

Report 13.75
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File PS/08/01/06

Committee Council

Report from Local Government Reform Working Party

1. Purpose

To present the report from the Wellington Local Government Reform Working Party (Working Party) and to seek Council's approval to consult the community on the two governance models, as recommended by the Working Party.

2. The decision-making process and significance

Officers recognise that the matters referenced in this report have a high degree of importance to affected or interested parties.

This report sets out a way forward, which may culminate in the Council lodging an application with the Local Government Commission for the reorganisation of local government in the Wellington region. Under the Local Government Act 2002 the Local Government Commission is the decision-maker on reorganisation applications.

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

2.1 Significance of the decision

Part 6 requires Greater Wellington to consider the significance of the decision. The term 'significance' has a statutory definition set out in the Act.

Officers have considered the significance of the matter, taking the Council's significance policy and decision-making guidelines into account. Officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

3. Background

As agreed by the Council, the main reason and rationale for any agreed reform in the arrangements for regional and local government in the Wellington region would be to reinforce the collective capacity and shared capability of all regional and territorial agencies to:

- a. facilitate collaborative strategic planning, regulation, evaluation and investment in services and activities likely to have an enduring impact on the social, economic, commercial, environmental, civic or cultural interests of current and future generations of citizens in this region, and their comparative wellbeing in New Zealand as a whole
- b. protect the democratic basis for the mandatory payment of rates/taxes to support and enable the efficient delivery of regional and local services
- c. efficiently deliver all the statutory purposes of the Resource Management Act 1991, having particular regard to the wellbeings defined in that Act .

On this basis, at its meeting of 12 December 2012 (Report 12.608), the Council agreed to work with any other council in the region to develop an integrated unitary authority model for local governance in the greater Wellington region, and to set up a joint working group with elected representatives and senior staff for the detailed development of an integrated unitary authority model.

The Working Party on Local Government Reform was established in December 2012. The aim of the Working Party was to develop an agreed model for change which could ultimately form the basis of a joint application to the Local Government Commission. This would follow a community engagement process on a preferred model. Participating councils were:

- Greater Wellington Regional Council
- Porirua City Council
- Kapiti Coast District Council
- Wellington City Council.

Greater Wellington Regional Council representatives on the Working Party are Cr Fran Wilde, Cr Peter Glensor and Cr Chris Laidlaw and David Benham. The Chair of the Working Party is Cr Ken Douglas from Porirua City Council.

As the three Wairarapa councils and two Hutt councils had each stated the intent to seek different outcomes, they were not invited to join the Working Party but there have been opportunities for dialogue. There have also been discussions on the overall timeframe for applications, to allow all groups to be ready to respond to any call for alternatives by the Local Government Commission following receipt of an application.

The initial focus of the Working Party was on a single unitary authority with statutory local boards (two tier) as provided for in the December 2012

amendment to the Local Government Act 2002. Though initially focussed on developing a two tier governance model, the Working party agreed to also include a second model: a single tier unitary council.

The Working Party was not established to make decisions but rather to report back to the Councils on its conclusions. Each Council must make its own decision as to whether they will undertake consultation on the Working Party conclusions.

4. Summary of the Working Party report

4.1 Introduction

The Report of the Working Party entitled '*Realising the potential of the Wellington region: conclusions of the joint Working Party on local government reform*' is in **Attachment 1**. It sets out the reasons why change from the status quo is necessary for the region, the principles that guided the Working Party in reviewing the possible models, the models themselves, and a financial commentary.

The Working Party recommends consultation on two options for local government reform in the Wellington region. Those options are:

- One council with a single tier of decision-making.
- One council with two tiers of decision-making - a governing council and local boards.

The Working Party acknowledges that a case is being prepared by the Wairarapa Working Party to propose the establishment of a Wairarapa unitary authority. Within the Working Party opinions were divided on whether or not the Wairarapa should be included in a single council model for the region. As a result the report of the Working Party does not make a recommendation on this matter, but notes that both of the options can accommodate either the inclusion or exclusion of Wairarapa.

The Working Party report briefly notes and rejects options that would see a multi-unitary authority structure west of the Rimutaka Ranges. This is on the grounds that this would be even less effective than the status quo as there would be no ability to manage regional and network functions regionally. It would also mean that there would be less opportunity for the development of a strong voice for Wellington as a whole.

The focus of the Working Party has been on how a single unitary authority governance system can help realise the potential for the region to provide well for its residents and businesses and contribute positively along with other areas such as Auckland and Christchurch to national wellbeing. That is, the case for change is not driven by a sense of competition with other major centres for resources, but by the desire to further develop the ability of the region to contribute effectively alongside other parts of New Zealand, and in doing so, improve the wellbeing of our residents.

In reviewing options, the Working Party adopted the following principles:

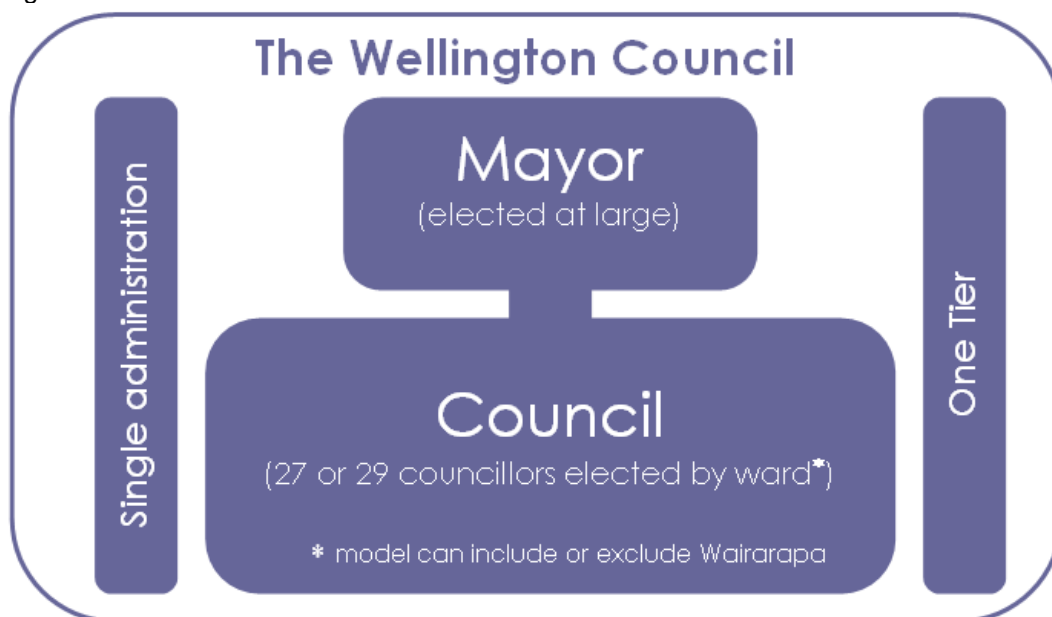
- **Strategic:** Capable of generating a shared vision for the region, but also having the capacity to be able to deliver on regional and local priorities, strategies and plans. This developing view of the role of councils requires that they are not just financially robust but also have the skills and resources to be high capacity organisations with the requisite knowledge, creativity and innovation to enable them to manage complex change.
- **Resilient and adaptive:** Able to accommodate changing circumstances, including unexpected and high-impact events; and resilient into the future.
- **Democratic and ensure engagement and decision-making occurs at the right level:** Provide for authentic neighbourhood level engagement and decision-making on local issues while allowing the regional community to make decisions on issues that span a larger area and impact on more people.
- **Integrated and co-ordinated:** Enable an integrated approach to key regional networks, infrastructure, assets, amenities, and services, making the most of the scarce resources and capabilities available across the region.
- **Representative and responsive:** Able to represent and be used by diverse communities to serve their own needs and aspirations; provide individual citizens with opportunities to access decision makers and to influence decisions on the issues that matter to them.
- **Transparent and accountable:** Transparent and providing clear accountabilities for delivering outcomes, using public funds, and stewardship of public assets.
- **Financially sustainable:** Cost-efficient and financially viable, with adequate and appropriate funding tools to support activities.

The two models for governance under a single council structure which the Working Party has developed for consultation are summarised below.

4.2 Single Tier Council

Figure 1 below illustrates the one tier model that the Working Party concludes should be consulted on. Community Boards are possible with this model, but their existence and functions are dependent on the will of the Council.

Figure 1



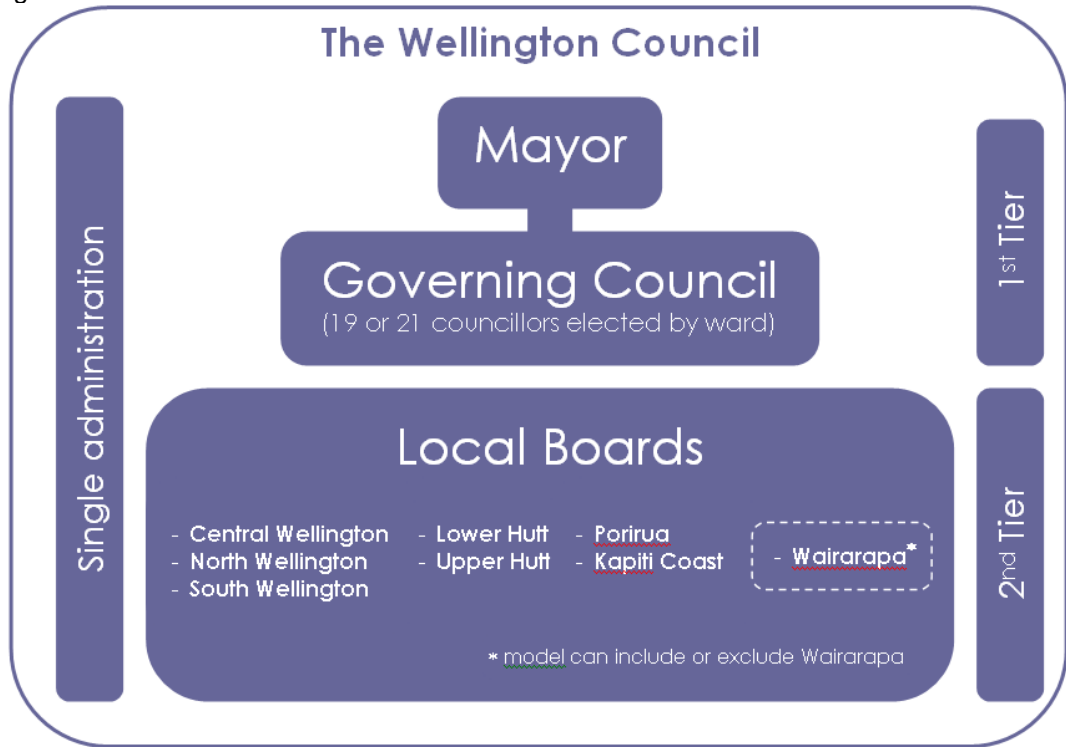
A potential ward structure (including Wairarapa) for this model is set out below. If Wairarapa was excluded, the total number of elected representatives (including the mayor) would decrease to twenty-eight.

The governing council (Wairarapa included)			
	Number of Councillors	Population	Population per councillor
Mayor	1 Mayor elected at large		
Lower Hutt Ward	6	93200	15533
Kapiti Coast Ward	3	49900	16633
Porirua Ward	4	68520	17130
Upper Hutt Ward	3	51340	17113
Wairarapa Ward	2	40630	20315
Wellington Ward	11	186540	16958
Totals	30	490130	

4.3 Two Tier Council

Figure 2 below illustrates the two tier model.

Figure 2



This model provides a guaranteed local voice and a formal mechanism for local communities to interact with and advocate to the governing body. It is a more complex model which requires careful consideration of allocation of functions and delegation of powers. Figure 3 below shows at a high level how interactions would work.

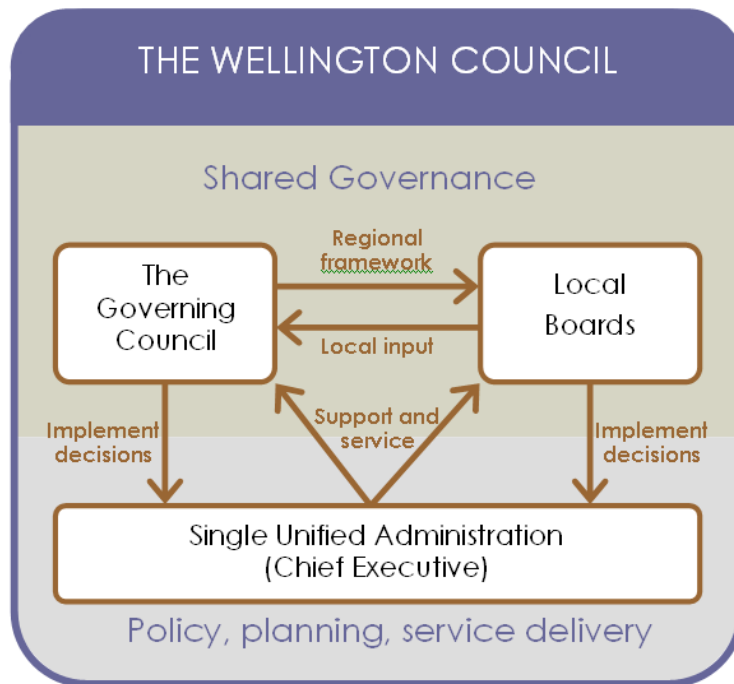


Figure 3

A potential ward structure (including Wairarapa) is set out below. If Wairarapa was excluded, the total number of elected representatives (including the mayor) would decrease to twenty.

The governing council (Wairarapa included)			
	Number of councillors	Population	Population per councillor
Mayor	1 Mayor elected at large		
Lower Hutt Ward	4	93200	23300
Kapiti Coast Ward	2	49900	24950
Porirua Ward	3	68520	22840
Upper Hutt Ward	2	51340	25670
Wairarapa Ward	2	40630	20315
North-Central Wellington Ward	5	118540	23708
South Wellington Ward	3	68000	22667
Totals	22	490130	

4.4 Māori representation

The Working Party considered the question of Māori representation, and considers that any model must acknowledge the importance of partnership with Māori. The exact nature of the partnership will be part of ongoing discussions with mana whenua iwi. Unfortunately, a meeting between the regional Ara Tahi forum and the Working Party has not been possible prior to the completion of the report and public engagement commencing on the models. A meeting is being arranged.

The Working Party has also discussed the role of taura here (resident Māori who affiliate to iwi in other places), a how they might be represented. Options such as direct representation on the new council based on a single Māori ward for the whole council area, or an informal taura here forum or forums have been raised, and will be discussed at the meeting with Ara Tahi.

4.5 Financial Impacts of the proposed changes

The financial commentary in the Working Party's report is based on one scenario of how the rating and funding policies might be structured. It looks at the distribution of effects across existing local authority areas. Any final decision on the rating and funding system would sit with the new council and decisions will be made, including transition decisions, on the basis of strategic, social and economic effect on different communities of interest. It is not possible to point to impacts on individual households, however, it is possible to comment on general changes and broad impacts based on this scenario.

The Working Party report concludes:

- There are significant opportunities to make cost savings from an amalgamated governance structure;
- Depending on which of the proposed models is preferred, it is possible that between \$12 million and \$29 million of efficiencies/savings could be made per year from amalgamation of the councils in the region;
- In the short to medium term these efficiency/savings are likely to be eroded by costs associated with a transition to the new council structure;
- In the mid to long-term it is reasonable to expect that on an aggregated basis savings will reduce rates increases from those currently forecast;
- There are a number of funding mechanisms that can be used to help limit the impact of rates changes as a result of amalgamation, including greater use of targeted rates and introducing a rates transition policy to spread the impact of any changes to rates over a period of time;
- Analysis has been undertaken to assess the factors that are likely to have the most significant impact on rates under a single unitary authority for the region. Appendix 3 to the Working Party report includes an explanation of these factors and the extent to which ratepayers in existing council areas are likely to be impacted. However, the final decisions on who pays and how much will be made by the new council;
- All councils in the region generally use debt to fund the upgrade of existing assets, and to construct or purchase new assets (e.g. roads, swimming pools, etc). This ensures that future generations who benefit from a new asset contribute towards its cost;
- Debt levels vary between each council in the region. Overall, the aggregate level of debt for the region is not high compared to local government benchmarks;
- There are a number of ways debt can be compared between councils. The impact on ratepayers of amalgamating debt across the region is best understood by comparing net debt (borrowing minus investments) per dollar of rateable capital of all properties within each council boundary. Comparing this ratio shows the impact amalgamating debt is likely to have on rates. The results of this analysis are included in Appendix 3 to the Working Party report;
- Fundamental to the proposal for an amalgamated council is an expectation that the impact of amalgamating the variable service levels, condition of assets, level of investments and debt will be shared across the region. To isolate the impact of these variables for each existing council would be counter to the underlying principles of amalgamation, summarised in Section 2 of the report. However, it is anticipated that the rating policy of the new council will seek to address situations where the impacts of amalgamation unfairly impact on the rating impost for a particular council area or sector.

5. Discussion

This report does not seek a decision from Council as to whether it formally supports change to a single council model, or which of the two options it would prefer if it supported such a change. It merely seeks approval to undertake consultation on the conclusions of the Working Party. The Council has participated in the Working Party on the basis that it will further develop an integrated unitary authority model and to provide more opportunity to understand community views.

The Council discussed the issues and came to some conclusions in its meeting of 12 December 2012, where it resolved:

- *“The main reason for any agreed reform in the arrangements for regional and local government in the greater Wellington region would be to reinforce the collective capacity and shared capability of all regional and territorial agencies to:*
 - a. *facilitate collaborative strategic planning, regulation, evaluation and investment in services and activities likely to have an enduring impact on the social, economic, commercial, environmental, civic or cultural interests of current and future generations of citizens in this region, and their comparative wellbeing in New Zealand as a whole*
 - b. *protect the democratic basis for the mandatory payment of rates/taxes to support and enable the efficient delivery of regional and local services*
 - c. *efficiently deliver all the statutory purposes of the Resource Management Act 1991, having particular regard to the wellbeings defined in that Act .*
- *To agree with the findings of the Wellington Region Local Government Review Panel’s report that local government reform is required to improve the effectiveness and efficiency of local government in the Wellington region - particularly around leadership, infrastructure, resilience, integrated planning and economic development.*
- *To agree in principle that an integrated unitary authority model with either local boards or community boards would provide the best governance arrangements for the Wellington region.*
- *To agree that the following are the basic principles to take into negotiations:*
 - a. *Subsidiarity of functions*
 - b. *Regardless of the final internal boundaries, the governing body must have a minimum of two members from each area approximately equivalent to the current territorial areas in the western area and from Wairarapa.*
 - c. *Provision for either local boards or community boards;*
 - d. *The decisions regarding council controlled organisations be left to the new council to determine.*

- *Māori representation in the proposal should be determined in consultation with mana whenua iwi.*”

Greater Wellington Regional Council representatives on the Working Party have worked to ensure that these matters have been taken into account in discussions, and the two tier model in the Working Party’s report aligns well with the Council’s position. On this basis, it is recommended that the Council approves consultation on the Working Party document.

5.1 Wairarapa

As discussed in section 4.1 the Working Party’s report does not indicate a preference as to whether Wairarapa should be included in a single council model or not.

While consultation will allow the Council to hear the views of residents on this matter, the Council will also need to consider other information that responds to the Local Government Act 2002 criteria, for example the connections between Wairarapa and the western part of the region.

A report by MartinJenkins Consultants¹ found that the connections are of significance to the people and businesses involved in both areas, with the different industrial specialisations of Wairarapa contributing a degree of stability and diversification to the region’s economy. The personal and recreational linkages people have between the two areas are also important, with each area enriching the life and offering of the other.

The MartinJenkins report noted that although economic benefit is demonstrably in favour of Wairarapa, this needs to be viewed in the context of the differing economic structures and scales of the two areas. The western part of the region is the seat of government, a large urban area and has significant sea and port facilities and, as such, it needs to maintain and develop strong links well beyond its immediate neighbours. In Wairarapa, the close geographic proximity of the Western Area and its assets (people, transport and distribution networks) makes it economically advantageous to prioritise linkages with the Western Area. At a social and personal level, the proximity of the two areas is a key factor in strong tourism, recreational and family linkages acting in both directions.

It is important that when deciding the boundaries of the final model, consideration is given to these linkages, especially where evidence shows that these linkages are significant and Wairarapa is an integral part of the region.

5.2 Hutt Valley/multiple unitary authorities

As noted in the Working Party report, a multiple unitary authority model is not a viable option for the Wellington region and would be worse than the status quo. In addition to the issues identified by the Working Party, it would lead to a high level of competition as each council promotes its own communities’ interests. This view is consistent with the conclusions of the Wellington Region Local Government Review Panel, and the Council’s agreement in principle that

¹ Economic Interdependence between the Western Area of the Wellington region and Wairarapa, MartinJenkins , 2012

an integrated unitary authority model would provide the best governance arrangements for the Wellington region (Report 12.608).

6. Consultation and engagement

The Working Party recommends consulting residents throughout the region on the basis of its report. The Communications and Engagement Plan prepared by the Working Party is **Attachment 2**.

The Communications and Engagement Plan proposes a joint consultation exercise, with common information, common consultation material and a unified approach to engaging with the residents. The Plan recommends the following engagement tools:

- A joint website with a description of the two models, background information resources and links to each council's website
- A flyer that will be delivered region-wide
- *Bang the Table*, an on-line discussion forum
- Targeted stakeholder engagement through meetings and briefings
- A series of public meetings in each local authority area
- Joint advertising including print, radio and online advertising
- The ability to make submissions online and by e-mail
- An online citizen panel.

The participating territorial authorities are responsible for organising and hosting public meetings in their areas. Greater Wellington Regional Council is responsible for organising and hosting the public meetings in other parts of the region.

The Working Party has agreed that each local authority can supplement the Working Party consultation process with additional engagement and communication techniques that are specific to that local authority.

7. Next Steps

The timeframe for the process leads to a possible application to the Local Government Commission in late May. The expected timeframe for the consultation process and development of a possible application is described below.

Consideration/agreement to Working Party report

- 13 March – Porirua City Council
- 14 March – Wellington City Council
- 14 March – Kapiti Coast District Council
- 20 March – Greater Wellington Regional Council

Engagement with the community

- 21 March – consultation begins
- 19 April – submission period closes

Analysis of findings

- 19 April to 22 April – Analysis of feedback
- 30 April – Working Party meets to consider community feedback

Participating Councils consider community feedback and their next steps.

- Early May – each Council considers their next steps and, if necessary, Working Party drafts application
- 27 May to 29 May – Councils consider draft application

Application lodged

- 31 May 2013

8. Budget

There are financial implications for the consultation and engagement described above. The estimated total cost of implementing the communications and engagement plan is \$100,000, and it is intended that costs will be shared among the participating councils.

Should any of the councils withdraw at this stage, there would be an increase in costs requiring the remaining councils to reapportion costs and/or reconsider aspects of the consultation and engagement process that would enable the intended outcomes to be achieved.

The cost of this work for Greater Wellington Regional Council is expected to be around \$35,000. Officers believe that, should one or more of the other councils withdraw from the process, the maximum amount would be \$70,000.

There is no specific budget for this work stream at present. Greater Wellington Regional Council's financial position at the end of January 2013 is favourable relative to budget and this is forecast to continue for the financial year ending 30 June 2013. A major contribution to the favourable budget position is the receipt of additional subvention and dividend payments from the port investment. These two items alone will contribute a positive budget variance of in excess of \$1.5 million. It is proposed that part of this under-spend be used to cover the \$70,000 potentially required.

In the general course of business, reallocation of a positive budget position to other 'new' business is not standard practice, however, given the nature of the review work it is considered appropriate in this instance given the expenditure is one off in nature and the additional income is also one off in nature.

9. Recommendations

That the Council:

1. ***Receives the report.***
2. ***Notes the contents of the report.***

3. *Notes that on 12 December 2012 the Council resolved to work with any other council in the region to develop an integrated unitary authority model for Wellington.*
4. *Notes the Local Government Reform Working Party's report in Attachment 1.*
5. *Agrees, subject to their decisions, to consult jointly with Porirua City Council, Kapiti Coast District Council and Wellington City Council on the two models set out in Attachment 1:*
 - *One council with a single tier of decision making*
 - *One council with two tiers of decision making – a governing council and local boards*
6. *Notes that both options are viable whether or not Wairarapa is included.*
7. *Agrees with the conclusion of the Working Party that a multiple unitary authority model is not appropriate for the region.*
8. *Notes that the cost of consultation on the two models is estimated to be up to \$100,000.*
9. *Agrees to contribute up to \$70,000 to implement the communications and engagement plan.*
10. *Delegates to the Chief Executive the ability to negotiate and finalise the Council's financial contribution for the shared aspects of consultation and engagement with other participating councils, within the limit set above.*
11. *Notes that that the outcomes of the consultation and engagement process will be reported back to the Council.*
12. *Agrees that the Working Party has an ongoing role to monitor consultation, consider the outcomes of consultation and report back to the councils.*
13. *Agrees that the Chair, Deputy Chair and Councillor Laidlaw continue to represent the Council on the Working Party.*

Report prepared by:

Report prepared by:

David Benham
Chief Executive Officer

Fran Wilde
Chair

Attachment 1: Realising the potential of the Wellington region: conclusions of the joint Working Party on local government reform.

Attachment 2: Communications and Engagement Plan