

3. Setting the Context

3.1 Why this Review is Important

This Review is one of the most important pieces of governance work to be undertaken in the Wellington region. As a consequence all nine Wellington Councils committed to explore current issues in Wellington's governance, together with possible solutions.

In doing so, the Councils within the Wellington region are focused on how present governance arrangements can be improved to achieve better economic, environmental, social and cultural outcomes. This document is a first step. It provides ideas on how local government in the greater Wellington region might respond to the many unique and diverse challenges facing the region both currently and in the future in a more unified and efficient way.

Although the Wellington region comprises several diverse communities across a large geographic area with natural boundaries, it has strong linkages as a city region, particularly from the perspective of economic and transportation infrastructure and policy. Residents within the region routinely cross territorial authority boundaries in their journeys to work and recreate at facilities, events, shopping centres and rural recreation areas across the region.

Identifying how the Wellington Councils can work together collaboratively, and best contribute to developing and improving the region's position economically, socially, culturally and environmentally is key to the future well-being of the region.

Generic Opportunities

Councils across the region have for a number of years worked collaboratively, particularly at the sub-regional level, with numerous

examples of clustered shared services. The shared services initiatives to date have been diverse, ranging from the construction of the successful Westpac Stadium through to the development of the joint District Plan between the Masterton, Carterton and South Wairarapa District Councils.

This collaboration has enabled the region to become renowned in recent years for its culture, events, waterfront, city shape and wider regional facilities.

However, more recent attempts at collaboration at a more granular level such as shared services, have been difficult to progress due to challenges, particularly securing adequate resourcing and working across independent political, institutional and managerial entities.

It is our view that progress in areas where there are obvious service provision 'spill-over' effects, could be accelerated if the responsibilities for planning, funding and delivery of regional infrastructure and services was not separated between the nine Councils.

There is opportunity for:

- Provision of a unified regional vision and voice;
- More efficient service delivery³;
- Integrated decision-making;
- Rethinking engagement mechanisms with communities, to improve local democracy; and
- Providing better value for citizens in the Wellington region.

³ Financial Analysis, Reorganisation of the Councils in the Auckland Region, Taylor Duignan Barry, Royal Commission on Auckland Governance, February 2009

The Changing Landscape

Aside from the importance of resolving issues within the region, there is also a need to ensure the region is planning for changes in the broader national and international environment. These changes include:

- Continuing globalisation;
- Climate change;
- Rapidly evolving technology;
- Ageing of the population;
- Maintaining essential services and resources within strict financial parameters;
- Increasing pressure from communities for enhanced services and service levels; and
- Maintaining and developing the region's competitive advantages.

3.2 Central Government Perspectives

3.2.1 Government Perspective

Central Government in recent years, and across the political spectrum, is beginning to recognise the pivotal role of local government in helping to execute some of its key economic transformation objectives. Increased and significant investment in transportation infrastructure and Rugby World Cup 2011 are a testament to this.

In addition, there are other opportunities yet to be tapped by Central Government including the international linkages facilitated through city Mayoral and sister city relationships.

It is evident though that Central Government has concerns with the inability at times of local government to achieve coordinated buy-in at the local level, and to show a willingness to do so, whether

across local Councils or stakeholders in a region. Although we are not currently aware of any particular issues within the Wellington region, recent national examples include Queen's Wharf in Auckland and Environment Canterbury.

Local authorities that demonstrate an ability to work in a constructive and coordinated way locally to help Government execute its infrastructure and economic development objectives, will benefit from doing so. The Wellington Region is well placed to leverage its position nationally.

3.2.2 Minister's Perspective

In his address to the Local Government Chief Executives Forum in June 2010, the Minister of Local Government reiterated imperatives for local government. A number of these are useful to consider in the context of issues needing to be addressed by the Wellington region:

- Rates increases not outstripping the rate of inflation;
- The need for greater transparency around costs, rates and activities;
- Engaging with communities in a more meaningful way than achieved through current statutory processes, e.g. LTCCPs;
- Focusing on core Council services; and
- Providing greater legislative flexibility for water service delivery modes, including use of public private partnerships (PPP).

The Minister also highlighted a number of changes occurring during the transition to the new Auckland Council which are potential pointers to future expectations for local government generally. These expectations include:

- Regional leadership and vision;
- Local boards ensuring community interests are well represented in regional decision-making;

- Streamlined regulatory processes, including a single district plan; and
- Establishment of major infrastructure CCOs that are able to make use of specialist commercial expertise, but with greater accountability requirements including the requirement to hold annual public meetings.

In making these comments, the Minister reiterated that he did not see problems of the same scale as Auckland anywhere else in New Zealand, but was pleased to see Councils in other regions taking a look at the effectiveness of their own governance arrangements.

Given improving overall effectiveness of the framework of local government was a priority for the Minister, he wanted to consider how Central Government could facilitate local, community led solutions to achieve better governance and better results for ratepayers. This would be achieved through consideration of whether there was a need to clarify the role of local government and the relationship between central and local government.

A point of particular interest to the Minister in the relationship was the fact that local government has to deal with 27 departments. If local government reform is linked to a better portal to central government, the ultimate outcome may be ‘joined up’ service delivery agencies.

These questions are the subject of work the Minister is proposing to carry out over the next two to three years.

At the Local Government Conference in July 2010, the Minister announced that this work would be termed “Smarter Government – Stronger Communities”. This work is intended to directly feed into the Government’s response to ongoing pressure for Council amalgamations in an ad hoc manner.

This Review by the Wellington region provides an excellent opportunity to lead and influence some of the thinking in relation to local government reform, while meeting the Prime Minister’s

expectation that communities will be proactive in driving local reform. This expectation was also reinforced at the July conference.

3.3 Comparative International Best Practice

The Review of Auckland Governance including, the Royal Commission process, resulted in extensive consideration of current international best practice in local government. While the Wellington region is able to leverage off this work, it must be considered in the context of matters that are relevant to the Wellington region.

Three studies are particularly relevant to the Wellington context because they considered the key elements of:

- Size and relationship to efficiency;
- Size and relationship to citizen engagement; and
- Regionalisation keeping pace with the changing environment.

Research into size and its relationship to efficiency⁴ was prompted by the 2006 Government White Paper inviting Councils in shire county areas to submit proposals for structural reorganisation in a bid to enhance efficiency and effectiveness.

The research specifically assessed the relationship between size and structure (as in unitary single tier or two tier county and District Councils) of the units in local government and expenditure on administrative overheads.

The UK Government (Department for Communities and Local Government 2006) stated the primary reason for encouraging the development of unitary structures and a new two tier model was to make substantial efficiency gains.

⁴ Size, Structure and Administrative Overheads: An Empirical Analysis of English Local Authorities – Rhys Andrews and George Boyne, Cardiff University, 2006

The research concluded that administrative costs do fall as the size of the organisation increases. In addition to lower administrative costs the research found that larger authorities also devoted a higher proportion of resources to the front line. The research was quantitative and so was not conclusive as to whether the lower administration costs were as a result of greater efficiency or greater purchasing power. The research noted:

“... local authorities with a small client population are likely to reap efficiency gains on administrative costs by reorganising into a larger unit or by sharing back office functions.”

The research also acknowledged that the theoretical implications of local government structures can be contradictory. While larger/single tier structures should have lower administrative costs, there are a number of potential downsides to local authorities becoming larger or unitary, including:

- Less competition and a bigger area means that citizens are less likely to migrate out of the area reducing pressure on the local authority to do things more efficiently;
- Problems of coordination and control which may impact on front line service delivery;
- Too large equals more bureaucratic which means more costs⁵;
- Reduced democratic accountability with larger structures; and
- Reduced “sense of place” among citizens.

These latter ‘citizen’ issues were explored in a paper delivered by the Joseph Rowntree Foundation in 2009⁶, which examined citizen involvement in decision-making and the impact of structures.

⁵ Myth Busters, Examining Common Perceptions about Local Government in New Zealand; Local Government New Zealand, September 2010

⁶ Citizen Involvement in Local Government, Jane Foote, Joseph Rowntree Foundation, UK, June 2009

The paper explored the question of why citizens should be involved. It concluded that it was necessary to ensure that local knowledge, needs and perceptions could be factored into decision-making.

In doing so, there were three main objectives of increasing citizen involvement (citizen centred governance):

- Improve design, responsiveness and outcomes of services;
- Build social capital/increase cohesion; and
- Improve legitimacy and accountability of local governance – building trust.

The paper also made a point relevant to the Wellington Region - “complexity and pace of change of local government structures is a major challenge” in terms of engaging citizens. New structures and arrangements are introduced just as people are getting used to the old ones.

This concept of structures not keeping pace with change was highlighted in a paper considering what a US region constituted in a governance sense⁷. A region was defined as:

“... an all-inclusive place, sharing common and collective interests. Place-based decision-making requires that a region be identified and conformed to the interests involved in each issue”.

A region may be based on one or a combination of:

- Political geography;
- Resources – geographical or environmental factors (mountain ranges, watersheds);
- Economic;
- Cultural;
- Service delivery e.g. water; and

⁷ US Regional Governance Models, Hansford Economic Consulting, a paper for Truckee Meadows Regional Planning Agency, November 2007

- Metropolitan – readily identifiable urbanised area.

The paper noted that “Regionalism is constantly being rethought, reshaped and new efforts applied. There is not one regional planning structure that fits all.”

The paper supports the approach being taken by the Wellington Region in so far as before designing a new form of regional governance or modifying an existing one, an assessment should be conducted incorporating stakeholder engagement to define the issues.

A key conclusion arising from this research, was that size does matter in terms of efficiency, but there is potentially a trade off in terms of community connectiveness. Often the approach to address this trade-off is to reinforce local representation models, although there is no particular model that stands out in terms of effectiveness. In the Auckland context, this is planned to be addressed through the establishment of 21 local boards.

This trade off is particularly stark when considering how to deliver the best outcomes for long term infrastructure with near-term focused local representation, both of which comprise the essence of local government.

During the debate on Auckland’s governance prior to the Royal Commission⁸, this point was reiterated in a New Zealand context:

“The Councils and Central Government will need to decide what trade off they are prepared to make, and which of the models is best likely to meet the current and emerging challenges to make Auckland a world class city region”.

⁸ Strengthening Auckland’s Regional Governance Discussion Paper, 3 November 2006

3.4 Learnings from Regional and Other Studies

3.4.1 Strengthening Auckland Governance

In 2006 the eight Councils of the Auckland region undertook a similar process to the current Wellington governance review in terms of identifying issues and opportunities. This work was a forerunner to the Royal Commission process and reinforced the need for change in Auckland due to a number of factors, including:

- The city/region had to compete globally;
- Management of growth was difficult;
- Addressing regional challenges with fragmented governance was fraught;
- Successful regional development required:
 - Joint long-term funding;
 - Cohesive regulatory policy and service delivery;
 - Single accountabilities; and
 - Investment in infrastructure regionally.

These reasons for change arose from a number of common emerging themes, including:

- Adequate strategy not fully integrated into regional priorities;
- Delivery failure due to fragmented powers and accountabilities for funding and delivery;
- Misallocated decisions, e.g. decisions taken at a local or national level when they should have been at a regional level;
- Heavy reliance on voluntary/statutory joint decision-making that could not bind or influence expenditure and decisions of sovereign organisations;
- Lack of certainty;
- Lack of a single regional voice;

- Insufficient revenue at the regional level; and
- Inefficiencies and inconsistent standards and financial impacts due to duplication and transaction costs.

The strengthening Auckland governance project also highlighted a number of good governance principles which are applicable to all regional groupings, including:

- Enabling democratic local decision-making on behalf of communities;
- Enabling achievement of a unified vision and plan;
- Ensuring decisions are taken at the level of governance closest to those affected, best informed and best placed to deal with consequences;
- Provision for clear accountability to the public for outcomes, use of funds, and stewardship of public assets;
- Being cost effective and efficient;
- Delivering equitable impacts across the region; and
- Being resilient into the future.

3.4.2 Royal Commission on Auckland Governance

In March 2009, the Royal Commission on Auckland Governance reported its findings to the Government⁹ noting that the Auckland region had a significant opportunity to fuel growth, improve the health of communities and improve amenities and infrastructure. Issues preventing these opportunities from being taken included:

- Messy and inefficient urban growth;
- Infrastructure constraints;
- Social disparities;

⁹ Auckland Governance Report – Report of Royal Commission on Auckland Governance, March 2009

- Poor urban design;
- Funding;
- Regional governance being weak and fragmented, with the Councils lacking a collective sense of purpose, constitutional ability and momentum; and
- Community engagement being poor through existing formal consultation mechanisms.

The Royal Commission went on to define three essential characteristics of successful governance arrangements:

- Democratic ability;
- Building a sense of place; and
- An ability to bring together communities.

Finally, it noted that success for any city region should result in:

- Strong economic performance;
- Well planned urban form;
- Assured infrastructure supply, particularly transport, Three Waters, broadband and energy;
- Social cohesion;
- Lifestyle and amenities;
- Strong identity; and
- Sustainability.

In doing so, the Royal Commission also highlighted that these factors needed to take account of the special considerations applying to rural areas. These considerations included;

- Providing amenities and open space;
- Preventing urban sprawl;
- Maintaining agricultural production;

- Maintaining the environment;
- Ensuring rural voice; and
- Delivering services to rural areas.

The Royal Commission's recommendations relating to structure correlate to option 4 in Section 8 which sets out six governance options. This option, which included direct Maori representation, was not favoured by the Government which ultimately mandated a single unitary model.

3.4.3 Future Governance of the Waikato

In March 2010, the University of Waikato reported on an independent study¹⁰ it had initiated as a result of growing interest in understanding options for future regional governance. The study identified reasons, from a citizen's perspective, why the existing governance was not optimal, including:

- Multiple overlapping planning regimes;
- Sustainability of small Councils;
- Ability to influence Central Government;
- Reinvigorating local democracy; and
- The importance that citizens placed on Waikato determining its own future, as opposed to waiting for Central Government to define that future for it.

The findings of the study included concerns that the current political boundaries and institutional arrangements would be able to facilitate:

- Environmental management;
- Communities and regional towns;
- Hamilton City's continuing place; and

- Appropriate rural development.

At an operational level, the study also noted the need to:

- Rationalise the plethora of rules and plans to streamline regulation;
- Achieve better management and ownership of regional facilities and infrastructure; and
- Develop responsive and engaged local communities.

The study also highlighted a number of key changes since 1989 that were drivers for reform, including:

- Treaty settlements;
- Technology;
- Central Government desiring a whole of government approach to regions and the ability to interact with a single regional voice; and
- A growing level of importance for the accountability of regions as opposed to local communities for major decisions.

The study noted that amalgamating Councils was not necessarily a panacea for the issues arising, however it concluded there were opportunities to enhance Waikato governance through:

- Establishing an optimal number of Councils;
- Establishing an optimal number of organisation structures within and between Councils, e.g. CCOs, local boards; and
- Enhancing relationships with key external stakeholders, especially Government.

¹⁰ Future Governance of Waikato, University of Waikato, March 2010

3.4.4 Local Government Options for Northland

In February 2010, the three district Councils in Northland issued a report¹¹ they had commissioned on identifying options for the future local government in Northland. The Northland Regional Council was invited to participate, but declined to do so.

The brief was to consider four different options, two of which both relate to the development of a single or dual unitary authority and have subsequently been taken out for public consultation. The results of this consultation are pending.

The study highlighted a number of changes driving the change since the previous sector reforms in 1989, which again reiterated some of the common themes from the other studies, including:

- Technology;
- Globalisation;
- Climate change;
- Importance of local government in influencing the urban look and feel, ultimately leading to the place shaping of communities;
- Partnership with central government and community building;
- Community desire to shift participation in local government from elections to direct involvement and engagement in decision-making.

Critical conclusions highlighted by the report included:

- The need for Northland local government to be strengthened at both a local and regional level; and
- To meet future needs, the region must effectively engage with Central Government on a partnership basis.

¹¹ Local Government Options for Northland, McKinlay Douglas Ltd, February 2010

Key findings were used to form the basis of fit-for-purpose local government in Northland, which included:

- More local input into environmental management;
- Least cost means of infrastructure, including:
 - Partnership opportunities with the transport agency; and
 - Energy line companies.
- Community decision-making to improve connectiveness;
- Economic development to be a wider partnership with business and tangata whenua;
- Minimising incentives for existing Councils not collaborating;
- Central government coordination; and
- Creating critical mass for CCOs to service planning, regulatory and infrastructure delivery.

3.4.5 Metropolitan Contribution to National Economic Success

Leading economic geographer, Greg Clark, addressed the issue of metropolitan contribution at the Local Government Conference in July 2010¹².

This address highlighted that the ingredients of local economic success are not achieved by chance but through:

- Regional coordination;
- Effective governance; and
- Addressing constraints and capitalising on opportunities.

Clark also highlighted that city regions which are not successful exhibit the following characteristics:

- Absence of metropolitan leadership;

¹² Big Cities, Economic Development, Local Government, LGC July 2010

- Lack coordinated regional planning;
- Fail to invest in infrastructure; and
- Are unable to capitalise on the wider investment market for metropolitan development and enhancement.

Many of the New Zealand study findings highlighted within this report are supported by international experience. This emphasises the importance of regional coordination and spatial planning as critical drivers to address these issues.

3.4.6 Spatial Planning

Metropolitan best practice advocates the importance of “spatial” planning for city regions. Essentially, a spatial plan sets out an integrated economic, environmental, infrastructure and social planning framework. At the highest level, this is represented by a spatial map highlighting key aspects such as mandated land use and transport corridors (an example is included in Appendix B). This not only ensures an integrated approach to planning, it enables differences to be reconciled within the plan, as opposed to between independent plans produced by separate sovereign entities.

There are numerous international examples available and in London’s case, the London Plan¹³ brings together the geographic and locational aspects of the Greater London Authority’s strategies for:

- Transport;
- Economic Development;
- Housing;
- Culture;
- Social issues;

- Environmental issues;
- Framework for land development and use;
- London-wide policy context for the boroughs to set their detailed planning policies; and
- Sustainable development.

Legislation requires that the London Plan should take account of three cross-cutting themes:

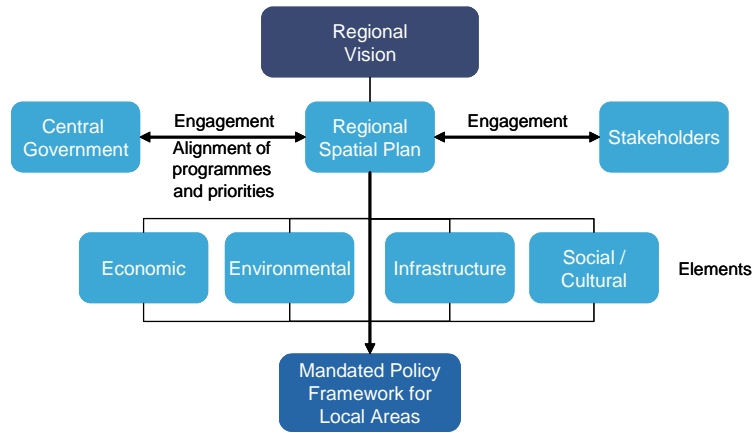
- Economic development and wealth creation;
- Social development; and
- Improvement of the environment.

The planning process also incorporates a further safeguard to ensure integration through the application of a compulsory “Integrated Impact Assessment”.

Given the coherence provided by such a planning regime, it is easier for:

- Local Councils to work within and support the agreed regional or metropolitan vision and strategic planning framework; and
- Central Government to become active and collaborative given their critical role in cities.

¹³ Help Shape London’s Future, Greater London Authority, July 2010



- Not have legal status.

3.4.7 Common Themes

The recent studies across three different New Zealand regions contain a number of common themes and issues that are relevant to the Wellington region. We have considered at a high level, the relevance of these themes to the Wellington region overleaf:

Currently there are few spatial plans in New Zealand. Porirua City Council has developed the “Porirua Development Framework” which in essence constitutes a simplified spatial plan. Rodney District Council’s “Rural Strategy”¹⁴ has been prepared to assist the new Council to prepare its spatial plan. We understand that Manukau City Council has also produced a spatial plan to help guide the new Auckland Council, which is required to produce a plan.

Spatial planning could be introduced as a positive initiative by the Wellington region. The implementation of the plan outside of the RMA / Transport functions would however:

- Require agreement and commitment from the Councils;
- Be completely dependent on the collaborative approach of the Councils;
- Have the potential to contain compromise to limit local impacts at the cost of overall regional benefit;
- Need to seek engagement and alignment of programmes and priorities with central government; and

¹⁴ Rodney District Council Rural Strategy – Consultation Draft May 2010

Common Themes from Studies

	Regions			
	Auckland (Royal Commission Findings)	Waikato	Northland	Wellington
Lack of a single regional voice ¹⁵	No mandated overarching regional leader or institution	No mandated overarching regional leader or institution	No mandated overarching regional leader or institution	No mandated overarching regional leader or institution
Fragmented governance	Single metropolitan region managed by 8 authorities	Region managed by 10 authorities	Region managed by 4 authorities	Region managed by 9 authorities
Misalignment of strategies and priorities	Agreed growth strategy, no agreement on implementation	Tension between Regional Council and TLAs	Absence of District Councils in economic developments	Linkage of Wellington Regional Strategy and other regional plans to individual Council plans and strategies
Misallocated decision-making	Regional level decisions taken at national or local level, e.g. Waterfront Stadium	Citizen frustration with overlapping responsibilities	Issues between the Councils across integrated resource management	Regionally significant land use decisions, e.g. industrial, retail made at local level
Optimisation of available funding	No agreed and prioritised infrastructure plan other than transport	Financial viability challenges	Significant difficulties due to funding, topography and resource base	Combined regional balance sheet would provide greater opportunity for regional prioritisation and funding allocation
Efficiency and effectiveness	Duplication of functions, e.g. seven local rating systems plus a regional one covering all seven areas	Opportunity to establish optimal organisation structures	Prima facie case for considering the establishment of single structures for professional and technical services	Limited prospect of success with latest shared services initiative

¹⁵ We note that each region generally operates a Mayoral Forum which is utilised to provide regional leadership and voice. These forums do not have a legislated mandate but can make decisions if mandated by their individual Councils.

Common Themes from Studies (continued)

	Regions			
	Auckland (Royal Commission Findings)	Waikato	Northland	Wellington
Community engagement and connectiveness	Low engagement levels and voter turnout	Potential reform provides the opportunity to address local issues through better democratic engagement mechanisms	Engagement performance issues noted	Smaller Councils provide ready access for engagement with elected members and staff
Sustainability into the future	Difficulty in managing growth demands	Challenge in sustaining small local authorities with limited resources	Lowest level of compliance for freshwater sites nationally	Small local authorities will struggle to meet growing service standards

Relevance to the Wellington region

	High
	Medium
	Low