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| AGENDA ITEM 12 BOARD DECISION PAPER | |
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| To: | Board |
| From: | Karen Duffy, Director People & Performance |
| Reviewed: | Dean Kimpton, Chief Executive Officer |
| Date: | 25 June 2024 |
| Title: | Approval for the 2024 remuneration review budget |

| Reason for inclusion in closed board meeting session | |
|---|---|
| 1. Please state why this report is being considered in the closed board meeting as opposed to the open board meeting. Please refer to the 'reasons for confidentiality' and provide a direct reference to one of these reasons. | To protect commercial interests and to protect confidentiality. |
| 2. Please provide an estimated date for release of this report. | October 2024 |

Aronga / Purpose

- To seek endorsement of the 2024 annual remuneration review.

Tuku mana / Delegation

- Board endorsement of the 2024 remuneration review budget is enabled through approval of the FY24/25 budget.
- Under the Delegations Register, final approval of the annual remuneration review sits with the Chief Executive.

Te tūtohunga / Recommendation

That the Auckland Transport Board (board):

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- Endorse the 2024 annual remuneration review, including recommended budget.

Te whakarāpopototanga matua / Executive summary

- The FY24 annual remuneration review has been budgeted at **4.7%**.
- We have proposed a “Met” increase of **4.0%** with the Public Service Association (PSA). The Collective Agreement has multipliers that apply to base remuneration based on the employee’s performance ratings:
 - Nearly Met rating = 0.4% multiplier (**1.6%** increase)
 - Exceeded rating = 1.4% multiplier (**5.6%** increase)
- In previous years we have applied the same increase for our eligible, non-unionised employees to ensure pay parity across the organisation.
- Our proposal includes a small amount of differentiation across the Nearly Met, Met, and Exceeded ratings. This allows People Leaders to award based on performance within each category.

Ngā tuhinga ō mua / Previous deliberations

- This proposal was tabled at the People and Culture Committee meeting on 11 June 2024 and endorsed for board approval.

Te horopaki / Background

- Our annual performance and remuneration review process is starting from 1 July, and we require approval for the final budget by 30th June 2024. We have proposed a 4.0% “Met” rate with the PSA. This is yet to be agreed.
- The PSA prefers to align salary increases to Auckland Council, who are using a 4.7% overall increase as per December 2023 Consumers Price Index (CPI). However, they have endorsed a 4% met rate understanding this is yet to be approved by the board.





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11. We have budgeted a 4.7% total budget, to award for performance and address equity pay gaps. These equity pay gaps will extend beyond the pay equity definition of gap to include small adjustments required to deliver fairness of remuneration across individuals within the context of their role, position in band range and team relativity.

Te hononga ki te “Statement of Intent 2023 - 2026”/ Alignment to Statement of Intent 2023 - 2026

12. Indicate the alignment of the issue being presented to the principles included in the Statement of Intent 2023 - 2026 as follows:
- a. We will always consider affordability and value for money.

Me mōhio koe / What you need to know

| Internal Factors | |
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| Pay Equity | Pay Equity reflects the percentage difference between median male and median female remuneration and is indicative of gender equity, access, and representation across all levels of the organisation. AT has a gender pay gap of 12% and was recently reaccredited it’s independent Gender Pay Tick. We will allocate money to address any equity pay gaps, so all employees are paid fairly and equitably. |
| Current pay compared to market | When we consider multiple market data sources, we are paying below market at around 96% compa-ratio. We’ve included a portion of our budget to align our pay to market median, as agreed in our Group Remuneration Policy with Auckland Council. |
| PSA Collective Requirements | We have proposed to pay eligible employees with a “Met” performance rating at 4%. Employees with an “Exceeded” performance rating are paid at a multiplier of 1.4 x the Met amount, and those with “Nearly Met” at 0.4 x the Met amount. |

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| Awarding for performance | We have allowed for increase ranges at each of the performance rating levels, so that people leaders can differentiate based on performance. People leaders will be required to award increases based on the minimum of the applicable multiplier, and not exceeding their budget. Proposed ranges: Nearly Met: 1.6% - 2.0% Met: 4.0% - 5.0% Exceeded: 5.6% - 6.0% |
| Strategy | Remunerating our people fairly and in line with market forces supports our people strategy focused on attraction and retention of great talent. |

| External Factors | |
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| Forecast market data | Market data from EY, Strategic Pay, PwC & Korn Ferry forecasts the average salary increase for 2024 will be 4% , as a high but stable inflationary environment and tight labour market continue to put upward pressure on salaries. |
| Living Wage increase | Living Wage is increasing 6.9% to \$57,824 from 1 September 2024. This is a significant increase at our lower bands, that causes compression between salary ranges. Further increases are then needed to maintain equitable gaps between bands. |
| CPI | CPI was 4.7% in in December 2023, falling from 5.6% in the previous quarter. Auckland Council use the December 2023 figure of 4.7% for their annual increase for all bands. The latest CPI figure at March 2024 is 4.0%. |





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Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts

13. The proposed annual remuneration review is accounted for in the FY24 budget at 4.7%.

Ka whaiwhakaaro ki te Tiakanga Taiao / Climate change and sustainability considerations

14. N/A.

Ngā whakaaweawe atu anō / Other impacts

| Relationship | Consulted Y/N | Views and Perspectives Received |
|---|---|---|
| Māori | Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/> | There are no mana whenua considerations associated with this process or proposal. However, as part of the review process, equity analysis including ethnicity will be conducted and addressed accordingly. |
| Elected members | Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/> | The considerations of elected members have not been factored into this process or proposal. However, organisational and individual performance factors are considered and AT has awareness of elected member preferences. |
| Council Controlled Organisations (CCOs) | Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/> | All CCOs (AT excluded) are basing remuneration increases on the December CPI figure of 4.7%. AT is basing its remuneration increase on March CPI of 4%. However, AT has a contractual multiplier that the other CCOs do not have and is managing its increase amount within a total budget of 4.7%. |

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Ā muri ake nei / Next steps

- 15. Confirmation of approved budget received.
- 16. Employees and People Leaders will commence the FY24 performance review process in mid-June 2024. Moderation will take place between late-July and early-August.
- 17. Once the performance review is completed, the annual remuneration review will commence on 7 August 2024.
- 18. Remuneration outcomes will be reported to the People and Culture Committee.
- 19. New salaries will be paid effective 1 September 2024.

Te whakapiringa / Attachment

| Attachment # | Description |
|--------------|-------------|
| Nil | N/A |

Te pou whenua tuinga / Document ownership

| Submitted by | Recommended by | Approved for submission |
|---|---|---------------------------------|
| Stacey Cowley Head of Remuneration and Analytics | Karen Duffy Director, People & Performance | Dean Kimpton Chief Executive |
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