
Municipal Act Procedures Manual

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Subject: 5 – Compensation and Reimbursement of Expenses	
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3.5 Compensation and Reimbursement of Expenses

(1) Definition

Subsection 124(1) of The Municipal Act (the Act) defines compensation and expenses related to council's remuneration for municipal business:

- Compensation is a fee, salary, wage or any other payment for services;
- Expense is a cost incurred by a council member while attending municipal business and includes vehicle expenses or mileage, travel expenses, meals, registration and tuition fees, out-of-pocket costs and any other expense provided for in the by-law passed under clause (2).

(2) Legal Requirements

The Municipal Act

Subsection 124(2) of the Act gives council the authority to pass a by-law setting the types, rates and conditions of payments for compensation or reimbursement of expenses to members of council and council committees.

Subsection 124(4) of the Act requires the annual financial statements of the municipality to detail the amount of compensation and expenses made to members of a council, council committee, or Local Urban District committee, including any person appointed to a council committee under clause 107(1)(b) or 107(1)(c).

Section 116 of the Act sets out the requirements respecting compensation and reimbursement of expenses to the committee of a Local Urban District and its members, including payments to the councillor appointed to the committee.

The Public Sector Compensation Disclosure Act

Subsection 2(1) of The Public Sector Compensation Disclosure Act requires the annual financial statements of the municipality to disclose the aggregate amount of compensation made to council and the compensation made to each member of council and municipal employees whose compensation is \$75,000 (indexed) or more. Subsection 3(1) also requires the municipality to publish the compensation disclosure on its website.

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(3) Establishing a Policy for Compensation and Reimbursement of Expenses

To enhance public transparency and accountability municipalities are encouraged to develop sound policies for compensation and reimbursement of expenses paid to members of council and council committees.

A municipality's policies should be fair and equitable given the time spent on municipal business, local costs and conditions.

In developing its policies, council may wish to consider:

- reasonable pay for the service performed, acceptable to the public
- the policies of other similar municipalities
- whether a special rate is warranted for the head of council, deputy head of council, committee chair, etc.
- the types of activities that constitute municipal business for which payments are made to or on behalf of members
- the potential difference in total payments of the various compensation options
- minimal paperwork to provide the necessary documentation of claims
- simple statements of claim that can easily be understood by everyone
- accountability controls to preserve the integrity of the policy (for example, the submission of receipts, a statutory declaration by the member, etc.)
- to suspend compensation when a council member is suspended under the municipality's council code of conduct by-law
- the requirement for prior authorization to accrue compensation

Municipalities should also consider one of the following options for methods of payment to compensate council or committee members:

- *Compensation by Fixed Amount*
 - monthly or yearly remuneration without regard for actual time spent or the nature of the activity.
 - simple to administer.
 - eliminates the need to monitor activities of members.

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- *Compensation on Per Meeting Basis*
 - a fixed amount paid for each meeting attended.
 - requires the monitoring of activities of members.
 - requires definition of a qualifying meeting.
 - may require definition of minimum number of hours to qualify for a meeting.

 - *Compensation on Per-diem Basis*
 - fixed rates paid for each day or part day spent on municipal business.
 - requires monitoring of activities.
 - requires definition of activities that qualify as municipal business.

 - *Compensation by Fixed Amount, Per Meeting and Per-diem Basis*
 - combination of any or all of the above three methods. For example, council may establish a basic remuneration for regular meetings and establish an additional per meeting indemnity for special meetings or committee meetings, in recognition of the additional workload these meetings impose.
 - requires further development of how members will be compensated for specific activities.

Note: section 81(3) of the federal Income Tax Act was repealed, effective January 1, 2019. All non-accountable expense allowances provided to members of council are now taxable. Non-accountable expense allowance was an allowance for expenses paid to elected officials in the discharge of their duties over and above their salary and compensation.

Council may wish to reimburse members for specific expenses incurred by attending to municipal business. The expense policy:

- should set out rates that will be paid for certain expenses (for example, a meal rate, a mileage rate, a lodging rate).
- may require members to submit actual receipts for the expenses claimed.

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(4) Reporting Requirements

The Municipal Act

The following schedule is recommended to meet the reporting requirements of compensation and expenses under subsection 124(4) of *The Municipal Act*.

Annual reporting will be facilitated and public inquiries more easily responded to by reporting compensation and expense information on a monthly basis.

Amounts reported as compensation and expenses should be in accordance with the definitions for compensation and expenses under subsection 124(1).

The Public Sector Compensation Disclosure Act

In addition to the requirement under *The Municipal Act*, municipalities are required to report annually the total amount of compensation and reimbursement of expenses made to council and the compensation made to each member of council and municipal employee over a certain threshold.

Effective January 1, 2019, a \$75,000 threshold was established. The threshold amount is indexed to inflation and will be adjusted every five years.

Federal Income Tax Act

The reporting requirements are explained by Revenue Canada in their annual “Employer’s Guide to Payroll Deductions.” Preparers of T4 Supplementaries should familiarize themselves with these requirements on an annual basis. In general, income tax deductions and Canada Pension Plan contributions are applicable to all taxable amounts subject to exemption limits.

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RECOMMENDED SCHEDULE FOR REPORTING OF COMPENSATION AND EXPENSES

(Name of Municipality)				
COMPENSATION AND EXPENSES For the month ending				
Name	Position	Compensation	Expenses	TOTAL
TOTAL				

This schedule reflects the information in the audited financial statement template - public sector compensation disclosure note.