

# **The Living Wage in the world's most liveable city in 2016 –**

## **Addressing inequality starting with Auckland Council**

The feasibility of Auckland Council paying a Living Wage to its employees and contractors

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# 1 Executive Summary

The Living Wage is the income necessary to provide workers and their families with the basic necessities of life and enable them to live with dignity and participate in the community.

Auckland Councillors in 2013 voted by one vote not to support a Living Wage. By contrast, Wellington Councillors have voted in favour of a Living Wage for both employees and contractors. Auckland's local boards have also voted in favour of a Living Wage.

Auckland Council's future vision to 2040 aims to create the world's most liveable city. This goal cannot be achieved if workers do not earn enough from full-time work to support their families. Paying low wages also means that Auckland will not be able to attract and retain the workers needed to ensure the city's commercial viability.

Auckland Council Group in 2015 had 1912 employees earning over \$100,000. Auckland Council Group in the same year had 1840 workers earning less than the Living Wage. The number of employees earning less than the Living Wage is rising, rather than declining. At the same time, there have been sharp rises in the remuneration of some of the highest-paid employees at Auckland Council Group.

This report suggests 10 different strategies which would make paying the Living Wage affordable for Auckland Council. These range from a pay freeze for the highest-paid, to using efficiency programme savings to increase low wages, and reducing debt more slowly.

## What is the Living Wage ?

The Living Wage is defined as –

“The income necessary to provide workers and their families with the basic necessities of life. A living wage will enable workers to live with dignity and to participate as active citizens in society” ([www.livingwage.org.nz](http://www.livingwage.org.nz)).

The Living Wage is calculated to enable a working family of two adults and two children to be able to pay basic household bills, provide healthy food and pay for children’s school trips. It is based on expenditure items for a modest weekly budget. Wage movement is reported by Statistics New Zealand quarterly in the New Zealand Income Survey, and the Living Wage rate is set according to the wage movement for the year to the previous June.

Campaigns for payment of a Living Wage have evolved in many countries in recent years, with the first victory in obtaining a Living Wage in a local body being achieved in the American city of Baltimore in 1994. By 2013, more than 140 municipalities in the United States had passed Living Wage ordinances and the campaign had spread to the United Kingdom, Australia and Canada.

In New Zealand, the first Living Wage campaign was launched in May 2012 in Auckland, and followed by Wellington in August that year. More than 200 supporting organisations joined forces in a statement of commitment to a Living Wage. In April 2013, an incorporated society was formed called Living Wage Movement Aotearoa New Zealand. It comprises three streams from civil society: faith-based religious groups, unions and community organisations.

The Family Centre Social Policy Unit in 2013 established the first Living Wage for New Zealand as \$18.40 an hour. That was updated in February 2014 to \$18.80 an hour, and in February 2015 to \$19.25 an hour. The current minimum wage in New Zealand is \$14.75 an hour. The minimum wage is reviewed by the Government each year as required under section 5 of the Minimum Wage Act 1983 and, if there is a rise, the new rate takes effect from 1 April. The Living Wage is also reviewed annually to take account of increased living costs.

In February 2014, a trademark brand for a Living Wage Employer was launched, with the inaugural Living Wage Employers for 2014/15 being announced on 1 July. More than 20 employers from non-government organisations and the private sector met the criteria to become Living Wage

Employers, including businesses in the manufacturing, community and hospitality sectors. Further Living Wage Employers for 2015/16 were announced on 1 July 2015, with the total number doubling to 40 employers.

## 2 The Living Wage and Auckland Council and Wellington City Council

Prior to the local government elections in 2013, the Living Wage Movement Aotearoa New Zealand campaigned for the adoption of a Living Wage by the Auckland Council and the Wellington City Council.

In late 2012, the Living Wage Movement Aotearoa New Zealand made presentations to 12 Auckland local boards. In March 2013, a delegation of Auckland community leaders met Auckland Mayor Len Brown to urge him to institute a Living Wage both for council employees and for contractors. It is vital the adoption of the Living Wage covers contractors as well as employees, because of the risk of work being transferred away from employees and towards contractors if the Living Wage is paid only to employees. The Mayor committed to the principle of the Living Wage and commissioned a scoping study of the economic impact of such a policy.

Seven local boards in 2013 passed resolutions recommending that Auckland Council become a Living Wage employer. Living Wage election forums were held in different parts of Auckland and candidates seeking election were asked to state whether or not they supported the payment of a Living Wage by the council. 117 candidates and 21 people running for election as Councillors committed either verbally at forums, or in writing, to the adoption of a Living Wage by Auckland Council for employees and those employed by contractors delivering services on a regular and ongoing basis.

However, when the matter came before the council after the elections, Councillors voted by one vote against the adoption by the council of a Living Wage.

Auckland's Albert-Eden Local Board resolved in February, and again in April 2015, that a new contractor at the Mt Albert Aquatic Centre should be required to pay all staff at least a Living Wage. However, Auckland Council Chief Executive Stephen Town overruled the board. *The New Zealand Herald* reported on 27 April 2015 that Mr Town had told Board chairman Peter Haynes that the Living Wage would be "inconsistent with the governing body's policy position." The *Herald* reported that Mr Town said that –

"I acknowledge that we are dealing with one contract for a local facility but the implications of requiring a living wage, even in one contract, will have ramifications beyond your local board's area

and would have untenable consequences for me as the employer of council staff.”  
([http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11438998](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11438998)).

The Puketāpapa Local Board voted on 24 September 2015 by a unanimous vote of those members present (after Member Kumar recused herself from the vote) that the board –

- a) reconfirm its November 2012 commits to the principle of the Living Wage, to support community well-being, and recommends that Auckland Council also support this principle
- b) recommend that Auckland Council pay all direct employees and contracted employees at least a Living Wage
- c) states its expectation that all contracts entered into by Auckland Council for work in the Puketāpapa Local Board area will guarantee at least a Living Wage to all workers employed under that contract
- d) identifies the following specific local projects and work areas that the Board wishes to see the Living Wage incorporated in, noting that this is not an exhaustive list and c) applies to all contracts in our area:
  - i) Te Auaunga Awa / Oakley Creek Stormwater project which is likely to include a number of community projects and separate contracts
  - ii) rehabilitation of the former Mt. Roskill Borough Council building
  - iii) Youth Connections locally
  - iv) local parks maintenance
  - v) cleaning and security services at facilities in the Puketāpapa Local Board area, including the Mt. Roskill Library.

In Wellington, the Wellington City Council voted 9 to 5 in favour of a policy of paying directly-employed staff a Living Wage from 1 January 2014, with full implementation of the policy by 1 July that year. Funding of \$750,000 was voted to support implementation.

On 28 October 2015, the Wellington City Council voted by 9 to 6 to extend an \$18.55 an hour wage to contractors working under a proposed new contract to supply security services to the council. Wellington Mayor Celia Wade-Brown said that the decision applied to “ a security contract with strong public roles including noise control, cash handling, guarding and mobile patrols. We expect improvements to the quality and effectiveness of these services and greater pride in delivery.” Councillor Ray Ahipene-Mercer, who seconded the motion that led to the decision, said that he strongly believed that a Living Wage rate encouraged staff to stay on in tough and potentially dangerous jobs like those in the security industry.

“It reduces turnover and increases stability – this is good not only for workers but for the industry, the Council and the community.” (<http://wellington.govt.nz/your-council/news/2015/10/living-wage-extended-to-council-security-contractors-in-wellington>).

The Living Wage Movement Aotearoa New Zealand will be campaigning in 2016 in the run-up to the local body elections on 8 October 2016 for the Auckland Council to adopt a Living Wage for employees and contractors.

### 3 Auckland Council's future vision 2015- 2040

The Auckland Council has a range of detailed documents which set out its core purposes and strategies for the period between 2015 and 2040.

#### **a) Auckland Plan**

The Auckland Plan is the over-arching document. It is the agreed 30 year plan for the delivery of Auckland Council's aim of creating the world's most liveable city and sets out Auckland's goals for local infrastructure and services. It sets the long-term strategic direction for Auckland. Preparation of the Auckland Plan was required by section 79 of the Local Government (Auckland Council) Act 2009, which also sets out the purposes of the plan -

#### **"79 Spatial plan for Auckland**

- (1) The Auckland Council must prepare and adopt a spatial plan for Auckland.
- (2) The purpose of the spatial plan is to contribute to Auckland's social, economic, environmental, and cultural well-being through a comprehensive and effective long-term (20- to 30-year) strategy for Auckland's growth and development.
- (3) For the purposes of subsection (2), the spatial plan will—
  - (a) set a strategic direction for Auckland and its communities that integrates social, economic, environmental, and cultural objectives; and
  - (b) outline a high-level development strategy that will achieve that direction and those objectives; and
  - (c) enable coherent and co-ordinated decision making by the Auckland Council (as the spatial planning agency) and other parties to determine the future location and timing of critical infrastructure, services, and investment within Auckland in accordance with the strategy; and
- (d) provide a basis for aligning the implementation plans, regulatory plans, and funding programmes of the Auckland Council.”  
<http://www.legislation.govt.nz/act/public/2009/0032/latest/DLM3338660.html>).

Section 80 requires the council to involve central government, infrastructure providers, the communities of Auckland and other parties in the preparation and development of the spatial plan, as well as to endeavour to secure and maintain the support and co-operation of those parties in the implementation of the plan.

The Introduction to the Auckland Plan states that it comprises -

“..the strategy to make Auckland an even better place than it is now, and create the world's most liveable city. It shows how we will prepare for the additional one million people we may have to accommodate by 2040, and the 400,000 new homes needed.”  
<http://theplan.theaucklandplan.govt.nz/>, page 10, paragraph 1).

The Introduction goes on to note that having a single council has given the city an unprecedented opportunity to plan for its future in an integrated way, and to bring together actions for better transport, environmental protection, improved land uses, housing growth, and economic development in one plan, and with one authority responsible for their co-ordination.

“The Auckland Plan describes the kind of place Aucklanders have told us they want, and outlines what is needed to achieve it. All Aucklanders, not just the Auckland Council, will need to ensure that the changes Auckland experiences over the next 30 years are catalysts for enhancing our prosperity and quality of life. This can only be accomplished through working in partnership, and through a shared commitment to achieving the outcomes that will make Auckland the world’s most liveable city. We are committed to shaping our growth to support Aucklanders, rather than allowing growth to shape our lives in an unmanaged way.” (<http://theplan.theaucklandplan.govt.nz/>, page 11, paragraph 5).

Section B of the Auckland Plan sets out the vision for Auckland –

“Auckland’s vision is to become the world’s most liveable city. As the world’s most liveable city Auckland will be a place that:

- \*Aucklanders are proud of,
- \*they want to stay or return to, and
- \*others want to visit, move to, or invest in.

18 The goal of liveability expresses our shared desire to create a city where all people can enjoy a high quality of life and improved standards of living, a city which is attractive to mobile people, firms and investors, and a place where environmental and social standards are respected.

19 Chapter 15 describes how we will measure liveability in Auckland. This section considers the global trends that are likely to impact on cities between now and 2040, and how Auckland will need to respond if the vision is to be realised. First, we need to understand Auckland as it is now: its place in New Zealand, and what makes it unique internationally.”

(<http://theplan.theaucklandplan.govt.nz/>, page 18, paragraph 18).

The Auckland Plan notes that the city is New Zealand’s largest urban and commercial centre and its success is critical to the well-being of all New Zealanders. The document says that Auckland’s employment diversity, market size and business clustering are unmatched by other centres, making it well-placed to attract high-value economic activities, skilled migrants and international investment –

“The scale of commercial activity, concentration of relatively high-value industries and greater number of highly skilled workers is such that labour productivity is 30% to 50% higher in Auckland, and 150% higher in the city centre, than in other New Zealand regions. With a 35% share, Auckland is one of a handful of cities around the world that generates more than an third of its nation’s GDP.” (<http://theplan.theaucklandplan.govt.nz/>, page 19, paragraph 23).

Section B also states that many New Zealanders still value the egalitarian principles that Auckland and New Zealand were founded on.

“However, in recent years there has been an alarming growth in inequality and the concentration of highly deprived communities in some parts of Auckland. Addressing inequalities is a major focus of the Auckland Plan.”(<http://theplan.theaucklandplan.govt.nz/>,page 21, paragraph 37).

The Plan goes on to acknowledge that growing social and economic inequalities have contributed to Auckland’s economic underperformance. The document says that, if all Aucklanders have the opportunity to reach their potential, that will reduce the possibility of social unrest.

(<http://theplan.theaucklandplan.govt.nz/>, page 25, paragraph 57).

Table B1 on page 27 projects that Auckland’s total employment will grow by 52% between 2007 and 2041. That breaks down to 26% growth over that period in retail; 40% in industrial; 80% in office; and 70% in education and health.

Section C of the Auckland Plan is titled “The Journey to 2040” and sets out Auckland’s vision as the world’s most liveable city in 2040. Page 30 states that outcomes include a fair, safe and healthy Auckland; an Auckland of prosperity and opportunity; and a Māori identity that is Auckland’s point of difference in the world. Transformational shifts required to achieve the vision include –

- Dramatically accelerating the prospects of Auckland’s children and young people
- Substantially raising living standards for all Aucklanders and focusing on those in need; and
- Significantly lifting Māori social and economic well-being.

Page 33 of the Auckland Plan notes that the city performs relatively poorly when compared with other OECD cities on indicators relating to youth unemployment, teenage pregnancy, child abuse, suicide, youth offending, cannabis use and hazardous drinking. The document says a focus on children and young people is fundamental to making Auckland the world’s most liveable city.

Page 34 states that ongoing improvement in living standards in Auckland is inhibited by New Zealand’s relatively poor economic performance compared to other OECD nations. It adds that improving economic performance will greatly enhance the ability to address the growing socio-economic inequalities in Auckland. The Plan states that outcomes for Maori in areas such as health,

education and income levels often do not compare well with those for the population as a whole.

Section D of the Auckland Plan states on page 36 that strengthening Auckland as an international city relies on “improved, balanced socio-economic development across Auckland, so that all residents share in its prosperity.”

Page 41 outlines the two key initiatives aimed at contributing to the economy and to both Auckland’s and New Zealand’s well-being. The second of these is the Southern Initiative. This aims to plan and deliver a long-term programme of co-ordinated investment and actions in the area of Auckland with highest social need, with the goal of bringing about transformational social, economic and physical change.

Chapter One outlines in detail the Plan’s vision for Auckland’s people, including strategic directions and targets. Page 69 states that people are at the heart of the Plan and that Auckland expects the city to “work together to care for, nurture and support each other to fulfil our potential.” The document states that children and young people are the top priority.

Page 70 records that there are significant pockets of disadvantage in some parts of Auckland, with the majority of deprivation concentrated in southern Auckland, which has a higher concentration of Māori and Pasifika peoples. Page 73 notes that the OECD in 2005 stated that inequality within a country indicated an inefficient society which wasted human resources, opportunities and life chances. A 2011 OECD report said that inequality in New Zealand had grown faster than in any other developed nation since the 1980s.

“Addressing inequalities, particularly in income, will reduce societal harm. It will encourage future economic growth, and political and social stability.” (<http://theplan.theaucklandplan.govt.nz/>, page 73, paragraph 189).

The Plan goes on to record at page 74 that a 2011 discussion paper by the Human Rights Commission demonstrated that Māori and Pasifika peoples were disproportionately represented in poor social statistics in the areas of health, education and home ownership. The Plan states that –

“To make Auckland fair and inclusive we must address:

\*Inequality, exclusion and disadvantage experienced by individuals, families, whanau and communities

\* inter-generational disadvantage by ensuring that children and young people are given the opportunity to reach their potential so that they do not experience disadvantage as adults

\*structural discrimination; by involving more Maori, Pacific and ethnic community peoples, and persons with disabilities, in positions of decision-making and influence, including as electoral candidates.” (<http://theplan.theaucklandplan.govt.nz/>, page 74, paragraph 192).

Directive 1.2 on page 78 requires the council to “Support parents, families, whanau, aiga and communities in their role as caregivers and guardians of children and young people.”

Chapter Six of the Plan deals with Auckland’s Economy. Strategic Direction 6 states that Auckland will develop an economy that delivers opportunity and prosperity for all Aucklanders and for New Zealand. Five targets are set –

- To improve Auckland’s OECD ranking of cities (GDP per capita) of 69<sup>th</sup> place in 2011 by 20 places by 2031
- To increase annual average productivity growth from 1% per annum in the past decade, to 2% per annum for the next 30 years
- To increase average annual export growth from 3% per annum in the last decade to 6% per annum for the next 30 years
- To increase annual average real GDP growth from 3% per annum in the last decade to 5% per annum for the next 30 years
- Ongoing provision of planned and service capacity for Group 1 business land, including large lots, to meet 5-yearly demand as assessed by annual surveys. (<http://theplan.theaucklandplan.govt.nz/>, page 150).

### ***b) 10-Year Budget Long-Term Plan 2015- 2025***

Auckland Council’s 10-Year Budget provides an overview of the city’s plans, strategies and budgets for the next 10 years. It also contains prospective financial statements for 2015-2025 and other key financial information.

Over the next decade, Auckland Council’s asset base will grow from \$42 to \$60 billion. The increase in debt will slow over the period, resulting in projected debt of \$11.6 billion by 2025, which is 17% lower than the \$13.7 billion forecast earlier.

The council plans to spend \$5.3 billion on major infrastructure projects between 2015 and 2025. The figures for 2025-2035 and 2035-2045 will each be \$2.9 billion.

Over the next decade, the council will allocate \$18.7 billion of capital spending. The largest item will be transport expenditure, comprising 43% of the

allocation. Water supply and wastewater will account for 25%, while governance and support – which includes council staff and administration costs - will be 7%.

(<http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/longtermplan2015/Pages/fullbudget.aspx#volume1>, page 17).

The council expects to spend \$41.4 billion in the years to 2025 on day-to-day services in the city. Governance and support will receive a capital spend of \$1.3 billion between 2015 and 2025, and an operating spend of \$4.2 billion.

The council plans to reduce governance and support costs through an ongoing efficiency programme. This is forecast to achieve reductions of \$21 million in year one and \$30 million from year two onwards.

(<http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/longtermplan2015/Documents/lt2015summaryofdecisions.pdf>, page 8).

Savings in corporate costs are expected to reach \$309 million a year by 2025.

(<http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/longtermplan2015/Pages/fullbudget.aspx#volume1>, page 25).

The 10-Year Budget states that Auckland will improve its technology and processes to increase efficiency savings from \$183 million for the 2014/2015 year, to more than \$300 million per annum by 2025.

(<http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/longtermplan2015/Documents/lt2015summaryofdecisions.pdf>, page 14).

The document also says the council plans over the next 10 years to –

- sell an average of \$66 million per annum of surplus property assets
- explore opportunities to maximise value for ratepayers by optimising the returns across the council's broad portfolio of financial investments
- partner with other organisations, including the private sector, charities and community groups.

(<http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/longtermplan2015/Documents/lt2015summaryofdecisions.pdf>, page 14).

The council is forecasting that \$126 million of additional permanent ongoing savings will be realised, so that total savings achieved increase from \$183 million in 2014/2105 to \$309 million per annum by 2024/2025. The savings are expected to accumulate to \$2.7 billion over the ten years.

The prospective statement of comprehensive revenue and expenditure for 2014/2015 to 2024/2025 forecasts operating surpluses of \$211 million in 2015/2016, rising to \$632 million by the end of the period.

***c) Auckland Council's Thriving Communities: Nga Hapori Mohomoho Community and social development action plan***

The Thriving Communities action plan states that, in order to create the world's most liveable city, Auckland needs thriving communities that are connected, resilient and inclusive. As the council has wide-ranging spheres of influence and responsibility, it has an important part to play in achieving this. (<http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/Councilstrategies/Documents/thrivingcommunitiessummary.pdf>, Summary, page 2).

Thriving Communities is one of the core strategies for implementing the Auckland Plan, focusing on what the council needs to do and the changes required across the organisation to better support community-led development and social change. Thriving Communities outlines seven principles encompassing the values and beliefs necessary for – and critical to – community-led development and social changes. The principles are expected to inform council decision-making and act as a checklist against which the council can measure decisions and actions. The seven principles are –

<b>“Inclusion and diversity</b>	Being responsive to the strengths, needs and aspirations of all Auckland’s different communities, and removing barriers to participation
<b>Social equity</b>	Taking an equity approach to how we make decisions and take action, for example by prioritising communities most in need
<b>Relationships and trust</b>	Focusing on building enduring, high-trust relationships with communities and the non-government sector
<b>Sustainability</b>	Working in holistic and integrated ways and taking a long-term perspective
<b>Solution-focused</b>	Being ‘can-do’
<b>Self-determination and resourcefulness</b>	Being committed to a community-led, ground-up approach to community development and focusing on the strengths and assets of a community
<b>He kaunihera aumangea he hapori aumangea</b>	Being a determined advocate and supporter of building strong Māori communities by valuing te Ao Māori in everything we do and enabling effective Māori participation in our democratic.”

#### **d) Auckland Council's Annual Plan 2014- 2105**

Auckland Council's Annual Plan 2014/2015 reiterates the vision of making Auckland the world's most liveable city.

([http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/annual\\_plan/Documents/annualplanv20142015vol1.pdf](http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/annual_plan/Documents/annualplanv20142015vol1.pdf), page 5).

There was no separate Annual Plan 2015/2016 as that was the first year of the current 10 Year Plan. The next Annual Plan will be the 2016/2017 Annual Plan, which will be open for consultation between 15 February and 15 March 2016 and will be adopted in June 2016.

The Annual Plan 2014/2015 records on page 23 that corporate support for the financial year ending 30 June 2015 will cost \$106 million; governance and democracy services \$23 million; local governance \$31 million; and planning and strategy \$69 million. Corporate support comprises staff located in 17 services centres across the city.

Pages 6 and 7 of the plan outline the capital expenditure programme for 2014/2015, involving \$1.15 billion worth of spending on new and improved assets as well as \$525 million to restore and replace existing assets. The key projects are –

- \$826 million on transport - \$215 million on electric trains; \$70 million on the City Rail Link; \$74 million on AMETI; \$18 million on the Albany Highway upgrade; \$11 million for the Otahuhu bus interchange
- \$323 million on water supply and sewerage - \$51 million for the Hunua No 4 Water Supply Scheme; \$51 million on the treated water network; \$54 million on the wastewater collection system; \$19 million on wastewater treatment
- \$248 million on lifestyle and culture - \$52 million to acquire new parks; \$97 million on local and sports parks; \$14.5 million for the Otahuhu swimming pool; \$6 million to replace the Aotea Centre roof
- \$63 million on local communities - \$23 million on new libraries at Massey North, Te Atatu Peninsula, Devonport, Flatbush and Otara
- \$96 million on drainage and flood protection - \$80 million on the stormwater management programme, including new infrastructure to support Special Housing Areas; \$16 million on the flood alleviation programme
- \$83 million on developing the Auckland economy - \$17 million to upgrade public spaces in the Auckland CBD, including \$900,000 on improvements to O'Connell Street to make it a people-friendly street

where people can shop, sit, relax and dine, \$2.1 million to upgrade Freyberg Square and \$2.4million on redeveloping Bledisloe Lane, including a new canopy ; \$11.5 million to develop public spaces at the Wynyard Quarter; \$23 million to upgrade town centres, including New Lynn, Westgate, Mangere, Mt Albert and Pukekohe

- \$243 million to protect and support the region - \$13 million on environmental and heritage protection; \$8.5 million on refuse and recycling infrastructure; \$77 million capital investment by Ports of Auckland.

(The sum of the capital investment projects is \$207 million more than the total capital expenditure projected in the council's financial statements as it is anticipated that a proportion of the projects will be delayed and the money will be spent in subsequent years -

[http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/annual\\_plan/Documents/annualplanv20142015vol1.pdf](http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/annual_plan/Documents/annualplanv20142015vol1.pdf), Page 7).

The \$525 million to be spent on restoring and replacing existing assets was expected primarily to be paid for by rates. The \$1.5 billion to be spent on new assets was projected to be paid for primarily by borrowing, to enable the cost to be spread over time. The value of council assets was expected to grow to \$40.6 billion by June 2015 and debt was anticipated to rise to \$7.2 billion, up from the opening net debt of \$6.3 billion.

The two key consultation topics arising out of the draft 2014/2015 annual plan were alterations to Auckland's stadium strategy and making the Auckland Arts Festival an annual rather than a biennial event. Annualising the event would require an additional \$1 million in council funding each year from 2015/2016, taking the council's contribution to \$3.2 million a year.

Following consultation on the draft Annual Plan 2014/2015, the council also decided to provide additional funding for –

- Auckland Transport, Auckland Council Property Limited and Auckland Tourism Events and Economic Development (ATEED) to cover expected budget shortfalls
- ATEED to fund new proposals (\$500,000 operating expenditure and \$1.7 million capital expenditure)
- Regional Facilities Auckland for art gallery operations (\$800,000)
- Operating funding for the Southern Initiative (\$500,000)
- \$900,000 to the Rescue Helicopter (Auckland) Trust to help support the purchase of a replacement helicopter.

### ***e) Auckland Council's Annual Report 2014- 2015***

The 2014/2015 Annual Report records that the council's annual revenue was \$3.6 billion for the year. Debt was \$7.3 billion and there were \$38 million worth of efficiency gains. \$1.5 billion was invested in assets.

The document states that in the 2014/2015 year the council turned its focus to becoming a high performance council. Making employee well-being a priority resulted in increased engagement. The report says that increased engagement leads to increased job satisfaction, productivity, staff retention and innovation, which in turn make the council high-performing. The report says the council will in the next year continue to focus on "valuing our people, ensuring that they understand our organisational purpose and strategy, and promoting excellent customer service."

([http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/reports/annual\\_report/Documents/annualreport2014summaryreport.pdf](http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/reports/annual_report/Documents/annualreport2014summaryreport.pdf), page 41).

Employee engagement has risen from 59% in 2010/2011 to 69% in 2014/2015.

Volume 3: Financial Statements of the Annual Report 2014/2015 sets out the key management remuneration for the year. That comprises the total remuneration paid to the mayor, the councillors, the chief executive and the executive leadership team. The total for the year was \$6.6 million, down from \$6.74 million in 2014.

\$2.48 million was paid to the mayor and councillors, for 21 full-time equivalent members. That was up from \$2.34 million in 2014. \$4.20 million was paid to the executive leadership team, down from \$4.39 million the previous year despite the number of full-time equivalent members rising from 11 to 12.

The Annual Report also records on page 90 of Volume 3: Financial statements of the Annual Report that the council made the following financial contributions in 2015 – Auckland War Memorial Museum \$28 million (\$27 million in 2014); MOTAT \$12 million (\$12 million in 2014); and Auckland Regional Amenities Funding Board \$14 million (\$14 million in 2014).

Page 91 explains the variation in the Group's performance from a budgeted surplus of \$4 million to a deficit before tax of \$96 million. Other revenue was \$303 million above budget, while employee benefits were \$63 million higher than had been budgeted for. Depreciation and amortisation exceeded the budget by \$42 million; grants, contributions and sponsorship were \$27 million above budget; and other operating expenses were \$47 million higher.

Net other losses exceeded the figure budgeted for by \$230 million. \$278 million of that related to the net movement in the fair value of financial assets, primarily due to falling interest rates. There was a \$13 million net loss on disposal of property, plant, equipment and intangible assets. However, those shortfalls were partly offset by a \$61 million fair value gain in investment properties. Actual net Group assets were \$32 billion - \$1.4 billion higher than budgeted.

The council reported a deficit before tax of \$201 million, against a budgeted deficit of \$50 million. Grants and subsidies were \$26 million above budget and other revenue was \$145 million above budget. Employee benefits were \$20 million more than budgeted; depreciation and amortisation were \$14 million over budget; and other operating expenses exceeded the budget by \$82 million. That primarily related to weathertightness costs and other provisions of \$69 million. Net other losses were \$176 million higher than budget, with \$191 million relating to the net movement in the fair value of financial assets, primarily as a result of falling interest rates.

#### ***f) Auckland Council's Procurement Strategy***

Auckland Council's Procurement Strategy provides direction when decisions are being made by the council about procuring goods, services or works in order to deliver on the council's objectives. The purpose of the strategy is said to be –

“to ensure that resulting procurements are undertaken in a way that is consistent with legislation governing Local Authorities and the intent and directives of the Auckland Plan.

“It has been developed by considering each of the decision-making principles set out in the Auckland Plan and how these are to be applied in a procurement context. It therefore sits alongside the various strategies, plans and policies of council to assist with their respective delivery of the Auckland Plan.”

<http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/councilpolicies/Documents/aucklandcouncilprocurementstrategy.pdf>, page 2).

The Procurement Strategy is based on the following principles from section C4 of the Auckland Plan –

1. Work together.
2. Value te Ao Māori.
3. Be sustainable.
4. Act fairly.

5. Make the best use of every dollar.
6. Be affordable.

The strategy on page 13 explains in detail how principle 6 is to be interpreted. It says that the council will look for the best possible value for the whole lifecycle of the goods, works or services being procured. This “does not necessitate the selection of the lowest price.” The strategy goes on to state that the procurement system “will encourage and maintain a sustainable and diverse market place to ensure a competitive market is maintained.” It also explains that there will be tensions between short and long-term costs, benefits and affordability. Using a whole of life approach at the business case stage assists in making decisions clear. Further, encouraging sustainable and diverse supply involves the full range of businesses, including small and medium-size enterprises.

The strategy states that –

“The Local Government Act 2002 requires all councils to provide good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective, efficient, effective and appropriate for households and businesses. Procurement is one of the many processes by which a local authority delivers on this requirement and this procurement strategy sets out how council will comply with this legislation by using the Principles in the Auckland Plan to provide the structure of council’s approach.”

<http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/councilpolicies/Documents/aucklandcouncilprocurementstrategy.pdf>, page 2).

Page 3 of the strategy notes that the council, as a public body, has responsibilities to consider not just the financial implications of procurement decisions, but also the short and long-term outcomes for the community it serves. Page 4 sets out the key goals of the Procurement Strategy as follows –

“A Procurement Strategy enables Council to:

- Ensure its procurement practice contributes to policy implementation and effective service delivery.
- Ensure that its approach to procuring goods and services is consistent with Council’s principles, for example, Working Together and Valuing te Ao Maori
- Ensure that most Council expenditure, while delivering the required goods or services, also contributes to wider policy goals and goals for the development of Auckland.

The Strategy goes on to note that the principal legislative guidance for procurement is based on section 10 of the Local Government Act 2002, as amended in 2012. The purpose statement says the goal of local government is

–

“to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.”

(<http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/councilpolicies/Documents/aucklandcouncilprocurementstrategy.pdf>, page 4).

“Good quality” is defined as efficient; effective; and appropriate to present and anticipated future circumstances. The strategy states that the council seeks to achieve best value over the lifecycle of goods, services or infrastructure. There are four elements to best value: quality and suitability of the service; long-term implications; wider outcomes for society; and the cost (both short and long-term). The paper observes that further legislative guidance for procurement is contained in section 14(1)(h), which states that local authorities must act in accordance with the following principles –

“ in taking a sustainable development approach, a local authority should take into account—

- (i) the social, economic, and cultural interests of people and communities; and
- (ii) the need to maintain and enhance the quality of the environment; and
- (iii) the reasonably foreseeable needs of future generations.”

### ***g) Auckland Council’s Procurement Policy***

Auckland Council’s Procurement Policy provides guidance to suppliers and staff of Auckland Council to achieve the Auckland Plan. It sets out how the council undertakes procurement decisions and details how it decides from whom the council should procure. The policy is designed to support the procurement principles in the Procurement Strategy.

The policy sets out the six procurement principles and then explains how they are to be interpreted. Principle 1 provides that all procurement decisions will consider the most appropriate procurement option and be able to select from a range of delivery processes to facilitate the best outcome for council and the community. The policy explains on page 6 that this provides the flexibility for the council to identify the most appropriate procurement option for obtaining goods, works or services. Page 7 states that “local impact” is not about purchasing goods, works and services from local suppliers. Rather it relates to positive contributions to –

- “A local community’s capacity (eg the skills, social capital and knowledge) to do things for themselves and participate in decisions that affect their community, and

- The health, resilience and sustainability of the local economy.”  
(<http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/councilpolicies/Documents/aucklandcouncilprocurementpolicy.pdf>).

The policy goes on to state that an important contributor to a healthy local economy is the “multiplier effect” of income in a local area ie, how much of the money is spent and then re-spent in the local area and how many times this happens. The document says that, given the budgets of public organisations, public sector procurement can have a significant multiplier effect on a local economy.

Page 8 discusses principle 2 – Value to te Ao Māori. The policy says that strong Māori communities places emphasis on the council’s role through procurement of contributing to Māori well-being -

“This requires an understanding of the intended and unintended outcomes of any procurement with a focus on contributing to improved Maori outcomes. It also requires consideration of how the procurement process can support and build Maori capability and capacity in procurement and as an outcome of procurement.”

Principle 3 – Be sustainable – requires the council to take into account environmental, economic, social and cultural matters when procuring goods, works and services. Page 9 explains that this means the council must consider the best value over the whole life of the goods, works or services under consideration. The document says on page 10 that being sustainable means it is important to identify both the capital costs and all ongoing costs, to ensure that the council is being sustainable environmentally, socially, economically and culturally.

Principle 5 – Make the best use of every dollar - is also subject to consideration of whole of life costing. Page 13 explains that there are a number of planning processes which plan for and allow assessment of multiple outcomes delivery. The council is trialling a Social Return on Investment assessment process which, if successful, will enable business owners to quantify and monitor the social outcomes being achieved by the project.

In relation to the principle 6 requirement of being affordable, the policy says on page 14 that “affordable” in the procurement context means that the procurement process “must efficiently identify and manage the criteria and weightings to ensure the appropriate balance between quality and short and long term costs. In some circumstances, costs and benefits to be assessed

would include economic, social and environmental and cultural costs and benefits.”

The policy says that best value for money is concerned “not just with unit costs, but with the full value or public benefit that will occur as a result of the procurement process.” There are four elements to best value –

- Quality and suitability of the service
- Long-term implications
- Wider outcomes for society
- The cost and benefits (both short and long-term).
- 

Page 15 sets out the criteria for selecting suppliers. Once again, the policy stresses that cost is one factor but the procurement must also be both suitable and of appropriate quality; provide long-term value; and promote diversity and competition in market sectors.

## 4 Auckland Council's future vision 2015- 2040 and the Living Wage

As seen in Section 3 above, the Auckland Plan outlines the city's vision of being the world's most liveable city. The document says that achieving this entails focusing on people, reducing inequality, dramatically accelerating the prospects for children and young people, and substantially raising living standards for all Aucklanders.

The key sources of poverty for Aucklanders are –

- Low family incomes – both for workers and for those on benefits
- High housing costs, and
- The high costs of accumulated debts, often linked to car purchases.

The payment of a Living Wage to Auckland Council employees and contractors would assist in addressing all three of these problems. The Living Wage would increase incomes for families, as hourly pay rates would rise from between \$14.75 and \$19.24 an hour, to \$19.25 an hour. The higher family income would make housing more affordable, and would mean both that families would be less likely to accrue debt, and that they would also be able to repay debts more quickly.

The adoption of a Living Wage by the Council would also promote the Plan's goal of creating a city where all people can enjoy a high quality of life and improved standards of living. The fact that the minimum wage is \$14.75 an hour and the Living Wage is \$19.25 an hour demonstrates that many employees working full-time in Auckland can no longer earn enough to live on. This stark fact has contributed to an end to New Zealand's previous vision of itself as one of the best countries in the world in which to raise children. It also means that work is no longer a guaranteed way out of poverty, since parents working full-time in Auckland might not earn enough to meet basic family living costs.

Child Poverty Action Group calculates that 260,000 children – or 24% of all New Zealand children – live below the poverty line. Approximately 17% of children do not have basic needs such as fresh fruit and vegetables, a good bed and basic clothing met. (<http://briefingpapers.co.nz/2015/05/more-income-is-required-to-improve-the-health-of-poor-children/>). In the past, poverty was suffered primarily by

those on benefits. However, two out of five children in poverty are now supported by a parent whose income derives from low-paid work, with a top-up provided by the Government through Working for Families.

Child Poverty Action Group's Professor Innes Asher, a paediatrician, noted in an article earlier this year that evidence demonstrated that, the longer the time that children spend on low incomes, the greater the harm they suffer. (<http://briefingpapers.co.nz/2015/05/more-income-is-required-to-improve-the-health-of-poor-children/>).

For example, the Dunedin Longitudinal Study that has followed a group of babies born in 1972/73 has found that children disadvantaged in pre-school years had poorer health as adults. At the age of 26, they had poorer cardiovascular health, increased periodontal disease, caries and substance abuse. Those negative outcomes were not reduced or reversed by the children moving into better socio-economic positions in later childhood or adulthood (<http://briefingpapers.co.nz/2015/05/more-income-is-required-to-improve-the-health-of-poor-children/>).

Professor Asher also noted that, in the 1980s, the proportion of New Zealand children in poverty was about half what it is now. Although the 1991 benefit cuts were a big contributor to this rise, low wages and the casualisation of employment have also contributed. Māori and Pasifika children have twice the rates of poverty of pakeha children, and hospital admissions for Māori and Pasifika children are more than double the admissions for pakeha children. Between 1993 and 2009, the incidence of rheumatic fever among pakeha children fell by 71%, while in that same period it climbed 79% for Māori children and 73% for Pasifika children. Poor health in childhood often carries through into adulthood, costing the health system large sums of money and making the sufferer unable to work, or able to work only part-time.

Auckland has a crisis in relation to housing. Rents are very high, the quality of the housing stock is poor and many rental homes are damp, mouldy, leaky and have other defects. New Zealand law provides very limited rights for tenants, meaning that there is no long-term security of tenure. The spiralling cost of buying a home in Auckland means that home ownership affordability is declining. The adoption of a Living Wage by Auckland Council would increase family income for its employees and contractors, making them more able to pay rent and perhaps making it feasible to save the deposit to buy a home.

The Auckland Plan, the 10-Year Budget Long-Term Plan 2015 – 2025, Thriving Communities: Nga Hapori Mohomoho Community and social development action plan, the Annual Plan 2014/2015, the Procurement Strategy and the Procurement Policy all make plain that Auckland Council’s vision for the years 2015- 2040 is a far broader one than a narrow focus on finance and economics.

Page 10 of the Auckland Plan outlines the council’s goal of making Auckland the world’s most liveable city. The aim of “liveability” is defined as including a “shared desire to create a city where all people can enjoy a high quality of life and improved standards of living.” Those earning less than the Living Wage cannot participate in this vision as their low incomes means their quality of life is poor and it is impossible for them to aspire to improving their families’ standards of living as they do not earn enough to pay for basic family needs.

Section B of the Auckland Plan on page 21 refers to an “alarming” growth in inequality and the concentration of highly-deprived communities in some parts of Auckland. It goes on to state that addressing inequalities is a major focus of the Auckland Plan. A key means of reducing inequality would be payment of a Living Wage by Auckland Council to its contractors and employees.

The positive impact of such a move would be magnified if the council took a leadership role in encouraging other employers throughout Auckland to pay a Living Wage. A Living Wage is not only good for the workers involved, it is also good for the community and Auckland as a whole. The plan acknowledges at paragraph 57 that growing social and economic inequalities have contributed to Auckland’s economic underperformance. The council has the opportunity to correct this in 2016 by moving to a Living Wage for its contractors and employees.

The Thriving Communities: Nga Hapori Mohomoho Community and social development action plan states that, in order to create the world’s most liveable city, Auckland needs thriving communities that are connected, resilient and inclusive. As the council has wide-ranging spheres of influence and responsibility, it has an important part to play in achieving this.

The Living Wage Movement Aotearoa New Zealand agrees with those statements and urges the council to make good on the principles outlined in the Thriving Communities document – particularly the social equity principles of prioritising communities most in need – by supporting a Living Wage.

Auckland's planning documents place heavy emphasis on the role and importance of Māori in the super city. However, Māori and Pasifika residents of Auckland are disproportionately represented in low income families and in areas of the most deprivation. Māori and Pasifika women are among the lowest-paid workers in New Zealand. In 2014, 60% of Māori and Pasifika wage earners earned less than the Living Wage, compared with 40% of pakeha. The council has the power to bring its vision for a more inclusive and less unequal city to life by taking steps to raise incomes for Māori and Pasifika employees and contractors.

Many of Auckland's local boards have made their support for the Living Wage plain by voting to back it – some of them, more than once. It is anti-democratic for their decisions to be over-ruled – particularly when that is done by unelected officials.

Auckland Council's future strategy emphasises the importance of young people and ensuring that they get a good start in life. However, there is a high concentration of young people among those earning less than the Living Wage. In 2014, around 70% of New Zealanders in their twenties earned less than the Living Wage. Teenagers and people in their twenties together made up 43% of those earning less than the Living Wage. The council needs to act to remedy this if its long-term vision for Auckland is to be realised.

Auckland Council's vision of a reduction in inequality in coming years is one which should be supported. However, the council is in danger of being labelled a hypocrite for saying one thing and doing another in this regard. In 2015, Auckland Council Group had 1912 employees paid \$100,000 or more, up from 1720 in 2014. The core council had 1005 employees paid \$100,000 or more in 2015, up from 940 in 2014. Auckland Council's Mayor and Councillors are all paid more than \$100,000 and its Chief Executive and the Chief Executives of Council-Controlled Organisations are paid hundreds of thousands of dollars.

This is in marked contrast to the very low pay rates of employees and contractors who earn slightly more than the minimum wage and less than the Living Wage. Accordingly, Auckland Council itself presents a stark picture of severe and growing inequality. This is made worse by the fact that it is some of those on very high incomes who oppose payment of a Living Wage to those on the lowest incomes.

Auckland Council has spent a lot of time and money on developing its vision for the next 25 years. If that vision is to be more than meaningless words, the council needs to take the actions which will most effectively achieve the future vision. The council because of its major role in the economy of Auckland is perfectly placed to lead the way for other employers. In the United States, it is businesses with municipal or state government contracts that are leading the way on the Living Wage. By contrast, local authorities in New Zealand – with the exception of Wellington City Council – have failed to be trailblazers.

## 5 Remuneration at Auckland Council and Auckland Council Group

Auckland Council's Annual Report 2014/2015 sets out details of remuneration provided to the Mayor, Councillors, Local Board members, Chief Executive and staff. The figures are listed in detail on pages 82 to 90 of Volume 3: Financial statements.

They record the following payments for 2015 –

- Mayor Len Brown \$259,304 (\$249,868 in 2014)
- Deputy Mayor Penny Hulse was paid \$120,609 (\$111,002 in 2014)
- 20 Councillors received \$101,825 (\$96,019 in 2014). Councillors Christine Fletcher and Mike Lee received \$101,825 payments as Councillors and a further \$53,300 in their roles as Auckland Transport directors (\$52,967 in 2014)
- Local board members were paid amounts ranging from \$22,189 (\$14,531 in 2014) to \$80,149 (\$74,301 in 2014). Albert-Eden board members generally received \$40,379; Devonport-Takapuna board members \$39,180, Mangere-Otahuhu members \$39,878; and Otara-Papatoetoe members \$40,079.
- Auckland Council's Chief Executive Stephen Town was paid a salary of \$611,650 (\$834,775 in 2014). Post employment benefits in the form of Kiwisaver were \$18,350, taking total remuneration to \$630,000 (\$859,814 in 2014).

The document records that the executive leadership team received total remuneration of \$3.57 million in 2015 (\$3.53 million in 2014). The number of employees of the Auckland Council Group was 9678 full-time equivalent staff in 2015 (9470 in 2014). The Group includes the council, local boards, council-controlled organisations, subsidiaries, associates and joint ventures. The number of full-time equivalent council employees was 6088 in 2015 (6024 in 2014).

In 2015, Auckland Council Group employee remuneration was as follows –

- Less than \$60,000 – 5341 (5270 in 2014)
- \$60,000 - \$79,999 – 2392 (2430 in 2014)
- \$80,000 - \$99,000 – 1735 ( 1702 in 2014)
- \$100,000 - \$119,999 – 909 (824 in 2014)

- \$120,000 - \$139,000 – 451 (402 in 2014)
- \$140,000 - \$159,000 - 234 (202 in 2014)
- \$160,000 - \$179,999 – 100 (92 in 2014)
- \$180,000 - \$199,999 – 72 (61 in 2014)
- \$200,000 - \$219,999 – 37 (44 in 2014)
- \$220,000 - \$239,999 – 30 (26 in 2014)
- \$240,000 - \$259,999 – 16 (17 in 2014)
- \$260,000 - \$279,999 – 8
- \$280,000 - \$299,999 – 19
- \$300,000 - \$319,000 – 12
- \$320,000 - \$359,000 – 8
- \$360,000 - \$419,000 – 8
- \$440,000 - \$639,999 – 6
- \$660,000 - \$819,999 – 2.

The highest bands for the Group in 2014 were \$260,000 - \$299,999 – 18; \$300,000 - \$319,999 – 8; \$320,000 - \$359,999 – 7; \$360,000 - \$399,999 – 8; \$400,000 - \$479,999 – 6; \$480,000 - \$859,999 – 5. There were 11,380 employees across the Group in 2015, and 11,122 in 2014.

Auckland Council employee remuneration in 2015 was as follows –

- Less than \$60,000 – 3389 (3367 in 2014)
- \$60,000 - \$79,999 – 1615 (1631 in 2014)
- \$80,000 - \$99,999 – 1114 (1113 in 2014)
- \$100,000 - \$119,999 – 523 (491 in 2014)
- \$120,000 - \$139,999 – 238(225 in 2014)
- \$140,000 - \$159,999 – 105 (96 in 2014)
- \$160,000 - \$179,999 – 57 (51 in 2014)
- \$180,000 - \$199,999 – 31 (26 in 2014)
- \$200,000 - \$219,999 – 16 (16 in 2014)
- \$220,000 - \$239,999 – 11 (11 in 2014)
- \$240,000 - \$259,999 – 5
- \$260,000 - \$299,999 – 8
- \$300,000 - \$339,999 – 7
- \$400,000 - \$639,999 – 4.

The 2014 figures for the highest bands were \$240,000 - \$279,999 – 7; \$280,000 - \$299,999 – 7; \$300,000 - \$399,999 – 6; and \$440,000 - \$639,999 – 4. There were 7123 employees in 2015 and 7051 in 2014.

This means that, in 2015, 1912 Group employees were paid \$100,000 or more, up from 1720 in 2014. 1005 council employees were paid \$100,000 or more in 2015, up from 940 in 2014.

*The New Zealand Herald* reported on 12 October 2015 on remuneration for Auckland Council Group's chief executives.

([http://m.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11527494](http://m.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11527494)).

Their pay for 2015 is as follows –

- Auckland Council Chief Executive Stephen Town \$690,000 (almost 10% increase of \$60,000 from \$630,000 in January 2016 after no rise since 2014);
- Auckland Transport Chief Executive David Warburton \$660,000 - \$680,000 (up 3% from the 2014 figure of \$640,000 to \$660,000. The figure for 2013 was \$600,000 to \$620,000 and for 2012, \$570,000 to \$580,000)
- Auckland Watercare Chief Executive Raveen Jaduram - \$590,000 - \$600,000 (2015 was his first year in the job)
- Waterfront Auckland Chief Executive John Dalzell - \$450,000 - \$460,000 (this figure excludes a performance component for the 2014/2015 year. The figure for 2014 was \$500,000 - \$510,000. For 2013 it was \$440,000 - \$450,000. For 2012, it was \$380,000 to \$390,000)
- Auckland Tourism, Events and Economic Development Chief Executive Brett O'Riley - \$370,000 - \$380,000 (the 2014 figure was \$350,000 - \$360,000 and for 2013 it was the same. The 2012 figure was \$340,000 to \$350,000)
- Auckland Council Property Ltd Chief Executive David Rankin - \$410,000 - \$420,000 (the 2014 figure was \$400,000 - \$410,000 and the 2013 remuneration was \$370,000 - \$380,000. In 2012 the figure was \$360,000 - \$370,000)
- Auckland Council Investments Chief Executive Gary Swift - \$340,000 - \$360,000 (the 2014 figure was the same. In 2012 and in 2013, the figure was \$330,000).

As a comparison, Prime Minister John Key is paid \$452,500 a year and United States President Barack Obama US\$400,000 plus annual expenses of \$50,000, a \$100,000 non-taxable travel account and \$19,000 for entertainment.

In 2015, Auckland Council Group had 1840 staff paid less than the Living Wage. This was an increase on the 2011 figure of 1503 workers paid less than the Living Wage.

## **6 Auckland Council and the financial viability of paying the Living Wage**

The key argument raised against the Living Wage is that it is not affordable. However, this is not true and, further, such an assertion reflects a very narrow and short-term financial focus. Auckland Council's strategies and plans make it plain that the city's approach is a far broader one, which considers community well-being, long-term prospects, the position of Māori and sustainability, rather than simply focusing only on economics.

The cost of living in Auckland is far more expensive than in other parts of the country. It has accordingly been suggested by some that an Auckland loading should be applied to wages in Auckland, with workers being paid more in the city because rents, transport and other costs are higher.

In the United Kingdom, there is a specific "London Living Wage" to take account of higher costs in the capital. The 2016 London Living Wage is £9.40 an hour, compared with the rate of £8.25 an hour for the rest of the United Kingdom. The figures will be recalculated in November 2016. Currently, 21% of people living in London are paid below the London Living Wage.

It was suggested in 2012 that an appropriate Living Wage for Auckland would be \$24.11 an hour. That was four years ago. Accordingly, Auckland Council employees and contractors currently being paid between \$14.75 and \$19.24 an hour are earning far less than is needed for them to survive.

The council's vision and strategy for the city from 2015 to 2040 envisage an urban centre in which there is reduced inequality and all residents share in prosperity. However, median hourly earnings in New Zealand were \$22.83 an hour in June 2015. Accordingly, those council employees and contractors paid less than the Living Wage of \$19.25 an hour are earning well under the country's median rate. Those earning between \$14.75 an hour and \$19.24 an hour are considered by the Living Wage Movement Aotearoa New Zealand not to be earning enough to live on.

In a media release dated 29 October 2015 on the 2016/17 Annual Plan, Auckland Council Finance and Performance Committee chair, Penny Webster, said that the committee was recommending consultation on a number of

issues. These included lowering rates for larger farm and lifestyle properties and additional rates remissions for Maori freehold land.

In the same media release, Ms Webster said that the decisions had shown where the council thought that the direction of the Annual Plan should be set. The Living Wage Movement Aotearoa New Zealand urges the council to add the issue of the Living Wage to the consultation. Ms Webster said that –

“We know that the council is in good financial shape, but we would like to hear from Aucklanders on these important issues to help guide our thinking when making final decisions on the budget [in 2016].” (<http://ourauckland.aucklandcouncil.govt.nz/articles/media/council/2015/10/council-recommends-annual-plan-consultation-items/>).

The fact that the council is in good financial shape confirms that the payment of a Living Wage is affordable.

The Auckland Council has produced a number of estimates of the cost of implementing a Living Wage for employees. The 12 March 2013 meeting of the Auckland Plan Committee received a report on the Living Wage, titled *The Living Wage – Issues for Auckland Council*

(<http://www.aucklandcouncil.govt.nz/SiteCollectionDocuments/aboutcouncil/localboards/orakeilocalboard/meetings/orakeilbgenitma20130502.pdf>).

The document calculated that implementing a Living Wage for employees at the then-hourly rate of \$18.40 would cost a minimum of \$2.5 million a year, while implementing a Living Wage of \$24.11 an hour (the Auckland Living Wage) would cost a minimum of \$17.3 million a year.

The Living Wage Movement Aotearoa New Zealand estimated in 2013 that paying a Living Wage to Auckland Council employees and contractors would cost \$6.95 million, less than 1% of the wage budget and only 0.015% of the council’s annual budget. The figures involved are tiny compared with the overall scale of the council’s financial operation.

In 2013, 1623 workers at Auckland Council were earning below the Living Wage, out of a staff of 10,616 workers. A significant number of library employees are among those earning less than the Living Wage, together with workers in customer service roles, housekeeping attendants and catering assistants. Contractors paid less than the Living Wage include those in cleaning, security and waste and recycling contracts.

## ***10 strategies to make the Living Wage affordable for Auckland Council***

### **1 Freeze the pay of Auckland Council Group staff.**

In the United Kingdom, Cornwall Council from 1 April 2015 introduced a Living Wage for 1800 of its lowest-paid workers by freezing the pay of other employees until 2017. The pay freeze means the council is juggling £1 million in its wages bill. Those on low incomes have seen their pay rise from the minimum wage of £6.50 an hour to £7.85 an hour.

Cornwall Council took the initiative following an agreement made between the council and trade unions. Those receiving pay rises have included administrative and clerical assistants, caretakers, cleaners, cooks, drivers and domestics. Council leader, John Pollard, said the council was pleased to implement the initiative as it set an example of a minimum standard.

“It means that in Cornwall Council, no matter what you do, you’re paid [at least] £15,000 a year and that’s important.” (<http://www.bbc.com/news/uk-england-cornwall-32410800>).

A pay freeze for Auckland Council Group’s staff would fit in perfectly with the council’s aim of reducing inequality in Auckland and ensuring that prosperity is shared among all residents.

### **2 A long-term freeze on increasing the pay of those on the highest incomes in Auckland Council Group and the Mayor and Councillors.**

Pages 28 to 30 of this report detail the remuneration of the highest-paid at Auckland Council. In 2015, 1912 Auckland Council Group employees were paid \$100,000 or more, up from 1720 in 2014. 1005 Auckland Council employees were paid \$100,000 or more in 2015, up from 940 in 2014.

In addition the Mayor was paid \$259,304 in 2015, up \$10,000 on his remuneration in 2014. The Deputy Mayor’s remuneration rose by \$9000 between 2014 and 2015, climbing to \$120,609. Councillors were paid \$101,000 in 2015 and Auckland Council’s Chief Executive received remuneration of \$611,650. The Chief Executives of Council-Controlled Organisations were paid remuneration ranging from \$340,000 to between \$660,000 and \$680,000. Such high salaries exacerbate inequality in Auckland, thereby working against the goals and vision those on high incomes are paid to implement.

In 2013, the Living Wage Movement Aotearoa New Zealand calculated that 7% of the council workforce earned over \$120,000, costing a total of \$127 million,

or 20% of the total salary budget. A reduction of the total amount paid to those on salaries above \$120,000 by 5.5% would have been enough to meet the cost of the Living Wage in 2013.

Auckland Council could also follow the lead of the Wellington City Council, which voted in October to require payment of a Living Wage for contractors working under a proposed new contract to supply security services to the council. Wellington Councillors made the decision fiscally-neutral by voting at the same time to remove \$250,000 from the Council's personnel and travel budget. Auckland Councillors could examine ways to fund the Living Wage by reducing or eliminating travel or other budgets.

The council could call for volunteers among the high-paid staff to accept a reduction in their remuneration to fund a Living Wage for the lowest-paid.

### **3 Defer or reduce some major infrastructure projects**

The Auckland Council's 10-Year Budget projects that Auckland Council's asset base will grow from \$42 billion to \$60 billion in the next decade. The council plans to spend \$5.3 billion on major infrastructure projects in that period. It will spend a further \$5.8 billion on major infrastructure between 2025 and 2045.

The cost of implementing a Living Wage for both employees and contractors is miniscule compared to these sums. Slightly reducing the scope or deferring some major infrastructure projects would easily result in enough money to fund the Living Wage.

### **4 Defer or reduce some capital expenditure**

Auckland Council plans to allocate \$18.7 billion of capital spending between 2015 and 2025. The largest item will be transport expenditure, comprising 43% of the allocation. Water supply and wastewater will account for 25%, while governance and support will comprise 7%. The council expects to spend \$41.4 billion on day-to-day services in the city in the years to 2025. Governance and support will receive a capital spend of \$1.3 billion between 2015 and 2025, and an operating spend of \$4.2 billion.

Once again, a small reduction in one or more of these areas would be ample to fund the cost of implementing the Living Wage.

### **5 Use efficiency programme savings**

The council is aiming to reduce governance and support costs through an ongoing efficiency programme. This is forecast to achieve reductions of \$21 million in year one, and \$30 million from year two onwards. Savings in corporate costs are projected to reach \$309 million a year by 2025. Allocating a small part of those savings to implementation of the Living Wage would allow it to be introduced both for employees and for councillors in 2016.

## **6 Reap the rewards of technology**

The 10-year Budget states that Auckland will improve its technology and processes to increase savings from \$183 million for the 2014/2015 year, to more than \$300 million per annum by 2025.

Those technology savings could be partly used to fund the Living Wage.

## **7 Defer or cancel small local projects**

The Annual Plan 2014/2015 records planned expenditure such as \$17 million to upgrade public spaces in the Auckland Central Business District, including \$900,000 on improvements to O'Connell Street to make it a people-friendly street where people can shop, sit, relax and dine. \$2.1 million is allocated to upgrading Freyberg Square and \$2.4 million to redeveloping Bledisloe Lane, including a new canopy. \$11.5 million is budgeted for developing public spaces in the Wynyard Quarter and \$23 million for upgrading town centres.

Deferring, downsizing or cancelling some of these projects would produce sufficient savings to pay for the Living Wage.

## **8 Reduce debt more slowly**

The 10-Year Plan projects that the increase in Auckland Council's debt will slow in the years to 2025, resulting in projected debt of \$11.6 billion by 2025, which is 17% lower than the \$13.7 billion forecast earlier.

Reducing debt a fraction more slowly would be enough to fund the Living Wage and would have a negligible impact on the council's overall debt.

## **9 Borrowing**

The cost of the Living Wage could be funded through borrowing. The council's debt is expected to be \$11.6 billion by 2025, so borrowing a few million to pay for the Living Wage would result in only a fractional increase in the council's overall debt.

## **10 Use the proceeds from the sale of surplus property assets**

The council expects to sell an average of \$66 million of surplus property assets each year in the next decade. That money could be used to finance the implementation of the Living Wage.

There are many ways in which Auckland Council could afford to pay a Living Wage both to contractors and to employees. It is a matter of choice.

## **7 The Local Government Act 2002 and the Living Wage – is payment of a Living Wage by councils unlawful ?**

Wellington Employers' Chamber of Commerce announced on 6 November 2015 that it would file judicial review proceedings challenging Wellington City Council's October 28 decision to pay contractors working under a proposed new security services contract a living wage.

The Wellington Chamber in a press release said that the Wellington City Council's decision to support the payment of the living wage for the security services tender was contrary to the Local Government Act 2002.

<https://www.wecc.org.nz/advocacy/media-releases/wecc/chamber-to-file-judicial-review-against-council-contractor-decision>).

Chamber Chief Executive John Milford said the case was “not about the living wage, its merits or otherwise, but ensuring the lawfulness of Wellington City Council's decision.”

He went on to say that –

“Councillors received strong advice from Council officials and the Council's own lawyers that there is a serious risk that they would be acting beyond their powers if they voted in favour of this requirement – a majority still did.

“We are taking these proceedings because we believe this decision is not prudent stewardship or efficient and effective use of ratepayer resources, 47% of which is contributed by Wellington businesses. Nor is it a function that is cost-effective for households and businesses. These are Councillors' clear obligations under the Local Government Act.”

Mr Milford in an earlier media release dated 23 October said that –

“The Chamber has said from the start that the council's pursuit of the Living Wage is an ideologically driven decision. The council has a duty to ratepayers to deliver services in a way that is most cost-effective for households and businesses. This is their clear legal obligation under the Local Government Act...

“The decision to force third-party contractors to implement the so-called Living Wage or face losing the council's business is most concerning. That not only puts Wellington jobs and businesses at risk, it goes well beyond the council's authority.

“The Living Wage's methodology has repeatedly been shown as flawed.

“Wage increases should be about performance and productivity. This is not what the Living Wage is based on. Real wage increases cannot be created by the stroke of a pen.”

<https://www.wecc.org.nz/advocacy/media-releases/wecc/council-should-follow-own-legal-advice-and-drop-living-wage>).

The council's legal advice said that requiring a living wage for the security services contract would put the council “at risk of being found to have acted

outside of the purpose of local government as set out by sections 10 and 11 of [the] Local Government Act.” It also said that –

“..the increased cost that arises as a consequence if the living wage should allow for a corresponding increase in the quality or effectiveness of the particular service being provided.”

The lawyers concluded that requiring a living wage in this case could not be justified in terms of improved quality and/or effectiveness.”

By contrast, barrister Dr Matthew Palmer in a 2013 legal opinion for a Wellington law firm on behalf of the Public Service Association concluded that

–

“... the Local Government Act does not prohibit a local authority or Council-Controlled Organisation from paying its employees, or requiring its contractors to pay their employees, a living wage. My opinion is based on material that explains the economic justification of a living wage in terms of associated productivity gains.

“Pursuing such a policy would be consistent with the purpose of local government which includes cost-effectiveness and provision of good quality services. In particular, I consider that it would be valid for a local authority to exercise its power to set remuneration policy under the Local Government Act by adopting a living wage policy.”

The Living Wage Movement Aotearoa New Zealand agrees with Dr Palmer’s interpretation of the law and believes that the Chamber and the council’s legal advisers have misinterpreted the law. The Chamber and the council’s lawyers have adopted an extremely narrow approach to interpretation of the Local Government Act, focusing almost exclusively on financial matters and ignoring the democratic and community imperatives of the legislation.

Section 3, the “purposes” section of the Local Government Act, sets the framework for the law, explaining its key aims and context as follows -

### “3 Purpose

- The purpose of this Act is to provide for democratic and effective local government that recognises the diversity of New Zealand communities; and, to that end, this Act—
  - (a) states the purpose of local government; and
  - (b) provides a framework and powers for local authorities to decide which activities they undertake and the manner in which they will undertake them; and
  - (c) promotes the accountability of local authorities to their communities; and
  - (d) provides for local authorities to play a broad role in meeting the current and future needs of their communities for good-quality local infrastructure, local public services, and performance of regulatory functions.”

The key purpose of the act stated in the purposes section is to “provide for democratic and effective local government that recognises the diversity of New Zealand communities.” Accordingly, it is democracy and effective local government which are at the heart of the legislation. The purposes section does not state that obtaining services at the cheapest possible cost is a purpose of the legislation. The section goes on to state that the act provides a framework and powers for local authorities to decide which activities they undertake and how they undertake them. It also says the legislation promotes the accountability of local authorities to their communities, and provides for local authorities to play a broad role in meeting the current and future needs of their communities.

Once again, this is all about broad goals of accountability to communities and meeting the needs of communities – it is not about a single focus on cheap services.

That broad interpretation of the legislation is confirmed by the Hansard record of parliamentary debates at the time when the law was being passed. Then-Local Government Minister Chris Carter during the third reading debate on the Local Government Bill 2002 said the following –

“We have delivered a new local government legislation that is modern and flexible.

“It provides a framework for local decision-making by the elected representatives of communities with accountability to those communities.

“It includes measures designed to give communities improved information about the activities of their local councils, and enhanced opportunities to influence their decision-making.

“And at its core, the Bill reinforces the concept of local government as democracy at the local level – with a broad concern for the well-being of its communities.”

The minister’s words also focus on democracy and accountability to local communities – not cost-saving. It was a democratic decision by Wellington City Council’s Councillors to require the payment of a Living Wage by those tendering for the security services contract.

Further, the Wellington City Council’s decision relating to contractors is fiscally neutral as Councillors voted 8-7 at the time to remove \$250,000 from the Council’s personnel and travel budget. This means that, in addition to acting democratically and seeking to meet the current and future needs of its community, the Wellington City Council was being fiscally prudent.

The Wellington Chamber's narrow, economic approach is particularly disappointing, given that similar organisations overseas understand the value of the Living Wage.

In November 2015, the Greater Manchester Chamber of Commerce in the United Kingdom issued a report titled *The Living Wage: Stating the Case*. The document concluded that, under the right conditions, paying a living wage could make good business sense as it could increase productivity, improve morale, reduce staff turnover and absenteeism and improve the quality of work. The paper said that –

“...when considering all aspects in tandem only one recommendation can be made: if, after careful consideration your business is determined to have adequate scope to cope with increasing wages, there is a strong case to be made for paying a LW.”

Research analyst and report author Alexander Davies concluded that, as more evidence about the impact of a Living Wage became available, the data might “pave the way for business to stop considering higher wages a mere cost, rather than a method of improving production and quality.”

A majority of attendees at the Greater Manchester Chamber of Commerce's Autumn Assembly in October had already voted to support the chamber's proactive stance on the living wage.