

# Memorandum

## HAWKE'S BAY AMALGAMATION PROPOSAL: COST ESTIMATES FOR ELECTED OFFICIALS

### Introduction

A common misconception is that council amalgamation will save expenditure on elected officials. This is a red herring. Pay and rations for elected officials are a tiny fraction of a council's operating budget. The real argument over efficiencies should be around council services and staff. But even if politician pay was the issue, it seems likely the public are wrong to expect material savings from merging councils. We publish the calculations below to dispel myths. They show that the Local Government Commission's (LGC) proposed amalgamation<sup>1</sup> in Hawke's Bay would likely increase expenditure on elected officials. This paper shows the assumptions and sources of that calculation.

### Current Hawke's Bay expenses

1. The Hawke's Bay region currently has<sup>2</sup>:
  - 1 Regional Chairman and 4 mayors
  - 48 Councillors
  - 4 community board members
2. Under the proposal in the LGC's Hawke's Bay reorganisation position paper of November 2014 the region will have:
  - 1 Mayor
  - 18 Councillors
  - 47 local board members.

3. These are the current salaries for the Hawke's Bay Councils<sup>3</sup>:

#### Hawke's Bay Regional Council:

- \$106,499.00 Chair
- \$58,375.00 Deputy Chair
- \$58,375.00 Committee Chairperson (x5)
- \$46,700.00 Councillor

<sup>1</sup> <http://www.hastingsdc.govt.nz/files/all/documents/local-government-commission-positionpaper-hawkes-bay-reorganisationt.pdf>

<sup>2</sup> [http://www.lgc.govt.nz/lgcwebsite.nsf/Files/Draft-Proposal-for-Reorganisation-of-Local-Government-in-Hawkes-Bay/\\$file/Draft-Proposal-Hawkes-Bay-26-Nov-2013.pdf](http://www.lgc.govt.nz/lgcwebsite.nsf/Files/Draft-Proposal-for-Reorganisation-of-Local-Government-in-Hawkes-Bay/$file/Draft-Proposal-Hawkes-Bay-26-Nov-2013.pdf)

<sup>3</sup> <http://www.legislation.govt.nz/regulation/public/2013/0401/latest/whole.html>

Napier City Council:

- \$113,476.00 Mayor
- \$43,000.00 Deputy Mayor
- \$41,000.00 Committee Chair (x6)
- \$35,700.00 Councillor

Wairoa District Council:

- \$66,600.00 Mayor
- \$29,400.00 Deputy Mayor
- \$23,000.00 Portfolio Holder (x5)
- \$21,000.00 Councillor

Central Hawke's Bay District Council:

- \$59,750.00 Mayor
- \$20,140.00 Deputy Mayor
- \$15,700.00 Councillor

Hastings District Council:

- \$117,031.00 Mayor
- \$50,051.00 Deputy Mayor
- \$43,225.00 Standing Committee Chairperson (x4)
- \$39,812.00 Portfolio Leader (x2)
- \$36,400.00 Councillor

4. The total regional expense for mayoral salaries is: \$463,356.00
5. The total regional expense for specialist councillor positions is: \$1,106,365.00

There are 49 Councillors in total. 27 of these are accounted for above.

Of the remaining 22:

From the various council websites:

- HBRC: 3 extra = \$140,100.00
- CHBDC: 7 extra = \$109,900.00
- HDC: 7 extra = \$254,800.00
- NCC: 4 extra = \$142,800.00
- WDC: 0 extra.

6. There is also one community board in existence, Hastings District Rural Community Board, with an annual cost of \$45,500.
7. The total region wide expense is: \$2,262,821.00
8. The average mayoral salary is: \$92,671.20

9. The average councillor salary is: \$36,398.77

### The 'Super City' model

10. The Auckland Council can be used as a model to create a cost estimate for Hawke's Bay post-amalgamation. Two separate calculations are used. One assumes that the pre-amalgamation proportionality between Auckland and Hawke's Bay salaries will remain the same post amalgamation. The other assumes that councillor salaries will go up in the same proportion post amalgamation in Hawke's Bay as they did in Auckland.

### Cost Estimates

11. The Auckland Council mayoral salary is 2.038 times higher than the average Auckland Legacy mayoral salary<sup>4</sup>.
12. The average Auckland Legacy mayoral salary was 1.37 times higher than the average Hawke's Bay mayoral salary.
13. The anticipated mayoral salary in HB post amalgamation can be calculated either:

Auckland mayoral salary/1.37 = 189,416.05

Or

Average Hawke's Bay Mayoral salary x 2.038 = 188,863.90

Averaging the two we get a post-amalgamation salary estimate of: \$189,139.98

14. The 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 1.636 times higher than the current average Hawke's Bay councillor salary.
16. The anticipated councillor salary in HB post amalgamation can be calculated by:

Auckland Council councillor salary/1.636 = 74,596.58

Or

Average Hawke's Bay councillor salary x 1.88 = 68,429.68

Averaging the two we get a post-amalgamation salary estimate of: \$71,512.13

17. It is expected that there will be 5 local boards.
18. This means that of the 47 board members, 5 will be on a Chair salary.

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<sup>4</sup> This figure, and others pertaining to Auckland, was derived from Auckland Legacy Council salaries listed in regulations immediately prior to amalgamation.

19. The ratio between the average Auckland Council Chair salary and the average Board Chair salary is: 1.7819
20. The ratio between the average Auckland Councillor salary and the average Board Member is: 3.213
21. this suggests estimates for the anticipated post amalgamation salaries for local boards as:
- Board Chairs: \$106,300.04
- Board Members: \$22,920.00
22. On these assumptions, which seem reasonably conservative, the total operating costs for Hawkes Bay unitary council elected office holders per annum post-amalgamation are:
- 189,000
  - 71,500 x 18
  - 106,300 x 5
  - 22,920 x 42
- = \$2,970,140.00
23. Current regional expense minus estimated regional expense:
- 2,262,821 – 2,970,140
- = **\$707,319.00 MORE PER ANNUM THAN UNDER THE CURRENT STRUCTURE**

### Further Proposed Expenses

24. The calculation does not take into account the cost of the proposed Hawkes Bay Regional Planning Committee which will entrench the existing joint council/hapu/iwi membership. It is to have 10 Council representatives, with at least one from each of the five proposed wards, and 10 hapu/iwi representatives. The Committee is currently in a transitional period funded by a \$100,000 (excl GST) Crown grant to the Council<sup>5</sup> At present, remuneration for the hapu/iwi representatives is based on the Crown Fees Framework, which for 2012/2013 prescribed a daily rate of \$400<sup>6</sup>
25. It is likely that once the Bill creating the Committee has passed that salaries for Committee members will be formalised. Even if the Committee was part time it would be conservative to estimate that a member might be paid \$20,000 per annum, and each chair might receive \$70,000. On this basis, the Hawke's Bay Regional Planning Committee would cost \$500,000 per annum to run.

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<sup>5</sup> [http://www.hbrc.govt.nz/HBRC-Documents/HBRC%20Document%20Library/STU0138%20HBRC%20RegPlan%20AR%202.5\(stu\).pdf](http://www.hbrc.govt.nz/HBRC-Documents/HBRC%20Document%20Library/STU0138%20HBRC%20RegPlan%20AR%202.5(stu).pdf)

<sup>6</sup> Ibid.

26. In addition, the LGC proposes a new Maori Board “to assist the new council meet its wider obligations in respect of Maori in Hawkes Bay”. It appears that this is intended to be similar to the Independent Maori Statutory Board established for Auckland super-city with voting powers to sit alongside Councillors. The costs of that Board will be new for Hawkes Bay. The annual budget for the Auckland Board is \$3,279,000.00. We think it is reasonable to assume that the Hawkes Bay Board will expect to perform similar functions, so there may be few economies despite the smaller size of the Hawkes Bay population. We’ve assumed it might be budgeted to cost at least half the Auckland figure.
27. The Commission has suggested there should also be a new Natural Resources Board, with representative membership yet to be determined.
28. A proper estimate of the cost of the Natural Resources Board is not possible as its size is unspecified and would be later determined by the Council, however it would not be unrealistic to expect that it could cost as much as the Hawke’s Bay Regional Planning Committee. We wonder whether this Board will not be seen as a disposable luxury, given the cost of the new Boards for Maori involvement. We’ve added nothing to the estimates for that Board for present purposes.
29. The guesses for the costs of the committees, without the Natural Resources Board (essentially fees for elected and iwi/hapu committee and board members), and the Maori Board secretariat will be around \$2.3m.
30. When that is added to the \$700k in additional direct remuneration for elected councillors and local board members, we find that the amalgamation scheme is likely to more than double politician pay and ration cost.
31. Far from saving on elected member cost, amalgamation appears guaranteed to create a cost blow-out.

## **FRANKS & OGILVIE**

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