

Memorandum

WELLINGTON AMALGAMATION PROPOSAL: COST ESTIMATES FOR ELECTED OFFICIALS

Introduction

A common misconception is that council amalgamation will save expenditure on elected officials. The real argument over efficiencies should be around council services and staff. Nevertheless, we have examined the Local Government Commission's revised proposals for the proposed amalgamation in Hawke's Bay for the implications for expenditure on elected officials. They conclusively 'put to bed' that oft-cited belief that cutting the number of Councils will cut spending on members.

Below follows a similar analysis on the amalgamation proposal for the Wellington region. The current proposal would deliver immaterial savings on elected members; however it is likely that any amalgamation would bring with it a costly Maori Board. When this is taken into account amalgamation is likely to result in increased costs to the public for political representation.

Current Wellington Regional Expenses

1. The Wellington Region Re-organisation Proposal seeks to abolish the following Councils:
 - Carterton District Council
 - Kapiti Coast District Council
 - Masterton District Council
 - South Wairarapa District Council
 - Hutt City Council
 - Porirua City Council
 - Upper Hutt City Council
 - Wellington City Council
 - Wellington Regional Council
2. These will be replaced with a new "Wellington Council" with the following organisational structure¹:
 - 1 Mayor

¹ [http://www.lgc.govt.nz/lgcwebsite.nsf/Files/Wellington-Region-Reorganisation-Proposal/\\$file/Wellington-Region-Reorganisation-Proposal.pdf](http://www.lgc.govt.nz/lgcwebsite.nsf/Files/Wellington-Region-Reorganisation-Proposal/$file/Wellington-Region-Reorganisation-Proposal.pdf)

- 21 Councillors
- Eight Local Boards each consisting of up to 9 members and a chair.

3. Current operating expenses for each existing council²:

Carterton District Council:

- \$59,750.00 Mayor
- \$20,140.00 Deputy Mayor
- \$15,700.00 Councillor (x 7)

Kapiti Coast District Council:

- \$100,728.00 Mayor
- \$37,700.00 Deputy Mayor
- \$34,800.00 Committee Chairperson (x3)
- \$31,900.00 Appeals Committee Chairperson
- \$29,000.00 Councillor (x5)

Masterton District Council:

- \$85,400.00 Mayor
- \$29,172.00 Deputy Mayor/Committee Chairperson
- \$27,625.00 Committee and Task Group Chairperson
- \$25,415.00 Task Group Chairperson (x5)
- \$23,885.00 Wellington Regional Council Whaitua Committee Representative
- \$22,100.00 Councillor (x2)

South Wairarapa District Council:

- \$64,200.00 Mayor
- \$20,740.00 Deputy Mayor
- \$14,800.00 Councillor (x8)

Hutt City Council:

- \$127,853.00 Mayor
- \$65,660.00 Deputy Mayor
- \$53,950.00 Committee Chairperson (x5)
- \$46,900.00 Councillor (x6)
- Eastbourne Community Board
 - o \$12,000.00 Chairperson
 - o \$6000.00 Member (x 6)
- Petone Community Board

² <http://www.legislation.govt.nz/regulation/public/2013/0401/latest/whole.html>

- \$14,000.00 Chairperson
- \$7000.00 Member (x 7)
- Wainuiomata Community Board
 - \$14,000.00 Chairperson
 - \$7000.00 Member (x7)

Porirua City Council:

- \$106,032.00 Mayor
- \$41,340.00 Deputy Mayor
- \$41,340.00 Standing Committee Chairperson
- \$31,800.00 Councillor (x8)

Upper Hutt City Council:

- \$98,550.00 Mayor
- \$39,480.00 Deputy Mayor
- \$35,250.00 Chairperson, Policy Committee
- \$33,840.00 Chairperson, City Services Committee
- \$33,840.00 Chairperson, Audit Committee
- \$31,020.00 Chairperson, Hutt Valley Services Committee
- \$28,200.00 Councillor (x5)

Wellington City Council:

- \$158,000.00 Mayor
- \$99,580.00 Deputy Mayor
- \$83,943.00 Chairperson, Regulatory Processes Committee
- \$83,943.00 Deputy Chairperson, Economic Growth and Arts Committee
- \$80,490.00 Chairperson, Audit and Risk Subcommittee
- \$89,101.00 Chair, Subject Based Committee (x4)
- \$80,490.00 Portfolio Leader (x6)
- \$76,600.00 Councillor (x2)
- Makara-Ohariu Community Board
 - \$9,000.00 Chairperson
 - \$4,500.00 Member (x5)
- Tawa Community Board
 - \$17,000.00 Chairperson
 - \$8,500.00 Member (x7)

Wellington Regional Council:

- \$152,859.00 Chairperson
- \$80,640.00 Deputy Chairperson/Committee Chairperson

- \$72,000.00 Committee Chairperson (x2)
 - \$72,000.00 Portfolio Leader (x2)
 - \$62,000.00 Chairperson, Hutt Valley Flood Management Subcommittee
 - \$57,600.00 Councillor (x6)
4. The total cost of Mayors is:
\$953,372.00
 5. The average Mayoral salary is currently:
\$105,930.22
 6. The total cost of Councillors is:
\$4,225,197.00
 7. The average Councillor salary is currently:
\$48,013.60
 8. The total cost of community boards is:
\$282,000.00
 9. Total Running Cost per Annum of Elected Officials:
\$5,460,569.00

Applying the Auckland Data

10. The Auckland Council can be used as a model to create a cost estimate for the Wellington region post-amalgamation. Two calculations are used. One assuming that the pre-amalgamation proportionality between Auckland and Wellington region councillors' pay will remain the same post amalgamation, the other assuming that councillor pay will go up in the same proportion post amalgamation in Wellington as in Auckland.

Cost Estimates

11. The Auckland Council mayoral salary is 2.038 times higher than the average Auckland Legacy mayoral salary³.
12. The average Auckland Legacy mayoral salary was 1.201 times higher than the average Wellington region mayoral salary.
13. The post amalgamation Mayor salary is:

³ This figure, and others pertaining to Auckland, was derived from Auckland Legacy Council salaries listed in regulations immediately prior to amalgamation.

$$127,309.375/105,930.22 = 1.201$$

$$259,500/1.201 = \underline{216,069.94}$$

Or

$$105,930.22 \times 2.038 = \underline{215,885.78836}$$

Taking the average, the Mayoral salary is:

\$215,977.86

14. The average Auckland Council councillor salary is 1.88 times higher than the average Auckland Legacy Council councillor salary.
15. The average Auckland Legacy Council councillor salary was 1.241 times higher than the current average Wellington region councillor salary.

16. The average post amalgamation Councillor salary is:

$$59,563.23/48013.60 = 1.241$$

$$122,040/1.241 = \underline{98,340.05}$$

Or

$$48,013.60 \times 1.88 = \underline{90,265.568}$$

Taking the average, the average Councillor salary is:

\$94,302.81

17. The ratio between the average Auckland Council Chair salary and the average Board Chair salary is 1.7819.
18. This suggests estimates for the average local board Chair salary will be:
\$121,217.72
19. The ratio between the average Auckland Councillor salary and the average Board Member is 3.213

20. This suggests estimates for the average local board Member salary will be:

\$29,350.39

21. The running cost Per Annum of Elected Officials Post-Amalgamation is:

1 Mayor at 215,977.86

21 Councillors at 94,302.81 = 1,980,359.01

8 Local board Chairs at 121,217.72 = 969,741.76

72 Local board Members at 29,350.39 = 2,113,228.08

Total:

\$5,279,306.71

22. Current regional expense – Expected regional expense:

\$5,460,569.00 - \$5,279,306.71

=

\$181,262.29 TOTAL SAVINGS

The Maori Board

23. The Local Government Commission's (LGC) statements on proposed amalgamation in Hawke's Bay⁴, and the arguments of proponents for amalgamation in Wellington, strongly suggest that the LGC will propose a parallel body for Wellington to inject Maori votes at Council level. It is reasonable to assume that that it will resemble the Auckland Independent Maori Statutory Board.
24. Drawing on the same logic an amalgamation proposal may include a Natural Resources Board along the lines mentioned in the draft proposal revisions announced for Hawke's Bay last week. We lack the data to estimate a cost for this, so omit any provision for it.
25. The last annual budget figure available for the Auckland Independent Maori Statutory Board is \$3,279,000.00. Assuming the Wellington Board will be expected to perform similar functions, there may be few economies of scale despite Wellington's smaller population. Nevertheless we conservatively assume that the Board might be budgeted to cost say half the Auckland figure.
26. On this assumption, and treating the Maori Board members as 'politicians' (though there is no information to suggest whether they will be appointed and replaced democratically) and treating their staff and accommodation costs as 'rations', it is fair to assume that amalgamation in Wellington would increase politician pay and ration costs by at least \$1.5 million per annum.

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⁴ <http://www.hastingsdc.govt.nz/files/all/documents/local-government-commission-positionpaper-hawkes-bay-reorganisationt.pdf>