Briefing Paper

Briefing on Auckland Council's proposed Annual Budget 2023/24

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Auckland Ratepayers' Alliance

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01 Introduction

This briefing paper has been prepared by the Auckland Ratepayers' Alliance to inform elected members and the public of concerns we have about official advice provided to Mayor Wayne Brown for the Annual Budget 2023/24. In short, we are concerned that the Mayoral Proposal fails to address wasteful spending by Council-Controlled Organisations and unsustainable growth in the Auckland Council Group payroll.

02 Summary of Mayoral Proposal

The Mayoral Proposal outlines a $125 million savings package, and a programme for keeping overall rate increases to 4.66% in the next financial year with significant reductions to the Water Quality and Natural Environment Targeted Rates. The programme includes selling the Council's 18% stake in Auckland International Airport (valued at $2 billion) to reduce debt and borrowing costs.

However, these measures are only intended to provide temporary relief to ratepayers. Council officers have advised that keeping rates below inflation is unsustainable in the long-term[1]. While potential further savings of up to $110 million were identified, these are determined to be "high implementation risk" and the Governing Body is encouraged to defer these until at least 2024.

1 Paragraph 46, *Draft Annual Budget 2023/2024 – Staff Advice to support Mayoral Proposal*, https://ourauckland.aucklandcouncil.govt.nz/media/ghopmktl/2-embargoed-until-12-noon-staff-advice-to-support-mayoral-proposal.pdf, accessed 5 December 2022

03 Council-Controlled Organisations

In the 2021/2022 financial year, Council-Controlled Organisations and the Ports of Auckland accounted for around $1.7 billion of operating expenditure by the Auckland Council Group. We note that $1.2 billion of this expenditure is reported as "Other operating expenses" suggesting disproportionately high overheads[2].

Leaving aside Watercare, which is self-funded, we are concerned that the other three CCOs have proposed only meagre savings for the upcoming financial year. We believe that the savings proposed are not only inadequate but come at the unnecessary expense of frontline services.

Auckland Transport

Auckland Transport (AT) receives the most from ratepayers, with $380 million of its operating revenue and $375 million in capital funding coming from ratepayers in the previous financial year[3]. Yet, AT has contributed only $25 million in savings to the Mayoral Proposal. We note that these savings largely come from increasing public transport fares by 6%, with any further savings to come from a 20% reduction in public transport services[4]. This is both unacceptable and unnecessary.

Official information obtained by the Ratepayers' Alliance demonstrates that AT spends $18 million a year on marketing and a further $5 million on 'communications and engagement[5]'. For comparison, the Auckland Council parent spends around $12 million on these activities. AT employs 74 staff in its Marketing and Customer Engagement Group, plus another 11 staff in the Market Insights & Voice of Customer Group, with an average salary of more than $90,000 a year. It employs a further 40 staff in communications and engagement with 22 earning over $100,000. This corporate PR machine is not only bloated: It is ineffective and a drain on resources that could otherwise be spent on improving service delivery.

Of further concern is the $42 million of operating expenditure that Auckland Transport spent on 'professional services' or consultants in the last financial year[6]. This excludes on-site contract staff and maintenance contractors. It also excludes the $539 million of capital expenditure on contractors and consultants. Of the $42 million only $7 million was spent on 'Service delivery'. It is further evidence that substantial savings can be found without the need to reduce services or increase fares.

Tātaki Auckland Unlimited

Tātaki Auckland Unlimited (Auckland Unlimited) received $145 million in operating revenue from ratepayers in the last financial year[7]. In response to the Mayor's request to find savings, Auckland Unlimited has proposed to change its operating model. This means the introduction of user pays for some activities, less funding for community events, and reduced open

2 Page 12, Volume 3 of the Auckland Council Annual Report 2021/2022.

3 See page 120, Auckland Transport Annual Report 2022.

4 Appendix B, *Staff Advice to support Mayoral Proposal.*

5 Local Government Official Information and Meetings Act responses from Auckland Transport, 1 July 2022 and 5 September 2022.

6 Local Government Official Information and Meetings Act response from Auckland Council, 5 August 2022.

7 Local Government Official Information and Meetings Act response from Auckland Transport, 16 November 2022.

hours of facilities. It has been suggested that Auckland Zoo tickets might also increase.

The reduction in community services and access to facilities is estimated to save $27.5 million. However, Auckland Unlimited claims that it could find an additional $50 million in savings from suspending work to promote economic development and 'visitor attraction'. The latter has been classified as having 'high implementation risk'[8].

We believe that Auckland Unlimited has taken the wrong approach. If its main purpose is to "enrich cultural and economic life" of Aucklanders, then the first priority must be to guarantee there is equitable access to public facilities such as the Zoo, the Museum and Stadiums. The promotion of major commercial events should not be considered an 'essential service' by Auckland Council.

According to Key Performance Indicators set in Auckland Unlimited Statement of Intent, the CCO is expected to contribute $37 million in regional GDP through its economic development and visitor attraction work this year. While that might sound impressive, it represents just 0.02% of Auckland's GDP in 2022[9]. Given the substantial savings that could be found from immediately suspending Auckland Unlimited's focus on economic development and visitor attraction, with negligible impact on GDP, we believe this should be done before pricing and open hours of community facilities are reviewed.

Eke Panuku

In the last financial year, Eke Panuku (Panuku) received $18 million from ratepayers and 'recharged' the Council $15 million for staff time[10]. While it is true that Panuku sold $100 million of Council property in the year ended 30 June 2022, this money was earmarked for capital investment. Indeed, the Council has promised local communities that the proceeds from these sales will go back into the 'urban regeneration' of those communities.

The Ratepayers' Alliance has no objection to the Council funding urban regeneration in principle. Our concern is that Panuku is nothing more than a 'middleman' when it comes to development projects. We note that Panuku does not develop sites directly. The design and construction are of course done by the private sector. Panuku's role is supposedly that of 'master planner' ensuring the strategic direction of new developments. However, it remains unclear why this work should be done by Panuku and not the Auckland Council parent, which employs a large planning team.

We note that Panuku's main role is that of property manager. This is a role that, by all accounts, it has done well. Panuku suggests that exiting urban regeneration activities would save $15 million[11]. However, based on past spending, we believe this estimate is on the conservative side. In our view, the urban regeneration arm of Panuku should be disbanded with the Council parent responsible for outstanding projects.

8 Appendix B, *Staff Advice to support Mayoral Proposal*.

9 Infometrics. *Quarterly Economic Monitor*, Auckland, September 2022, https://qem.infometrics.co.nz/auckland/indicators/gdp?compare=new-zealand, accessed 8 December 2022.

10 Local Government Official Information and Meetings Act response from Auckland Council, 2 September 2022.

11 Appendix B, *Staff Advice to support Mayoral Proposal*.

04 Staffing trends

According to a Curia Market Research poll commissioned by the Ratepayers' Alliance in September 2022, 43% of Aucklanders believe the Council employs 'too many' staff, while 26% think the current staffing level is 'about right' and only 12% consider it 'too low'. There is strong evidence to support the claim that Auckland Council is overstaffed.

In the financial year ended 30 June 2022, the Auckland Council Group employed a total of 11,181 full-time equivalent staff. This compares to 8,148 full-time equivalent staff for the Brisbane City Council, a territorial authority that serves 1.3 million people. Auckland Council serves a population of 1.7 million. On a per capita basis this means that Auckland Council employs 700 staff for every 100,000 residents while Brisbane City Council employs 600.

Total employee benefits (including salaries and wages) were reported to be approximately $1 billion[12]. That represents a 13% increase in the number of full-time equivalent staff and a 31% increase in personnel costs since 2016.

12 This figure includes the full-time equivalent of part-time employees. See page 96, Volume 3 of the Auckland Council *Annual Report 2021/2022.*

Financial year	Personnel costs ($million)	FTE
2016	803	9,870
2019	911	10,806
2022	1,051	11,181
% change since '16	+31%	+13%

Source: Auckland Council Annual Reports 2016, 2019, 2022

We note that between 2016 and 2022 the number of employees paid more than $100,000 a year increased by 83% from 2,048 to 3,742. As a proportion of the Council workforce, those paid more than $100,000 increased from 18% to 30%.

Overpaid managers?

These trends demonstrate that the substantial growth in personnel costs has been driven by salaries well above average earnings. While the data do not exist for a comparison with the private sector, we note that the average salary for a full-time Auckland Council Group employee was $86,843. According to data from Statistics New Zealand, this is $15,967 higher than average yearly earnings in Auckland[13].

13 Stats NZ. Labour market statistics (income): June 2022 quarter, https://www.stats.govt.nz/information-releases/labour-market-statistics-income-june-2022-quarter/, accessed 8 December 2022.

It is important to note that 70% of employees are paid less than $100,000 and 51% are paid under $80,000[14]. Unfortunately, there is not sufficient information available from public sources that would allow a detailed analysis of salaries by type of role and experience. However, further data about managers was obtained under the Local Government Official Information and Meetings Act.

14 See page 97 of Volume 3 of the *Auckland Council Annual Report 2021/2022.*

In August 2022, the Auckland Council parent employed 855 management staff from 'team leader' to 'general manager' level, excluding the Executive Leadership Team (ELT). The average salary for these managers was $130,400. This average compares to AUD$107,000 for a 'Governance Manager' in

Brisbane and AUD$115,000 for a Senior Manager of Lending Operations for a Bank in Queensland[15]. Based on this information it does appear that Auckland Council managers are paid much better than they would be in the private sector.

While the comparison between banking and local government is imperfect, we do note that the Chief Executive Officer of Auckland Council has a background in the banking sector, as do many other staff within the Auckland Council Group.

05 Our recommendations to the Governing Body

1. Instruct Auckland Transport to find $50 million of savings from its corporate office, without increasing fares or reducing public transport services.

2. Suspend Auckland Unlimited's activities in economic development and visitor attraction for the 2023/24 financial year.

3. Disband the urban regeneration arm of Panuku and transfer responsibility of outstanding projects to the Auckland Council parent.

4. Instruct the Chief Executive of Auckland Council to place a 'hiring freeze' on all non-essential roles within the Auckland Council parent until there has been an independent review of concerns about overstaffing and inflated salaries of management.

06 Final comments

The official advice suggests a narrow range of options that confine elected members to pulling certain "levers". Yet these levers can only work if the Council machine is fit for purpose. In our view elected members should use this opportunity to deconstruct the machinery of local government and remove those parts that are not working.

15 *Hays Recruitment. Hays Zealand Salary Guide 2022-2023: Insights for Employers*, https://www.hays.net.nz/salary-guide/employers, accessed 8 December 2022.

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