



**CPR CONSULTANTS**

Comparative Performance Resources



# New Zealand Council 2020 Payroll Study

**The *Payroll Study* has two versions, Version I is the Freebie Payroll Public Report, Version II is the full report with individual council data available on subscription: [www.cprlifesaver/payrollreport](http://www.cprlifesaver/payrollreport)**



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## The NZ Council 2020 Payroll Study ... making a start with Council financial reforms

Dear Reader-Subscriber

The 2002 Local Government Act ushered in the promise of "high performing accountable and democratic" Councils. The reality has been demoralising-more like "poorly performing, insular and autocratic".

I generalise of course-for there are some very good performers-invariably the smaller no frills Rural Councils ... but they possess very little *clout* in our Council-sector policy forums.

Ratepayer's interests are poorly represented and elected members are given little scope to exercise effective governance on their behalf.

Our public auditors-who might have been expected to exercise their considerable powers over Council optimal performance-are missing in action. Successive governments have consigned local government affairs to a "do nothing" low priority.

In an attempt to counter this *malaise*, the Payroll Study breaks new ground and presents two diverse notions:

- It is an independent reaction to managerial and political capture of the Council financial policy field as described and
- It uniquely represents a *ratepayer's* view of the plainly unacceptable and financially ruinous payroll excesses of Councils.

The study proves its basic proposition-beyond any argument-that is; the proposition that Council payrolls are *excessive-no ifs buts or maybes*.

The study is placed into the public arena, to determine-in a wider sense-if the level of support is out there sufficient for the reforms needed that will address extravagant Council expenditure and putting paid to continuing increases of unaffordable property rates and Council charges.

At a time of national pandemic-driven urgency-Councils must now develop affordable long-term financial plans-and their payroll excesses are the best first place to start.

We have reached the fork in the road-one branch leads to further apathy the other to a wholesale overhaul of our Council's culture, behaviour and of attitudes to the provision of *affordable public services*. This study, by embracing its findings presents citizens with a clear opportunity-a chance to-"turn it all around".

So who is up for it?

Larry.N.Mitchell B Comm MPP  
Local Government Finance & Policy Analyst  
May 2020.

**Note:**

\*\*\* Subscription of \$3,500 excl GST pa provides unlimited access for your Council to the CPR website's premium content... includes all graphs, tables and charts of the financial-economic ratio-parameters. Other sections of the site include its Performance and Resources taxonomies. Concession rates apply to not for profits and community consultative groups.



# Section 1

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## Addenda... a summary of the findings from the New Zealand Territorial Councils Payroll Study - May 2020-a precis

This study of New Zealand Territorial Council payrolls was conducted because of mounting disquiet in the public domain with debate critical of the apparently excessive payroll costs of our Councils. The final report from the study, produced extensive credible evidence to support this proposition. The detailed group and individual Council financial and economic statistics of the study-drawn from Council official audited financial records, substantiated and supplemented three factual evidence-based *killer conclusions*: Quote:

The first of the "*killer conclusions*" was evidence-drawn from two independent surveys this one included-showing that Council pay rates are on average 37.7% above comparable private sector pay rates. "Damning"!

Secondly, Council's initial reactions to the economic horrors of the ongoing pandemic crisis-without exception at the time of finalising this report-were risible and off point. While huge numbers of ratepayers were facing financial ruin, their local Councils largely seemed to exempt themselves from the pain.

Finally, given the significance of the two *clinchers* (above), all of the rigorous compilation and analysis of the evidence of this study-"which proved that Council payrolls were excessive"- although vital to policy developments-for instance; those aimed at setting correct payroll benchmarks-proved in the outcome to have been somewhat superfluous. The principal findings- were *that obvious*.

Councils are now faced with the non-negotiable task of completing total revisions of their long-term financial plans to incorporate *affordable* service delivery to ratepayers many of whom are barely surviving in these times of recession.

The public complimentary version of the report was made widely available.

The full version of the report, containing individual Council scores and results-that is; Council-specific payroll statistical data-is suited to local Council and community public debate and consultation concerned with Council payrolls.

The comprehensive fuller edition of the report-all 24 ranked payroll data tables-includes a composite index-a league table for each Council measuring every Council's scoring on payroll affordability scales ranked from poorest to best. The large Metros -"fare worst"-the smaller Rural Councils-"best".

... confirming the damning evidence of their recently published "Rich List"- Auckland Council's findings are "deeply disturbing"... on many levels.

**Councils and community groups are encouraged to obtain the full report-subscribe at  
[larry@kauriglen.co.nz](mailto:larry@kauriglen.co.nz) info at- [www.cprlifesaver.co.nz/payrollreport](http://www.cprlifesaver.co.nz/payrollreport)  
Concessional rates apply to not for profit and community groups.**



## The May 2020 NZ Council Payroll Study Why compile a New Zealand Council Payroll survey? *A Council payroll investigation ... the public expects it*

Public concern about excessive Council payroll costs was mounting in early 2020, even before the pandemic hit. Thoughtful commentary and informed analysis of the issue seemed to be missing among the clamour of the debate and media coverage.

As an experienced and long disappointed professional observer of New Zealand Council finances, I considered the payroll problems to be worthy of closer scrutiny. And with the economic crisis- a deep recession-mounting, the significance of completing a Council payroll investigative study increased.

And why was I *so disappointed?*... and disappointed about what?

For a country that could boast the first persons to split an atom and another to climb our highest mountain, the last decade of local government performance improvement in New Zealand has hardly *scaled the heights*... "disappointing".

The 2002 Local Government Act had encouraged high performance of the sector. It laid down a decision-making model that was world class for municipalities. Only problem being that Councils not bothered by their regulators failed to rise to the occasion.

The sector, abetted by their somnolent auditors, failed to meet these standards and had become a closed shop-a club of vested and political interests. Ratepayer's interests were for years in general ignored for any issues of moment.

Rampant rate increases and evidence of Council inefficiency, particularly for payroll matters were becoming increasingly difficult for the sector to ignore.

When the COVID-19 catastrophe hit, given their prevailing defensive and insular attitudes, Council reactions to the crisis were universally wimpish.

They blithely continued a *business as usual approach*, their scheduled 2020 Council rate increases were further progressed while at the same time they ignored long running public criticism of their excessive salary scales.

The arrival, in March 2020, of the pandemic *horror show* - with its dire economic consequences-greatly amplified and increased the public's long-standing concerns.

In the gathering storm Council business was fast becoming anything but "*usual*". Council's "*do nothing*" initial responses to the crisis were soon viewed by citizens groups as both risible and tin eared.

Disappointingly, and in spite of the PM's campaign for *kindness and empathy*, Councils reactions of this nature to their changed environment ... were hard to find.



Ratepayers and Council observers focussed on matters that they could comprehend. With good reason they had long held the view that *Council payrolls were out of control*.

Even their layman's basic *sniff* test of reported inflated Council executive pay scales was sufficient to support this view. And they are now saying so ... only more stridently.

For example. Many critics expressed amazement upon learning of unfavourable comparisons of Council executive pay .... compared to "*what our PM earns*".

One respondent to a reputable "Kiwi" blog, was startled to learn that there was reliable evidence proving that Council average payroll rates were *currently 358% above their private sector equivalents and observed...*

*"I could believe below! .... but not above!"*

Councils sat on their hands and fended off these criticisms while failing to advance any consistent or convincing defence of them.

## What to do?

Someone had to run up the flag-if only to see who would salute. And so ... the payroll survey got launched. It would at least be a *civil exchange of views...* or would it be a case of ... *let the battle? - commence*.

## Hot off the Press- the payroll evidence? *NZ Council's excessive payroll cost evidence is discovered*

Not a single public agency - nor our official audit watchdogs-had seen fit to respond to the Council payroll issues by testing the excessive Council payroll cost proposition. Step up "*CPR Consultants*".

CPR Consultants is a Council Performance Improvement firm, specialising in financial and economic benchmarks of New Zealand Councils. In early 2020, we designed a detailed evidential study... to find out the facts surrounding the public perceptions of Council payroll excesses.

It would be very broad in its scope extending well beyond-though including- the headline grabbing and often highly contentious executive salary scandals.

Drawn from [www.cprlifesave.co.nz](http://www.cprlifesave.co.nz) resources -of over 130 NZ Territorial Council financial and economic performance benchmarks the Council Payroll Study:

- produced some profoundly disturbing results with;
- many of these confirming the widespread public belief that Council payrolls are excessive and;
- concluded by promoting Council affordability and payroll scale rate reform.

In the week the CPR-cprlifesaver-report was finalised, a Letter to the Editor appeared in the NZ *Herald* dated 6th May 2020 - a model of numerous other similar public pleas for Councils to wake up and address their financial issues ... a letter from which the following extract was lifted":

Titled "*Over-staffed*" the letter includes these observations:

*"Most Aucklanders consider the Council is over staffed. During the present crisis, all residents suffer hardships and exercise sacrifices. The Council should do the same rather than putting more pressure on its residents."*



There you have it!

In a nutshell, this letter taken from hundreds of similar such pleas, describes the justification for and the subject matter of this Council payroll study.

The letter focusses upon:

- "over staffing" -our study focusses upon payroll;
- "residents suffer hardship" -our study urges Council actions emphasising the need for improved affordability of Council services in these times of economic recession and;
- "more pressure on its residents" -our study addresses the issue of Councils continuing to pursue rate increases that completely miss the point because;
  - o given the huge financial stresses that their ratepayers are currently experiencing;
  - o their existing financial plans are now redundant and;
  - o all bets are now off - including the scheduled rate increases.

## The NZ Council Payroll Study adds substance to the public conversation *Public commentary becomes increasingly critical of NZ Council's excessive payrolls*

A more nuanced public conversation on the issues raised by our study-thanks largely to the *Auckland Ratepayer Alliance* – the "ARA" - and others- was heating up at the time of this report's release. The ARA had just released its confronting evidence-based Auckland Council "*Rich List*".

Public reaction to this ruckus included disbelief and concern at findings of *grossly excessive senior Council management salary scales*.

The letter to *The Herald* (above) note-relates only to *Auckland Council* affairs. *Christchurch City* were, shortly after next in line for another ARA rocket along similar lines. Our report, following this initial burst of public criticism, applied the excessive payroll cost message to *all NZ* territorials.

Amid all of this gathering clamour, the Councils, without exception, went "*La La La-I can't hear you!*" and, if they bothered at all to comment– they expressed their disfavour.

Had they not noticed the *world-wide* significance of the troubles we all were in? For on the 7th of May, the *BBC* noted that the *Bank of England* expects the *deepest economic recession on record*".

*CNN*, the same day, said much the same - *about all of Europe*.

Anecdotal evidence to further validate the excessive Council pay rate finding, had been there all along. Few ratepayer groups and laywomen in general when reviewing the *Rich Lists* of Council executive salaries were overly surprised. They were voluble - and *caustic* - when commenting on Council "pay scale *generosity*".

The basic citizen's Council payroll *sniff* tests lead to public discontent-although without access to good, in-depth data with which to support a focussed analysis of the problem, the public debate *lacked cut through*.





For example, public discussions often fixated upon the newsworthy more problematic “apparently” excessive Council *staff numbers* - less so than for other more relevant aspects of the problem. Catchy *headlines* were run but they lacked wide evidential heft.

It is of course true that inflated Council *staff numbers* contribute to the payroll problem, but they are arguably less biddable and are therefore less likely to lead to *direct* payroll dollar reductions than are cost savings driven off *pay scales*.

By looking in the wrong direction, any poorly targeted or incomplete payroll reduction argument, focused upon (say) *knotty issues*, such as staff numbers, would result in a stand-off-a highly contested and probably unproductive wrangle.

Decisions as to their number, the quality, and the skill sets of staff employed are primarily decisions that Council management are best placed to make. They are not suited then as a preferred payroll reduction mechanism.

The comparison of pay rates in line with private sector equivalents are valid ones for not only are they justified per-se but in a recession all budget assumptions, including pay scales are on the table. *Affordable* post pandemic business models and payroll budgets are essential if suitable sustainable levels of Council service-including rate reductions-are ever to be achieved.

The fundamental and biddable issue of the payroll problem-one which directly lends itself to developing reduction of payroll cost solutions- is to focus corrective actions by addressing *excessive Council pay rates*.



## Get the message out - but Hey! - lay off the messenger

### *The first rigorous examination of NZ Council payroll costs*

This independent payroll study is a first for Council payroll evaluation and assessment, particularly as it confronts the excessive Council Payroll *elephant in the room*, that is; issues that other-mostly conflicted-interests have eschewed.

The auditors-and the OAG's moribund audit of *value for money* disciplines-as for most Council audit and performance measurement improvements these days-remain startlingly obvious-thanks only ... to their absence.

The media too in general, merely publish Council press releases. Their anodyne coverage and if need be, critical analysis and scrutiny of Council affairs are *mostly missing in action*.

In this environment and in the interests of giving the Council Payroll Study the widest of albeit unofficial circulation, our report is produced in two versions. Both versions are suited to citizen's public policy interests:

- Version I: the *free-gratis public model* of our report-released early May 2020-consists of 24 payroll related findings while omitting individual Council information-note: all of this version's findings refer just to Group not individual-Council results and;
- Version II: of the Payroll Study report is at [www.cprlifesaver.co.nz/payrollreport](http://www.cprlifesaver.co.nz/payrollreport). This complete web-based reportage includes all individual Council detailed evidential findings for 130 NZ Council financial and economic benchmarks including payroll. It may be subscribed-for\* upon application to the author.
- \* *Special and concessional rates apply* to not for profit and community-based organisations.

The *cprlifesaver* web-based databases and its 130 Council benchmark reports compliment the 24 findings of the Payroll Study. All *cprlifesaver* reportage relies on relevant NZ Council comparative techniques of benchmarking. See url [www.cprlifecover.co.nz/payrollreport](http://www.cprlifecover.co.nz/payrollreport)

Note: The study source data is the latest reported and available dated "2018". The authors of this report are not responsible for any data related aberrations, inaccuracies or omissions-after all, data used is *sourced from the Councils themselves* and has been subject to an audit.

Where missing or corrupted data is encountered it has been excluded from the calculation of the averages reported.



## Kiwi Citizen's democratic processes are served *Ratepayers have a citizen's right to examine Council payroll excesses*

To support their righteous causes, the public deserves good information and informed consultation with their Councils. The findings of the second-fuller version-of the Payroll report includes *detailed Council level* data and analysis suitable for budgetary long-term financial plan expenditure-saving projections.

Armed with this knowledge *citizens-not* note conflicted management-can set the benchmarks for payroll costs of their Councils. *Seems fair does it not?*

These "best practice" measures, driven off credible and transparent analysis, reported in ranked data sets, tables and commentary are fit for purpose. They provide the legitimate framework for all Council financial plans.

In summary:

- Technical and design features of the Payroll Study research method are stated and are contained in the body of both versions of the report.
- The full Payroll Study covers all *payroll issues* ... note, not just the CEO's and *Executives payroll* circumstances as reported by the ARA.
- The *Cprlifesaver* website "Blog" section ... has topics of relevance to this study.
- Full datasets and other web-based IP can be *provided upon application*:
  - o to Councils,
  - o to the Media and
  - o to interested parties-where are all findings are fully reported at the individual (67) Council level.
- All parties can, at modest cost, be equipped to *address their local Council payroll circumstances* that can then be directly translated into *immediate Council budgetary expenditure and property rates savings*.

The Payroll Study is a *public citizenry and democratic initiative* that deserves a considered, professional and responsible reaction from Councils.

With stakeholder support and a balanced media coverage the Payroll issues raised can become *part of all future Public-Council consultations*.





**"Killer" Conclusions... clinchers right off the bat that state  
"the bleedin obvious"  
Conclusive evidence of bloated Council payrolls is there ...  
within plain sight**

Three *gamebreaker* factors quickly emerged from the study's field work. They supported the view that Council payrolls are bloated.

[Readers-reviewers of this study take notice. The next bit- documents three powerful pieces of evidence that make for good soundbite-conclusions and quotations-simply because alone... they prove the proposition-point.]

The rigour of a full on research study arguably, proved to be "a bridge too far"- in the sense that the three conclusions discussed merely stated the "*bleedin obvious*".

1. The first of the "*killer conclusions*" was evidence drawn from two independent surveys this one included-showing that Council pay rates-are on average 38% above comparable private sector pay rates. "*Damning*"!
2. Secondly, Council's initial reactions to the economic horrors of the ongoing pandemic crisis-without exception at the time of finalising this report-were risible and off point.

While huge numbers of ratepayers were facing financial ruin their local Councils largely seemed to exempt themselves from the pain.

Like a *possum caught in the spotlight* no Council to date has - *publicly* at least-moved to take meaningful appropriate budgetary actions including payroll reductions.

The proper steps to take – that is, tossing out and replacing redundant unaffordable long- term financial plans-got buried among a rash of tone deaf debates over the cosmetic trimming of rate increases and window-dressed nibbling away at a few Council executive's pay packages.

3. *Finally*, given the significance of the *two clinchers* (above), all of the rigorous compilation and analysis of the evidence of this study-although vital to policy developments aimed at setting correct payroll benchmarks-proved in the outcome to be somewhat superfluous.

In support of the excessive payroll proposition-the screeds of carefully prepared study evidence-was overkill.

A case of ... "*the devil not! being in the detail*". No need for research study forensics to tell us-the study's conclusions, early on, were that *obvious and largely proven* - from just these three simple demonstrable facts.

The full Payroll report's true value is that it makes a wider case for suggested actions and solutions to the problems raised. For instance: The study provides a body of independent reliable evidence for developing individual Council payroll policies and practical benchmarks aimed at developing post pandemic-and credible-affordable Council long term financial plans.

If lamentably, the inevitable and anticipated Council rebuttals of the Report's findings emerge and Councils fail to confront and act on these *hard-wired facts*, then they will have failed in their basic statutory duties to their ratepayers-"communities". Ref: Local Government Act 2002 and Amendments S. 14 (1.) C. "*Decision making*"... *italics added*.



- C. When *making a decision*, a local authority should take account of -
- (i) the diversity of the community, and the *community's interests*, within its district or region; and
  - (ii) the interests of future as well as current communities; and
  - (iii) the *likely impact* of any decision on each aspect of well-being referred to in S 10.

The law requires communities to be placed at the centre of and to be directly involved in the making of Council financial plans. After years of only paying lip service to these principles-let's hope now, caught by a *once in a lifetime economic crisis that this is enough to force a change of Council's behaviour-for the better.*

## The culprit is Council pay rates *The real mischief lies with excessive pay scales*

A further factual finding of our study challenged the widely held notion that the reduction of Council *staff numbers* was a solution of itself.

While payroll savings arising from employee number reductions *could* well arise, these staffing decisions are better left for Councils to decide individually, internally. Staff numbers-the "*FTE head counts*"-are notoriously open to abuse through the gaming of their numbers. The staff number ruses that can be used to mislead are too many to relate here-let alone to consider them for payroll cost management purposes.

The key problem-identified as *clear as day* in the study-the one factor most directly influential upon excessive payroll costs- are the prevailing *inflated rates of Council pay*.

Fixing the problem of excessive Council payrolls is largely resolved by attacking the inappropriate grossly inflated Council pay rates-referred to in some detail already. A *pay rate approach* provides a viable and *directly effective* means to a solution, whereas the same cannot be said for the payroll dollar savings arising from staff redundancies.

Compared to rate adjustments, staff number tweaking is not just fraught and can easily be manipulated but are difficult to implement and are usually very disruptive of Council operations. They involve major managerial structural human resource and operational risks. They take longer to implement, and they would only add more misery to the lengthening numbers in the army of the pandemic unemployed. Far better-a weighty reduction in Council *pay scales*.





## Are Councils *sincere* about improving their performance ... particularly their *affordability* issues? "Leopards ... and their spots?"

Councils... *sincerity?*- a rhetorical question at this point? ... although leopards have been known to change their spots-"Snow Leopards" for instance?

Payroll cuts under any circumstances raise highly sensitive, often emotional issues and are bound to be robustly debated.

It will be worse when the subject is publicly aired of Council payroll excesses. Councils-so insular over so many of their policy developments, can be positively *byzantine* and obstructive in the way they handle pay rates issues. Up against much Council objection It took years of public pressure to achieve mandatory disclosure of payroll information in New Zealand Council public financial reporting.

Unhelpful or negative Council reactions to the findings of this study *will materialise* if gauged by the plainly obstructive reception given by the *Auckland Council* to the recent release of the *Auckland-Ratepayers Association's-"Rich List"*.

While the notion of a "*Rich List*" may bring to mind some people's ideas of *shock-horror* tactics, the ARA were left little option if they wished to gain traction in promoting their notions of better Council executive salaries performance.

Their research had been conducted in the face of principally *Auckland Council's* long running and uncooperative tactics. The ARA findings were always going to provoke a Council pushback. Human nature coupled with bureaucratic patch protection was at work here and the ARA findings presented a challenge to these.

"*Planet Auckland Council's*" reaction was as predictable as it was disappointing-to say the least. *Auckland* ratepayers are entitled to feel aggrieved at their Councils attitude and of the disgraceful tactics, particularly when their ratepayer-stakeholder's dire economic circumstances are considered -with them having been so savagely ravaged by the pandemic.

A complete change of Council's attitude in dealing with altered stakeholder socio-economic circumstances will be essential in future. *We are all in this together*. Sector special interest organisations and the media, generally acquiescent and supportive of Council behaviour, in future, *might like to reconsider their docile acceptance* of customary entrenched pre-packaged Council points of view and take positions that more fairly reflect the public interest.

It is high time our Councils acknowledged the new realities. With traditional business models devastated by the pandemic, *all our Councils-* not just the *Chief Perpetrator-Auckland Council-*are all honour bound to immediately seek the ways and means for the delivery of more affordable public services.

*First cab off the rank* in this quest-is payroll.



## Payroll - The Best Place to start *Cut through all the static - make a start on Council affordability with payroll cuts*

Councils are faced with the tasks of making assured and immediate cost savings while at the same time developing new affordable long- term financial plans.

The best response-the first step in this re-budgeting process - *begins with Council payrolls*. Here are the reasons why this option is preferred.

Council payroll is singled out for *first-up* savings for the following reasons:

- Council Payroll Reductions are "*doable*" they are far less disruptive than the alternatives ... the core and key activities of Councils need not be hugely impacted or disrupted by payroll variations;
- Payroll is a variable-often highly *discretionary*-expense;
- Payroll savings are capable of *direct conversion* to reductions of Council expenditure and rates.
- Payroll is of *substantial* value-a "material dollar" expenditure and;
- Payroll issues are *readily understood* by ratepayers, after all we are "all in the same boat" so that when implemented, payroll cuts will elicit wide public support.

Payroll cuts provide a direct and immediate path to cost savings. In terms of scale, they are the Council operating expenditure that is *the single, largest and most controllable variable cost of all Council operations*.

Council Payrolls account for a consistent - on average 22% of Council total operating expenses. Some of the larger Councils exceed this with Metro and City groups averaging 30%-the highest individual Council a whopping 38%.

As the largest single expense category, payroll is second only in total to Council total purchases plus all operating overheads-which on average amount to around 38% of annual total Council expenditures.

As the pie chart flowchart shows, payroll costs - *excluding* significant contractor-employee costs-total close to \$2 billion annually. Contracted staff payroll costs can *amount to up to another third* on top of this.

On a "scale-size basis" alone, payroll is a "sitter" for our first up attention. Payroll, unlike most other cost classifications is very *biddable*-that is; accessible and available - *the low hanging fruit* of Council expenditure savings for a crisis-recovery budget.

Ratepayer's, observing the excesses of Council pay, have legitimate expectations of their Councils to attack their payrolls. They also can point to genuine precedents including the actions of private sector firms and individuals, whether voluntarily or not, who have taken the first hit to their welfare-with a reduction of their wages.

Private sector crisis response payroll reductions of over 50%-from the CEO down-previously unthinkable-have become commonplace. No Council has yet come even close with their largely symbolic "tiddling".

Councils, as community-owned taxation-levying entities, in good faith really *have no option* but to make a critical self- examination of all of their expenditures. Analysts and Commentators have long argued-largely



unsuccessfully pre crisis-that Councils *should have made payroll* and staff number reductions in any event.

This time Councils will have to act and *bite the bullet*.

Payroll cuts are the quickest most effective means by which a better balance can be struck for rates to stabilize. Fixed income-pensioner ratepayer's, in many parts of New Zealand, currently pay up to 20% of their tax-paid disposable incomes upon Council rates and charges.

The escalating 2010 to 2020 rateable values of their properties, coupled to rate increases well in excess of inflation over the same period mean that property rates have now reached unaffordable levels. *Tauranga* recently scored eighth as the most unaffordable region-in the *World*. Current residential rates data indicates that *Tauranga* is not alone, other Councils are almost as bad.

## Time now for the Mayor and Councillors to step up *Elected members must now earn their keep- and "Govern - payrolls cannot be left to management*

We elect our Councils to look after our stakeholder interests, they must now step up. In times of crisis as part of their social contract, the Mayor and Councillors of every New Zealand Council are duty bound to become deeply involved in redrafting momentous unprecedented and *anything but business as usual* 2020 to 2030 Council long term financial recovery plans.

Direct and independent Councillor involvement is even more important for payroll policy and rate setting- where their independence from management is so clearly at issue.

Mayors and Councillors must *take control* of payroll reduction programs, such are the conflicts and other difficulties of Council management and staff *doing it to themselves*.

Elected members-guided by independent qualified professionals-should set carefully assessed even-handed and reasonable payroll numbers and dollar targets. Personal internal management conflicts must be avoided.

CEO's are bound to behave professionally, while acting at *arms-length* on payroll issues. They must manage payroll no differently than they would all other Council costs.

Other participants will be needed to assist. They include Independent HR, Performance and Financial auditors plus public audit programmes conducted under the OAG's "*wider mandate-value for money*" umbrella. All of these third parties must become closely involved.

Elected members will be expected to demonstrate their independence in an open and forthright manner. Transparency of their actions and of Council decision-making is essential to gain the trust and confidence of a rattled, often cynical audience.

*Pound for pound...* Council payroll is ... *the best place to start* given the present crisis-driven wholesale revision required of current Council long term financial recovery plans. The Mayor and Councillors are central to a successful process-particularly for payroll reforms.





## Now for the reset-and the final word *Councils not already involved in a wholesale review of excessive payrolls that include a complete redesign of their long term budgets-focussed on recovery and affordability-have fundamentally-missed the point*

The PM, Jacinda Ardern, when asked by the media if central government would intervene in Council crisis-driven financial affairs-particularly their planned rate increases-answered that... *they would not*.

Councils are thus expected to take the appropriate actions themselves. This is a heavy and solemn burden which involves- "*a New Zealand expects*"- every woman and man - to do their duty.

Mayor and Councillors have been entrusted with scrupulously performing these duties-they must now act both wisely and even-handedly. Their past *performance, wisdom and even-handedness* has been "patchy".

In future there must be no more opaque policy stand offs-no more local political grandstanding- communities must become fully engaged and the "*Leviathan Effect*" -where a small coterie of senior management call the policy shots-must be outlawed. We need good, equitable, sound economic and social democratic decision making.

"A Big Ask" ... *athe complete "Reset"* of existing strategies and a prescription which this NZ Council Payroll Study sets out to make a case for;- In summary:

- Accepting and establishing that Council payrolls are excessive and can readily be significantly reduced.
- Councils, recognising these facts, must in future move their financial plans toward those that are fit for *future crisis - including for recovery purposes*;
- Principally-by developing wholly new financial plans addressing the steps to long term recovery, sustainability and affordability.

Readers will evaluate for themselves the quality and persuasiveness of the arguments the Study has advanced. An informal study such as this does not claim standing or authority-it stands on its merits.

At present a vacuum exists in New Zealand of independent Council policy developments such as the study traverses. Acceptance and implementation of the study's findings can lead to actions that will address the issues. Existing Local Government policy and law, Council best practice, accounting principles and budget assumptions within a public debate will all be improved as a result.

In the interests of brevity, the study's investigations have not ventured into the financial engineering field that involves debt raising, asset sales and the like-though all are legitimate and necessary responses to the recession.

These valid responses to the financial problems of Councils, that is, the major restructuring involved are more difficult. They would take time, be disruptive and are complex. Far better, to give rapid relief to long suffering ratepayers and reap immediate rewards to be had *arising from payroll reform*.

Potent benchmark and other financial management and performance improvement tools available off the [www.cprlifesaver.co.nz](http://www.cprlifesaver.co.nz) website, are available to those who are determined to conduct a wholesale-more comprehensive overhaul-of existing New Zealand Council budget models.

Amidst the gathering pandemic-driven storm of public discontent, many other commentators- besides the



author-are singing from the same "Lift your Game" song-sheet. The "Hot" payroll topics, of May 2020, are rapidly coming to the boil. The daily headlines are full of it.

Plenty of column inches have recently been written concerned with the topics of this paper-though obviously not all have been able to be cited or included here. One example that follows- concerns *Wellington Council's* funding problems with suggestions of some structural "financial engineering" solutions.

This "Last Word" on the topics of this research study is taken from a plethora -in fact a blizzard-of similar critical observations. It is left to a Council economist-observer to cover:

Cameron Bagrie, in early May 2020, encapsulating much of what our study advances wrote about "Rates Increases-in times of economic recession".

The piece is "spot on"-such that the author of this study... "Could not have put it better himself."

**Cameron writes:** *Wellington City Council needs to get with the programme.*

*The increase in rates should be zero. Not 4.9 per cent, or 2.15 per cent, which whilst down from the previously proposed 9.2 per cent, is still too high.*

*You cannot say rates need to rise because of funding shortfalls and then pledge support to Wellington Airport. Sure, Wellington Airport might be considered a strategic investment for the region, but you are mixing your drinks saying you are short of funds and then putting money on the table for the airport.*

*I support the airport, but not by lifting rates to assist with it. Sell another asset if the airport investment is the priority.*

*Councils are facing less income from non-rate sources as an economic recession bites, just like businesses. Wellington Council debt has been rising fast.*

*It is missing the point. They have balance sheet capability. As noted in Wellington City Councils 2018/19 annual report "our financial position remains healthy".*

*Wellington City Council have assets close to \$8 billion. They have a property investment portfolio of around \$250 million. Property, plant and equipment of more than \$7 billion.*

*Councils will always have some cash on hand for liquidity and for rainy day purposes; that was more than \$100 million in the last financial year.*

*Borrowing is less than 10 per cent of assets.*

*Increasing taxes such as rates in a recession makes the recession deeper. Borrowing is the sensible thing to do, rather than increasing rates.*

*We are not talking about cutting rates, just a zero increase. Many businesses are going to be cutting prices to help drive a recovery.*

*Total sales and income across the economy for the business sector is around \$700 billion per year. Do the maths on what it costs the economy and businesses if major parts are shut down for one month, two, and possibly more.*

*Quite simply they can't afford a rate's increase."*

*\*Thanks and attribution go to Cameron Bagrie for his permission to reproduce this contribution.*





## Late mail-20th May... The storm gathers... and Councils had better take notice.

A guest post by **Owen Jennings**:

*I once suffered a major setback, financially. There were three items on the agenda.*

*Firstly, what expenses were we occurring that were not absolutely necessary and that could be pruned or eliminated? It was tough. Some "nice to have, but not essential" items got cut.*

*Secondly, we had a look at whether there were assets that we could cash out of. Trade Me reaped the benefit along with some neighbours. Again it involved some difficult and painful decisions.*

*Thirdly, we started a whole new hunt for ways of quickly improving our income. We had to be innovative, slick and live with a few downsides of some "quick and dirty" decisions. It meant looking at and removing anything that might slow down our initiatives, frustrate us or add cost, hurdles that were not strictly necessary to getting back on our feet.*

*We survived. In many ways we were the better for having tidied up our affairs. It was a fairly simple strategy – no new blinding science involved. Just adopting tried and true methods for recovery based on discipline, common sense and sacrifice.*

*Should it not be the same for the government? Should the three steps not be followed by the Coalition Government, by Auckland City Council and by all local government? It is happening in board rooms, CEO's offices and kitchens around the country. Businesses are taking extremely difficult decisions, cutting any unnecessary expense, putting unused assets on the market and desperately looking for new ways to kick start revenue.*

*Husband and wife operations, small enterprises of 3,4 and 5 staff, medium and large companies are hunkering down, mercilessly hacking their cost structures, weeping over losing beloved staff members who have been faithful for decades, shutting the doors of branches, brutally slashing budgets to try and survive. The sacrifices are gut-wrenching. Its reality in a virus wrecked economy. It is going to get worse before it gets better too. Wage subsidies are masking the situation.*

*Our Prime Minister is daily lauded for her leadership in times of crisis. In the immediate glare of publicity, kindness and empathy are endearing qualities. The cold reality is that those qualities will not pay the bills. Gestures of 20% pay cuts are welcomed but 20% of a heck of a lot is no real sacrifice. Real leadership involves more than optics and safeguarding political gains. It requires tough and hurtful decisions.*

*The call to our political leaders at all levels is to show courage and fortitude. We, the people, are doing it. As our elected representatives we expect, even demand you do the same. Cut deeply into the fat. Scrutinise the 'not needed' assets. Let's see some smarts about new opportunities.*

*If 'helicopter' cash and 'shovel ready' projects are the best you can come up with, think again. If dressing up green initiatives and sneaking through climate change penalties are on the menu, forget it. If asking us to pay new taxes is in the budget, pull it out again. Our burden is already too heavy. Focus on what might hold back private sector initiatives, frustrate investors, limit progress and delay the recovery. Prune such fearlessly. Waiting seven years for a consent to increase a water take when your city is running dry isn't helping anything – the environment, the economy, thirsty businesses or my vegetable garden.*

*K.I.S.S. it. Go with what has always worked and what we are all having to do outside of the Beehive. Cut unnecessary costs, sell off the non-vital assets and make sure the private sector has maximum room and support to innovate and invest its way back to full health. Prime Minister Ardern and Minister Robertson remember the state does not create wealth – we do as individuals, partnerships corporates, so focus on making it as easy and burden free as possible.*



## Conclusion

The Payroll Study Report concludes with a separate Field Work Evidence section – with all 24 of the Group Council Payroll measures ...their data matrices, findings and commentaries.

The following section of the package contains the findings for all of the statistical and other payroll financial analysis field work- displayed by groups of Councils supporting the main reports conclusions.

All conclusions from the field work are consistent with and contribute to the overall findings of the Payroll Report itself.

**The *individual* Council tables graphs and ranked tables can be obtained at a modest cost upon application to:**

**Larry, email: [larry@kauriglen.co.nz](mailto:larry@kauriglen.co.nz) Tel: 0274 792 348**

**Report pdf is at [www.cprlifesaver.co.nz/payrollreport](http://www.cprlifesaver.co.nz/payrollreport)**





## About "The Author"

Larry. N. Mitchell, B Comm MPP, is a New Zealand Local Government Finance & Policy analyst. A retired CA, Larry was the Coopers & Lybrand National Local Government Sector Partner.

He served a three year term on secondment with the Government Audit office as eight Director. Among his many public sector assignments he was the Engagement Director of all-eight-pre-amalgamation Auckland Councils-including the *Auckland Council!*

Qualified as a Master of Public Policy from Victoria University Larry operates a bespoke consultancy firm specialising in Council benchmarking - [CPR Consultants. www.cprlifesaver.co.nz](http://www.cprlifesaver.co.nz)



# Section 2



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Payroll Statistics Sample





## Ranked Total Employee Costs as a % of Total Operating Costs.

Ranked Total Employee Costs as % of Total Operating Expenses 2018				Ranked Total Employee Costs as % of Total Operating Expenses 2018 - Groups			
Rank	Type	Council	Employee Costs as % of Total Opex	Rank	Type	Council	Employee Costs as % of Total Opex
1	Provincial	Kapiti Coast District Council	34.74%	1	City	Palmerston North City Council	33.51%
2	City	Palmerston North City Council	33.51%	2	City	Napier City Council	33.40%
3	City	Napier City Council	33.40%	3	City	Porirua City Council	30.24%
4	Rural	Hauraki District Council	32.52%	4	City	Invercargill City Council	25.39%
5	Rural	Kawerau District Council	32.03%	5	City	Upper Hutt City Council	21.02%
6	Metro	Hamilton City Council	31.91%	6	City	Hutt City Council	20.49%
7	City	Porirua City Council	30.24%	1	Metro	Hamilton City Council	31.91%
8	Provincial	Matamata-Piako District Council	29.50%	2	Metro	Christchurch City Council	24.13%
9	Provincial	Hastings District Council	28.90%	3	Metro	Tauranga City Council	23.16%
10	Provincial	Waipa District Council	28.58%	4	Metro	Dunedin City Council	22.30%
11	Rural	Carterton District Council	28.55%	5	Metro	Wellington City Council	18.72%
12	Provincial	South Waikato District Council	27.60%	1	Provincial	Kapiti Coast District Council	34.74%
13	Rural	Gore District Council	26.82%	2	Provincial	Matamata-Piako District Council	29.50%
14	Provincial	New Plymouth District Council	26.56%	3	Provincial	Hastings District Council	28.90%
15	City	Invercargill City Council	25.39%	4	Provincial	Waipa District Council	28.58%
16	Provincial	Waimakariri District Council	25.37%	5	Provincial	South Waikato District Council	27.60%
17	Provincial	Horowhenua District Council	25.37%	6	Provincial	New Plymouth District Council	26.56%
18	Provincial	Taupo District Council	25.24%	7	Provincial	Waimakariri District Council	25.37%
19	Provincial	Whakatane District Council	24.69%	8	Provincial	Horowhenua District Council	25.37%
20	Provincial	Western Bay of Plenty District Council	24.66%	9	Provincial	Taupo District Council	25.24%
21	Provincial	Ashburton District Council	24.56%	10	Provincial	Whakatane District Council	24.69%
22	Rural	Waimate District Council	24.36%	11	Provincial	Western Bay of Plenty District Council	24.66%
23	Provincial	Waikato District Council	24.22%	12	Provincial	Ashburton District Council	24.56%
24	Metro	Christchurch City Council	24.13%	13	Provincial	Waikato District Council	24.22%
25	Rural	Opotiki District Council	24.00%	14	Provincial	Timaru District Council	23.58%
26	Provincial	Timaru District Council	23.58%	15	Provincial	Far North District Council	23.09%
27	Metro	Tauranga City Council	23.16%	16	Provincial	Manawatu District Council	22.38%
28	Provincial	Far North District Council	23.09%	17	Provincial	Whanganui District Council	22.14%
29	Rural	Kaikoura District Council	22.61%	18	Provincial	Waitaki District Council	22.14%
30	Unitary	Auckland Council	22.52%	19	Provincial	Rotorua Lakes Council	21.82%
31	Provincial	Manawatu District Council	22.38%	20	Provincial	Kaipara District Council	21.13%
32	Metro	Dunedin City Council	22.30%	21	Provincial	Thames-Coromandel District Council	21.03%
33	Provincial	Whanganui District Council	22.14%	22	Provincial	Selwyn District Council	20.11%
34	Provincial	Waitaki District Council	22.14%	23	Provincial	Queenstown-Lakes District Council	19.68%
35	Provincial	Rotorua Lakes Council	21.82%	24	Provincial	Masterton District Council	19.25%
36	Unitary	Gisborne District Council	21.51%	25	Provincial	Whangarei District Council	19.00%
37	Provincial	Kaipara District Council	21.13%	26	Provincial	South Taranaki District Council	18.50%
38	Rural	Otorohanga District Council	21.08%	27	Provincial	Southland District Council	15.27%
39	Provincial	Thames-Coromandel District Council	21.03%	1	Rural	Hauraki District Council	32.52%
40	City	Upper Hutt City Council	21.02%	2	Rural	Kawerau District Council	32.03%
41	City	Hutt City Council	20.49%	3	Rural	Carterton District Council	28.55%
42	Rural	Central Otago District Council	20.17%	4	Rural	Gore District Council	26.82%
43	Provincial	Selwyn District Council	20.11%	5	Rural	Waimate District Council	24.36%
44	Rural	Hurunui District Council	19.90%	6	Rural	Opotiki District Council	24.00%
45	Rural	Stratford District Council	19.81%	7	Rural	Kaikoura District Council	22.61%
46	Provincial	Queenstown-Lakes District Council	19.68%	8	Rural	Otorohanga District Council	21.08%
47	Rural	Waitomo District Council	19.64%	9	Rural	Central Otago District Council	20.17%
48	Provincial	Masterton District Council	19.25%	10	Rural	Hurunui District Council	19.90%
49	Unitary	Marlborough District Council	19.20%	11	Rural	Stratford District Council	19.81%
50	Provincial	Whangarei District Council	19.00%	12	Rural	Waitomo District Council	19.64%
51	Rural	Grey District Council	18.75%	13	Rural	Grey District Council	18.75%
52	Metro	Wellington City Council	18.72%	14	Rural	Mackenzie District Council	18.60%
53	Rural	Mackenzie District Council	18.60%	15	Rural	Buller District Council	18.29%
54	Provincial	South Taranaki District Council	18.50%	16	Rural	Wairoa District Council	18.03%
55	Rural	Buller District Council	18.29%	17	Rural	Clutha District Council	17.45%
56	Rural	Wairoa District Council	18.03%	18	Rural	South Wairarapa District Council	17.38%
57	Unitary	Tasman District Council	17.48%	19	Rural	Westland District Council	15.32%
58	Rural	Clutha District Council	17.45%	20	Rural	Ruapehu District Council	14.63%
59	Rural	South Wairarapa District Council	17.38%	21	Rural	Central Hawke's Bay District Council	14.07%
60	Unitary	Nelson City Council	17.16%	22	Rural	Tararua District Council	13.80%
61	Rural	Westland District Council	15.32%	23	Rural	Chatham Islands Council	13.59%
62	Provincial	Southland District Council	15.27%	24	Rural	Rangitikei District Council	10.32%
63	Rural	Ruapehu District Council	14.63%	1	Unitary	Auckland Council	22.52%
64	Rural	Central Hawke's Bay District Council	14.07%	2	Unitary	Gisborne District Council	21.51%
65	Rural	Tararua District Council	13.80%	3	Unitary	Marlborough District Council	19.20%
66	Rural	Chatham Islands Council	13.59%	4	Unitary	Tasman District Council	17.48%
67	Rural	Rangitikei District Council	10.32%	5	Unitary	Nelson City Council	17.16%

Average Total Employee Costs as % of Total Operating Expenses 2018 per Group	
City	27.34%
Metro	24.04%
Provincial	23.67%
Rural	20.07%
Unitary	19.57%
National	22.43%

This detailed one page report - ranked table is a sample of 24 such reports that show for all 67 councils their "individual" • ranking • scoring • group statistics

The tables are interpreted within the body of the public report. All individual council reportage is available upon application to [larry@kauriglen.co.nz](mailto:larry@kauriglen.co.nz)



# Section 3

## Payroll Statistics - Metrics and Tables

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## Composite Council Payroll Performance Index

Average Total Rank per Group 2018	
City	21
Metro	11
Provincial	27
Rural	53
Unitary	20

Special Note: Yes! ... this "Index" is a form of "league table". And No! ... is not intended to be a big stick to beat up the poor performers-anymore than it is a shining endorsement of the good ones.

However .... What the index can be relied upon for includes these findings:

- Any Council scoring a ranking of from 45th to 67th (67th is best on this scale) can conclude that its overall score, measured across the Study's 24 payroll performance factors can be assessed as being amongst the top third of Territorial Councils ... from 44th to 22nd-middle of the pack and from 1st to 21 the poorest performers.
- By Council Group, the Rurals at an average 55th score are best-Metros a dismal among average poorest performers are at 11th of 67.
- Auckland Council by these results scores third poorest in their overall payroll performance.

The individual Council results are a good first cut assessment of just how good, bad or indifferent each Council performs for its payroll value for money efficiency and cost effectiveness.

The tables of results combine all assessment factors into one score of raw results, another on a per ratepayer basis and the final combined figure a rerated ranked and average combined total of both.

## Average Total Rank per Group 2018

### Findings

This statistic is a *catch all*, an amalgam of all 24 payroll measures disclosed on a group basis. This "Council Group" view uses the ranked League Table model but it is no substitute for individual Council assessments of performance. Interpretation of the group results reveals for instance the number "11" of the matrix – this is the average *total* rank for the Metro group and is derived from group rankings of the column two group of the individual Council tables of the individual Council tables. This column records the (low-"11") composite scores of *both* of these two Council groups which, on average, indicate the poorer performers ... as measured by all 24 payroll performance measures making up the index .

### Commentary

On the scales of this composite index-whether on a total or on a per ratepayer basis- indicates that the worst overall performers-by a very significant margin- as measured for payroll effective-efficiency reasons, are the equal-poorest performers ... the Metros and the Citys.

*Auckland* Council's result, it must be added-tucked away in the Unitary overall group result-is also within the top three worst performers along with the *Christchurch* and *Wellington* Cities.

Other recent independently published survey results agree with these findings naming in their coverage, two of the bottom three culprits-*Auckland* and *Christchurch* Councils.

The cprlifesaver NZ Territorial Council 2020 Study produced detailed individual Council data, reports and findings for all of the 67 Councils surveyed. A sample of these reports is included on page23 This reportage is available to interested parties upon application to... larry@kauriglen.co.nz and further particulars are at [www.cprlifesaver.co.nz/payrollreport](http://www.cprlifesaver.co.nz/payrollreport)





## Private Sector Comparisons

Average Employee Payroll Compared with Private Sector Average 2018 by Group	
City	+41.90%
Metro	+12.98%
Provincial	+50.35%
Rural	+31.12%
Unitary	+20.15%
National	+37.69%

### Findings

Note: *Statistics NZ*-after significant time and expense were expended-*could not supply* reliable national Council-boundary income data. The surrogate figure for "income" that we used, is a national one-it is the posted (by Council) accepted standardized figure-taken from public internet *official sources* that Councils-presumably-themselves considered *fit for purpose*.

Council payroll salary rates, on average are a stunning 37.9% above comparable private sector rates-with the Provincial group at the 50.3% high and Metros at a low of 12.9%-above.

### Commentary

This finding is referred to in the full report of the study as the "gamebreaker"..

*The detailed support page* of data provides an audit trail of the metrics used.

The surrogate-of national average income used here exhibits a wide margin of Group Council results and indicates some issues with the *standard \$50,906 per annum average*-the household income figure we were advised to use.

The findings we discovered are consistent and accorded with other detailed observations such that *they* were considered fit for purpose and reliable.

When reliable census data is finally available-*what a disgraceful failure of government here!*-better data may? come forward but for the time, being, our independently derived estimates of the divergence between local government and private sector pay rates-stand.

The cprlifesaver NZ Territorial Council 2020 Study produced detailed individual Council data, reports and findings for all of the 67 Councils surveyed. A sample of these reports is included on page23 This reportage is available to interested parties upon application to... larry@kauriglen.co.nz and further particulars are at [www.cprlifesaver.co.nz/payrollreport](http://www.cprlifesaver.co.nz/payrollreport)



## Average Council Employees Paid Over \$200K 2018 per Group

Average Council Employees Paid Over 200K 2018 per Group	
City	2
Metro	13
Provincial	5
Rural	1
Unitary	3
National	4

### Findings

These results mirror the (above) findings for Councils paying between salaries of \$100K pa to \$200K pa. Recent published findings taken from another independent survey covered Auckland and Christchurch City's figures and focussed on the large numbers of employee paid well over \$200,000 pa some as high as \$700,000 pa packages. [https://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=12329165](https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=12329165)

The reportage taken from the results of the other survey for these two Councils for their extravagant and bloated executive payroll findings was damning.

Detailed individual Council evidential data of this cprlifesaver survey, where the data was available are in full agreement-for example the three big Cities figure prominently because of their very large numbers of very highly paid executives.

### Commentary

A summary taken from all survey sources, of the excesses of top executive pay scales include the following reported observations.

- Big City payroll statistics of those employees paid over \$100,000 pa: Auckland City 2,473 employees paid over \$100,00 pa from an employee total of 10,259-Wellington City, 261 employees from a total of 2,128 and Christchurch City, 534 from a total of 2,135;
- Auckland City-a reported 86 employees paid over \$250 000 pa;
- Auckland also pay 48 employees more than they pay their Mayor;
- With 7 employees paid more than the NZ PM-at \$ 471,000 pa.

### Councillor and Mayoral remuneration statistics

Six study measures covering Councillor and Mayoral remuneration are reported at the matrix level only. Detailed Council-by-Council data and analysis available upon application.

The cprlifesaver NZ Territorial Council 2020 Study produced detailed individual Council data, reports and findings for all of the 67 Councils surveyed. A sample of these reports is included on page23 This reportage is available to interested parties upon application to... [larry@kauriglen.co.nz](mailto:larry@kauriglen.co.nz) and further particulars are at [www.cprlifesaver.co.nz/payrollreport](http://www.cprlifesaver.co.nz/payrollreport)



## Ranked Total Employee costs

Average Total Employee Costs 2018 (000) per Group	
City	\$28,413
Metro	\$93,797
Provincial	\$19,210
Rural	\$5,149
Unitary	\$114,586

### Findings

An important, simple and easily understood table showing: All Councils-ranked by group for their total and average employment related costs. The findings are significant for comparisons of like with like Councils within their respective Council group in dollar terms.

### Commentary

Unsurprisingly, the Unitary Council group average is highest - \$ 114,586,000, lowest are the Rurals at \$5,149,000 with the overall average of \$ 27,681.000

This provides a key-"though hypothetical"- indicative figure for payroll budget-savings target- figure. On average, Council's inflated pay scales, if they were to be normalised to (say) their private sector equivalents and reduced by 35% as is indicated, would imply that the median Council indicator of payroll savings-being a minus 35% of \$28 million- or \$9.8 M per Council. This-for illustrative purposes only is the total of average payroll savings per median Council.

## Ranked Total Employee costs as a percentage of Total Operating Costs

Average Total Employee Costs as % of Total Operating Expenses 2018 per Group	
City	27.34%
Metro	24.04%
Provincial	23.67%
Rural	20.07%
Unitary	19.57%
National	22.43%

### Findings

Another key budget benchmark statistic suited to target setting of affordable payrolls. The individual Council figures can be used as ballpark indications of where affordable future Council payroll levels should settle. The average NZ Council payroll is at 22.4% of Opex- the Citys are highest at 27.3%-Kapiti at 34.7% is highest of all and Unitaries are lowest at 19.6%.

### Commentary

Councils showing % of Opex results of (say) over 20%-there are 46 or 69% of these of which 15 are Rurals – might reset their payroll targets to this 20% level -for starters. Other adjustments, for example using rates more comparable with the private sector or reducing staff numbers can also achieve further payroll cost reductions.

The cprlifesaver NZ Territorial Council 2020 Study produced detailed individual Council data, reports and findings for all of the 67 Councils surveyed. A sample of these reports is included on page 23 This reportage is available to interested parties upon application to... larry@kauriglen.co.nz and further particulars are at [www.cprlifesaver.co.nz/payrollreport](http://www.cprlifesaver.co.nz/payrollreport)



## Ranked Total Employee costs as a percentage of Total Income

Average Total Employee Costs as % of Total Operating Income 2018 per Group	
City	29.31%
Metro	24.91%
Provincial	24.94%
Rural	21.83%
Unitary	19.91%
National	23.84%

### Findings

Councils on average spend 23.8% of Income on existing payrolls. Councils are required to balance their budgets which suggests by and large that their annual incomes should equal their annual Opex. Given the previous "Opex 20%" result-this ballpark figure should apply here too.

### Commentary

Councils showing % of Income results of (say) over 20%-there are 55 or 82% of these of which 9 are Rurals – might reset their payroll targets to this 20% level-for starters. Other adjustments, for example using rates more comparable with the private sector or reducing staff numbers can also achieve further payroll cost reductions.

## Ranked Total Employee costs per ratepayer

Average Total Employee Costs per Ratepayer 2018 per Group	
City	\$4,529.14
Metro	\$11,172.68
Provincial	\$1,467.81
Rural	\$482.45
Unitary	\$7,343.34
National	\$2,553.12

### Findings

This measure result puts a per ratepayer perspective on the payroll issues. On average Council employment costs per ratepayer (singular) total \$4,529 per annum. That figure is well above an average rates bill calculated on the same basis. *Gives pause for thought does it not?*

### Commentary

The \$4,529 figure it should be pointed out does not match *apples with apples* as Council net figures including income-*inter alia*-offsets this total on a per ratepayer basis. The point remains though that each ratepayer's annual rates bill is exceeded by what every Council employee on average is paid per annum.



## Average CEO Remuneration as a Proportion of Operating Expenses 2018 per Group

Average CEO Remuneration as % of Total Operating Expenses 2018 per Group	
City	0.35%
Metro	0.13%
Provincial	0.44%
Rural	1.00%
Unitary	0.25%
National	0.59%

### Findings

These values range from a high-Rural's 1.0%-to a low of 0.13%-for Metro Councils.

Overall-nationally CEO remuneration, as a proportion of total Council operating expenditure averages 0.59%.

### Commentary

The correlation of size of Council-the scale of its operations-appears to be a direct one. Comparisons of this data with the positions of comparable NGO and other service organisations CEO pay scales, would be revealing. The existing widespread margin between private and public sector scales-with the public sector rates so far above their private sector counterparts-could be expected to be duplicated ... here.

## Average CEO Remuneration per Council Group

Average CEO Remuneration 2018 per Group	
City	\$333,359
Metro	\$406,465
Provincial	\$321,111
Rural	\$234,888
Unitary	\$400,076
National	\$304,625

### Findings

The apparently low national average CEO salary package-\$304,625 pa is accounted for by the large number of Rural Council's - "21 or 31%" - whose average is a low \$234,888.

Metro's, at \$ 406,465 are only marginally higher than the unitary's average at \$400,076 though the small Unitary group average is inflated by its lower group numbers - "5 or 7%" -and the influence of the inflated Auckland Council figure of \$691,154 pa.

### Commentary

While Rural Councils have shown some modest level of payroll restraint -although Rural CEO's are generally the best paid managers in any New Zealand Rural Town- the same cannot be said for the others. The quality of New Zealand CEO's is enormously variable, a small number fully deserve what they are paid.

The Mayor, Councillors and Ratepayers of every Council are entitled to assess the worth of their own CEO keeping in mind their conditions of service. These include the advantages of a secure albeit normally limited 5 year employment contractual term and their own problematic marketability in the private sector-at least at any comparable rate of remuneration.

Over all of the sector, CEO remuneration-included in our study's Employee Costs category-forms part of the resulting "37.9% above private sector pay rates" on average result as calculated.

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## Average CEO Remuneration per Ratepayer 2018 per Group

Average CEO Remuneration per Ratepayer 2018 per Group	
City	\$45.73
Metro	\$35.04
Provincial	\$25.93
Rural	\$20.19
Unitary	\$22.25
National	\$25.92

### Findings

City Councils, who collectively are at nearly double the national result, indicate some individual Council statistics on this per ratepayer basis that warrant closer scrutiny. Lower than average ratepayer numbers may be the culprit or higher CEO payments. The findings (above) also refer.

### Commentary

Ratepayers can identify with the results here. Individual Council findings are more meaningful, particularly for the Councils with the most highly paid executives.

## Average Council employee numbers paid between \$100K to \$200K pa. 2018 per Group

Average Council Employees Paid 100K to 200K 2018 per Group	
City	39
Metro	201
Provincial	30
Rural	9
Unitary	525
National	75

### Findings

Individual Council results are revealing as for example, total staff numbers of each Council figure prominently in any more detailed analysis. This relatively modest level = \$100K to \$200K pa-of salary band, reported here on a group level produces useful general conclusions.

### Commentary

Given the widespread high rates of pay in the Council sector-see above findings for pay rates- the large numbers of employees paid these rates principally those of Metro and Unitary group Councils, should raise alarm bells for affected Councils.



## Total Councillor Remuneration as % of Total Opex 2018 per Group

Total Councillor Remuneration as % of Total Opex 2018 per Group	
City	0.49%
Metro	0.29%
Provincial	0.47%
Rural	0.66%
Unitary	0.44%
National	0.52%

## Total Councillor Remuneration as % of Total Operating Income 2018 per Group

Total Councillor Remuneration as % of Total Operating Income 2018 per Group	
City	0.53%
Metro	0.31%
Provincial	0.50%
Rural	0.71%
Unitary	0.46%
National	0.56%

## Total Councillor Remuneration as % of Total Payroll Costs 2018 per Group

Total Councillor Remuneration as % of Total Payroll Costs 2018 per Group	
City	1.84%
Metro	1.22%
Provincial	2.02%
Rural	3.38%
Unitary	2.35%
National	2.44%

## Total Mayoral Remuneration as % of Total Operating Expenses 2018 per Group

Average Mayoral Remuneration as % of Total Operating Expenses 2018 per Group	
City	0.14%
Metro	0.05%
Provincial	0.16%
Rural	0.32%
Unitary	0.10%
National	0.20%

## Total Mayoral Remuneration as % of Total Operating Income 2018 per Group

Average Mayoral Remuneration as % of Total Operating Income 2018 per Group	
City	0.15%
Metro	0.05%
Provincial	0.16%
Rural	0.35%
Unitary	0.11%
National	0.21%

## Total Mayoral Remuneration as % of Total Payroll Costs 2018 per Group

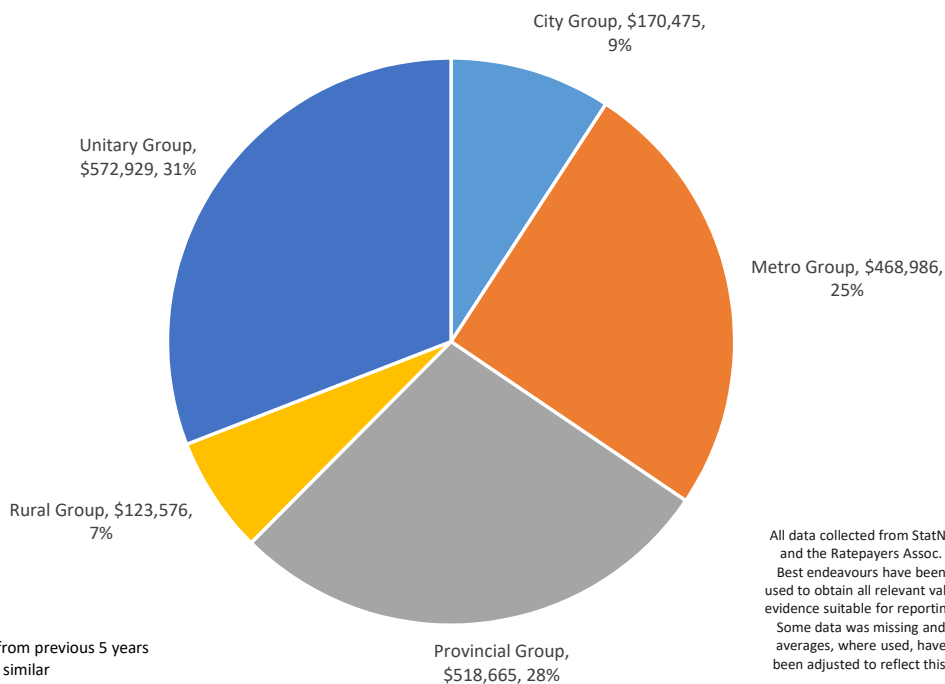
Average Mayoral Remuneration as % of Total Payroll Costs 2018 per Group	
City	0.52%
Metro	0.21%
Provincial	0.67%
Rural	1.65%
Unitary	0.55%
National	0.96%





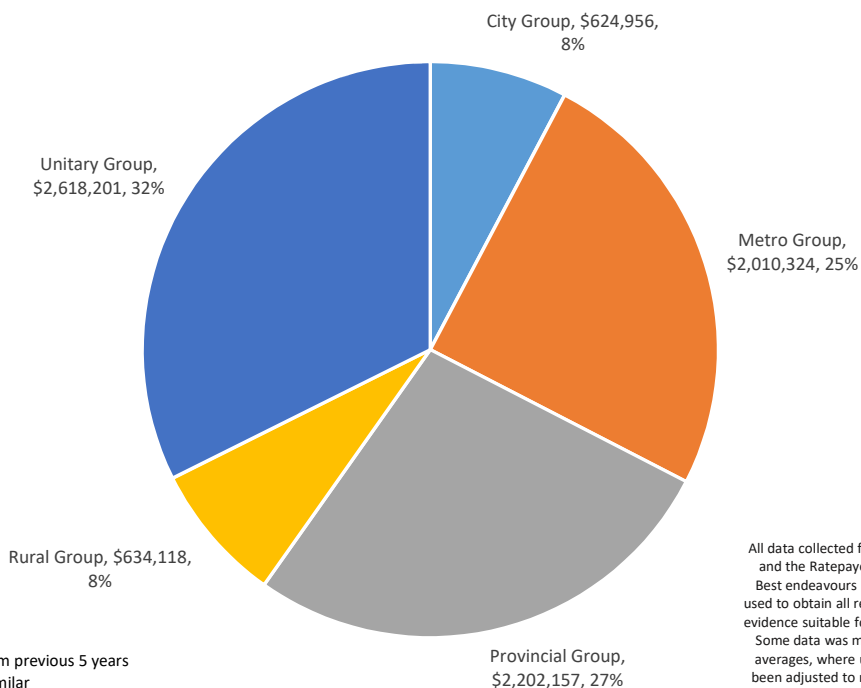
## Payroll Totals New Zealand - for your information

Council Total Employee Costs 2018 (Including Auckland) (000)



Graphs from previous 5 years are very similar

Council Total Operating Expenditure 2018 (Including Auckland) (000)



Graphs from previous 5 years are very similar



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# Index & Statistical Tables

## *Individual Council*

## Detailed Data

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