

# 1. Executive Summary

## Background and Scope of Review

As a result of nation-wide interest in the reform of local government in the Auckland region, the Wellington Mayoral Forum engaged PricewaterhouseCoopers (PwC) to review its current governance arrangements to establish whether they are optimal for taking the Wellington region and its communities into the future.

This Governance Review incorporates:

- Research and analysis to identify governance issues and potential opportunities;
- Consideration of national and international precedents and guiding practice;
- Facilitated workshops with each of the Councils to identify issues and opportunities;
- Meetings with Council executives to draw out key themes for consideration; and
- Interviews with Council-nominated external stakeholders to understand the issues from an informed citizen perspective.

It is intended that the Review will inform the incoming Councils following the October 2010 local government elections.

A specific exclusion from the Review was the development of structural options. It was agreed only issues and opportunities would be considered in this first stage. However, given that options were regularly raised during the engagement, we have provided a high level overview of them.

This Review has enabled the consolidation of views on:

- Successes to date that can be built upon;
- Long term drivers of change;

- Regional visioning and strategic planning processes;
- Delivery of services and activities;
- The sustainable provision of infrastructure;
- Potential flow-on impacts from the new Auckland structure; and
- Possible future governance options for subsequent analysis.

This consolidation of views has again highlighted the key tension that exists in local government reform relating to the reconciliation of the community connectiveness of small authorities with the strategic and efficiency opportunities available in larger or special purpose authorities.

## Importance of the Review

The Councils within the Wellington region consider it important that the many unique and diverse challenges facing the region be addressed. Continuing and building on current collaborative efforts is key to the future wellbeing of the region, in order that it can improve economically, socially, culturally and environmentally.

Given the Government's expressed intentions around efficiency and its actions both within and beyond the public sector, it is evident that enhancements to the current delivery by Councils within the Wellington region will be viewed favourably and supported. There is an opportunity for the results of this Review to inform the Minister of Local Government's initiative relating to the future role of local government and its relationship to Central Government.

The Minister is looking for local government to address a number of specific imperatives, including:

- Rates rises not outstripping inflation;
- Enhancing transparency around costs, rates and activities;
- Engaging communities more meaningfully;

- Effective delivery of services;
- Utilisation of the more permissive legislative framework (e.g. long term water contracts) to improve service delivery; and
- Streamlining regulatory processes.

### **International Guiding Practice and other Regional Reviews**

International<sup>1</sup> and national research considered during this Review highlighted a number of generic issues and opportunities for local government. This research also reinforced the tension that local government has to manage relating to the provision of long term sustainable infrastructure within the context of a near-term focused political environment. These studies and the reform of Auckland governance, highlight a number of opportunities to address this dilemma and broader local government issues.

Key issues include:

- The need for infrastructure networks to be managed in an integrated manner and not separated by local political boundaries;
- Large authorities typically operating more efficiently than small authorities;
- Small authorities typically achieving better citizen engagement than large authorities; and
- Local authorities not keeping pace with changes in the external regional environment e.g. urban growth over existing Council boundaries.

Other reviews that have been undertaken nationally also point towards existing authorities not keeping pace with change, particularly addressing long-term infrastructure demands which are more commonly regional in nature. Generic issues highlighted from

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<sup>1</sup> International research was drawn from a cross-section of countries but with particular reference to the UK, Canada and Australia

Auckland, Northland and the Waikato that have relevance to the Wellington region, include:

- Lack of a single regional voice;
- Fragmented governance;
- Misalignments of strategies and priorities;
- Optimisation of available funding;
- Efficiency and effectiveness;
- Community engagements and connectedness; and
- Sustainability into the future.

Finally, current regional governance and implementation of strategic documents on a national level are compromised by a lack of binding commitment to action on agreed plans across constituent Councils. This is a critical planning and delivery issue.

The key conclusion arising from this work is that all of the studies point towards the necessity for change. The status quo is not a sustainable option in the longer term.

### **Metropolitan Contribution to National Economic Success**

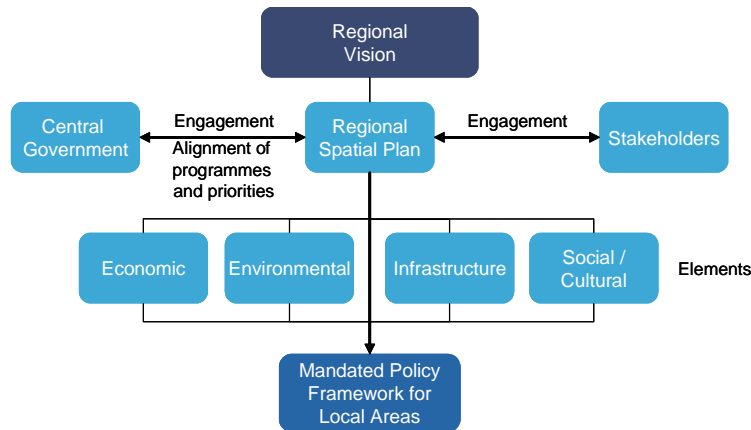
International commentators have highlighted that metropolitan and ultimately national economic success requires:

- Regional co-ordination;
- Effective governance;
- Investments in infrastructure;
- Addressing constraints; and
- Co-ordinating regional planning.

With regard to this latter point, there has been an emerging realisation of the importance of “spatial” planning for city regions. This concept which is now a legislative requirement for the new Auckland Council, requires regional and local RMA and Local Government Act plans to give effect to ‘or be consistent’ with the

spatial plan. This change is designed to permit the simplification of the planning framework by using the spatial plan to incorporate regional policy and Regional Land Transport Strategy.

The plan at its simplest level is an integrated planning framework covering all four well-beings, as depicted in the diagram overleaf.



This contrasts with the current national planning framework for local government which is:

- Fragmented - characterised by Councils within the same region having different visions, strategies and philosophies;
- Not comprehensive on a regional basis;
- Lacking subsidiarity - the local level does not have to take account of the level above; and
- Placing local government in a position where it has insufficient scale to deal effectively with Central Government.

Although the Wellington region has sought to proactively address limitations in regional planning with initiatives such as the Wellington Regional Strategy and the Water Strategy, it still has to operate within the legislative planning framework. Accordingly, there are both gaps and matters of disagreement in some areas

such as the long-term retention and development of industrial land regionally.

For integrated planning to work, there needs to be:

- Engagement and alignment of programmes and priorities between central and local government; and
- Real commitment and agreement amongst the Councils.

This latter point is particularly challenging in the voluntary collaborative environment that Councils work within.

### Future Trends

The analysis of future trends highlights the fact that change will continue. Councils will need to be cognisant of and adaptive to these changes. Trends of specific relevance to local government include:

- The role that city regions can play in national economics through the generation of “agglomeration” benefits;
- An ongoing productivity imperative e.g. keeping rates rises within the rate of inflation;
- Utilising technology to both improve efficiency and produce smarter services, but also to evolve new public goods where there is a demand or need;
- Continuing to improve the liveability of urban areas;
- Addressing the changing demographics of society;
- Proactively addressing sustainability where there are clear opportunities to do so e.g. sustainable water management;
- Considering how the region can improve collaboration rather than compete at both a regional and national level e.g. designation of commercial areas and events;
- Streamlining regulation e.g. single District Plan;
- Improving infrastructure management; and

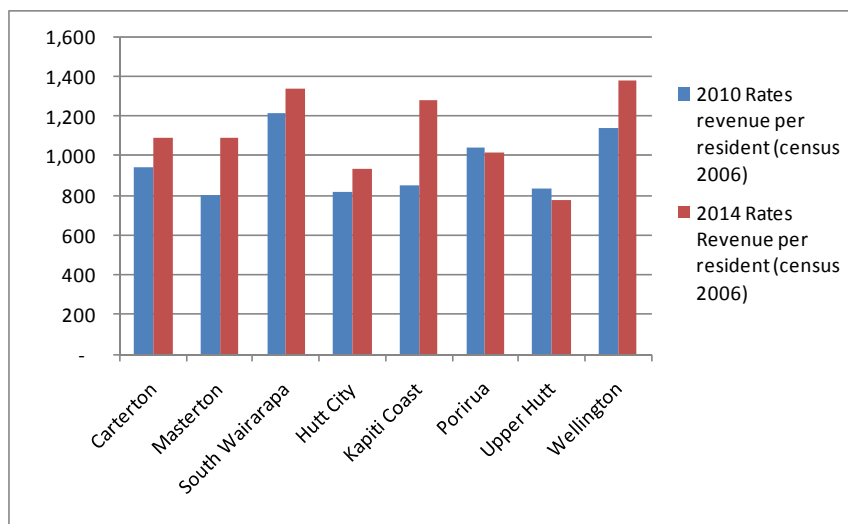
- The ongoing reform by Government that will necessarily impact on local government form and function across a range of areas including regulatory and water.

### Current State

The current state of the Wellington region was assessed through a combination of:

- Analysis of current performance documentation;
- Engagement with the Councils and their executives; and
- Interviews with key external stakeholders nominated by the Councils.

The analysis of financial data in particular highlighted that the stresses are uneven, with the smaller Councils under particular pressure. Unchecked this will lead to a position in the longer term where rates in the districts are likely to rise faster than rates in the cities. The following graph indicates that the districts will have the highest rates by 2014 (discounting the impact of Wellington due to its CBD).



Source: Department of Statistics/Wellington Council's LTCCPs

This change from the 2006 position is largely the result of increased service demands, such as the effect in the districts of more stringent wastewater effluent standards. An outcome of meeting these requirements is large projected rates increases. Given these pressures are likely to continue into the future, a question arises as to the palatability to ratepayers of ongoing rates increases.

### Structural Issues

A number of structural issues were identified during the Review, including:

- The regional strategic planning frameworks, including the Wellington Regional Strategy;
- Alignment of transport to land use and development;
- Regional management of water services;
- Regional management of irrigation, in particular funding;
- Regional management of waste management;
- The approach to regional facilities; and
- The ability to make further significant gains from shared services.

### Governance Issues

Facilitated workshops with the Councils, their executives and external stakeholders echoed a number of similar themes with issues identified across:

- Governance;
- Regional strategy;
- Central and local government collaboration;
- Economic development;
- Transport;
- Three waters;

- Other regional infrastructure;
- Service delivery;
- Capabilities and capacity; and
- Efficiency and effectiveness.

External stakeholders had an expectation that change in current governance arrangements is inevitable, and that it should happen sooner rather than later. Specific concerns raised included:

- Capability and capacity of the smaller Councils, both at a financial and human resource level;
- Differing philosophies at times of the Councils, leading to a lack of regional coherency;
- Political boundaries that did not reflect the workings of the region;
- Inequitable funding of regional facilities; and
- Regional collaboration, while not openly dysfunctional in the Auckland sense, was viewed as being shallow.

The majority of external stakeholders overtly discussed governance structures and expressed a clear preference for a single unitary authority, particularly if local representation could be addressed.

### **Opportunities**

As the Review progressed it became apparent that there are a series of opportunities that the region could pursue. A number of these initiatives could be implemented without moving to a single unitary authority model or other structural change, but would require deeper collaboration and agreement than has been evident to date.

The key opportunities identified were as follows:

#### **1. Regional Strategy**

- Seek agreement on how a spatial planning approach could lock in vertically and horizontally integrated strategies and plans, including legislative options.
- Explore the potential of utilising the Wellington Regional Strategy as a base for the spatial plan.

#### **2. Governance**

- In lieu of governance reform, Councils commit to a stronger regional collaboration model.
- Utilise the existing Regional Strategy Committee to progress broader regional issues.
- In anticipation of potential changes to status quo governance structures, explore alternate models for local community engagement.

#### **3. Economic Development**

- Explore and agree the role and priority of the Wellington CBD in relation to other CBDs in the region and in the context of wider regional economic development.
- Extend the successful development of a shared Wairarapa District Plan to the entire Wellington region, and subsequently develop a centralised approach to service both the planning and building authority functions.

#### **4. Transport**

- Continue to explore additional opportunities to take a regional approach to the planning and delivery of transport services.

#### **5. Water and Wastewater**

- Develop a coherent regional strategy to map out the future direction of the Three Waters.

- Consider the case for integrating water and wastewater delivery regionally.

## 6. **Stormwater**

- Seek to better integrate the regional and local stormwater and flood management initiatives.

## 7. **Irrigation**

- Consider how the operation of irrigation in the Wairarapa and its latent economic potential can be realised and funded following the current pre-resource consent stage.

## 8. **Other Regional Infrastructure**

- Introduce a coherent package for the future funding and development of regional facilities.

## 9. **Service Delivery**

- Commit to a “transformational” approach to the implementation of back office shared services.

## Options

New structural options were not a specific consideration of the Review brief. However, because this topic was raised and discussed on a number of occasions, we note that there are six options to consider going forward:

1. Status quo;
2. Strengthened Regional Council;
3. Logical clusters;
4. Two tier local government (i.e. regional services delivered by a single regional Council. Local services delivered by local Councils with all services funded through a single regional rating system);

5. Sub regional unitary authorities (Wellington and Wairarapa<sup>2</sup>); and

6. A single regional unitary authority.

We did not analyse these options in any detail nor do we make a recommendation given this work is intended for a subsequent stage post October 2010.

However, we are firmly of the view that some change of a structural nature provides the opportunity to be more effective than the collaborative model if the region wishes to:

- Achieve a unified vision and plan;
- Enable better governance and decision-making;
- Be cost effective and efficient;
- Deliver equitable impacts across the region; and
- Be resilient and sustainable into the future.

We consider that the opportunity to change is related to improving the Wellington region’s performance rather than fixing dysfunctional governance which was evident in Auckland. However, not prudently addressing the issues highlighted in the Review will be to the economic detriment of the Wellington region and the country.

## Next Steps

Once the opportunities for change have been reviewed by both the Chief Executive and Mayoral Forums, they should represent key elements of the next programme of work. The next steps should also consider how these initiatives would relate to potential structural changes.

The key next steps are to:

- Confirm that any change or reform is premised on collaborative leadership at both political and executive levels;

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<sup>2</sup> Noting that other combinations are possible

- Agree the areas that do not require change;
- Confirm the set of issues and opportunities to be pursued;
- Develop a programme to address those areas identified as requiring change;
- Incorporate detailed analysis of the identified structural options into this programme of work; and
- Ensure adequate resourcing to undertake this work.