayor allowance | Councillor allowance | Mayor allowance | Councillor allowance | | |
| Three | \$64,065 pa | \$28,475 pa | \$70,304 pa | \$22,008 pa | (8.9%) | 29% |
| Two | \$54,456 pa | \$24,204 pa | \$56,854 pa | \$18,340 pa | (4.2%) | 32% |
| One | \$44,846 pa | \$19,933 pa | \$44,016 pa | \$14,672 pa | 1.9% | 36% |

Table 6.2: Comparison between proposed model and current (subject to indexation)

While CPI reflects an average increase in the cost of living, it has little bearing in determining wage increases. As such given that local government operates as Australia's third tier of government there is a strong case to link the indexation of council remuneration to the Australian Government Remuneration Tribunal, which sets annual increases for both Federal and State Parliamentarians. Coupling allowance indexation would ensure greater remuneration consistency between the three layers of government and would mean that the value of council allowances would not be eroded against that of State or Federal Parliamentarians.

This proposed model of indexation would have the benefit of potentially improving the retention rates within local government and would also assist with local government being seen as a credible and equal partner in regard to the view shared by State and Federal Parliamentarians.

If indexation of the councillor allowance is accepted then a comprehensive review of remuneration should take place every eight years to ensure that that the role is adequately resourced. Alternatively, if the view that indexation of the allowance is rejected then councillor remuneration should be reviewed every four years to coincide with the council terms. This view reflects that the fact that indexation would help ensure that the value of the allowance is retained and hence there would be less of a need to frequently review the allowance.

The exception to this should be if there are major legislative or municipal changes which would alter the role of a councillor.

7.0 Resources and facilities support

The base level of support provided to councillors and mayors should be uniform across the local government sector and should be provided in the form of equipment that would aid individuals in their role as an elected official.

As such the following should be provided:

- Mobile phone;
- Computers, either laptop or desktop;
- Printer/fax/scanner equipment;
- Internet access;
- A council support officer, who would coordinate appointments and administrative matters;
- Childcare and care services for dependents while undertaking council activities;
- Reimbursement of travel while undertaking council related activities;

In addition councillors should be required to undertake a compulsory training course on governance to define the responsibilities and obligations that exist under the Local Government Act and other appropriate legislation. The use of compulsory training would increase the skill set and knowledge base of elected councillors and potentially deter non-committed candidates from seeking election.

8.0 Allowances and taxation

Information in regard to the council allowances and the fact that it is a taxable income, for the purposes of the Income Tax Assessment Act, needs to be clearly articulated to councillors and candidates. Furthermore uniform levels of council support across the sector would help clarify the deductibility of expenses for council related activities.

Given that for the majority of councillors the hours committed to council activities is comparable to part-time employment it would be reasonable to have a mandatory superannuation component attached the allowance consistent with the current mandatory contribution of 9%. This would also ensure consistency across all tiers of government, whereby State and Federal Parliamentarians have compulsory superannuation.

9.0 Conclusion

While remuneration should not be the sole factor enticing people into local government, the value of the councillor allowance must adequately reflect the commitment that the role entails. The role of a councillor has changed significantly in complexity since 2000 and it is timely that the current review is examining the remuneration provided.

It is also timely that the composition of councillors be examined and in this regard it should be particularly concerning that young people are significantly underrepresented in local government. It would appear that there is a correlation between remuneration and participation rates and the current low level of remuneration makes it difficult for younger people to commit to the time required for local government, while simultaneously attempting to manage career, family and other commitments.

The allowance also needs to be adequately indexed to ensure that its value does not diminish over time. It would therefore be appropriate to index the allowance to the Australian Government Remuneration Tribunal to ensure that this indexation is consistent across all levels of government and to assist in retainment of people within local government.

The sustainability of local government is critical to the success of communities and an active society. Given the leadership roles that councillors undertake, fair remuneration is critical to ensuring the wellbeing of this crucial sector of government.