

THE DEPARTMENT OF INTERNAL AFFAIRS

Te Tari Taiwhenua

## Local Government Briefing

**Hon Rodney Hide**  
**Minister of Local Government**

Copy to: Hon John Carter  
 Associate Minister of Local Government

Title: Cabinet Office Fees Framework Exemption

Date: 16 April 2009

### Key issues

This briefing backgrounds the need to seek a fees exemption for members of the Establishment Board for Auckland, and outlines how this might be progressed.

### Action sought

**Agree** to sign and send the attached letter requesting the Minister of State Services agrees to a fees increase, above that in the Cabinet Office Fees Framework, to secure suitably qualified people for the Establishment Board for Auckland.  
**Agree** that a copy of the signed letter is sent to the Minister of Finance for his information.

### Timeframe

Thursday 23 April 2009

### Contact for telephone discussion (if required)

Name	Position	Telephone		Suggested first contact
		direct line	after hours	
Anne Carter	Deputy Secretary	04 495 9323	021 229 6261	
Marilyn Little	Director Policy	04 494 0589	021 228 8118	✓

Return to: Caroline Bridgland  
 DMS file reference: 16401155DA  
 Ministerial database reference: LGC200900936

## Purpose of briefing

1. This paper recommends that you sign and send the attached letter asking the Minister of State Services, Hon Tony Ryall, to agree to a fees increase above that in the Cabinet Office Fees Framework (the framework), to secure suitably qualified people for the Establishment Board for Auckland Governance [the Board]. You are also asked to forward a copy of the letter to the Minister of Finance, Hon Bill English, for his information.

## Executive summary

2. The Cabinet Office Fees Framework (the framework) sets out a guide for fees for all statutory bodies. The Department considers the relevant Group 4, level 1 fee range of \$600 to \$970 per day for a Chair and \$450 to \$730 for a member will not be adequate to attract appropriately skilled and qualified people to the Board.
3. Discussions with the State Services Commission indicate that Cabinet would not have comfort in exceeding an exceptional daily fee of \$1,300 and a \$1,000 for the Chair and members respectively.
4. This paper proposes that you write to the Minister of State Services to secure his agreement to a fees increase that allows you to approve up to a level no greater than \$1,300 per day for the Chair and \$1000 per day for the other members. The Minister of Finance should be sent a copy of this letter for his information.
5. The Department is finalising a paper seeking Cabinet agreement to your nominee for the Chair of the Establishment Board.

## Background information

6. As Minister of Local Government, you are responsible for appointments to the proposed Establishment Board for Auckland Governance. The Board will be responsible for implementing Government's decisions on Auckland's new governance arrangements.
7. The framework sets the fees for all statutory bodies, non-statutory bodies and committees in which the Crown has an interest. The purpose of the framework is to provide a basis for judgement in setting fees that will:
  - ensure a consistent approach to remuneration across all statutory and other Crown bodies;
  - contain expenditure of public funds within reasonable limits; and
  - provide flexibility within clear criteria.
8. The framework provides for the classification of bodies into one of the following groups:
  - Royal Commissions and Commissions of Inquiry (Group 1);
  - Statutory Tribunals and Authorities with decision making powers (Group 2);
  - Management Boards of Crown bodies (Group 3) including DHBs and Tertiary Education Institution Councils; and
  - all other committees and other bodies (Group 4).

9. Within each group there is a range of fee levels. Which level the fees are set at for a particular body is determined by factors such as the nature of the accountabilities, decision making powers, intensity of the role, span of influence of the role and calibre of required appointees. The Establishment Board has been assessed as a Group 4 (all other committees) body at level 1 (highest fee scale). This group's fee range is \$600 to \$970 per day for a Chair and \$450 to \$730 for a member.
10. It is anticipated that Board members will expect fees higher than that outlined in the framework, particularly given the scope, responsibility and timeframe to effect change for Auckland. It is important that candidates of the highest calibre are appointed. Ministers responsible for entities can, through the Minister of State Services, seek a fees exception outside and above that outlined in the framework.

### **The Establishment Board**

11. The Board's span of responsibility is broad, it will have an impact on a major area of economic activity of high strategic importance. It will be responsible for the transition of seven territorial authorities, 30 Community Boards, around 6,000 Council staff, over 40 council-controlled organisations (CCOs) into a single unitary authority with \$27 billion worth of assets, and \$2.2 billion in annual revenue.
12. It is envisaged that the Establishment Board will have statutory powers and responsibilities. It will be expected to achieve a well managed transition and implement new governance arrangements, while minimising disruption to services and necessary decision-making. They will likely need to:
  - design and establish the new entities – Auckland Council, local boards and key CCOs;
  - manage organisational change, which includes rationalisation of staff and assets;
  - maintain oversight of continued delivery of Council and CCO responsibilities and services;
  - maintain oversight of key initiatives such as major transport projects;
  - oversee the disestablishment of outgoing organisations; and
  - effectively communicate with council staff, Auckland ratepayers/residents, the general public and the Board's key stakeholders.

### **Board skills and expertise**

13. The Board will comprise an independent Chair and sufficient Board members to undertake the establishment of Auckland Council, local boards and key CCOs. It is envisaged that the Chair and the Board members will have significant change management experience at a senior level and expertise across a range of management disciplines, including change and people management, service delivery, finance, IT systems, and communications.
14. The Chair should have knowledge of local government principles and practice, and significant skills in large-scale reorganisations where people, IT systems, assets and third party contracts have played a key role. The Chair should enjoy a level of respect and credibility, and would be expected to quickly

develop strong, constructive working relationships with Government, Mayors, Chief Executives and relevant council management and staff.

15. In addition, the Chair will be responsible for the overall leadership of the Board. The Chair will be accountable to the Minister of Local Government and will be expected to report regularly.

### **Proposed remuneration**

16. The State Services Commission (SSC) has advised us that, while there is some flexibility in setting fees, Cabinet would be generally uncomfortable exceeding exceptional daily fees of up to \$1,300 and a \$1,000 for the Chair and members respectively.
17. By way of comparison, the previous Government authorised the Minister of Finance, the Minister of State Services and the Minister of Local Government to approve exceptional fees for the Chair and Commissioners who served on the Royal Commission on Auckland Governance, up to a level no greater than \$1,300 per day for the Chair and \$1,000 per day for Commissioners.
18. The attached letter from you to the Minister of State Services is therefore drafted to this effect. The SSC's advice is that the letter, as it is, will likely be supported by its Minister and Cabinet.

### **Next steps**

19. We recommend sending the attached letter to the Minister of State Services as soon as practicable. We also recommend that a signed copy of this letter is sent to the Minister of Finance for his information.
20. In the meantime, we have drafted a paper seeking Cabinet agreement to your nominees for the Establishment Board. Should the Minister of State Services agree to the proposed fees exception in the coming week, we anticipate being able to finalise this paper in time for Cabinet consideration on 27 April 2009.

### **Recommendations**

21. It is recommended that you:

- a) **Note** the Cabinet Office Fees Framework range for Group 4, level 1 is \$600 to \$970 per day for a Chair and \$450 to \$730 for a member;
- b) **Agree** that the Group 4, level 1 fees range is not commensurate with the desired skill and expertise required to attract and secure high calibre members for the Establishment Board for Auckland Governance;
- c) **Note** that the State Services Commission believes that Cabinet would be generally uncomfortable exceeding exceptional daily fees of up to \$1,300 for the Chair and up to \$1,000 a day for other members;

Yes/No

d) **Agree** to recommend that fees for the proposed Establishment Board for Auckland members, be up to a level no greater than \$1,300 per day for the Chair and \$1,000 per day for other members;  Yes/No

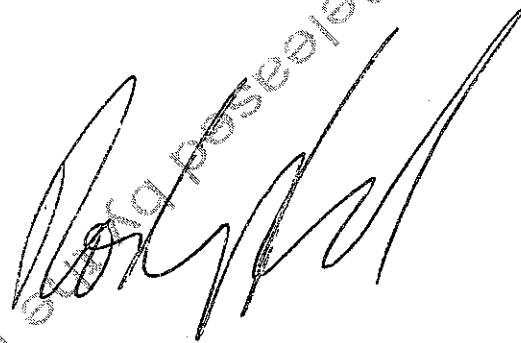
e) **Sign** the attached letter to the Minister of State Services;  Yes/No

f) **Agree** to send a signed copy of this letter to the Minister of Finance; and  Yes/No

g) **Note**, that providing the Minister of State Services agrees to the proposed fees exception in the coming week, we anticipate being able to finalise a paper seeking agreement to your nominee for the Chair of the Establishment Board in time for Cabinet consideration on 27 April 2009.



Anne Carter  
Deputy Secretary  
Local Government and Community



Hon Rodney Hide  
Minister of Local Government

2/14/2009



## Office of Hon Rodney Hide

MP for Epsom

Minister of Local Government

Minister for Regulatory Reform

Hon Tony Ryall Associate Minister of Commerce

Minister of State Services

Level 6.3

Executive Wing

Parliament Buildings

WELLINGTON

Dear Tony,

### Fees Exception: Establishment Board for Auckland

As Minister for Local Government, I am responsible for appointments to the Establishment Board of Auckland [the Board]. The Board will be responsible for implementing Government's decision on Auckland's new governance arrangements. I write to seek your urgent agreement to a fees exception outside and above that outlined in the Cabinet Office Fees Framework. This is in recognition of the unparalleled magnitude and complexity of change proposed for Auckland, the substantive skills and expertise required, and the need to carry out core tasks before local body elections in 2010.

#### ***The Establishment Board***

The Board's span of responsibility is broad, it will have an impact on a major area of economic activity of high strategic importance. It will be responsible for the transition of seven territorial authorities, 30 Community Boards, around 6,000 Council staff, over 40 council-controlled organisations (CCOs) into a single unitary authority with \$27 billion worth of assets, and \$2.2 billion in annual revenue.

The appointed Establishment Board will have significant statutory powers and responsibilities to enable them to successfully achieve a well managed transition to, and implementation of, new governance arrangements, and to be cost effective while attempting to minimise disruption to services and necessary decision-making. They will likely need to:

- design and establish the new entities – Auckland Council, local boards and key CCOs;
- manage organisational change, which includes rationalisation of staff and assets;
- maintain oversight of continued delivery of Council and CCO responsibilities and services;
- maintain momentum of key projects such as the Rugby World Cup;
- oversee the disestablishment of outgoing organisations; and
- effectively communicate with council staff, Auckland ratepayers/residents, the general public and the Board's key stakeholders.

#### ***Board Skills and Expertise***

As you can see the Establishment Board's job is vast, hugely complex and largely unprecedented. The Board will need to comprise an independent Chair and sufficient

Board members to undertake the establishment of Auckland Council. It is envisaged that the Chair and the Board's members will have significant change-management experience at a senior level and expertise across a range of management disciplines, including change and human resource management, governance, service delivery, finance, IT systems, and communications.

The Chair should have knowledge of local government principles and practice, and significant skills in large-scale reorganisation where people, IT systems, assets and third party contracts have played a key role. The Chair should enjoy a level of respect and credibility, and would be expected to quickly develop strong, constructive working relationships with government, Mayors, Chief Executives and other council management and staff. In addition, the Chair will be responsible for the overall leadership of the Board. The Chair will be accountable to the Minister of Local Government and will be expected to report regularly to the Ad Hoc Ministerial Group on Auckland Governance for the 18 month or so duration of the Board's existence.

### ***Cabinet Office Fees Framework***

The Cabinet Office Fees Framework sets the fees for all statutory bodies, non-statutory bodies and committees in which the Crown has an interest. It provides for the classification of bodies into one of the following groups:

- Royal Commissions and Commissions of Inquiry (Group 1);
- Statutory Tribunals and Authorities with decision making powers (Group 2);
- Management Boards of Crown bodies (Group 3) including DHBs and Tertiary Education Institution Councils; and
- all other committees and other bodies (Group 4).

Within each group there is a range of fee levels. Which level the fees are set at for a particular body is determined by factors such as the nature of the accountabilities, decision making powers, intensity of the role, span of influence of the role and calibre of required appointees. The Establishment Board has been assessed as a Group 4 (all other committees) body at level 1 (highest fee scale). This group's fee range is \$600 to \$970 per day for a Chair and \$450 to \$730 for a member.

### ***Proposed Remuneration***

The level of fees will need to be agreed with the proposed Board members. This will be my responsibility as Minister of Local Government. It is anticipated that the Board members will expect fees higher than Cabinet guidelines. My paper to Cabinet will propose that the Minister of Local Government, Minister of State Services and Minister of Finance be authorised to approve fees for the proposed Board members, up to a level no greater than \$1,300/day for the Chair and \$1000/day for the other members. These rates are comparable to those paid to Members of the Royal Commission into Auckland Governance (whose term ran for 17 months), and commensurate with attracting and securing high calibre, appropriately skilled and experienced candidates.

The Chair will need to have the ability to deal with a range of complex and sensitive issues, as well as having the necessary leadership skills and community profile. Both the chair and Board members will be required to have a high level of professional

expertise, irreproachable credentials, exceptional negotiation skills and experience dealing with local, regional, national and international interests.

I am aware that this is a substantial increase above the fees set by the Cabinet Office Fees Framework but, as noted previously, the Establishment Board for Auckland is time-bound and therefore I do not envisage any further fee increases. I consider the circumstances to be worthy of an exceptional response

In conclusion, I intend to take an Appointments paper to Cabinet in April 2009, and wish to signal I have discussed and obtained your agreement to this effect.

Yours sincerely

Hon Rodney Hide  
Minister of Local Government

Cc: Hon Bill English  
Minister of Finance

Hon John Carter  
Associate Minister of Local Government

Proactively Released by the Minister of Local Government