

Mayor and Councillors
COUNCIL

5 FEBRUARY 2015

Meeting Status: **Public**

Purpose of Report: For Decision

LOCAL GOVERNMENT COMMISSION'S PROPOSAL TO REORGANISE LOCAL GOVERNMENT IN THE WELLINGTON REGION

PURPOSE OF REPORT

- 1 The purpose of the report is to inform the Kāpiti Coast District Council (the Council) of the Local Government Commission's proposal to reorganise local government across the Greater Wellington Region, and associated timelines and process.
- 2 This report and associated meeting is also intended to ensure that the Kāpiti Coast District Council has the necessary information to make an informed submission to the Local Government Commission. A summary presentation of this report that also contains additional information is given in Attachment 1. The Commission's Draft Proposal documents (Volume 1 and 2) have previously been distributed to the Council and Community Board Chairs.

BACKGROUND

- 3 Following the creation of the "Super City" for Auckland, the Local Government Commission signalled reviews of local government in the Wellington, Hawkes Bay and Northland regions.
- 4 In March 2013 Greater Wellington Regional Council released the report "Realising the Potential for Wellington Region" and subsequently Council participated in a working party with other Councils.
- 5 The Local Government Commission received 21 proposals from organisations and individuals for the reorganisation of local government in the Wellington Region.
- 6 The Council previously submitted to the Local Government Commission in September 2013 where its position was support for the status quo. If this was not favoured by the Commission, then the Council requested a two-tier model of governance be pursued (refer attachment 2).
- 7 The Local Government Commission issued its draft proposal on 4 December 2014 with submissions closing on 2 March 2015.

CONSIDERATIONS

The Proposal

- 8 The Local Government Commissions proposal is for one option only. The proposal recommends the formation of the "Greater Wellington Council" with local boards.

9 The proposal consists of:

- 21 Councillors (2 from Kāpiti District)
- Eight Wards
- Eight Boards
- Maori Board and Natural Resource Committee with Maori members

Local Board

- 10 If the proposal was adopted one local board will be formed and replace the Council and all existing community boards in Kāpiti.
- 11 The local board would be elected on a ward basis (four wards) and would effectively be responsible for delivering responsibilities within budgets and policies established by the Greater Council.

Maori Participation

- 12 The proposal recommends the creation of a Maori Board consisting of representation of all Iwi in the Greater Wellington Region. The Maori Board will assist Council's decision making and have an advocacy role and hence the Maori Board will not have voting rights at Council. While not formalised in the draft proposal the Commission comments that it sees the need for local boards to establish relationships with iwi and hapu as well as local taura here groups. This could include advisory groups, appointments to committees, memoranda of understanding etc.
- 13 The Local Government Commission identifies the principal benefit to Iwi/Maori is that dealing only with one Council will streamline involvement in local government processes.

Issues

Representation

- 14 The proposal inevitably means that there will be less local representation on matters that are managed at the new Council level. This is probably the most profound in policy, and in planning matters, where decisions about the future shape of the area will be taken at the Council level. However it is unlikely that there would be immediate change to the Proposed District Plan, given where it is in process, and the costs of starting plan processes from scratch, but this matter will need clarification from the Commission.
- 15 This issue is balanced to a degree with the Local Board, which is directly accountable to the local community, having responsibilities for matters that are deemed local, such as facilities management, identifying and communicating local preferences to the Council, and undertaking other roles that the Council may delegate to it. The local community however is one step further removed from the decision-makers.
- 16 It could also be argued that there may be more influence in regional matters, and particularly regional growth strategies and transport, with Council members having the potential to exert greater influence than the current forums.
- 17 While it may be possible to argue for more representation (and in the Hawkes Bay case the number of Councillors was doubled following submissions), it is unlikely that the proportion would be changed.

Decision-making

- 18 The Local Board will be responsible for management of facilities within prescribed budget and three year Long Term Plan. Policy will be determined at the Council level. Given that Local Boards of this nature are a new concept, there is little experience in levels of delegation and how far local decision-making could be taken. For example, different communities may value some facilities and activities more than others (particularly given different demographics), or may wish to see higher standards than the regional average. This may well be possible through agreements, and the use of targeted rates.
- 19 This may be particularly important to the Kāpiti Coast in relation to non-transport infrastructure (water supply and wastewater management) where there is no connection to the rest of the region.
- 20 It is difficult to argue that rating decisions should be undertaken by a local board, as there would then be a mis-match in accountability at Council level.

Fiscal implications

- 21 Future integrated rating means there will inevitably be changes in how rates are struck. A shift to capital value rating will impact ratepayers, as would changes to fixed charges. It is difficult to model the impacts – however ratepayers with more capital assets will likely pay more, and those with less may see a rates reduction (see attachment 1). Kāpiti Coast is also the only Council that does not have a differential for commercial properties, and it seems likely that differentials will be implemented at some stage, meaning higher rates for commercial properties.
- 22 The cost of change is not unsubstantial. Council needs to be satisfied that the long-term benefits that will accrue justify the cost. The Local Government Commission has estimated that the costs of this option will be around \$184M, with the biggest single being the cost of integrating IT systems (ranging from \$105M to \$150M). It has also assessed the savings resulting from efficiency are in the order of \$30M per annum. This means that it will take at least 7 years to recoup the costs, assuming that the costs are realistic. The Local Government Commission however is looking at a 25 year time horizon, over which time substantial benefits should accrue.
- 23 The costs of integrating IT systems are difficult to predict accurately. There are many examples of costs substantially exceeding estimates (as in the Auckland case) – however Council should also bear in mind that replacement of existing systems (particularly Council by Council, or via a shared service arrangement) is also difficult to predict, given constantly changing demands and increasing needs for security.

Fate of commitments and agreements

- 24 This situation remains as it is now, with Councils unable to bind future Councils. It does mean however that projects that are not in-flight, and agreements and partnership arrangements cannot be guaranteed to remain, beyond those embodied in legally binding contracts or agreements.

Changing expectations of Councils

- 25 Expectations of Councils are changing, both from communities and government. The trends to higher standards, increased efficiency, greater transparency, and more partnership arrangements are unlikely to change, and will continue to drive the administration and sophistication required. These can require skills that are

difficult for smaller councils to recruit and afford. Examples of present issues that are challenging to manage include natural hazard management and adaptation to climate change.

Fact checking

26 There are a number of areas where facts and figures are not correct. It is the staff assessment that these matters, while significant, are unlikely to materially alter the conclusions that the Local Government Commission has reached. It is important, however, that these are corrected both to ensure that the Local Government Commission does have the right facts and figures before it when it makes its final determination, and to ensure that the public record is correct. The most significant of these are the statements regarding operating costs and asset condition.

26.1 Operating Costs per capita Vs per ratepayer

The Commission’s report quotes per capita operating expenditure and shows Kāpiti Coast as the 2nd highest in the region (\$2,048), just behind Wellington City¹. This is incorrect. The actual per capita figure for Kāpiti Coast for 2012/13 is \$1,232 which is the second lowest in the region; and 35% lower than the national average.

A more valid measure to use is operating expenditure per ratepayer, given this is how local authority costs are levied and collected. A recent survey (2014) by the Taxpayers Union showed that by using this measure Kāpiti Coast has the lowest cost per ratepayer in the region, and in fact has the fourth lowest operating cost per ratepayer (\$2,497), in the country. This survey identified the following for the Wellington region:

Council	avg
Kāpiti Coast District	\$2,497
South Wairarapa District	\$2,632
Upper Hutt City	\$2,705
Carterton District	\$2,797
Masterton District	\$3,280
Lower Hutt City	\$3,489
Porirua City	\$3,886
Wellington City	\$5,738

26.2 While this is still a simplified measure, what it highlights is that Kāpiti Coast has cost-effective delivery of services, where the draft proposal implied the opposite.

26.3 Asset Condition

The water and wastewater pipe condition figures quoted by the Commission have been extracted from a consultant’s report (Asset Management Activities Wellington Region Local Authorities Nov 2013) undertaken by the Commission as part of developing their proposals. One of the main conclusions reached in this report was that:

“The nine councils appear to have a good understanding of the assets they own, their current condition, the levels of service the assets are required to provide, and what needs to be done to properly manage and maintain them in order to achieve the outcomes sought.”

¹ Table 9, p58

- 26.4 The consultant report defines Asbestos Cement (AC) pipe as having a shorter life than most pipes made of other material with specific reference to AC pipe installed prior to 1970 “current condition of at least those laid before 1970 can generally be described as being ‘poor to very poor’.
- 26.5 Of concern is that the Commission’s proposal quotes 53% of the water network and 67% of the wastewater network as being “poor to very poor” in the Kāpiti District. The Commission has assumed that all of AC pipe was installed prior to 1970 which is not correct. The actual percentage of AC pipe
- 26.6 installed prior to 1970 is 1% within the water network and 7% within the wastewater network. Following condition assessments the Council’s Activity Management Plans have identified 24.3% being poor and 3.3% being very poor (totals 27.6%) for the total water network and 2.3% being poor or very poor collectively for the total wastewater network. This issue is addressed through adequately providing for renewals in the Council’s draft Infrastructure Strategy and Long Term Plan.
- 26.7 Using the corrected data would reduce the projected 30 year water and wastewater renewal figures provided by the Commission.

26 February 2015 Council Meeting

- 27 Given the close of submissions with the Local Government Commission is on 2 March 2015, Council’s consideration of its submission is programmed for the Council meeting on 26 February 2015. The Council needs to decide on 5 February whether it wishes to make a submission to enable staff time to prepare it for consideration.
- 28 At this stage in the process the Council has the following options:
- Support the draft reorganisation proposal in its entirety
 - Support the draft reorganisation proposal with conditions and changes
 - Identify an alternative preferred option from within the identified “reasonably practicable options”. This might include supporting the status quo, or “do nothing” option.

Next Steps

- 29 Once the Commission has received submissions it will hold public hearings where submitters will have the opportunity to present their submissions. Once the Commission has concluded the hearings it will chose one of the following options: Issue the draft as a final proposal, issue a modified draft as the final proposal, identify another “preferred option” as the basis for a new draft proposal, or decided not to issue a final proposal.
- 30 Once the Commission has issued a final proposal, the electors of the affected local authorities can call for a poll on that proposal. 10% or more of the electors of one of the affected local authorities is required to trigger a poll. If a poll is triggered more than 50% of the valid votes cast in the poll (across the affected region) must support the final proposal for it to succeed. If the poll fails status quo local government arrangements in the region continue.

Financial Considerations

- 31 Council has budgeted \$80,000 this financial year for responding to the Local Government Commission process.

Legal Considerations

- 32 The Local Government Commission process is tightly prescribed within legislation and no discretion exists to deviate from this process.

Delegation

- 33 Council holds the delegation to make the submission to the Local Government Commission.

Significance and Engagement

- 34 In terms of Council's Significance and Engagement policy, the proposal has a high degree of significance for the community. Council has previously canvassed the community's views on this matter.
- 35 It is important to note that this is a Local Government Commission process and not a Council process hence the requirement for consultation is legally with the Local Government Commission itself. It has a responsibility to seek the views of affected local authorities, Iwi, Community Boards, CCO's and others it considers appropriate.
- 36 While Council, individual Councillors and Community Boards will liaise with the Kāpiti Community no formal or comprehensive consultation is planned by Council. The short time frame allowed by the Local Government Commission for submissions and the fact that this included the Christmas/New Year period precludes comprehensive consultation in any case.

Policy Implications

- 37 All existing Council policies would become null and void if the Local Government Commission proposal was adopted. This Council cannot bind the Greater Wellington Council into adopting any existing policies of the Kāpiti Coast District Council.

Tāngata Whenua Considerations

- 38 While a legislative requirement exists for the Commission to consult with Iwi it is ultimately up to Iwi to make their submission directly to the Local Government Commission. Te Whakaminenga o Kāpiti was briefed on the proposal at its meeting on 20 January 2015.

Publicity Considerations

- 39 The process is managed by the Local Government Commission, and responsibility for communications about the process lies with that body. Council however may choose to communicate on a range of matters, from matters of fact and process, to implications for the Kāpiti community and what steps might be taken to ensure the best outcome for both Kāpiti and the wider Wellington community.

RECOMMENDATIONS

40 That Council;

- a) Direct staff to prepare a submission to the Local Government Commission on its proposal, for consideration at the Council's 26 February 2015 meeting.
- b) Note that the Local Government Commission's deadline for receiving submissions is 2 March 2015.

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ATTACHMENTS:

Attachment 1
Draft Wellington Reorganisation Proposal, A powerpoint presentation to Kāpiti Coast District Council.

Attachment 2
Kāpiti Coast District Council submission to the Local Government Commission September 2013