



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: Auckland Transition Agency Appointments: Further Information.

Date: 19 May 2009

Key issues
Role and remuneration of the Chair of the Auckland Transition Agency

Action sought	Timeframe
Note the contents of this paper	19 May 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
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Anne Carter
Deputy Secretary
Local Government and Community Policy Group

Purpose

This paper provides you with supporting information for the appointment of Mr Mark Ford to the position of Chair of the Auckland Transition Agency.

Size and scope of the transition

- The Auckland transition agency has the largest change-management role in New Zealand.
- The scope of the transition to the new structures is broad. Currently, in Auckland local government there is:
 - One regional council;
 - 7 separate territorial authorities;
 - 30 Community Boards;
 - In the order of 6,300 Council staff;
 - More than 40 council controlled organisations (CCOs) e.g. Auckland Regional Transport Authority, Watercare services, Auckland Regional Holdings (ARH), council organisations (trusts, partnerships, joint ventures), and council controlled trading organisations and Trusts;
 - In the order of \$27.2 billion worth of assets (including CCOs); and
 - In the order of \$2.3 billion annual revenue.
- Creating one Auckland Council and supporting Local Boards and determining the appropriate CCOs and other council organisations, their staff and assets, is a very large and complex job.
- Traditionally, Establishment Boards which are appointed to oversee and manage such reforms are responsible for planning and giving effect to organisational change and for managing the communications associated with the transition. In many cases they also assume oversight of key projects and business as usual.
- It is critical that the Auckland Transition Agency is clear about its priorities over the transition period. I therefore recommend that the priorities for the Board are:
 - (a) The design and establishment of, and transition to, the core structures – that is:
 - The Auckland Council - including all the necessary supporting functions, policies, plans, budgets and structures and infrastructure/arrangements to support its responsibilities in relation to building control, transport services and civil defence and emergency management; and
 - The 2nd Tier governance arrangements - Local Boards;
 - (b) Integration of water, wastewater (and possibly stormwater) services;
 - (c) Communications; and
 - (d) Maintaining oversight of existing council decision making to avoid any unwarranted commitment of public finances, ensure consistency with new arrangements, ensure uninterrupted delivery of services and momentum on key infrastructure projects.
- The Auckland Transition Agency is to be a small, effective unit with a very short life-span. Its work will be over in November 2010.
- There can be no extended settling in period. The Auckland Transition Agency must be up and running almost immediately.
- To lead the work of the Auckland Transition Agency, the government has sought practical people with practical skills.
- The key requirements are a very high level of understanding of good governance, organisational change, and Auckland.

Proposed Auckland Transition Agency Chair

- Mr Ford has strong experience in Auckland issues including Auckland Local Government issues. He has sound governance experience in public sector entities, and has extensive networks throughout the Auckland region. We understand Mr Ford is well regarded, in his role as Chief Executive of Watercare and role as Chair of ARTA.
- The role will be highly demanding, highly pressured and goes well beyond that of a fulltime position.
- He proposes to resign from his position as CE of Watercare, which is an open-ended position, and his position as Chair of ARTA, to take up 17 month job with the Auckland Transition Agency. The proposed salary this role is \$647,000 per annum.
- Although, Mr Ford's remuneration for the new role is high, it is rather less than he receives for his present Auckland local government roles, and by taking up the new role he has lost, without recompense, contractual rights extending over some years. Mr Ford's total REM is \$691,000, this includes a Watercare salary of \$611,000 and \$80,000 in fees as Chair of ARTA.
- Identifying the appropriate pay for people running council-controlled organisations in the future will be a matter for the new Auckland Council.
- In making this appointment, the government worked within the reality already established by the existing Auckland councils. If he were to be appointed Mr Ford would be taking on this very important short-term role with no right of return to his present positions as Chair of Watercare and a member of the board of ARTA.

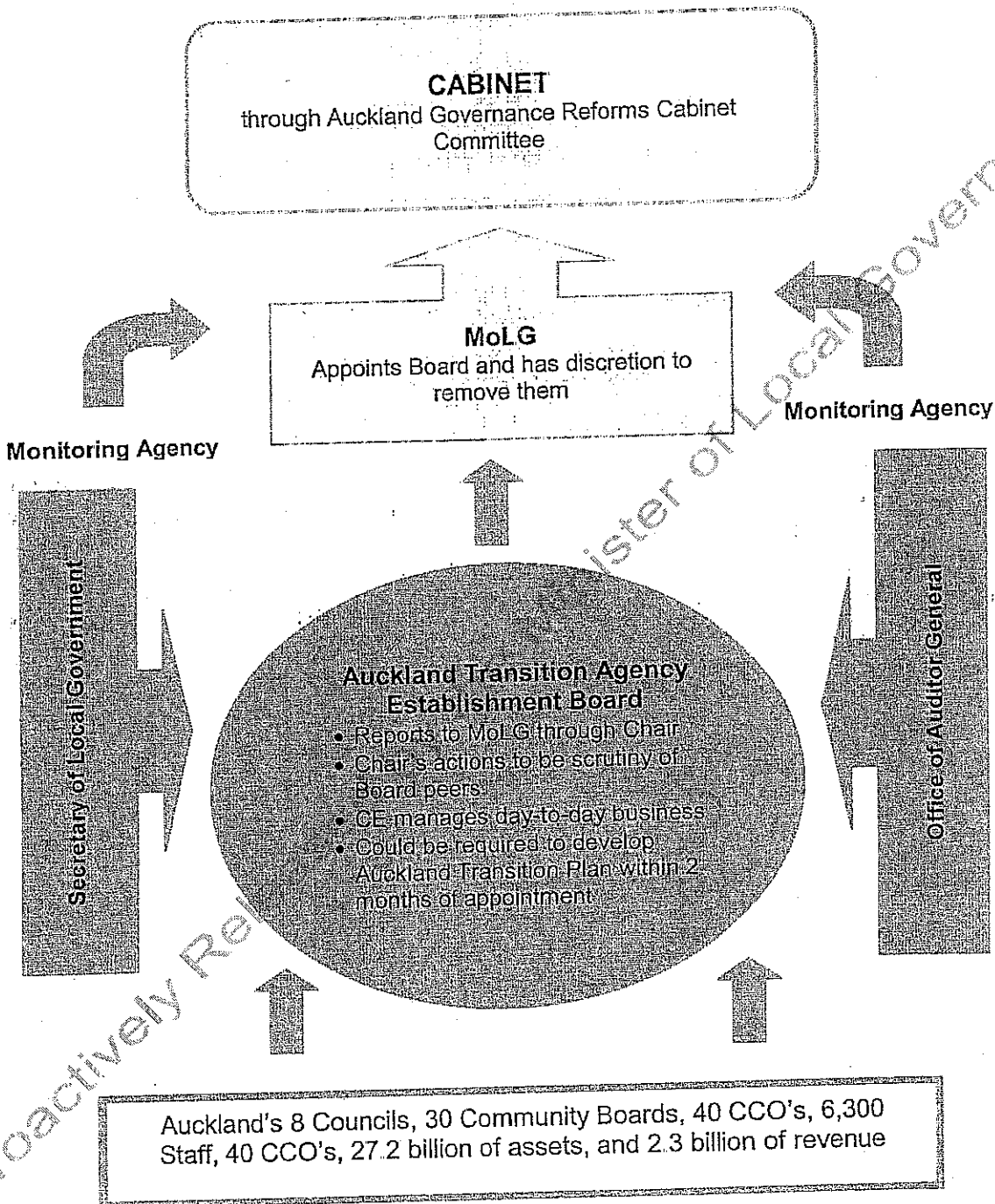
Chief Executive Auckland Transition Agency

- The Board will be responsible for the appointment of a Chief Executive, and will make an appointment to compliment Mr Ford's role as Chair.
- Under the legislation there is the possibility to second someone from an existing Auckland Council into the Chief Executive role at cost to that Council. Alternatively, if a secondee was not identified, having a Chair of the calibre of Mr Ford would enable the Auckland Transition Agency to appoint a Chief executive at a lower REM, e.g. \$200-230k.

Monitoring and oversight

- Clause 11 (1) of the LG (Auckland Reorganisation) Bill as introduced says the Minister appoints the members of the Transition Agency.
- The threshold for removal is at the discretion of the Minister of Local Government. It is a lower threshold than it is for Crown entities.
- The Chair will be one of a Board of five. The other prospective members of the Board are all experienced and highly regarded in their respective fields. Mr Ford's actions will therefore be scrutinised by his fellow Board members.
- The Board could be required to develop a transition plan within its first two months of operation and report against this to Minister(s). Ministers will need to decide the degree of involvement they have in overseeing the work of the Auckland Transition Agency. However, some distance may of course be useful.
- Rather than accountability to the Minister of Local Government, the Chair could potentially have accountability to two or more ministers. For example, given the size of the asset base the Minister of Finance could have some oversight responsibility.
- The Secretary of Local Government will also support Ministers.
- The Office of the Auditor-General will audit the entity. In addition, the OA-G will retain its usual powers to enquire into any relevant issue brought before it.

Monitoring and Oversight of Auckland Transition Agency



Comparatives: Scope of job and remuneration

NZ Commissions with fulltime Chairs

- The Auckland Transition Agency structure is similar to that of a number of Commissions, where a Board makes decisions under a fulltime Chair. A search of Annual Reports for the year ended 30 June 2008 indicates:
 - Commerce Commission - Paula Rebstock earned \$446,000
 - Securities Commission - Jane Diplock earned \$384,000 (plus vehicle allowance \$34,000) \$418,000
 - Electricity Commission - David Caygill earned \$243,000 for 8 Months - pro rated annual pay would be \$364,000

Directors in NZ State-owned Enterprises

- The top scale of board member fees for New Zealand's largest state-owned enterprises (e.g electricity generators and New Zealand Post) is around \$98,000 per annum for the chair and \$49,000 for board members.
- The roles are not full time. A member is likely to work at least 3 days per month. A chair is likely to work more than this (ie around 5 days a month).

CEs in NZ State-owned Enterprises

- Transpower - \$870,000
- NZ Post CE - \$1m; three other employees over \$670k; NZ Post total assets \$5-8b
- Solid Energy \$1.249m
- Genesis - \$1.3m
- Meridian CE - \$1.4m; total assets \$7.2b

CEs of Auckland Councils

- In July 2008 it was reported that the Chief Executive of Waitakere City Council salary was \$403,000 per annum.
- The next highest Auckland council chief executive salary package of \$387,000 is paid by Auckland City Council.

CE of Brisbane Council

- Chief Executive Brisbane City Council - \$410,000AU