

Future Wellington - An Issues Paper on local government reform in the Wellington region



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Preface

The mechanisms of local government are not top of mind for most of the people whose lives are affected by it. Many think that the job of local government is to provide the drains and sewage disposal facilities, fix the local roads and bridges, take away the rubbish, and deliver a reliable water supply. In order to deliver their services local government levies rates on property owners.

If only life were so simple. The actual and real life details of local government in the Wellington Region exhibit manifold complexities that need to be understood before any attempt can be made to change them. How many people really know what the Greater Wellington Regional Council does compared with a City or District Council? How decisions are made, who makes them and who pays for them are of critical importance not only to the quality of those decisions but also the democratic legitimacy of the exercise of public power. Local government involves:

- Public transport
- Public facilities, such as libraries
- Regulation of some commercial activities in the public interest, such as restaurants and bars
- The drawing up of environmental plans
- The issuing of resource consents
- Planning, devising strategy and advocacy

This *Issues Paper* is the work of an Independent Panel appointed by the Greater Wellington Regional Council and the Porirua City Council as part of a process of investigating local government reform in the Wellington region. The Panel has been given clear but wide ranging Terms of Reference that are set out in this paper.

The issues under review by the Panel have been the subject of serious consideration within the region since 2009. The *Issues Paper* sets out and relies upon some of the detailed analytical work that has already been done on the topic. The issues have been discussed by the Wellington Regional Mayoral Forum, but no agreement was reached. The Greater Wellington Regional Council proposed that an independent Panel be established to consider the issues, although only the Porirua City Council agreed. The other Councils in the region decided to go in other directions as they were entitled to do. Many of them are conducting their own consultations and have produced their own material about the way forward.

The situation faced by the Panel is therefore one of clutter and confusion that will make public consultation difficult and coherence hard to achieve. But the Panel is determined to push ahead because it is convinced the issues are of prime importance to the future of the people who live within the region.

There are three features driving the investigation the Panel is conducting. The first is the creation of the Auckland super city. That has changed the face of local government in New Zealand and removed the previous pattern of uniformity, necessarily opening up local government governance issues for the rest of the country. Second, there has been a pronounced economic decline in the Wellington region that has serious social and economic implications. In the view of the Panel these need urgently to be addressed. Third, there has been the New Zealand Government's review of local government *Better Local Government* and the introduction to Parliament of the Local Government Act 2002 Amendment Bill 2012 that intends to change the rules about amalgamations and facilitate them. All these drivers are analysed in this paper.

In the public debate that has already taken place there has been much focus on structures. The Panel does not see the prime issue in that way. The exercise is about the needs of ratepayers and residents and how to meet those needs. The Panelists have a wide range of experience. That diversity should be a strength. The Panel has found it easy to work together. Most importantly the Panel has no vested interest in any outcome other than one that advances the interests of the people who live here. So far the Panel has no views on what the best option is in charting the way forward. But in this paper the Panel is asking sharp and hard questions. The Panel wants as much public feedback as possible. The issues are important to everyone who lives here even if they are not top of mind.

Geoffrey Palmer
**Chair, Wellington Region Local Government
Review Panel**

Tell the Panel what you think

Throughout the *Issues Paper* the Panel has raised some significant questions about governance of the Wellington region. These are summarised in the *Summary of issues for consultation* section beginning on page 5 of this *Issues Paper*.

The Panel is very interested in your responses to the issues and questions in this paper, as well as any other matters you would like to raise in respect of the Wellington Region Local Government Review.

There are a number of channels through which you can provide us with your views and feedback on the issues the Panel has raised:

- Download a copy of the *Issues Paper* and a submission form at www.wellingtonreviewpanel.org.nz
- Leave your feedback online at <http://feedback.wellingtonreviewpanel.org.nz>
- By emailing your submission or feedback to info@wellingtonreviewpanel.org.nz or mailing it to:

Issues Paper
Wellington Region Local Government Review
PO Box 11-646
Manners Street

- Public meetings are also being organised for a number of centres throughout the region. Please visit the website www.wellingtonreviewpanel.org.nz for more details

The invitation to respond to these questions is open until **Friday 7 September 2012**.

What the Panel is interested in hearing about

In thinking about how you respond to the questions it is important to remember the Panel's task is to consider a number of issues in relation to local government governance in the Wellington region.

These issues range from citizen engagement in local government decision making, and the impact of demographic changes on planning decisions, through to achieving more integrated infrastructure planning, and improving alignment of local government with central government, the private sector and the community sector. The full Terms of Reference for the review can be found on the website: www.wellingtonreviewpanel.org.nz.

Summary of issues for consultation

1. The independent Wellington Local Government Review Panel has been established to assess governance models for the Wellington Region and identify an optimal one. The purpose of this *Issues Paper* is to provide a context for the Panel's consultations upon its Terms of Reference and define issues upon which it wishes to hear views.
2. The Wellington region is home to nearly half a million people. The units of Local Government involved in the area under review are the Wellington City Council, the Porirua City Council, the Kapiti Coast District Council, the Hutt City Council, the Upper Hutt City Council, the Masterton District Council, the Carterton District Council, the South Wairarapa District Council and the Greater Wellington Regional Council.
3. There are three factors that have stimulated the review. The New Zealand Government has introduced a Bill of Parliament to reform aspects of local government and to facilitate amalgamation of local government units. It has taken steps to ensure local government contributes to the Government's broader agenda of building a more competitive and productive economy and improve the efficiency and cost effectiveness of the delivery of public services.
4. Since local government in New Zealand "depends upon the policies and expectations of central government" people expressing views to the Panel need to be aware of the New Zealand government's local government policy that is summarised in the paper. Central government is changing local government's role. The creation of the Auckland super city has changed the face of local government in New Zealand and removed the previous uniform framework. Economic adversity has hit the region requiring better measures to combat it and stronger advocacy.

Do you think local government should be doing more to support economic growth and development in the region? Do you think more needs to be done in the region to improve the resilience of our infrastructure to better prepare for hazard events?

The Panel wants to know what Wellington people think of what has happened in Auckland. What implications, if any, do you think the creation of the Auckland super city has for the Wellington region?

The political culture and the democratic imperative require that local government leading decision makers are elected. Yet the participation rates in local body elections are so low as to be a cause for concern. In the 2010 local elections within the Wellington region the voter turnout ranged from 39 per cent to 57 per cent. Why do you think the turnout at local government elections is so low? Does it matter, and if it does, what can be done about it? Would larger units of local government with wider responsibility attract better candidates to run for office and make the voters more likely to vote? Should other measures be adopted to make it easier for people to vote?

There have been big debates for about 30 years in New Zealand about Māori representation in local government and the obligations of local government to recognise the Treaty of Waitangi. It is an issue that evinces strong, even polarised, views. In any reorganisation of local government within the Wellington region how should the issue of Māori representation be dealt with?

The Auckland Royal Commission developed four principles for shaping Auckland Governance: *common identity and purpose; effectiveness; transparency and accountability; and responsiveness*. The Panel thinks those characteristics of good local governance fit well with the Panel's Terms of Reference and will be useful to guide this review. Do you agree? Is there something important that the Panel has missed?

The panel's preferred framework for examining the governance issues is based on the three themes of local democracy, effectiveness and efficiency. Do you agree with these criteria?

Do you think councils in the region do a good job at engagement, both at the local level and at the regional level?

It appears to the Panel that the challenge for local government is to be organised in such a way that local or neighbourhood engagement and decision-making is authentic while at the same time the regional community is able to make decisions on issues that span a larger area and impact on more people. Do you think the current arrangements allow this to occur?
Is the balance right?

It also seems to the Panel that leadership is important at both the local and regional levels. Do you think the challenges facing the region warrant a stronger regional leadership approach with strong voices speaking for the region? If a move to strengthen regional governance were proposed, how could local leadership be maintained or enhanced?

Some Councils engage local communities through a Community Board, others do not. Do you think the use of Community Boards should be more widespread?

Effectiveness in strategy, planning and decision making is an important driver of successful governance. It is also about understanding what functions require a regional view and what functions are more appropriately performed at the local level. What views do you have on this issue?

In the event that larger units of local government are introduced in the Wellington region do you see any advantages or disadvantages in the Auckland Local Board model?

Do you think the region needs to develop a unified vision and strategic direction, and if so, should it be a mandatory requirement?

Spatial planning is a good way to consider complex and large infrastructure issues and guide decision-making on strategic issues. What are the key issues for the Wellington region that would benefit from such an approach? The Auckland legislation requires a spatial plan to be drawn up. But there is nothing comparable in Wellington. Would such a plan benefit the Wellington region?

What do you think are the key growth management issues for your community or the region? Do you think councils need to take a closer look at these issues?

Local planning processes differ significantly around the region. Do you think there is value in a more consistent approach based on models that have demonstrated success?

There have been some efficiency gains in the region through shared services approaches but they can take considerable resources to put in place. Should more effort be put towards a shared services model, or do you think efficiency gains would be greater from reorganisation?

Do you think there is benefit in considering a more integrated regional approach to the management of water infrastructure services in the region?

Individual councils in the region spend significant resources on the management and maintenance of key infrastructure such as roads, stormwater, wastewater, water supply, recreational facilities and community facilities. Do you think there is benefit in managing these through a more regional approach?

What role should Council Controlled Organisations have in future governance arrangements, how should they be organised and what areas should they cover?

Would a system of integrated consents have advantages for the Wellington region? Would there be advantages in a regional approach to the administration of regulatory activities?

What changes, if any, need to be made in regard to the handling of transport issues by local government in the Wellington region?

5. An important facet of local government is about rates, finance, debt and costs. These issues are complex but the Panel takes the view that it must analyse them.
6. The financial impact of local government on the Wellington region is significant. The current funding requirement of local authorities is being substantially met through rates and user charges. The "amalgamated" financial strength of Wellington's local authorities could be better leveraged for the benefit of ratepayers across the region.
7. Each Local Authority has a common responsibility under the Local Government Act 2002 to manage its finances in a manner that promotes the current and future interests of the community. The actual approach and strategy adopted by each local authority differs. The impact of these differences presents a significant challenge in any future shape or form of local government for Wellington. For instance, the adoption of a single rating system would affect the distribution and allocation of rates on a broader base. Ratepayers in one area are likely to be interested how the cost of current and future issues in other areas would affect them. For example, Hutt ratepayers may ask why they should pay for Wellington's debt or leaky homes liabilities; Wellington ratepayers may be concerned at funding any infrastructure deficit in the Hutt; Wellington CBD may be concerned with an additional rating impost under a single rating system that includes a significant business rating differential.
8. Financial strategies adopted by each local authority identify a number of significant financial challenges and issues in the current economic environment. Affordability, willingness to pay, fairness and allocation of funding needs are significant issues for local authorities.
9. The actual financial impact for individual ratepayers or communities will not be known until the final shape of any reform is determined and until current differences in policy and funding approaches are reconciled. This took some time in Auckland. In the end, Auckland's preference was to fund most activities on a regional basis, provide for funding of specific local needs and to manage or equalise the impact of funding extremes on a case by case basis as required.
10. Efficiencies and savings from amalgamation and shared services models can reasonably be expected to amount to 2.5-3 per cent based on the Auckland experience. There are many examples of similar or unified services that could be provided on a more efficient regional basis. It needs to be appreciated that to implement shared services models takes significant time, negotiation and effort.
11. Efficiency savings may assist in addressing the financial challenges and pressures faced by local authorities. Auckland and overseas' experience shows efficiency savings from large-scale amalgamations are likely to be realised over the medium to long term. Short-term savings and efficiencies may be offset by additional transition and integration costs.
12. Rating and funding tools available to local authorities under the Local Government Act 2002 could provide flexibility to fund local service level needs while also providing for the allocation of costs to specific communities if it were fair and equitable to do so.

Would there be an advantage in a single rating system for the Wellington region?

How could differences in current service levels, levels of investment and in rating and funding policies be managed across the Wellington region?

What is the best way to address and fund local and regional service level and investment needs and requirements?

How should "legacy issues" and local funding needs be addressed across the Wellington region?

Legacy issues are issues of past organisations following a change of some sort, such as different debt levels and different approaches to rating.

Do you consider that efficiency savings could be achieved by fashioning larger units of local government in the Wellington region?

How important are efficiency savings from changes to the shape of local government across the Wellington region relative to other tangible and intangible benefits that may be derived by changing the shape of local government across the region?

What level of efficiency savings would be required in order for you to support a change in the structure of local government in the Wellington region?

Where do you consider there is the greatest opportunity today for operational and finance efficiency savings within your local authority or across the Wellington region?

13. The Panel is expected to assess possible local government options for the Wellington region "and identify an optimal one, which may include either structural and/or functions changes".
14. In order to focus the consultation the Panel now sets out what it considers those options to be. If people think there are others the Panel would be pleased to consider them.
15. There are a number of functional options available, covering service delivery and planning. The functions are those currently entrusted to local government by law. They can be carried out in a variety of ways: Councils can do everything themselves with their own staff or they can contract services out.
16. The overall aim must be to reduce costs as much as possible and there are a number of ways in which the efficiencies may be improved.
 - Option 1: Shared Services. Councils cooperate to share the costs of delivering their services on an ad hoc basis as the synergies appear and agreements can be reached. This is the status quo
 - Option 2: Prioritised shared services with strong collaboration. This could involve regional joint ventures, extending the use of Council Controlled Organisations to manage key services and infrastructure. This would involve a deliberate and proactive drive for shared services
 - Option 3: Services provided by one Council on behalf of the others. For example, in the provision of payroll services. This would facilitate the development of centres of excellence
 - Option 4: Regional planning for particular services, assets and infrastructure. This could include binding regional spatial planning as in Auckland, as well as regional planning for transport, land use amenities and natural hazards
 - Option 5: Harmonised regulatory processes - a deliberate regional programme to achieve consistent regionalised processes in resource management, building and resource consents
 - Option 6: Greater use of Council Controlled Organisations to carry out functions
17. The Panel is of the view that form (structures and systems), should follow function (roles, responsibilities, activities and mandates laid down in legislation). The Panel also takes the view that there is no longer a one-size-fits-all model for local government in New Zealand. Citizens need to fashion arrangements tailored to the particular circumstances of the region.

- Option 1: The most obvious option is no change. The status quo option is always popular when there is no agreement upon what should replace it
- Option 2: Retain the Regional Council with an expanded regional council role for spatial planning. Amalgamations of territorial authorities could be considered and there are various combinations for that. Community boards are another variable in this mix
- Option 3: Two-tier local government where there is regional rating, and delivery of regional services by a single regional council. Local councils as now set up would operate local services and community functions in accordance with defined statutory provisions. All services would be funded through a single regional rating system
- Option 4: Two sub-regional unitary authorities. The first would be named Wairarapa and comprise South Wairarapa, Carterton and the Masterton District Councils. The second, named Western Lower North Island would comprise Wellington City, Porirua, Hutt, Upper Hutt and Kapiti Coast councils. The Regional Council would be abolished. Local boards could be included to enable local representation on behalf of local communities
- Option 5: A single unitary authority similar to Auckland but with features tailored to local circumstances and conditions. There are a number of considerations within this option including whether local boards are adopted or the present council boundaries are kept, or community boards are used

What combination of changes would best allow the Wellington region to address the strategic issues it faces while avoiding unnecessary costs or change for change's sake?

Chapter 1: How the Panel came about

Purpose of the Wellington Local Government Review Panel

18. The Wellington Local Government Review Panel (the Panel) is an independent group set up by Greater Wellington Regional Council and Porirua City Council to examine existing local government arrangements in the Wellington region.
19. The Panel has been set up in response to the decision by Government to make significant changes to the legislative framework, the Local Government Act 2002, guiding how local government operates and manages its business.
20. The Panel comprises:
 - Rt Hon. Sir Geoffrey Palmer (Chair)
 - Sue Driver
 - Sir Wira Gardiner
 - Bryan Jackson

Background to the establishment of the Panel

21. Local government reform, and Wellington region's consideration of reform, has been discussed regularly since the October 2009 Central Government package of reforms to improve the transparency, accountability and financial management of local government. At the same time amalgamation of local government in the Auckland region occurred to create the Auckland Council. A key driver of the Auckland reform was improved integration in regional planning and service delivery so that the new city could support economic growth.
22. The formation of the new Auckland Council has naturally sparked speculation within other regions, and particularly those centred on major cities, about whether amalgamation could be right for them. The need for the Wellington region to speak with one voice about our investment and growth potential was identified.
23. Since then, discussion within the Wellington region has focused on the risks of "imposed reform" versus "change from within". There has been agreement that the Wellington region needs to be well-positioned to engage positively with central government in response to any central proposal for reform. Even better, it may be possible to pre-empt imposed reform by having a clear regional view and a positive self-initiated proposal for change.
24. In 2010, the Wellington Region Mayoral Forum commissioned PricewaterhouseCoopers to conduct a Regional Governance Review. The October report¹ recommended continuing the discussion on reform and suggested six possible scenarios:
 - Status quo – do nothing

¹ PricewaterhouseCoopers, *Wellington Regional Councils Governance Review October 2010* (PricewaterhouseCoopers, 2010) at 52.

- Strengthened regional council – centralising more regional functions
 - Clusters of territorial authorities – Wairarapa, Hutt Valley, Wellington/Porirua or Wellington, Porirua/Kapiti
 - Two-tier local government – regional council and fewer local councils
 - Two sub-regional unitary authorities – Wairarapa and Wellington
 - A single regional unitary authority
25. In June 2011, the region's Councils made the PricewaterhouseCoopers report public. Some then sought submissions from the public. Only 165 regional submissions were received, the largest proportion from Greater Wellington and Porirua City who actively sought feedback. General themes that emerged were that submitters:
- Preferred change over status quo
 - Wanted change from within, not imposed
 - Wanted local democracy to be maintained. This was a view of both supporters and opponents to change
 - Were concerned that changes might lead to higher rates and/or reduced services
26. Expectations and understanding of potential efficiency benefits of amalgamations are contentious. However, some of the benefits that submitters expected from governance change included:
- Stronger regional leadership
 - A better relationship with central government
 - Better regional decision making concerning transport, water and disaster response
 - A single regulatory authority and consistent approach to regulation – reduced compliance costs; easier for business and developers
 - Reduced compliance costs; easier for business and developers
 - Improved efficiency – economies of scale, reduced duplication, increased focus on services, improved financial management
 - Services, improved financial management
 - Improved capability - more technical expertise, enhanced strategic management

27. The results of submissions analysis by MartinJenkins Ltd were reported back to the Mayoral Forum in September 2011. In addition, MartinJenkins drafted further consultation material to assist councils with the next stage of community discussions. However, at the time and despite this work, no further commitment was made at the Mayoral Forum to advance the review of governance in a joint and consistent manner.
28. In October 2011, several Greater Wellington Regional Councillors prepared a paper "*Some ideas on local government reform in Wellington – neighbourhood decision with pan-regional strategy*". This was also included on a website www.shapethefuture.co.nz which was launched by a group of cross-regional supporters to stimulate discussion.
29. Keen to keep progressing the community discussion on governance change in the region, the Greater Wellington Regional Council and Porirua City Council initiated the establishment of the independent Wellington Local Government Review Panel to assess governance issues in the region.

The Panel's Terms of Reference

30. The Panel has been asked to prepare a report that will:
 - a. Assess possible local government options for the Wellington region and identify an optimal one, which may include either structural and/or functional changes
 - b. Contain a description of the preferred model and how it would operate, including levels of decision-making, functions, governance arrangements and a proposed approach to financial arrangements concerning rates/other revenue, debt and liability management
 - c. If the preferred option includes any changes, outline transition arrangements, including approximate costs and a timeframe for implementation
31. The report may be used by the Greater Wellington Regional Council and Porirua City Council to form the basis of a submission for reorganisation to the Local Government Commission.
32. In coming to its conclusions, the Panel will need to be satisfied that its recommendations meet the different needs of Wellington's regional, rural and urban communities and will strengthen the ability of the region to meet future challenges. In particular, the Panel has been asked to consider:
 - a. Appropriate locations/levels for decisions on and delivery of local government functions
 - b. Institutional arrangements that will embed enhanced opportunities for community/neighbourhood decision-making on local issues and meaningful citizen engagement in the development of regional policy and delivery options

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- c. The role of local government in fostering cultural identity and community character
 - d. The role and representation of iwi/Māori in the proposed model
 - e. Challenges faced by local government in delivering costly and complex infrastructure
 - f. The provision of local and regional facilities and amenities
 - g. Ways of enhancing the effectiveness and efficiency of planning and regulatory processes across the region
 - h. How best to achieve integrated planning, including for transport and land use, to deliver optimal economic and environmental outcomes
 - i. How changes in demographics will impact on the region and its constituent parts
 - j. The role of local government in assisting the region to be globally competitive
 - k. Ways in which the region's local government could better align with central government and its agencies, for example health, education, and police
 - l. Ways in which the region's local government could better align delivery with the private sector and the community/ NGO sector
 - m. The impact of any proposed changes on local government finances and revenue models, including rates and the management of assets, debt and other liabilities
 - n. Rationale and criteria for any Controlled Organisations and other models of arms-length service delivery
 - o. The costs and benefits of the status quo and of any preferred option for change
 - p. How and between which parties the financial costs of any transition should be apportioned
 - q. Any other issues the Panel consider relevant

Chapter 2: Who are we?

The Wellington region

33. The Wellington region has long been characterised by the diversity of its communities and the strength of its culture, economy and people. There are, however, challenges ahead that need to be addressed.
34. The official Wellington region covers the area around Wellington City, the cities of Lower Hutt, Porirua and Upper Hutt, and their rural hinterlands. The region extends up the Kapiti Coast as far north as Otaki on the southern fringe of Horowhenua. East of the Rimutaka Range, Wairarapa has a much more rural feel. Farming and other productive uses take place over extensive river plains and hill country. The rural hinterland is serviced by the towns of Masterton, Carterton, Greytown, Featherston and Martinborough.
35. The region's people have a strong sense of community, fostered by their sense of place within the rural areas, towns, suburbs and cities in which they live and work, as well as their interests and passions. These are all key to building a strong, socially sustainable and connected region.
36. The desire to extend this sense of connectedness beyond neighbourhoods is also reflected in people's mobility as they move around the region to live, work and play.
37. In order to understand what changes people may want for the region it is first necessary to appreciate the region's characteristics.

People

38. The Wellington region is home to nearly half a million people² and is New Zealand's third most populated area. At its heart is Wellington city, praised by Lonely Planet as the "coolest little capital in the world".³
39. Each day over 30,000⁴ people travel to Wellington city from throughout the region to work. These commuters share a strong common desire - a lifestyle where they can take advantage of big-city opportunities during weekdays while living the "good life" at weekends. This is also reflected by the large number of residents who have a second home or bach in another territorial authority area. While Wellington city attracts the most commuters, a significant number of the region's commuters travel to other parts of the region to work each day.
40. Wellington city's compact and accessible central business district has encouraged an increasing number of residents to opt for inner-city apartment lifestyles, offering both work and recreation opportunities right on their doorsteps.

² Statistics New Zealand, "Subnational population estimates tables at 30 June 2011: estimated regional council areas" (2011) <www.stats.govt.nz/browse_for_stats/population/estimates_and_projections/subnational-pop-estimates-tables.aspx>

³ "Lonely Planet Acclaim for the 'Coolest Little Capital in the World'" *Wellington NZ* (online ed, November 1 2010) <www.wellingtonnz.com/media/lonely_planet_acclaim_coolest_little_capital_world>

⁴ Statistics New Zealand, *Journey to work data for the Wellington Region: Census 2006* (2006) <http://www.stats.govt.nz/browse_for_stats/people_and_communities/Geographic-areas/commuting-patterns-in-nz-1996-2006/car-bus-bike-or-train.aspx>

41. The region's people tend to be more educated than those of other regions - there is a higher than national average 46.3 per cent of people aged 15 years and over who have a post-school qualification.
42. The region's 86,000 students are serviced by 196 primary/intermediate schools, 38 secondary schools and 16 composite schools. And the region's young people have access to a wide range of post-secondary school education options.⁵
43. The main tertiary educators are Victoria University of Wellington and Massey University, and these are complemented by the Wellington Institute of Technology and Whitireia New Zealand.
44. Many national specialist education providers are also based in the region, including the New Zealand Institute of Sport, New Zealand School of Music, Toi Whakaari New Zealand Drama School, New Zealand School of Dance and the Film and Television School. There are more than 39,600 students completing higher education in the region, including 3,800 international students.
45. Wellington region is second only to Auckland in many statistics related to breadth of ethnicity. In the 2006 census Wellington had the second-highest Asian population (8.4 per cent, Auckland 18.9 per cent) and the second-highest Pacific Islander population (8.0 per cent, Auckland 14.4 per cent). Some 26.1 per cent of Wellingtonians were born outside New Zealand, second to Auckland (40.4 per cent).
46. There are six recognised tangata whenua iwi in the Wellington region. These are: Ngāti Raukawa and Āti Awa ki Whakarongotai on the West Coast, Rangitāne and Ngāti Kahungunu in the Wairarapa and Ngāti Toa Rangatira and Taranaki Whānui who have interests across the four cities of Wellington.
47. The strong presence of tangata whenua together with residents from many ethnic backgrounds including European, Pacific Island, Chinese and Indian, who have lived in the Wellington area for well over 100 years, provide a rich diversity of lifestyles, annual events and dining experiences.
48. The more recent arrival of peoples from around the world is reflected in the rich cultural life of communities region wide.

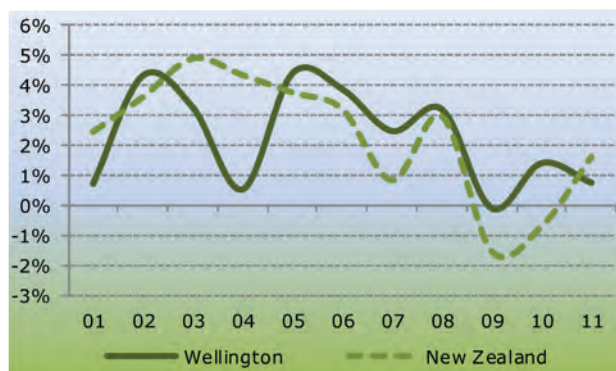
Economy

49. The economic climate facing the Wellington region is fundamentally different to what it was before the current global economic crisis. Economic growth has slowed, jobs are harder to find, and the lack of disposable income is affecting most aspects of our local economy, particularly the region's retail and tourism sectors.

⁵ Ministry of Education, *Schools Directory* (2012).
<<http://www.educationcounts.govt.nz/directories/list-of-nz-schools>>

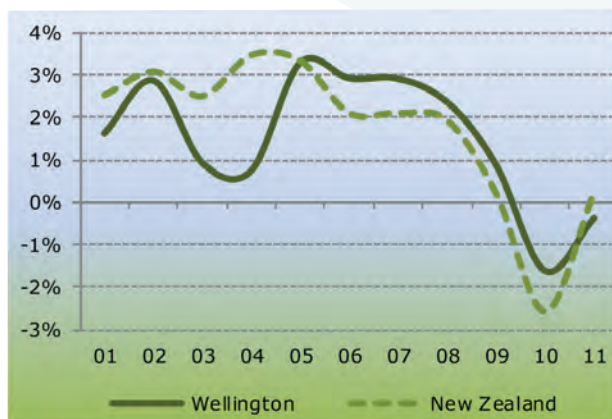
50. Recent economic reporting shows that the Wellington region accounted for 12 per cent of all goods and services produced in New Zealand (GDP or Gross Domestic Product) in 2011. This amounted to \$20,717 million of activity in our regional economy, up 0.8% from a year earlier. New Zealand's Gross Domestic Product increased by 1.6% over the same period.⁶

Figure 1, Annual average GDP growth (2000-2011)⁷



51. An equally important measure is the level of Gross Domestic Product produced per head of population (Gross Domestic Product per capita). This tells us something about the level of real wealth being created. The region has continued to perform well in this area compared to the national average, but has been losing ground in recent years.
52. In 2011 our regional Gross Domestic Product per capita dropped from \$53,479 in 2010 to \$52,353⁸, still higher than the national average but decreasing nevertheless. A significant amount of this decrease can be attributed to the decline of the government sector and the decrease in financial services due to head offices moving to Auckland. While many other industries in the region are doing well, they are not doing well enough to make up for the shortfall.
53. A similar situation applies to employment growth in the region, which has been losing ground over the long term, and recently when compared to the national average⁹.

Figure 2, Annual average employment growth (2000-2011)¹⁰



⁶ Infometrics, *2011 Annual Economic Profile for the Wellington region* (2011) at 3

⁷ Infometrics (2011) above note 6 at 3

⁸ BERL, Update dataset for Genuine Progress Index report, (June 2012).

⁹ Infometrics (2011) above note 6 at 7

¹⁰ Infometrics (2011) above note 6 at 46.

54. Fortunately, the region has some advantages from which to draw from. First, people in the region are smart. Around 47 per cent of the region's workforce is employed in knowledge intensive occupations (compared to a national average of just over 32 per cent).¹¹

Table 1. Employment in knowledge intensive industries (2011)

	Employment in KI Industries	% of total employment in KI Industries	Annual % change in employment in KI industries	Annual % change in employment in KI Industries
	2011	2011	(2010-2011)	(2001-2011)
Wellington	124,260	47.2%	0.6%	1.7%
New Zealand	709,150	33.2%	0.2%	2.2%

55. The Wellington region also has significant tertiary education and research resources, which are all important contributors to Wellington's education, skills and research infrastructure.
56. Diverse and vibrant enterprise exists in the Wellington region including government and professional services; screen, digital and ICT; design and innovation-led manufacturing; tidal energy; and high-end food and wine.

Culture, heritage, sport and environment

57. With a population rich in heritage, cultures and languages, the region's social, cultural and economic opportunities are numerous. Adding to this wealth of choice and diversity are some of New Zealand's top attractions spanning urban and rural landscapes.

Arts

58. As the capital, Wellington sustains many vibrant artistic and cultural environments.
59. The region houses many national treasures in the Museum of New Zealand Te Papa Tongarewa, and the soon to reopen National Library. It's also home to some of New Zealand's oldest Māori history – dating back at least 650 years with archaeologically significant sites in South Wairarapa. Wellington is also home to the New Zealand Symphony Orchestra and Royal New Zealand Ballet.
60. The biennial International Festival of the Arts attracts thousands of regional visitors to its performances, concerts and exhibitions. The Fringe Festival, a showcase for local talent, runs concurrently. Live theatres include Downstage, Circa and Bats.

¹¹ Infometrics (2011) above note 6 at 65

61. Museums and galleries such as Aratoi Museum in Masterton, Expressions Upper Hutt, Wellington's City Gallery, the Museum of Wellington City and Sea, Victoria University of Wellington's Adam Art Gallery, the Dowse Art Museum in Lower Hutt, Petone Settlers' Museum, and Pataka Museum and Gallery in Porirua, and Mahara Gallery in Waikanae all attract visitors from throughout the region.
62. And there is much to be proud of in our creativity. Wellington has been the home of a lively and successful creative community responsible for nationally and internationally successful performers, such as the Fourmyula, Jon Stevens, Shihad, Upper Hutt Posse, Fat Freddy's Drop, the Phoenix Foundation and the Black Seeds. Since film director Peter Jackson's film studios were built in Miramar in the 1990s, Wellington has become an important film-making centre. Weta Studios and Weta Workshop, also based in Miramar, are world leaders in digital animation and special effects. Film-maker and performer Taika Waititi and comedians the Flight of the Conchords are recent Wellington sensations in the performing arts.

Natural environment

63. Easy access to open spaces means Wellington offers almost unlimited recreational and sporting activities including mountain biking, surfing, fishing and tramping. The majority of residents live within three kilometres of the coast.
64. The region has almost 900 parks, forests, reserves and facilities¹². Five regional parks are within the region's boundaries, as well as Kapiti Island Nature Reserve, Pukaha Mt Bruce Reserve, Matiu Somes Island, Taputeranga Marine Reserve and Kapiti Marine Reserve.
65. The region boasts more than 250 leisure and informal recreation areas, 350 environmental and heritage sites and 70 sports grounds. The wide range of camping and tourist attractions bring more than 4.5 million tourists to the region each year¹³.

Current local government arrangements

66. The structure of local government in the Wellington Region comprises the Greater Wellington Regional Council and eight Territorial Authorities:
- Carterton District Council
 - Hutt City Council
 - Kapiti Coast District Council
 - Masterton District Council
 - Porirua City Council
 - South Wairarapa District Council

¹² Absolutely Positively Wellington Tourism <<http://live.wellingtonnz.com/page/facts-and-stats.aspx>>

¹³ Jazial Crossley "Tourists Spend \$1.4b in Wellington in 2011" *The Dominion Post* (New Zealand, 3 July 2012) at <www.stuff.co.nz/dominion-post/business/7212111/Tourists-spend-1-4b-in-Wellington-in-2011>

- Upper Hutt City Council
 - Wellington City Council
67. Within each local authority there are typically a number of sub-council structures, for example community boards; council committees and other sub-ordinate decision-making bodies; joint committees with other local authorities or public bodies such as the Wellington Regional Strategy Committee; and Council Controlled Organisations such as Capacity Infrastructure Ltd.
68. The functions of Greater Wellington Regional Council generally comprise:
- Resource management, including the Regional Policy Statement that guides regional and district plans, and regional plans that regulate the quality of water, soil, air and the coast
 - Biosecurity, concerning the control of regional plant and animal pests
 - River management, flood control and mitigation of erosion
 - Regional land transport, including planning, rail ownership and contracting of passenger services
 - Wholesale drinking water supplied to the region's cities
 - Parks and recreation
 - Regional economic development through the Wellington Regional Strategy, shared with territorial authorities
 - Civil defence emergency management, shared with territorial authorities
69. The functions of District and City Councils generally comprise:
- Community well-being and development
 - Environmental health and safety, including building control, civil defence, and environmental health
 - Local infrastructure - development and maintenance of local roading and transport, sewerage, water/stormwater
 - Recreation and cultural facilities, such as parks and libraries
 - Resource management including land use planning and development control

Chapter 3: The constitutional, legal and policy context

Local government and the constitution

70. The constitutional position of local government in New Zealand requires some analysis in order to appreciate the context into which this project fits. The purpose and function of local government has always been the subject of vigorous debate in New Zealand and so it should be, because the issue involves the distribution of public power and the democratic accountabilities for the use of that power.
71. New Zealand has long been known as a unitary state with a complete absence of the federalism that characterises countries such as Australia. That means New Zealand has fewer layers of government than the Australians and are not over governed in that sense. New Zealand's tradition of strong central government has long been established - but it has not always been so.
72. When self-government was established in New Zealand in 1852, the country enjoyed elected provincial assemblies presided over by elected superintendents. The provincial councils made laws and administered many matters. The politics surrounding them was vigorous to say the least. In the view of leading historian W P Morrell, this was "an interesting constitutional experiment. It possessed a constitution which attempted to combine the advantages of the federal and unitary systems of government."¹⁴ Significant aggregation of powers of decision in large units of local government, as is now happening in Auckland, marks a return to a position for that region that is reminiscent of the earlier provincial system. Provincial government was abolished in 1876.
73. When provincial government was abolished little conceptual thinking was done about what type of local government should replace it. So local government evolved from a practical contrivance lacking any developed constitutional conception of the powers with which it should be entrusted. And in many ways the level of rigorous thinking has not progressed much since then. The public discussion and consultation surrounding the Panel's activities may allow some of that gap to be addressed.
74. Partly because of this history New Zealand has no place reserved in its constitutional arrangements for local government. Obviously local government of some sort is a necessity but in what form and with what functions is not clear. In New Zealand local government is the creature of the central government. Every element of its activities is subject to control by acts of Parliament. As Professor Kenneth A Palmer has written, "The theory and place of local government in the political system does not derive from any formal constitutional entitlement."¹⁵ Perhaps this perceived lack can be addressed by the current review "Consideration of Constitutional Issues" that is underway. But it is incontestable as matters now stand that in constitutional terms local government in New Zealand depends upon the policies and expectations of central government.

¹⁴ W P Morrell, *The Provincial System of Government* (Whitcombe and Tombs Limited, Christchurch, 1964), preface.

¹⁵ K A Palmer, *Local government in New Zealand* (2 ed, Law Book Co, Sydney, 1993) at 23.

75. The prime statute currently governing the conduct of local government is the Local Government Act 2002. While this Act is likely to be amended by a bill currently before Parliament, at present it provides the following statement of purpose:

The purpose of this Act is to provide for democratic and effective local government that recognises the diversity of New Zealand communities; and, to that end, this Act—

- (a) states the purpose of local government; and
 - (b) provides a framework and powers for local authorities to decide which activities they undertake and the manner in which they will undertake them; and
 - (c) promotes the accountability of local authorities to their communities; and
 - (d) provides for local authorities to play a broad role in promoting the social, economic, environmental, and cultural well-being of their communities, taking a sustainable development approach.
76. The Local Government Act 2002 Amendment Bill 2012 as introduced to Parliament proposes to repeal paragraph (d) as set out above and replace it with the following words:
- “provides for local authorities to play a broad role in meeting the current and future needs of their communities for good-quality local infrastructure, local public services, and performance of regulatory functions.”
77. The precise effect of the proposed change is not easy to assess, but clearly the intention is to reduce the range of local government spheres of concern and bring greater concentration and focus to their activities.
78. The uniform pattern of local government in New Zealand has been changed by the advent of what has become known as the Auckland “super city” – Auckland Council. That development was preceded by a comprehensive and high quality 2008 report of a Royal Commission chaired by retired High Court Judge, the Hon. Peter Salmon.¹⁶ The other two members were Dame Margaret Bazley and David Shand. The central recommendation of the Royal Commission was the dissolution of the Auckland Regional Council and all seven territorial authorities to be replaced by a new single unitary authority named the Auckland Council. After a long and sometimes fraught process the central recommendation was implemented but with some significant changes compared to the blueprint of the Royal Commission. The new structures are set out in the Auckland Council Local Government Act 2009.¹⁷
79. The Auckland developments played a significant role in the discussions that led to the appointment of the Panel. The creation of the Auckland Council has implications for other Councils in New Zealand and for the whole pattern of local government.

¹⁶ Auckland Governance, Report of the Royal Commission on, including an Executive Summary, Summary of Submissions and Research Papers, Volumes 1-4 (AJHR H2, March 2009) at 35.

¹⁷ The complete legislation package in relation to Auckland City is contained in three statutes: Local Government (Auckland Council) Act 2009, Local Government (Auckland Transitional Provisions) Act 2010, Local Government (Tamaki Makaurau Reorganisation) Act 2009.

The change was clearly necessary in the view of the Panel but it involves a large aggregation of public power to the north of the Wellington region. This has implications for the Wellington region that this *Issues Paper* will attempt to analyse.

80. After the Auckland changes scholarly comment suggested that the profound reforms of Auckland governance have implications for all communities in New Zealand.¹⁸ The then Minister for Local Government, the Hon. Rodney Hide, announced a review of the constitutional status of local government.¹⁹ Issues of structure were raised including the usefulness of unitary authorities in metropolitan areas, and the functions and funding of local government. One of the most controversial issues faced in Auckland was the question of Māori representation in local government, an issue the Panel canvases in this *Issues Paper* in the Wellington context.
81. After Auckland various discussions have been held and a variety of proposals made for the structural reform of local government in other areas of New Zealand. The weaknesses that drove the Auckland reforms included duplicated and fragmented services, competing leadership, the lack of a shared vision for the Auckland region, fragmented decision-making processes, factionalism and weak accountability, are all issues that need investigation in Wellington. The Government's solution for Auckland, however, differed in important ways from the Royal Commission's blueprint. This Panel will examine those differences and how they may impinge on the options available for the Wellington region.
82. The academic analysis cited in this chapter has suggested that a one-size-fits-all approach to the local government issues now facing New Zealand is unlikely to work.²⁰ Given the tapestry upon which the Panel has been invited to weave the Panel will bear that in mind and try to fashion exist that apply to the circumstances that exist within the region of Wellington.
83. A further development that has important constitutional significance and one that has been frequently been overlooked is the existence of Regional Councils around most parts of New Zealand. These were brought to life partly because of the prospect of the Resource Management Act 1991. The boundaries are based in large measure on water catchments. The environmental logic of that approach was both necessary and obvious. But when it comes to boundaries and amalgamations these natural boundaries need to be considered. It makes little sense to erect new boundaries for territorial authorities by merger and ignore the implications that has for the resource management functions. The passing of the Resource Management Act was a significant devolution of power to a revised local government structure, revised in the sense of a division of powers between territorial local authorities and Regional Councils. If a Regional Council is abolished on the Auckland model with a unitary authority replacing it and a number of territorial authorities, then the ultimate boundaries matter a great deal in environmental terms. The Panel notes

¹⁸ Christine Cheyne, "The Auckland Effect: What next for other Councils?" in Jean Drage, Jeff McNeill & Christine Cheyne (eds) *Along the Fault Line-New Zealand's Changing Local Government Landscape* (Dunmore Publishing, Wellington, 2011) at 41.

¹⁹ Hon Rodney Hide *Smarter government-Stronger Communities: towards better local governance and public services* (Office of the Minister of Local Government, April 2011).

²⁰ Christine Cheyne, above note 18 at 57

that the application of the Resource Management Act is under further review as it writes this *Issues Paper*.²¹ Regional Councils also have important responsibilities in the area of land transport and in particular in the requirement to prepare a regional land transport strategy every six years.

84. One further issue with constitutional implications involves the proposal in the Local Government Act 2002 Amendment Bill about how amalgamations of local authorities can take place without a referendum. The Local Government Commission has statutory responsibilities in relation to proposed amalgamations. But ultimately, as the law stands, amalgamation proposals have to be carried by referendum in the territorial local authorities. If the change proposed is agreed by Parliament that will no longer be the case. The Bill as introduced provides in Schedule 1:

If a final proposal has been issued under **clause 18(1)(a) or (b)**, affected electors may demand a poll to determine whether or not the final proposal is to proceed and become a reorganisation scheme.

(2) A poll may be demanded under subclause (1) by a petition of 10% or more of electors enrolled as eligible to vote in the affected area.

85. The clear intention of that provision is to facilitate amalgamations and reorganisations. It makes them easier to achieve and quite high hurdles must be jumped in order to secure a referendum.
86. In conclusion, it seems that the uniform pattern of local government in New Zealand has been changed by the advent of the Auckland Council. This presages a more powerful form of local government in one area now and possibly others later. Otherwise why change the referendum provisions? The implications of these developments have to be carefully weighed given the absence of any constitutional protection of local government.

What implications, if any, do you think the creation of the Auckland super city has for the Wellington region?

The democratic imperative

87. It is widely accepted in New Zealand that local government must be conducted along democratic lines but there is not a great deal of analysis as to what this means in practical terms. New Zealanders accept local government decision makers must be elected and in recent years there has been some innovation in the electoral system available in local government elections.
88. The choice of voting systems under the Local Electoral Act 2001 are between First Past The Post method of voting used in parliamentary elections before the introduction of MMP in 1996) or the Single Transferable Vote system. Single Transferable Vote proceeds on the basis of voting by order of preference for the candidates and a quota for election is calculated from the number of votes and number of positions to be filled. A first count of first preferences is conducted and any candidate who equals or exceeds the quota is elected. Then there is a

²¹ Resource Management Act Principles Technical Advisory Group, *Tag Report of the Minister for the Environment's Resource Management Act 1991* (February 2012).

distribution of surplus votes above the quota for any candidate in accordance with the voters' further preferences, bringing the election of any candidate who reaches the quota.

89. The Single Transferable Vote system is used in some places, notably the Wellington region. Of the local government units in the region, the Single Transferable Vote system is used by Wellington City, Porirua City and the Kapiti District Council. Greater Wellington also resolved to introduce the system at the next elections. Councils can resolve to change the electoral system but the public also has the right to demand a poll to decide what electoral system to use.
90. A healthy democracy requires an engaged public and in the view of the Panel it is a matter of concern that participation rates in local government elections are so low, despite the introduction of postal voting. If voting percentages are a sound measure of public apathy toward local government then there must be real concern about what the votes represent. They have not reached 60 per cent level of eligible voters voting in local government elections anywhere in the Greater Wellington area over the past 10 years.
91. Voter turnout in the 2010 local government elections in the Wellington region were:
- | | |
|----------------------------|-------------|
| • Regional Council | 43 per cent |
| • Wellington City | 40 per cent |
| • Hutt City | 40 per cent |
| • Porirua City | 39 per cent |
| • Upper Hutt City | 44 per cent |
| • Kapiti District | 49 per cent |
| • Masterton District | 54 per cent |
| • South Wairarapa District | 52 per cent |
| • Carterton District | 57 per cent |

Source: Local Authority Election Statistics 2010, Department of Internal Affairs.²²

92. Effective democracy and democratic accountability both depend on the legitimacy of the elected representatives, and very low turnout figures robs local government of both its legitimacy and importance. The Panel is interested in exploring during the consultations the reasons for voter indifference and what may be done to remedy it and revitalise local government within greater Wellington region.

²² Department of Internal Affairs, *Local Authority Election Statistics 2010* (Wellington, 2011) at 48, 66, 77, 86

93. In President Abraham Lincoln's famous Gettysburg address he suggested the American Civil War provided a new birth of freedom "that this government of the people, by the people, for the people shall not perish from this Earth."²³ This aphorism is often thought to contain the essence of democratic government. But if people do not participate in the election of their representatives the notion is robbed of its relevance. It took centuries to develop the universal franchise and if it is not exercised once attained there is no core left to the system. Democracy involves majority rule and if the majority does not vote the elected representatives do not represent properly those whom they govern and those whom they tax.
94. The academic analysis in the area of local government elections suggest voter turnout has declined since local government was massively restructured in 1989.²⁴ There was an increase in 1989 attributable largely to one-off local events. In 2007 the national turnout levels were 44 per cent, levels not seen since the 1960s. Gavin Beattie suggests there are at least four important factors at work: the institutional arrangements around local elections, the characteristics of the electorate, elector behaviour and local issues. Age, occupation and ethnicity of electors are important. Another important factor is the many different voting categories. There are voting papers for mayor, local councils, district health board, community boards in some areas, the regional council, and in some areas licensing trusts. All this puts electors to a lot of trouble to sort out what they think about all the issues. As Beattie puts it, if central government is serious about encouraging higher voter turnout "it should address the impact on voter turnout for up to six or seven different election issues, requiring the use of two different electoral systems and consideration of lists of perhaps 40 or more candidates."²⁵
95. After the use of postal voting was made mandatory in 1989 turnout went up to 57 per cent and later dropped back. New options and enhancements need to be found to increase the turnout. E-voting could be available in the future but other enhancements may be more quickly available. Possibly a longer term than the present three years may increase the interest and the turnout. Other factors that influence turnout are the nature of the territorial authority, the population size, whether it is a city or a district, and whether it is in North Island or South Island. Smaller and more rural councils have higher turnouts than more urban and city councils. The South Island territorial authorities do better on turnout than those in the North Island. One factor this raises is whether the turnout is a factor to be considered as mitigating against the desirability of larger authorities. But the factor known as "comparative salience" is also important - how electors see the importance of local government compared to Parliament and central government. Another factor is that it is hard to secure much information or knowledge about many of the candidates in local government elections. And there is often little publicity about the activities of local government that bring the issues to public attention. The Panel has already reached the tentative view that that not many people know much about local government. Some basic education in civics may be greatly beneficial.

²³ Daniel J Boorstin (ed) *An American Primer* (The New American Library, New York, 1968) at 437.

²⁴ Gavin Beattie "A Glass Half Empty or Half Full?" in *Along the Fault Line*, above note 18 (Wellington, 2011), at 91.

²⁵ Gavin Beattie, above note 24, at 104.

96. Voter turnout may go up if local body elections were held only every four years. That issue is under consideration in relation to parliamentary elections. Further, the introduction of term limits, say three four-year terms for councillors, may increase interest in local government and provide it with new faces.

97. There are a number of other elements besides elections that are aimed at ensuring local government in New Zealand is democratic and accountable to the people. In summary they are:

- The Local Government Official Information and Meetings Act 1987 that ensures openness and provides a mechanism for people to get information about what local government is doing
- The investigation and reporting by the office of the Ombudsmen on complaints by members of the public
- Public attendance at council meetings also provided for in the 1987 Act
- Bylaws made by local government that are contrary to the Bill of Rights Act 1990 are invalid
- Investigations of local government by the Auditor-General. The Auditor-General is the watchdog over local government financial matters. Extensive legal requirements are imposed by statute on local government concerning management structures, annual policy and activity reports, financial performance reports and accounting matters

Why do you think the turnout at local government elections is so low? Does it matter, and if it does what can be done about it? Would larger units of local government with wider responsibility attract better candidates to run for office and make voters more likely to vote? Should other measures be adopted to make it easier for people to vote?

The legal context

98. What local government can and cannot do is the subject of extremely lengthy Acts of Parliament of considerable complexity. Many of these statutes are more complex than they need to be. Parliament keeps a rather wary eye on local government. But the bottom line is clear. Parliament makes the rules under which local government in New Zealand operates – and it can alter them at any time.

99. Many of the most important laws are mentioned in previous sections of this chapter. If their interpretation becomes an issue, that is determined by the courts. Thus a sense of freedom to make decisions can be overtaken by decisions of the Judges in the High Court and beyond. Legal analysis and litigation can – and often do – impede the efforts of local democracy.

100. The purpose of the Local Government Act 2002 has been described by legal commentator Dean Knight as intending to enable local authorities to work with communities to meet their changing needs and aspirations. He says:²⁶

“The scheme is multi-layered, incorporating an overarching purpose and high-level principles, strategic planning processes, and individual decision-making principles.”

101. Judicial review and the mechanisms of administrative law

provide an extensive system of checks and balances against local authorities who do not follow the law in their processes. The check of the Ombudsmen and the Auditor-General are also significant.

102. The law imposes heavy requirements on the processes by which Councils make decisions. Of particular importance are the general principles of consultation set out in section 82 of the Local Government Act 2002:

“(1) Consultation that a local authority undertakes in relation to any decision or other matter must be undertaken, subject to subsections (3) to (5), in accordance with the following principles:

- (a) that persons who will or may be affected by, or have an interest in, the decision or matter should be provided by the local authority with reasonable access to relevant information in a manner and format that is appropriate to the preferences and needs of those persons;
- (b) that persons who will or may be affected by, or have an interest in, the decision or matter should be encouraged by the local authority to present their views to the local authority;
- (c) that persons who are invited or encouraged to present their views to the local authority should be given clear information by the local authority concerning the purpose of the consultation and the scope of the decisions to be taken following the consideration of views presented;
- (d) that persons who wish to have their views on the decision or matter considered by the local authority should be provided by the local authority with a reasonable opportunity to present those views to the local authority in a manner and format that is appropriate to the preferences and needs of those persons;
- (e) that the views presented to the local authority should be received by the local authority with an open mind and should be given by the local authority, in making a decision, due consideration;
- (f) that persons who present views to the local authority should be provided by the local authority with information concerning both the relevant decisions and the reasons for those decisions.

- (2) A local authority must ensure that it has in place processes for consulting with Māori in accordance with subsection (1).

²⁶ Dean Knight “Judicial Supervision of Local Decision-Making” in *Along the Fault Line*, above note 18 at 179, 180.

- (3) The principles set out in subsection (1) are, subject to subsections (4) and (5), to be observed by a local authority in such manner as the local authority considers, in its discretion, to be appropriate in any particular instance.
- (4) A local authority must, in exercising its discretion under subsection (3), have regard to—
 - (a) the requirements of section 78; and
 - (b) the extent to which the current views and preferences of persons who will or may be affected by, or have an interest in, the decision or matter are known to the local authority; and
 - (c) the nature and significance of the decision or matter, including its likely impact from the perspective of the persons who will or may be affected by, or have an interest in, the decision or matter; and
 - (d) the provisions of Part 1 of the Local Government Official Information and Meetings Act 1987 (which Part, among other things, sets out the circumstances in which there is good reason for withholding local authority information); and
 - (e) the costs and benefits of any consultation process or procedure.
- (5) Where a local authority is authorised or required by this Act or any other enactment to undertake consultation in relation to any decision or matter and the procedure in respect of that consultation is prescribed by this Act or any other enactment, such of the provisions of the principles set out in subsection (1) as are inconsistent with specific requirements of the procedure so prescribed are not to be observed by the local authority in respect of that consultation."

103. The many levels of legal constraint upon local authorities suggest they need to be vigilant to ensure their activities are within the four corners of their statutes, otherwise the courts will intervene.

The policy context

- 104. New Zealand local government is changing. This panel's report and review takes place in the midst of significant changes that are in the course of parliamentary consideration. The single uniform pattern has broken down as a result of developments in Auckland and the demands produced by the Christchurch earthquakes.
- 105. There are many questions around the capacity of small local authorities at delivering planning services and infrastructure.
- 106. Regional Councils have been questioned. They do not exist for Nelson, Tasman, Marlborough or Gisborne. There have been calls for their abolition in some quarters. Their existence sometimes

makes it difficult to identify an authoritative voice. There are frequently disagreements between territorial authorities and regional councils.

107. There are also concerns about the performance of the core environmental and transport functions of some Regional Councils. The Canterbury Regional Council's performance was such that central government intervened by legislation and commissioners were appointed to carry out the functions. Some say the two levels of local government should become one.
108. The creation of the Environmental Protection Authority may have some impact on regional governance. These possibilities have been discussed by Dr Jeff McNeill in a recent paper.²⁷ He remarks "...one senses a lack of any coherent vision for regional councils, or regional governance. Rather one senses a muddling through rather than any coherent or comprehensive strategy."
109. It is not only Auckland Council and the economic slowdown fuelling policy change in local government - the New Zealand Government is also responsible. Hon. Mr Hide's vision was articulated in speeches and in the document "*Smarter Government-Stronger Communities: towards better local governance and public services*."²⁸ This document concentrated on the structure, functions and funding of local government. It has now been superseded by the March 2012 government policy document.
110. After the 2011 general election a new Minister of Local Government, the Hon. Dr Nick Smith, was appointed. Following his resignation the Hon. David Carter was appointed Minister of Local Government. In March 2012, Dr Smith published a new blueprint "Better Local Government."²⁹ That document sets out an eight-point reform programme. It included some features of Auckland governance innovations extended to the whole country. The specific elements of the programme include:
 - Refocus the purpose of local government
 - Introduce fiscal responsibility requirements
 - Strengthen council governance provisions
 - Streamline council reorganisation procedures
 - Establish a local government efficiency taskforce
 - Develop a framework for central/local government regulatory roles
 - Investigate the efficiency of local government infrastructure provision
 - Review the use of development contributions

²⁷ Jeff McNeill "Deciding at the Right Level: Regions, Councils and Legitimacy" in *Along the Fault Line*, above note 18 at 121.

²⁸ Hon Rodney Hide, above note 19.

²⁹ New Zealand Government, *Better Local Government* (March 2012).

111. This is a highly specific agenda and has already led to the introduction of the Local Government Act 2002 Amendment Bill 2012. Of particular importance to this Panel's review is the statement that the legislation "will enable the Local Government Commission to consider council reorganisation proposals in time for the October 2013 local government elections." The paper stresses concern with the national average increase of rates that has been more than double the rate of inflation. The local government proportion of Gross Domestic Product has grown to reach four per cent. Direct salary costs have increased. Local government debt has quadrupled over the past decade. It is clear what the policy of central government is and the Panel will pay close attention to it. Submitters to the Panel need to be aware of them as well.

People expressing views to the Panel need to be aware of the New Zealand Government's Local Government policy.

Māori representation

112. One significant constitutional, legal and policy issue that arises in any reorganisation of local government in the Wellington region concerns Māori representation. This has been a controversial issue within local government in New Zealand for 20 years, culminating in a spirited debate over the way in which Māori issues should be taken into account in the arrangements for the new Auckland Council. In the event that the Panel recommends change it will have to deal with this issue. The Panel is fortunate having within its membership respected kaumātua Sir Wira Gardiner and he will assist the Panel in understanding the views of Māori on representation in the region.
113. The issue goes back to the Treaty of Waitangi. It is clear that the Treaty of Waitangi is an integral part of New Zealand's constitutional arrangements. What is not clear is the nature and extent of that integral part. The Treaty is not an ordinary law. It is not given general effect by statute³⁰. But a number of statutes require the executive government to act consistently with the Treaty. The Cabinet Manual requires that Ministers indicate for bills they are responsible for that the bill complies with "the principles of the Treaty of Waitangi".³¹ But in the end the extent of the Treaty's application depends on specific Acts of Parliament.

114. There are provisions in the Local Government Act 2002 that refer to the manner in which Māori issues are to be treated by decision makers. Section 4 is important in this regard:

In order to recognise and respect the Crown's responsibility to take appropriate account of the principles of the Treaty of Waitangi and to maintain and improve opportunities for Māori to contribute to local government decision-making processes, Parts 2 and 6 provide principles and requirements for local authorities that are intended to facilitate participation by Māori in local authority decision-making processes.

115. The "facilitation required under s4 has been infused through subsequent sections" of the Act.³² These recognise the need to focus on Māori participation and to provide for contribution in decision-making. Section 14 lays down the principle that "a local

³⁰ Matthew S R Palmer, *The Treaty of Waitangi in New Zealand's Law and Constitution* (Victoria University Press, Wellington, 2008)

³¹ Wellington Cabinet Office, *Cabinet Manual 2008* at [7.60].


authority should provide opportunities for Māori to contribute to its decision-making processes.” Section 81 is even more specific:

- (1) A local authority must—
 - (a) establish and maintain processes to provide opportunities for Māori to capacity to contribute to the decision-making processes of the local authority;
 - (b) consider ways in which it may foster the development of Māori and
 - (c) provide relevant information to Māori for the purposes of paragraphs (a) and (b).
- (2) A local authority, in exercising its responsibility to make judgments about the manner in which subsection (1) is to be complied with, must have regard to—
 - (a) the role of the local authority, as set out in section 11; and
 - (b) such other matters as the local authority considers on reasonable grounds to be relevant to those judgments.

- 116. The Resource Management Act 1991, a statute that local government has a key role in administering, requires in section 6(e) “the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, waahi tapu and other taonga” to be treated as a matter of national importance. Section 8 requires decisions makers “shall take into account the principles of the Treaty of Waitangi”. In the Bay of Plenty a local act providing for Māori constituencies for the Bay of Plenty Regional Council was enacted in 2001.
- 117. The Royal Commission on Auckland governance recommended there be three Māori representatives on the main Auckland Council. Two councilors were to be elected at large by voters on the Māori electoral roll. One councilor was to be appointed by the Mana Whenua Forum, a new body to be appointed by mana whenua from the district of the Auckland Council.³³
- 118. However, the Government rejected that recommendation and established a Māori Statutory Board instead. The Board is independent of the Auckland Council. It assists the Auckland Council to make decisions, perform functions and exercise powers by promoting cultural, economic, environmental and social issues of significance for mana whenua groups and mataawaka of Tamaki Makarau. The legislation provides the Board with three important roles. It must appoint a maximum of two people to sit as members on each of the Auckland Council’s committees that deal with the management and stewardship of natural and physical resources. The Board can also ask the Auckland Council to appoint a person or persons to sit as members on any other Council committees. The Auckland Council must provide the Board with information that it needs to perform its function and make decisions. The Board must also ensure the council acts in accordance with the Treaty of Waitangi. And the Auckland Council must meet with the Board at least four times each financial year to discuss the Board’s performance and functions.

³² Kenneth Palmer Local Authorities Law in New Zealand (Brookers Ltd., Wellington, 2012) at 1021.

³³ Auckland Governance, Volume 1 above note 16 at 33-34.

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119. The Māori Statutory Board has significant powers and an annual budget of more than three million dollars.
120. Well-established Māori representation arrangements are already in place within local government in the Wellington region. This includes Ara Tahī, a non-statutory regional committee that considers matters of strategic importance to mana whenua iwi. The territorial authorities in the Wellington region also have various arrangements and committees in place to engage with Māori.
121. A more formal arrangement exists at the regional level for resource management matters through the joint committee for natural resource management – Te Upoko Taiao. Te Upoko Taiao is a Council Committee partnership between Greater Wellington and the six mana whenua iwi of the region. Its purpose is to lead the regional plan development and oversee major resource consent decisions.
122. Clearly there are a number of approaches available to deal with the issue of Māori representation within any reorganisation of local government within the Greater Wellington area. This is an important issue upon which the Panel wishes to consult.

In any reorganisation of Local Government within the Wellington region how should the issue of Māori representation be dealt with?

Chapter 4: Governance issues for Wellington

A changing mandate from central government

123. The previous chapter on the constitutional and legal context highlights the dominant nature of central government influence on local government mandate in New Zealand. This is a context that is undergoing significant change, most notably through central government's *Better Local Government* reforms and changes to the Resource Management Act 1991. Understanding the changing nature of local government's mandate is an important starting point for understanding current and future governance issues in the Wellington region.
124. The most relevant changes are those being considered in the Local Government Act 2002 Amendment Bill 2012 (the Bill). These changes are a key part of the *Better Local Government* reform package contributing to the Government's broader agenda to build a more competitive and productive economy, and improve the efficiency and cost effectiveness of delivery of public services. Aiming for more effective and efficient local government, the Government's proposed changes to the Local Government Act 2002 send a strong signal to local government that it needs to do things differently in order to create an environment conducive to sustained economic growth, including:
- Reducing red tape
 - Limiting debt and minimising the rates burden on households and businesses
 - Ensuring cost-effective provision of good quality infrastructure
125. Council structures obviously play an important role in all of these matters. Recognising this, the Bill proposes changes to enable a more streamlined process for considering local government reorganisation. For example, under the proposed changes, a citizens-initiated poll on a reorganisation proposal would only be considered by the Local Government Commission if signatures were received from more than 10% of the affected area³⁴. Importantly, while the changes do streamline the process, the Bill as currently written does not provide the scope or flexibility to consider new governance structures akin to those currently in place in Auckland. This is an important issue to consider for the Panel.
126. Other workstreams under the *Better Local Government* reforms strongly reflect the themes of efficiency and cost effectiveness:
- An Efficiency Taskforce has been set up to look at options for streamlining Long Term Plan processes and financial reporting practice

³⁴ Local Government Act 2002 Amendment Bill 2012, Schedule 3, clause 21.

- The Productivity Commission is conducting an inquiry on regulation, including the balance of functions allocated to local government by central government and ways to improve regulatory performance in the sector
- An Infrastructure taskforce, yet to be announced, is to consider how good quality infrastructure can be delivered at least cost
- A review by the Office of the Auditor-General on effectiveness and fairness of development contributions

127. Resource management is another area of important local government responsibility where central government is focussing its attention. This is of fundamental importance to local government structures because the division of responsibilities set out in the Resource Management Act 1991) is closely aligned to scale of issues, catchments and ecological systems. A recently released Ministers Technical Advisory Group report on Resource Management Act principles³⁵ suggests a need for changes to sections 6 and 7 of the Act, regarding matters of national importance. Some of the recommendations in the report, should they be carried through, are of interest from a governance perspective, including:

- The need for greater attention to managing issues of natural hazards. The report recommends Regional Councils should have the lead function of managing all the effects of natural hazards. It also recommends there should be one combined regional and district natural hazards plan
- New processes to be adhered to by Resource Management Act decision makers, for example to achieve timely, efficient and cost-effective resource management processes; and to promote collaboration between local authorities on common resource management issues

Economic slowdown

128. The Wellington region, like the rest of New Zealand, is continuing to feel the effects of the global financial crisis. Economic growth has slowed significantly, the job market has withdrawn and the resultant lack of disposable income has negatively affected retail and tourism activities throughout the region.

129. While having the seat of Government located in Wellington has helped to cushion the effects of economic downturns in the past, the ongoing nature of the current crisis combined with cuts to the public service is starting to have a significant impact on the overall regional economy. Reflecting this, recent economic reporting confirms the Wellington region is losing ground when compared to the performance of some regions and New Zealand as a whole. The performance of Auckland in particular, has improved significantly over recent years.³⁶

³⁵ Resource Management Act Principles Technical Advisory Group, above note 21.

³⁶ BERL, *BERL Regional Rankings 2011* (March 2012) at 7.23.

The Wellington region needs to strive to improve its relative regional position if it is to prosper in the future.

130. So what does this mean for local government? It is clear the region will struggle to make any progress without working together. The connected and interdependent nature of the Wellington economy, particularly around employment location, requires collaboration and a joined-up approach. The recently revised Wellington Regional Strategy 2012 goes part of the way, but there is more that local government in the region can do from an infrastructure and service delivery perspective to foster more robust, resilient growth over the long term. There are also issues about duplication and overlap with the activities of local authorities.

Resilience

131. A resilient region is one where local government can respond quickly and effectively to changes or particular events that occur in the region. Some examples of significant change can include long periods of low or uneven economic growth, an aging population and climate change. Examples of large events might include storms and earthquake hazards.
132. The Wellington regional economy is reliant to a large extent on the government being housed in the Wellington city central business district, and though the size of the public sector fluctuates, it still represents a significant proportion of the region's economy. However, a resilient region will perform well in all areas of the region and is responsive to a variety of economic opportunities. The impact of the on-going worldwide economic crisis and the prospect of a major hazard event occurring increases the need for a more robust and diverse economy in the future. Building on the region's high world ranking in terms of liveability will be one way to attract and retain talented people and businesses.
133. The need for the region to be prepared for a large hazard event is particularly important because it is located in an area of high earthquake risk. In the event of a large earthquake, for instance of magnitude 7.5 on the Wellington Fault, the range of hazards that could occur include fault rupture, liquefaction, landslides, land subduction, flooding and tsunamis. These will affect all parts of the region, not just Wellington city. The hazard risk to the region is magnified due to the region's reliance on a limited number of arterial transport links all of which are situated close to the region's fault lines. Further, the region's ports and airport are at risk from liquefaction and its lifeline utilities, for example water/wastewater, gas, electricity and telecommunications, are also highly susceptible to fault rupture.
134. The Canterbury earthquakes provide a timely reminder of the devastation that can be caused from a hazard event. This devastation is felt in multiple stages, which are the initial emergency/life recovery stage, longer term deconstruction of broken buildings and infrastructure and the longer term

While the performance of the economy is dependent on a wide range of factors, local government provides foundation infrastructure and plays an important role in supporting economic development. Are you concerned with the economic performance of the region? Do you think local government should be doing more to support economic growth and development in the Wellington region?

rebuilding of the city. Local government must be poised ready to respond effectively at all stages of the hazard recovery process.

135. The Wellington region has a heightened awareness of earthquake risk. However, it is still difficult to plan for and understand the repercussions of a hazard event including, for example, the loss of jobs resulting in the need for people to move out of the region. A large proportion of workers in the Wellington central business district travel in daily from all other parts of the region. A major hazard event could affect access to the workplace and result in loss of jobs.

Natural hazards and major hazard events have little relevance to political boundaries. What should the region be doing to improve the resilience of our infrastructure and to enable the region to better prepare for such hazard events?

Funding and investing in core infrastructure

136. Funding and investing in core infrastructure is a constant challenge for local government. Across the country, local and regional councils have significant commitments to maintain and improve basic community infrastructure – the foundation of our national and regional economies. Many of these projects are large and complex and require significant funding over the long term. The situation is no different in the Wellington region.

Demographic change

137. The Region's population demographics are undergoing significant change; mirroring the change occurring in New Zealand and much of the developed world. In New Zealand, the Auckland region will have the lion's share of new population growth over the coming 20 years, between 55 per cent and 70 per cent³⁷ of all new growth, followed by Canterbury with around 10 per cent of new growth. The Wellington, Waikato and Bay of Plenty regions will have similar rates of growth of between 5 per cent and 9 per cent.
138. While the Wellington region's population is not expected to decline during the next 30 years compared with some other regions, population characteristics will change markedly to one of an aging population.
139. Within the region, the demographic change will be more marked in some areas than others. In the provinces of Wairarapa and the Kapiti Coast, an aging population will become a significant issue ultimately leading to population declines. The Porirua City population can be described as youthful, Wellington City continues to be characterised by a large working-age population and population in the Hutt Valley remains similar across all age groups.
140. The shifting population demographics will bring both challenges and opportunities for the region. While there will be reduced unemployment overall, some areas will struggle to attract workers to support their local economies. Local government will need to increase their focus on the needs and services of an aging population. For example, greater attention to planning and design for a less mobile population will need to

The trends towards a more ageing population are likely to change the demand for services and affect different communities in different ways. What issues do you think the Panel needs to be thinking about in this review?

³⁷ N Jackson "Demographic Trends and Local Government reform – NZ and Wellington" National Institute of Demographic and Economic Analysis, University of Waikato (presented to the Administration of Public Administration Conference: Rethinking Local Government, Wellington, April 2012)

occur if people are to “age in place”. Lastly, the ability for the aging ratepayer population to fund local government rates will be a significant issue for councils; prompting the need for local government to review what services are provided and where and to what level.

Technological change

141. The world is experiencing a technological revolution with increasing reliance being placed on technology, in particular personal digital devices, to provide real-time responses to consumer queries. The opportunity to embrace technology is currently only limited by people’s access to it and their willingness to engage with it. The rollout of ultra-fast broadband will reduce access issues for much of the country over time and people’s willingness to engage will likely increase within the next generation. There are three aspects of technological change that are particularly important for local government.
142. First, local government will need to adopt new forms of engagement and communication to engage all sectors of the population in its decision-making processes. Young people will expect to be able to engage with local government using online tools mobile devices and social media. The immediate challenge for local government is to provide scope for traditional methods of engagement while embracing digital engagement. A further challenge will be to consider how to place the same value on information gathered from a variety of engagement tools.
143. Technology advances are also changing the way people work and live. There are increasing opportunities for people to work from home either part-time or full-time; affecting traditional travel patterns. Online shopping is increasingly becoming a significant player in the retail market which may, in time, affect the viability of some retail centres. Local government services are also increasingly being made available online, reducing the need for physical office spaces. The provision of e-books by libraries is one example of this; a service that will significantly change the way libraries provide their services to local communities.
144. A further challenge for local government is how to embrace these technological advances and, at the same time, support vibrant spaces for people to gather and remain in touch with their community. Local government can prepare itself for these changes by adopting flexible ways of working with the community now and requiring people to plan, design and develop adaptable buildings, spaces and infrastructure.

Case studies on local government reform

145. Understanding what has been done elsewhere is an important piece of context for this Review.

146. A significant amount of analysis has been carried out recently in New Zealand and Australia, which provides some important insights into the drivers, processes and outcomes of local government reform.
147. Of particular relevance is the Auckland Royal Commission report which provides a wealth of knowledge on every aspect of local government in the then Auckland region. While it is not possible to summarise the findings of such a comprehensive report in this paper, it has been useful for the Panel to consider its findings.
148. The following Guiding Principles for Shaping Auckland Governance³⁸ are particularly helpful because they have wider application on outcomes for local government reform:

- *Common identity and purpose*

The new structure should encompass the interests of the entire Auckland city-region and foster a common regional identity and purpose. Auckland needs an inspirational leader, inclusive in approach, decisive in taking action, a person able to articulate and deliver on a shared vision, and who can speak for the region. The new structure should support better coordination of key services and infrastructure, and foster integrated planning and decision making. The urban core should be recognised as critical to the economic vitality of the region, and rural values and areas protected.

- *Effectiveness*

The structure should deliver maximum value within available resources, in terms of cost, quality of service delivery, local democracy, and community engagement. It should allow services to be delivered locally, where appropriate. It should also be more efficient than the current system, and provide improved value for money.

- *Transparency and accountability*

Roles must be clear, including where decision making should be regional and where local. Appropriate accountability must be achieved for delivering outcomes, use of public funds, and stewardship of public assets. Institutions should work in an open manner and should communicate clearly about their activities, how much they spend, and the results.

- *Responsiveness*

The structure should respect and accommodate diversity and be responsive to the needs and preferences of different groups and local communities. It should be inclusive and promote meaningful public participation. It must be nimble in responding to change.

The Auckland Royal Commission developed four principles for shaping Auckland Governance: *common identity and purpose; effectiveness; transparency and accountability; and responsiveness*. How relevant do you think these are for the Wellington region?

³⁸ Auckland Governance, volume 2 above note 16 at 309

149. Another useful reference point for considering local government reform in the Wellington region is the report *Consolidation in Local Government – A Fresh Look*³⁹, prepared jointly by the Australian Centre of Excellence for Local Government, Local Government Association of South Australia and Local Government New Zealand. By examining local government reform processes and case studies in Australia and New Zealand, the report found there were generally four broad strands in the debate about local government reform. As with the Auckland principles, these provide some very useful insights into the drivers behind local government reform:

- *Efficiency: Many local government inquiries have asserted that consolidation, for instance amalgamations, shared services and so on, will inevitably result in greater efficiencies and cost savings for local governments, creating the potential for them to do more with less. This was the prevailing theme in the 1990s amalgamations in Tasmania, Victoria and South Australia, in particular, but also influential in other jurisdictions. These apparent certainties have been both endorsed and challenged by academics in Australia and overseas. In this project we have re-examined the available evidence both from Australia and overseas from the perspective that we do not have a preferred outcome, and in recognition that the different jurisdictions have significantly differing operating environments.*
- *Strategic capacity: In recent years the need or desire to strengthen local government's strategic capacity to play an expanded and more prominent role has emerged as a key variable in programs of local government reform. 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.'⁴⁰ This rationale for consolidation may be particularly relevant in metropolitan areas and rapidly developing regions, especially in view of recent federal initiatives for metropolitan planning and regional development. It is also linked to new concepts of local government's role such as 'place-shaping' and in the UK - 'Total Place'. This dimension of change requires an assessment of changes to local governments' strategic capacities, which have been developed as a result of consolidation activities.*
- *Service delivery: Many assertions have been made that consolidation would generate improvements in service delivery, although there are few studies which actually examine the post-consolidation experience of those who receive local government services. This dimension of consolidation was examined in order to evaluate the contribution of local government restructuring in enhancing, or diminishing, service delivery. We can hypothesise that responses might vary according to particular services, given that the threshold population size for particular services is different: for example, the optimum threshold size for*

³⁹ Australian Centre of Excellence for Local Government, *Consolidation in Local Government: A Fresh Look* (May 2011) Volume 1.

⁴⁰ Comment from Queensland LG Reform Commission, 2007 cited in Australian Centre of Excellence for Local Government, above note 39 at 4.

refuse collection may well be smaller than for water supply. The research, then, sought evidence relating to the question of whether or not there have been service enhancements or deterioration as a result of consolidation.

- *Local democracy: A number of researchers have focused attention on impacts on the broader roles of local government, beyond service provision, as a consequence of consolidation. They have drawn attention to the quality of local representation and the increasing difficulties of undertaking this effectively in larger councils. In contemporary Australia and New Zealand, a range of approaches has been adopted to enhance local democracy through mechanisms such as community councils or boards, precinct or ward committees, improved community engagement and the like, and many local governments also have available to them technologies aimed at enhancing the representative role of councils and of individual elected members.*

Characteristics of good local governance

150. The Panel was also referred to a series of characteristics for good local government⁴¹. The Panel agreed these were a useful starting point for defining what good local government is and has included them below for this reason.

- *Strategic: capable of generating a shared vision for the region, and developing and delivering on regional and local strategies and plans to make it happen in a reasonable timeframe*
- *Ensuring engagement and decision making occurs at the right level: Providing for authentic neighbourhood 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*
- *Resilient and adaptive: able to accommodate changing circumstances, including unexpected and high impact events, and are resilient into the future*
- *Representative and responsive: represents and can be used by diverse communities to serve their own needs and aspirations; provides individual citizens with opportunities to access decision makers and to influence decisions on the issues that matter to them*
- *Transparent and accountable: are transparent and provide clear accountabilities for delivering outcomes, using public funds, and stewardship of public assets*

The Panel thinks these characteristics of good local governance fit well with the Panel's Terms of Reference and will be useful to guide this review. Do you agree? Is there something important that the Panel has missed?

⁴¹ MartinJenkins & Associates, Wellington Region Governance: draft material for consultation (2011).

- *Financially sustainable: cost-efficient, financially viable and have adequate and appropriate funding tools to support activities*
- *Effective and efficient: deliver the core local government services to citizens effectively and efficiently*

Is there a case for change?

151. Determining whether there is a case for change is a key focus of this *Issues Paper* and lies at the heart of this local government review in the Wellington region.
152. Reflecting the importance of this question, the Panel has developed a framework to help define and organise the issues and evaluate the suitability of the current governance arrangements. The framework, based on the three themes of **local democracy, effectiveness and efficiency**, has been developed specifically for this review. It draws from research and earlier work on local government reform commissioned by the Wellington Mayoral Forum⁴², but takes greater cognisance of the current context - including Government's *Better Local Government* reform package and the Terms of Reference for the Panel.

The panel's preferred framework for examining the governance issues is based on the three themes of local democracy, effectiveness and efficiency. Do you agree with these criteria?

Local democracy

153. Democracy is the basis of our political culture and something that needs to be ensured under any good governance arrangements.
154. In a local government context it involves active citizen engagement and representation that results in decisions that are long-lasting and accepted by the local and/or regional community. In doing so it:
 - Allows local views, knowledge, needs and perceptions to influence regional direction
 - Provides a mechanism for advocacy/representing community views to other bodies, such as central government
 - Acts to build and promote local identity and bring communities together
 - Balances both short term and longer term strategic outcomes for communities
155. Good democratic local government will enable and enhance citizen participation, including by groups who might not traditionally have their voices heard. It should utilise knowledge from a broad spectrum of the community.

⁴² MartinJenkins & Associates, *Review of the Wellington Regional Strategy* (May 2011).

How well are people engaged?

156. Determining how well people are engaged through local government processes depends on two key factors: the level of engagement and the quality of engagement.
157. The low level of voter turnout in the recent local government elections seems to indicate the low level of citizen and community interest in their local government representation. Likewise, there tends to be less engagement on strategic, district and regional issues, such as economic development, urban form and infrastructure networks. However, the recent engagement on proposals by Greater Wellington regarding local bus services in Wellington City attracted more than 6000 responses⁴³ and demonstrates the high level of engagement when communities and neighbourhoods feel directly affected.
158. The nature of engagement on strategic and regional issues doesn't mean they are less important than local issues. It does, however, indicate they are harder issues to resolve and achieve traction on with the public. This needs to be recognised in future governance arrangements.
159. Levels of engagement should also be measured in terms of the quality of engagement. This is relevant at all levels, and depends on the authenticity of the process and to what extent those engaged are able to influence outcomes. Clearly this is easier to achieve at a local level but it is still important for wider strategic and regional issues. There are some examples in the region where place-based neighbourhood and village planning is done very well. Looking ahead, there is a real opportunity to build on and expand these successes to the whole region.

Engagement with the community is a critical role for local government. Do you think councils in the region do a good job at this – at local and regional levels?

Our communities of interest are changing

160. Local government boundaries define communities by location but there have always been communities of interest that go beyond boundaries. Physical boundaries are irrelevant to web-based technology, and with the changing nature of social media, communities of interest are starting to encompass larger proportions of the population. However, connection to a place remains strong and community character is seen as important, as witnessed by the frequent use of the term "village" to describe a suburb or neighbourhood.
161. Individuals will generally be involved in a range of relationships and networks and will affiliate to both geographic communities and communities of interest.

A key challenge is for local government to foster authentic local or neighbourhood engagement and decision making while ensuring the wider regional community is similarly engaged at a regional level. Do you think the current arrangements enable this to occur? Is the balance right?

Preserving and enhancing neighbourhood identity

162. Residents in the Wellington region have a sense of place at both local and regional level. Local government has a strong role in enhancing the character and identity of local places but residents do not always agree with councils on the way forward.

⁴³ Greater Wellington Regional Council, *Wellington City Bus Review* (2012) < www.gw.govt.nz/wellington-city-bus-review/ >

163. The concept of subsidiarity, which suggests that decisions should be made as close as possible to the community affected, would require decision making at neighbourhood level, provided those decisions did not impact adversely on others further afield.
164. There are already examples of this in local government in the Wellington region but there is potentially opportunity to enhance neighbourhood decision making. Local people are not only sensitive to their community needs, but often have a high degree of detailed knowledge about the functioning of their communities. Where possible this should be utilised to make decisions that suit the neighbourhood.
165. Currently, only some councils have community boards. The boards that do exist have varying degrees of delegation on local issues. The existence of these boards in many cases is associated with previous changes to local government structure. Community Boards are a structural response to the demand for neighbourhood decision making. Other responses might include better use of online tools that are increasingly expected by younger citizens, who tend to be absent from the more formal decision-making processes of local government.

Some councils engage local communities through Community Boards, others do not. Do you think the use of Community Boards should be more widespread?

Leadership is important at local and regional levels

166. Leadership is an aspect of local democracy that is important for both neighbourhoods and the wider regional communities.
167. At the local level, leadership has in the past been more recognised among districts or cities than at the regional level. Having Mayors who are elected at large is a key reason for this – and provides a sense of legitimacy for the particular platform in which mayoral candidates seek the community vote. The approach to local leadership is also in the minds of the current Government. The Local Government Act 2002 Amendment Bill 2012 currently before Parliament is looking to extend mayoral powers to enable Mayors to take more of a policy lead and have greater control on committee appointments and the like⁴⁴. It is interesting to note that the Bill, as currently written, does not propose changes to further recognise the leadership role of chairs of regional councils. Chairs of regional councils are elected by their peers and thus the level of community recognition relies on the public profile of the person concerned. Recognition of the regional leadership role has always been difficult, and without further changes is likely to be an ongoing issue for regional councils.
168. The need for effective leadership at the regional level is necessary, particularly when dealing with strategic issues or where collaboration across city or district boundaries is required. The establishment of the new Auckland Council and current leadership structures in Canterbury as a result of the issues being faced are evidence of the importance of regional leadership. The strategic challenges being faced in the Wellington region suggest that regional leadership will continue to be an important component of local democracy.

Do you think the strategic challenges facing the region warrant stronger regional leadership? If a move to strengthen regional governance is proposed, how could local leadership be retained or enhanced?

⁴⁴ Local Government Act 2002 Amendment Bill 2012, clause 16.

Possible pointers from Auckland

169. Auckland has 21 elected local boards that were established by legislation when the new Auckland Council was created. Decision making is shared between the Auckland Council and the local boards. The boards' roles are set out in two important provisions of the Auckland Council Local Government Act 2009. Sections 13 and 16 outline the functions, duties and powers of the local boards and their decision-making responsibilities:

In the event that consolidated local government units are introduced in the Wellington region do you see any advantages or disadvantages in the Auckland local board model?

"13(1) A local board has the functions, duties, and powers conferred on a local board by or under this Act or any other enactment.

(2) Without limiting subsection (1), a local board—

- (a) must exercise the responsibilities conferred on it by section 16(1); and
- (b) must monitor and report on the implementation of the local board agreement for its local board area (in accordance with section 23); and
- (c) must communicate with community organisations and special interest groups within its local board area; and
- (d) must undertake any responsibilities or duties that are delegated to it by the governing body under section 31 or Auckland Transport under section 54; and
- (e) may consider and report on any matter of interest or concern to the local board, whether or not the matter is referred to it by the governing body; and
- (f) may exercise any powers that are delegated to it by the governing body under section 31 or Auckland Transport under section 54.

16(1) Each local board is responsible and democratically accountable for—

- (a) the decision making of the Auckland Council in relation to the non-regulatory activities of the Auckland Council that are allocated to the local board in accordance with section 17; and
- (b) identifying and communicating the interests and preferences of the people in its local board area in relation to the content of the strategies, policies, plans, and bylaws of the Auckland Council; and
- (c) identifying and developing bylaws specifically for its local board area, and proposing them to the governing body under section 24; and

- (d) the agreement reached with the governing body (as set out in the local board agreement) in respect of local activities for its local board area.
- (2) In carrying out the responsibilities described in this section, a local board must comply with the requirements of sections 76 to 82 of the Local Government Act 2002 as if every reference in those sections to a local authority were a reference to a local board.
- (3) In carrying out the responsibilities described in this section, a local board should collaborate and co-operate with 1 or more other local boards in the situations where the interests and preferences of communities within each local board area will be better served by doing so.”

Effectiveness - strategy, planning and decision making

170. Effectiveness in strategy, planning and decision making is an important driver of successful governance.
171. Effectiveness was a key platform for the Auckland Royal Commission and is at the heart of the Local Government Amendment Act 2002 Amendment Bill and associated *Better Local Government* reforms. The theory is relatively straightforward – by doing our strategy, planning and decision making better and more effectively, local government will be better placed to respond to the economic, social, cultural and environmental challenges facing New Zealand and the region.
172. In practice this means a more difficult proposition to consider, although it is well known that effectiveness of strategy, planning and decision making goes hand in hand with the ‘strategic capacity’ of an organisation. The Queensland Local Government Reform Commission directly referred to strategic capacity as being “...where councils 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”.⁴⁵ Strategic capacity is being increasingly recognised as a basic requirement to allow councils to function in an effective way in the 21st century.⁴⁶
173. Effectiveness is also about understanding what functions require a regional view and what functions are more appropriately performed at the local level. This question goes to the heart of the current debate on local government reform in the Wellington region, and has been the focus of earlier reports commissioned by the Wellington Mayoral Forum, including the PricewaterhouseCoopers report and draft material for consultation prepared by MartinJenkins Ltd⁴⁷ which has been used to inform the following sections. A list of local authority functions collated by the Auckland Royal Commission has been appended to this report.

⁴⁵ Comment from Queensland LG Reform Commission, 2007 cited in Australian Centre of Excellence for Local Government, above note 39, Volume 1 at 4.

⁴⁶ Australian Centre of Excellence for Local Government, above note 39, Volume 1 at 4.

⁴⁷ MartinJenkins & Associates, above note 41.

174. Economic, social and infrastructure systems do not recognise electoral boundary lines. For this reason, it makes sense for some functions to be planned and/or co-ordinated regionally. These include activities or assets that are interconnected, accessed by the region as a whole, or span locations and communities. Examples of decisions that require a regional view include:
- Overall access and transport network design and funding
 - Economic development, business development facilitation, education and workforce development, tourism promotion and visitor attraction
 - Solid waste management
 - Provision of major regional amenities and open spaces
 - Land use management frameworks
 - Emergency preparedness and response
175. Other functions are more appropriately performed at the local level. These include activities or assets that are situated or accessed by local communities, or culturally or economically tied to a location. Examples include local road maintenance and streetscaping, beautification programmes, local amenity investment, community development, local park design, noise control, parking, tourist information.
176. Getting the balance right between regional effectiveness and local decision making will be a key challenge in this review. Inherent tensions often exist between local and regional priorities, and in some cases it will be important that both aspects are provided for in the structures and decision making processes. Economic development is an example where both regional and local direction and input can be beneficial – local commercial areas may have particular needs arising from their location where as other macro-economic issues such as transport planning, regional amenities and support for business are better undertaken at the regional level.

Developing a unified vision and direction for the region

177. Developing a unified vision and direction is difficult under the current governance arrangements in the Wellington region. Agreement has been reached on the Wellington Regional Strategy for economic development, but the challenge has been the implementation of the Strategy with territorial authorities having to make financial and other commitments.
178. While some avenues exist for developing a regional direction on key issues, such as economy via the Wellington Regional Strategy, transport via the Regional Land Transport Strategy, and resource management via the Regional Policy Statement, these are dealt with separately through different committee

structures and there is no single mandated leader or institution providing a unified vision and direction for the Wellington region.

Do you think the region needs a transparent and formal mandate to develop a unified vision and direction for the region?

179. The Mayoral Forum has provided an avenue for discussion on regional strategic issues, but it does not have a formal mandate to consider these issues and no decision is binding on Councils. Mayoral Forum meetings are also closed to the general public and other councillors.

Is a regional spatial plan needed?

180. Spatial planning is a possible approach to developing a unified vision and direction for the region. A spatial plan is an integrated planning framework that brings together a wide range of issues, such as economy, environment, transport, and sets out how and when a region will grow and develop toward the unified and compelling regional vision. While spatial planning is not new to local government, there continues to be a healthy debate as to what developing a regional spatial plan involves, particularly in the context of the recently released Auckland Plan.
181. Spatial planning, when done well, can have multiple benefits for a region, particularly in relation to:
- Effective investment decisions: regional spatial plans provide opportunity for more efficient use of existing and new infrastructure investment and more effective strategic investment decisions. Effective infrastructure investment and delivery is vital to a healthy economy
 - Improved integration and relationships: the complex and multi-layered nature of regional issues means there is a need for a far greater level of integration of decisions and services between all parties who influence growth and development – across all four well-beings. Regional spatial planning provides a means to significantly improve integration across all tiers of government
 - Scope and influence: the majority of spatial planning issues will extend well past city and district boundaries and therefore regional boundaries are more suited to define spatial planning “areas”. A regional spatial plan will have a greater ability to deliver a level of consequence
 - Improved ability to deal with complex land use issues: spatial planning provides an improved ability to address complex land use issues associated to matters such as transport infrastructure investment, flood protection, water quality and residential growth management
 - Efficiency: combining or using resources on a regional basis is likely to be more efficient than if it is done on an individual basis by each local authority

182. Infrastructure investment is likely to become a topic of major debate between different geographic communities in light of economic constraints and the physical impact of population and climate change. At present there is little opportunity for integrated planning and delivery and this may be a lost opportunity to enhance decision making and therefore the resilience of the region.
183. While some elements of an integrated Auckland style spatial plan were included in the initial Wellington Regional Strategy 2007 through the chapter on urban form, this struggled to achieve the ambitions set out in the Strategy. To this effect, the review of the Wellington Regional Strategy 2007 noted that⁴⁸:

"While progress has been made, many of the 'Good Regional Form' activities progressed did not match the level of ambition in the Strategy. The most significant regional form issues likely to influence the region and its economy over the coming decades, such as urban intensification, a regional approach to the CBD and regional centre development, have not been tackled. The cooperation between councils has fallen short of strategic engagement."

Spatial planning is a good way to consider complex and large infrastructure issues and guide decision making on regional strategic issues. What are the key issues for the Wellington region that would benefit from such an approach?

184. It is the Panel's view that if the Wellington region is aiming for more effective local governance it needs to demonstrate success in tackling these significant regional issues.

Opportunities to improve regulatory planning

185. Regulatory planning is a key function of local government, and is carried out in many different areas. This section focuses on regulatory planning under the Resource Management Act.
186. Local and regional government both have planning responsibilities under the Resource Management Act. Regional councils must prepare a regional policy statement which sets out the key resource management issues for the region and provides policy guidance on how to manage those issues. Regional councils may also prepare regional plans that include objectives, policies and methods including rules to address specific environmental issues. Territorial local authorities must prepare a district plan to manage the effects of land use activities on the environment. District and regional plans need to give effect to the regional policy statement.
187. The first suite of Resource Management Act plans prepared in the region resulted in a wide variety of approaches and provisions to manage similar issues. Some councils were more eager to embrace the "effects-based" philosophy of the Resource Management Act in their plans. Others chose to largely "roll over" many provisions from their previous Town and Country Planning Act plans. Since the adoption of their first Resource Management Act plans, most councils have been in a state of constant review with numerous plan changes being prepared in the region. A complex planning environment

⁴⁸ MartinJenkins & Associates, as above at 42 at 6.

has emerged as a result, an issue that has been highlighted for much of the country and which the Government is seeking to address in its reforms of the Resource Management Act. The Productivity Commission review of regulation will consider these type of issues.

188. The Report of the Royal Commission on Auckland Governance also considered the issue of complexity in plans, and in particular outlined some options to consider. These included:
- Reducing the number of local authorities and thus the number of plans
 - Requiring the production of fewer district plans whether or not there are fewer local authorities
 - Requiring common standards to be adopted in district plans throughout the region
 - Removing unnecessary overlaps in jurisdiction between territorial authorities and the regional council
 - Requiring the production of fewer regional plans/policy statements
 - Providing call-in powers for proposals of regional significance
 - Providing for a single planning agency for growth areas of regional significance
189. The Auckland Council has produced a spatial plan covering a 20-30 year strategy for Auckland's growth and development. The Council is working towards the notification of a unitary combined plan under the Resource Management Act. This plan will replace seven district plans, four regional plans and one regional policy statement, and will include provisions to address the functions of both regional and district councils. Combined plans are not new under the Resource Management Act. One of the most prominent and successful examples of a combined district plan is the plan prepared by the three Wairarapa district councils. However, what makes the Auckland plan process particularly unique is the sheer scale of the work involved, the large geographical area covered and the range of issues that must be addressed.
190. In considering the complex planning environment in the Wellington region, there is scope to consider more collaborative ways to prepare planning documents. Three issues in particular have been highlighted below as examples of why a more collaborative approach is needed at the Resource Management Act planning level.

Freshwater management

191. In a world where access to freshwater is being increasingly constrained, freshwater is one New Zealand's most significant natural assets. The potential economic advantages it provides require everyone to aim for its best management and use.
192. In the past decade, since the first Resource Management Act plans were prepared, land use intensification has moved away from areas of plentiful water to areas where there are significant seasonal limits on water availability. Irrigation schemes can address water availability issues. However the first suite of Resource Management Act plans have been found to be relatively ineffective in responding to water quality issues and an ever-increasing demand for freshwater.
193. Recent work, including that of the Land and Water Forum,⁴⁹ has resulted in a much greater collaborative understanding of the issues and potential solutions, including the need for a better way to allocate water, rather than the current 'first-in, first-served' approach under the Resource Management Act.

Growth management

194. To achieve a resilient, vibrant and growing economy, the region needs to plan commercial and industrial areas more effectively. Rather than having councils effectively compete with each other for a greater share of the retail market, or to provide a greater proportion of the industrial land and using district plans to achieve this, a more effective approach would be to work together to enhance the region's competitiveness, enabling it to be more attractive to New Zealand and internal investors.
195. While some policy gains have been made through the initial Wellington Regional Strategy 2007 and incorporated into the Proposed Regional Policy Statement, there will still be some key issues for local authorities to address in preparing their second generation district plans, which would ideally benefit from a more collaborative and integrated approach. These issues include:
 - The slow and uneven, or even declining, rate of growth across the region
 - The markedly different value of residential and commercial/ industrial land across the region, affecting the economics of developing particular land uses in different parts of the region
 - Increasing community awareness of the time and costs incurred when commuting
196. Even with a growth management strategy in place, these issues demonstrate that no single solution will work. An on-going collaborative approach could, however, improve consistency and integration in the planning process.

What do you think are the key growth management issues for your community or the region? Do you think councils need to take a closer look at these issues?

⁴⁹ Land and Water Forum (April 2012), *Second Report Setting Limits for Water Quality and Quantity Freshwater Policy and Plan making through collaboration*.

Managing natural hazards

197. The Resource Management Act currently sets out managing natural hazards as a function for both regional and district councils. The exact relationship between these functions has long been a grey area. Not surprisingly, the recently released Technical Advisory Group report reviewing Section 6 and Section 7 of the Resource Management Act has identified the need for stronger regulatory planning for managing natural hazards. The Technical Advisory Group report recommends that "regional councils should have the lead function of managing all the effects of natural hazards. Territorial authorities are to retain their current function in regard to natural hazards".⁵⁰
198. Managing hazards more effectively and efficiently is an issue that is top of mind for local and central government politicians; suggesting that the timing is right to pursue a regional approach to a set of district level planning tools to manage the effects of hazards in the region.

Neighbourhood planning and place shaping

199. Improving the effectiveness of local government is not just about better managing regional issues. It also requires developing more effective and consistent tools for decision-making at the local community level - the region's suburbs and villages.
200. The places where people live, work and play are the places they will feel most connected with. A person's sense of belonging is enhanced by their experiences of living in, and interacting with, their local community. Further, having a strong connection with their community tends to engender a desire to nurture it and be involved in decision-making processes that affect it.
201. Place-shaping as a concept was referred to in the Auckland Governance report by the Royal Commission. The Royal Commission considered there was a role for local level governance which would, among other things, include helping to build and shape local identity and represent the local community, in addition to the creation of a single unitary council.
202. Twenty-one local boards were established as part of the re-organisation of local government in Auckland. Their role is to make decisions on local matters, provide local leadership and support strong local communities. Local boards are required to prepare a local plan that sets out the values, priorities and vision identified by the communities in the local area. In particular, the plans identify key projects and programmes that the local board is proposing, outline advocacy that the local board will undertake on behalf of the community, outline how the local board proposes to set local service levels to meet community aspirations and how these service levels will be funded, and who the local board will work with to implement the local board plan.

⁵⁰ Resource Management Act Principles Technical Advisory Group above note 21 at 15, s1.8.

203. Place-shaping is essentially about village and town centre planning. It is about local people deciding what they want for their communities and then implementing the vision. There are some very successful examples of village and town centres planning in the Wellington region, but there are also examples of councils that have struggled to implement community-based plans. Porirua City Council's village planning programme is one of the more successful programmes, which has received international recognition at the International Liveable Communities Awards for its approach in empowering local communities.

Local place-shaping processes differ significantly around the region. Do you think there is value in a more consistent approach based on models that have demonstrated success?

204. The review of local governance structures in the region would create an opportunity for local government to build on the successful village centre planning achieved in Porirua's local communities by adopting those models elsewhere across the region. This could ensure that local communities are given the opportunity to experience the same feeling of empowerment in nurturing the development of their own community.

Possible pointers from Auckland

205. As outlined above, the Auckland Council has also completed important strategic planning documents. In particular the 30-year strategic, spatial plan known as the Auckland Plan has been completed. The Panel has examined it and finds it impressive. It is worth setting out what the law requires in this regard:

"(1) The Auckland Council must prepare and adopt a spatial plan for Auckland.

(2) The purpose of the spatial plan is to contribute to Auckland's social, economic, environmental, and cultural well-being through a comprehensive and effective long-term (20- to 30-year) strategy for Auckland's growth and development.

(3) For the purposes of subsection (2), the spatial plan will—

- (a) set a strategic direction for Auckland and its communities that integrates social, economic, environmental, and cultural objectives; and
- (b) outline a high-level development strategy that will achieve that direction and those objectives; and
- (c) enable coherent and co-ordinated decision making by the Auckland Council (as the spatial planning agency) and other parties to determine the future location and timing of critical infrastructure, services, and investment within Auckland in accordance with the strategy; and
- (d) provide a basis for aligning the implementation plans, regulatory plans, and funding programmes of the Auckland Council.

(4) The spatial plan must—

- (a) recognise and describe Auckland's role in New Zealand; and
- (b) visually illustrate how Auckland may develop in the future, including how growth may be sequenced and how infrastructure may be provided; and
- (c) provide an evidential base to support decision making for Auckland, including evidence of trends, opportunities, and constraints within Auckland; and
- (d) identify the existing and future location and mix of—
 - (i) residential, business, rural production, and industrial activities within specific geographic areas within Auckland; and
 - (ii) critical infrastructure, services, and investment within Auckland (including, for example, services relating to cultural and social infrastructure, transport, open space, water supply, wastewater, and stormwater, and services managed by network utility operators); and
- (e) identify nationally and regionally significant—
 - (i) recreational areas and open-space areas within Auckland; and
 - (ii) ecological areas within Auckland that should be protected from development; and
 - (iii) environmental constraints on development within Auckland (for example, flood-prone or unstable land); and
 - (iv) landscapes, areas of historic heritage value, and natural features within Auckland; and
- (f) identify policies, priorities, land allocations, and programmes and investments to implement the strategic direction and specify how resources will be provided to implement the strategic direction.”

206. The Act goes on to set out how the plan will be developed, adopted and implemented. Central government, infrastructure providers, communities, the private sector and the rural sector are all involved.

The Auckland legislation requires a spatial plan to be drawn up. There is nothing comparable in Wellington . . . would such a plan benefit this region?

Efficiency – use of resources and capabilities

207. Delivering government functions and services in the most efficient way is a key driver for central and local government reform.
208. Central government has embarked on an ambitious programme of merging similar government departments in an effort to reduce costs from “backroom” functions such as human resources, information technology services and finance.
209. Local government is also faced with the need to deliver its services more efficiently. Some of the current reasons for this include significant costs increases associated with infrastructure renewal, earthquake strengthening of public assets and emerging issues such as the leaky buildings crisis. The impact of these costs on ratepayers is significant and councils across the country are struggling to keep rate rises affordable for their local communities given the current stagnant economy.
210. Creating a more efficient local government has already been mentioned in this paper as a key driver behind the Government’s *Better Local Government* reform process, which aims for better clarity about councils’ roles, stronger governance, improved efficiency and more responsible fiscal management.
211. In the Wellington region, local government has been active in taking a more “shared services” approach in some areas. Examples where councils in the region work together include Civil Defence Emergency Management, delivery of water services for Wellington city, Hutt city and Upper Hutt city, libraries and facilitation of regional economic development. The councils in the Wairarapa have been particularly active in pursuing efficiencies through their combined district plan and existing shared service arrangements on matters such as waste and rural fire.⁵¹
212. The launch of the Wellington Region Emergency Management Office is the most recent example of a shared approach. Driven by the need for a more effective and efficient approach to Civil Defence Emergency Management, the Wellington Region Emergency Management Office is an amalgamation of all of the region’s civil defence emergency management people, resources and functions previously provided by the Wellington region’s nine city, district and regional councils.
213. The Panel is aware, however, that bigger does not always mean better or more efficient. Research into other local government reforms across New Zealand and Australia⁵² suggests that while consolidation reforms are often motivated by the need to create cost savings by creating economics of scale, savings were not often apparent in the years that

There have been some efficiency gains in the region through shared services approaches but they can take considerable resources to put in place. Should more effort be put into a shared services model, or do you think efficiency gains would be greater from reorganisation?

⁵¹ Morrison Low, *Assessment of options for joint management and service delivery Final Report* (May 2012).

⁵² Australian Centre of Excellence for Local Government, above note 39, at 40.

followed the reforms. Instead, what was often created were so-called “economies of scope”. That is, local government became far more effective in achieving desired outcomes due to an increased strategic capacity. That strategic capacity was in part a function of increased size and resource level, but also combined the knowledge and expertise of staff.

Key issues and opportunities

Towards more integrated management of water services

214. The provision and management of water services to businesses and households across the region is a core function of local government. It also represents a major area of spend for most local authorities in the region; with major long-term investment decisions being needed in the near future regarding new bulk water supplies and enhancements to existing local networks.
215. At present these issues, which require long-term investment decisions, are being addressed in different ways. For example, a new bulk water supply for the four cities of the region is currently being investigated by Greater Wellington Regional Council, which is also investigating smaller storage reservoirs around Wellington city for emergency response reasons. Kapiti Coast District Council is currently investigating new water supply options. In addition to needing additional water, 15 of the 20 water treatment plants across the region are either ungraded or graded D or E, which indicates a high level of risk. Many of the Councils are also currently upgrading their wastewater treatment systems so their discharges can meet current water standards. These systems are expensive and smaller councils rely heavily on outsourcing to undertake planning, delivery and operation. Given this, it makes sense to look at the efficiencies that might be gained from managing water across the region in a different way.
216. PricewaterhouseCoopers carried out a review of the region’s water, wastewater and stormwater activities and networks in 2010. Its review revealed that a variety of mechanisms are used to manage the three water assets across the region, including:
 - Greater Wellington delivers bulk water to Upper Hutt, Lower Hutt, Wellington and Porirua, whereas Masterton, Carterton, South Wairarapa and Kapiti all manage their own water supplies
 - Wellington and Lower Hutt established a Council Controlled Organisation in 2004 (Capacity Infrastructure Services) to deliver their reticulated supply of the three water assets to households and businesses. In 2008, Capacity was contracted by Upper Hutt City to also provide the same services

⁵³ PricewaterhouseCoopers, above note 1 at 35.

217. Perhaps unsurprisingly, the PricewaterhouseCoopers review recommended a new approach was necessary. Their report noted that “the integration of the region’s water services is a goal that the councils should seek to achieve”.
218. A number of benefits are expected to occur as a result of having an integrated regional approach to water management. Perhaps the most significant is the improved strategic capacity that will be achieved by pooling technical staff into one core team. This could enable more effective outcomes for water services at the regional and local levels, and should improve long-term planning. Improved cost effectiveness and reduction in risk to public health could result from improved management of the water asset and infrastructure.

Do you think there is benefit in considering a more integrated regional approach to the management of water infrastructure services?

Harmonising regulation and regulatory processes

219. The administration of regulatory processes, particularly in the areas of environmental health, building and resource consents, is a significant function for local government. There is scope in some of these areas, more than others, to remove unnecessary duplication of tasks required by legislation. The goal should be to identify a streamlined way of carrying out these regulatory functions to achieve greater regional efficiencies.
220. Council functions under the Building Act represent an obvious area for greater efficiency. People carrying out works under the building code have to comply with the same requirements irrespective of which district they are in. This means the knowledge and skills held by building consent staff in the various districts are transferable to other districts.
221. The opportunity for the region’s councils to integrate their building consents team could lead to greater efficiencies and improve the ability of under-resourced councils to deliver their functions effectively. It is likely that certain aspects of these functions, such as site inspections, could still need to be based from local centres.
222. Achieving efficiencies in regional resource consent processing will be more restricted because of the number of regional plans that exist, and of the different approaches taken to managing particular issues. But there are opportunities to achieve a more consistent approach to these regional processes by sharing knowledge on internal processes that have been developed by each of the councils. Other ideas that have been suggested previously include creating templates for the range of resource consent forms required and sharing information technology software solutions.

Other infrastructure

223. *Roads:* Territorial authorities are responsible for maintaining the majority of the roading network in the region, outside the state highways which are managed by the New Zealand Transport Agency. Putting aside the strategic planning for

roads, which is carried out via well-established processes at the regional level, the costs of maintaining and upgrading roads comprises a significant component of the overall budget for councils in the region. This can be problematic, particularly with smaller councils with expansive road networks and small populations, such as those in Wairarapa. For example, roading is the largest single area of expenditure of each of the Wairarapa Councils; in 2011/12 their combined budget was approximately \$18.4 million⁵⁴.

224. A shared approach or integration into a larger entity offers opportunities for efficiency gains, primarily through economies of scale. A shared or larger asset management function may also enable local government to deliver a higher standard of asset management.
225. *Solid Waste:* The management of waste in the region is an area where the councils have been collaborating in recent years, particularly at the policy level. Under the Waste Minimisation Act 2008, councils are required to develop Waste Management and Minimisation Plans by 2012. The councils in the Wellington Region agreed to prepare a joint plan, which was developed in 2011 and is effective until 2017. Though all councils were involved in contributing to the development of the plan, including carrying out the required waste management assessment, efficiencies were achieved by avoiding the preparation of individual plans by each authority.
226. The Wellington Region Waste Management Minimisation Plan⁵⁵ outlines how the Councils intend to oversee, facilitate and manage a range of programmes and interventions to achieve effective and efficient waste management and minimisation. However, the Councils will implement these programmes and interventions through their respective internal structures responsible for waste management. This suggests there may still be scope for a further integration of waste management services at the operational level.
227. *Corporate services:* Consideration of governance arrangements will present some opportunities to achieve efficiency gains from corporate services and back-office functions such as information technology services, human resources, finance and procurement.

Individual councils in the region spend significant resources on the management and maintenance of key infrastructure such as roads, stormwater, wastewater, water supply, recreational facilities and community facilities. Do you think there is benefit in managing these through a more regional approach?

Council Controlled Organisations

228. Council Controlled Organisations are business units run at arm's length from councils with their own board of directors - in which one or more local authorities control 50 per cent or more of the votes, or have the right to appoint 50 per cent or more of the directors. There are several Council Controlled Organisations among Councils in the region, including:
- Capacity Infrastructure Services - the public-facing delivery arm of water services for Wellington city and Hutt city
 - CentrePort Ltd

⁵⁴ Morrison Low, above note 51 at 67.

⁵⁵ Councils of the Wellington Region, *Wellington Region Waste Management and Minimisation Plan 2011-2017* (2011) at 8.

- Grow Wellington – the region’s economic development agency
- Wellington Waterfront Ltd
- Positively Wellington Tourism

229. Compared to Auckland, which has seven substantive and powerful Council Controlled Organisations, including Auckland Transport and Watercare Services Ltd, the current approach in Wellington is considered fairly minimal. In the Wellington region, only Grow Wellington and CentrePort are formally constructed to operate at a regional scale. There are also numerous council-owned entities that are not technically Council Controlled Organisations, including the Wellington Regional Stadium Trust and the Wellington Zoo Trust. It is also worth noting that Auckland Transport, one of the Auckland Council Controlled Organisations, has the same role that the Greater Wellington Regional Council has for regional transport planning and the ownership of transport infrastructure.

230. Opinion is divided about the underlying philosophy of Council Controlled Organisations. Some argue that Council Controlled Organisations are useful vehicles for introducing commercial discipline and focus into decision making that would otherwise be clouded by political considerations. Others argue that although Council Controlled Organisations are useful for areas where there is commercial competition, they are inappropriate for areas of monopoly serviced or where the service is funded by ratepayers.

What role should Council Controlled Organisations have in future governance arrangements, how should they be organised and what areas should they cover?

Learnings from Auckland

231. The Auckland experience is a rich source from which to mine important issues of governance and efficiency.

232. The first of those issues is whether scale makes a difference. A larger entity with more resources, better funding and better staff with more skills, may be able to do a better job than smaller units that lack these advantages. Further, where there are two tiers there may be inefficiencies compared with one tier. It seems clear the Auckland Council has already achieved efficiency savings of up to \$80 million in the first year. Over 10 years it is planned to deliver \$1.7 billion efficiency savings while providing more or the same level of service.⁵⁶

Do you think efficiency savings could be achieved by fashioning larger units of local government in the Wellington region?

233. In Auckland there is now a system of integrated consents. The former district and regional consenting has been combined into one system. There are likely to be a number of advantages for consumers of council services and in how efficiently those services are delivered. Auckland now has a regional account management approach to support the Council’s top 25 clients. There are standardised application forms that help to provide consistent customer service. A centralised team has been established for commercial consents. A consents team has also been established for specialised major infrastructure consents,

Would a system of integrated consents have advantages for the Wellington region?

⁵⁶ "Auckland Council adopts its first long-term plan" (28 June 2012) *Auckland Council* <www.aucklandcouncil.govt.nz/EN/newseventsculture/OurAuckland/News/Pages/longtermplan20122022adopted.aspx>

including pre-application meetings in order to improve customer satisfaction.

234. In Auckland, new integrated systems are being set up to administer regional regulatory activities, such as building inspections, building consents, resource consents, food licence applications, liquor licences, household refuse collection, recycling from households, and libraries. There would appear to be administrative and cost advantages in such an approach.

Would there be advantages in a regional approach to the administration of regulatory activities?

235. Transport is a big item in the activities of the Auckland Council. A Council Controlled Organisation, Auckland Transport, established by the legislation is responsible for managing the transport network, including public transport infrastructure owned by the Council. The purpose of Auckland Transport is to contribute to an effective and efficient land transport system to support Auckland's social, economic, environmental and cultural well being.

What changes need to be made in regard to transport in the Wellington region and what application could the Auckland model have?



Chapter 5: Rates and finance

Introduction

236. The Panel's terms of reference direct it to consider, among a range of matters:
- "m. The impact of any proposed changes on local government finances and revenue models, including rates and the management of assets, debt and other liabilities
- and
- o. The costs and benefits of the status quo and of any preferred option for change"
237. The financial implications of any local government reform across the Wellington region will be of significant interest to ratepayers in each local authority area. As the Auckland experience has shown, a key challenge with any future structural reform would be how to address current differences in strategy, service levels and funding and financial policies and how to effectively manage the impact that a potential solution could have on ratepayers.
238. Each Local Authority has a common responsibility under the Local Government Act 2002 to manage its finances in a manner that promotes the current and future interests of the community. However, actual decisions regarding service levels and the funding and financial strategies and policies adopted differ. In some cases the differences are significant. That is, perhaps, not unexpected.
239. Each local authority has a unique set of funding and financial policies, including rating policies, which have been developed to meet the needs of the community that the local authority serves. The effect that any local government reform across the Wellington region may have on these policies and the distribution of funding requirements across ratepayers is likely to be carefully scrutinised. The recent experience of Auckland Council moving to a single rating system highlights the financial challenge and impact at an individual ratepayer level of moving from the status quo to a single regional policy.
240. Each local authority has recently adopted a new 10-year long-term plan. For the first time since the introduction of the Government's transparency, financial management and accountability reforms each long-term plan includes a financial strategy. In broad terms, this sets out each local authority's approach to managing the cost of its activities and its finances.
241. Most financial strategies identified the significant financial pressure and constraints that the local authority was facing. The global financial crisis and its impact on the New Zealand economy is clearly affecting local authorities and their communities. Financial strategies clearly indicate the challenge of balancing the financial issues faced by local authorities with the impact this has on affordability for ratepayers.

242. It is clear from the long-term plans adopted that local authorities across the Wellington region are responsible for the collection, management and stewardship of large amounts of public money. Each local authority collects the majority of funding for its activities either through its general power to rate or through direct user charges. In financial terms, the contribution of local government to the local economy is significant.
243. Differences in service levels, cost of service delivery, rating and funding policies and the financial strategies adopted by each local authority invariably present a challenge for the Panel in being able to clearly articulate the actual extent or financial impact of any local government reform at an individual ratepayer level. At a macro level, the Auckland experience highlights that significant efficiency savings and operational efficiency can reasonably be expected, and these savings would accrue to all ratepayers.
244. In broad terms, the Panel appreciates that ratepayers will be particularly interested in:
- How any local government reform would affect the rates paid by individual ratepayers or groups of ratepayers (commercial and residential)
 - How the integration of funding and financial policies or the development of a regional rating system would affect the distribution or allocation of rates and the direct charges for the use of local authority services
 - How unique or more isolated financial issues or challenges faced by one local authority (for example, settling leaky homes claims, or management of the region's rivers) would be managed on a regional basis
 - What level of efficiency savings could be expected from any reform of the current governance model, how these efficiency savings would be distributed and the timeframes over which efficiency savings would be realised
 - The cost of maintaining local democracy and representation
245. To assist it in its consultation, the Panel has looked at each local authority's current and forecast finances. It noted the significant financial issues and challenges faced by each local authority and the divergence in how each local authority has set about making its funding decisions. Where appropriate, the Panel has drawn from the experience from Auckland, particularly in relation to how Auckland dealt with the integration of different policies through transition and set up, the identification of potential efficiency savings and how these impacted individual ratepayers.
246. It is clear from the Auckland experience that significant efficiency savings were expected and that Auckland Council appears to be making progress in delivering these. It is also

clear the benefits will flow differently to different ratepayers depending on any final implementation and design issues. The Panel is interested in understanding whether there would be an expectation of significant efficiency savings in Wellington and what expectation ratepayers would have in managing any differences in current policies and strategies.

247 In the remainder of this section the Panel briefly outlines the:

- Obligation on local authorities to manage their finances
- Policies and strategies adopted by local authorities in managing their finances, and key differences between local authorities
- Current state of finances of each of the local authorities in the Wellington region and forecast changes over the next 10 years
- General financial issues and challenges that local authorities face and how these are reflected in their financial strategies and long-term plans
- Efficiency savings that may be expected from any reform or restructuring of Wellington's local authorities
- Significant financial and funding issues that the Panel is seeking comment and feedback on

Setting the context – funding and financial management

248. Under section 101(1) of the Local Government Act 2002 each local authority in the Wellington region must:

... "manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community".

249. Under the Local Government Act 2002 each local authority is required to prepare a long-term plan, covering a period of 10 years, and an annual plan as appropriate. Adequate and effective provision must be made in either the long-term plan or annual plan for the expenditure needs of the local authority. The funding needs for each local authority must be met from those sources that each local authority determines to be appropriate.

250. In addition to these broad obligations, section 100 of the Act requires that each local authority maintain a balanced budget unless it decides that it is financially prudent not to do so. Section 102 of the Act requires each local authority to develop and adopt specific funding and financial policies in order to provide predictability and certainty about the sources and levels of funding it receives.

251. Within the legislative framework for financial management each local authority has the flexibility to determine the financial and funding policies that are appropriate to meet its expenditure needs and best promotes the current and future interests of the community.
252. Recent changes to the transparency, accountability and financial management with which local authorities manage their finances were introduced as part of the 2010 Local Government Act Amendment Act. However, local authorities have retained the flexibility to manage their finances in accordance with the principles and framework set out in the Local Government Act 2002.
253. In looking at the long-term plans of each local authority the Panel noted:
- Local authorities are responsible for the collection, management and stewardship of large amounts of public money
 - The financial strategies, and funding and financial policies, differ in terms of the final decisions made by each local authority
 - Comparability of finances between local authorities is influenced by differences in the strategies and policies adopted
 - There are a number of activities and services that are "similar" across local authorities but where pricing and funding decisions differ
254. As an example, the Panel noted the differences in local authorities' decisions regarding the funding of swimming pools. The following table highlights the different funding decisions:

Table 2: Local Authority Funding Policy for Swimming Pools – 2012/13

Local Authority	Local Authority Funding Policy		Swimming Pool Entry Prices		
	% funded from Rates	% funded from User Charges and Other Revenue	Adult	Child	Pre-school
Wellington	60%	40%	\$5.70	\$3.50	\$1.20
Hutt City	60-79%	20-39%	\$4.50	\$3.00	N/A
Upper Hutt	40-65%	35-60%	\$5.10	\$4.10	\$3.10
Porirua	35-50%	50-65%	\$5.00	\$3.00	N/A
Kapiti	75%	25%	\$4.50	\$2.20	\$1.20
South Wairarapa	60-70%	30-40%	\$3.00	\$2.00	N/A
Carterton	100%	0%	N/A	N/A	N/A
Masterton	70%	30%	\$5.10	\$3.60	N/A
Greater Wellington Regional Council	N/A	N/A	N/A	N/A	N/A

Source: 2012/22 Final LTPs, local authority funding policies or websites for entry prices

Notes: 1 Exception is Khandallah pool (Adult \$2; Child \$1), 2 College students and children 5-14 years, 3 Under 1 year old = \$2, 4 Fees in table are for Arena Aquatic Centre. Cannons Creek pool fees are \$3.40 adult, \$1.00 child, 5 College students and children under 12, 6 Based on UAGC, 7 Under 15 years or student, 8 No charge with adult. Additional under 5 = \$1.00

255. The Panel understands that the final impact of any reform at a ratepayer or community level will ultimately depend on:
- The final shape of any reform to the status quo
 - How current differences in funding and financial policies are managed or addressed (for example, whether a single rating system is developed and how this manages or equalises differences in strategy and policy that exist today)

Auckland experience

256. One of the challenges faced by Auckland Council, post amalgamation, was the requirement to produce a single set of funding and financial policies, including a single rating system, and to then manage the impact on individual ratepayers and users of services. For example, the development of a regional funding and financial policy for swimming pools impacted Manukau City ratepayers who had previously enjoyed free access to the local authority's swimming pools prior to amalgamation. Similarly, the development of a single rating policy for Auckland affected the final distribution and allocation of rates.
257. In the case of Auckland, the development of a single set of funding and financial policies were managed as part of the transition and set-up of the Auckland Council, or as part of the development of Auckland Council's 2012-22 long-term plan. The final impact on individual ratepayers of the shift to a single set of funding and financial policies was not known prior to amalgamation, although there was an expectation that the Council would need to carefully manage or equalise any extreme funding and rating changes or movements.

Financial pressures and challenges

258. Each local authority was required to adopt a 10 year long-term plan by 30 June 2012. The long-term plans cover the financial periods from 2012/13 – 2021/22. Section 101A of the Local Government Act 2002, a new requirement, requires each local authority to prepare and adopt a financial strategy that covers each year of the long-term plan. In broad terms, the purpose of the financial strategy is to facilitate more prudent financial management by outlining the local authority's strategy and approach to managing its funding and expenditure needs over the period of the long-term plan.
259. Each Wellington local authority has identified those factors that are expected to have a significant impact on the local authority during the period of the long-term plan. It is clear from these strategies that each local authority is forecasting that it will continue to operate in an increasingly challenging operating and fiscal environment. The current financial and economic environment is placing significant pressure on local authorities to manage their finances both prudently and in a manner that carefully manages the affordability of their plans on ratepayers.

260. Examples of the issues identified in the financial strategies include:

- The impact of the current state of the economy, particularly in the wake of the global financial crisis, on local authorities and individual ratepayers
- Forecast economic and population growth
- Changing demands on service levels and local authority activities
- Pressures on current or planned local or regional infrastructure
- Pressure to maintain the affordability of current plans and activities and the related issue of ratepayer's willingness to pay
- Balancing the allocation of rates requirement across different ratepayer groups
- Dealing with significant financial or operational issues (such, as leaky homes, earthquake strengthening)

Overview of the finances of the Wellington region's local authorities

The Panel has set out below a high-level summary of the finances of each local authority in the Wellington region. The financial summary illustrates the individual and aggregated impact of each local authority's:

- Sources of revenue and funding
- Rating systems adopted and the nature and extent of rates funding
- Forecast operating and capital expenditure for each local authority
- Balance sheet, its assets, liabilities and equity
- Current and forecast levels of borrowing

The actual impact on ratepayers or users of Council services may not be known until after a decision has been made about any future shape or form of local government. What decisions regarding the financial implications of any change to the status quo would you like the Panel to address prior to any final recommendation?

Individual long-term plans have identified specific financial issues and challenges that may be unique or may be more significant to one local authority than another (for example, making provision for the settlement of leaky homes claims, funding river management or responding to earthquake strengthening requirements). What approach would you recommend in determining how best to allocate the funding requirements for activities that were more unique to one particular local authority?

261. The information outlined in this section illustrates that the financial impact of local government on the Wellington region is significant. As the majority of funding for local authority activities and investment is funded from rates, user charges or borrowing, it supports the proposition that there is significant public interest in the way in which the financial affairs of local government are managed.
262. It is also clear from the summarised financial information that the “aggregated” financial size and strength of Wellington’s local authorities provides an opportunity from which to consider alternative governance and service delivery options for the region.

Long-term plans highlight differences in the way that local authorities plan for and fund individual services. How could differences in current service levels, level of investment and in rating and funding policies be managed across the greater Wellington region? Should fees for similar services be standardised across local authorities or across the region? What is the best way to address and fund local and regional service level and investment needs and requirements?

How should “legacy issues” and local funding needs be addressed across the Wellington region?

Sources of revenue and council funding

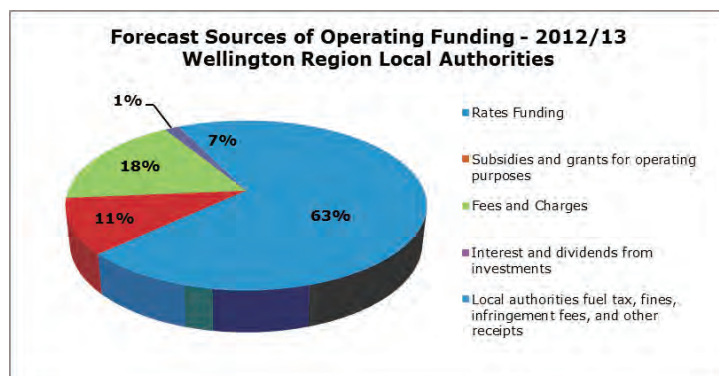
263. All of Wellington’s local authorities rely on the collection of rates (general rates, targeted rates and water charges) for the majority of their funding required for operating purposes.
264. At an aggregated regional level, 63% of local authority operating funding is provided from rates and levies. A further 18% of the region’s funding is derived from fees and user charges, 11% from operating grants and subsidies and 7% provided from fuel tax, fines and infringement fees.
265. Despite the size of local authority balance sheets only 1% of the funding required for operating purposes is derived from interest and dividends on investments.

Table 3: Forecast Sources of Operating Funding – 2012/13

Local Authority	Total Operating Funding \$000	Revenue from Rates (General, Targeted, Water Usage) \$000	Revenue from Fees and Charges \$000	Other Sources of Revenue \$000	% of Revenue from Rates	Average Rates Revenue per resident
Wellington	\$365,289	\$239,567	\$97,421	\$28,301	66%	\$1,335
Hutt City	\$131,079	\$91,306	\$29,570	\$10,203	70%	\$935
Upper Hutt	\$38,057	\$30,228	\$5,505	\$2,324	79%	\$787
Porirua	\$58,751	\$46,490	\$9,883	\$2,378	79%	\$958
Kapiti	\$58,639	\$47,180	\$9,654	\$1,805	80%	\$1,021
South Wairarapa	\$18,551	\$11,057	\$604	\$6,890	60%	\$1,244
Carterton	\$11,211	\$8,514	\$1,431	\$1,267	76%	\$1,199
Masterton	\$32,836	\$24,040	\$5,800	\$2,996	73%	\$1,063
Greater Wellington Regional Council	\$218,523	\$90,258	\$4,448	\$123,817	41%	\$201
TOTAL WELLINGTON REGION	\$932,936	\$588,640	\$164,316	\$179,981	63%	

Source: 2012/22 Final LTPs, Funding Impact Statement adjusted for calculation Targeted Rates for Water Supply, Residents as per LTP

Figure 3: Summary of Forecast Sources of Operating Funding
Wellington Region Local Authorities – 2012/13



Source: 2012/22 Final LTPs, Funding Impact Statement adjusted for calculation Targeted Rates for Water Supply

Summary of local authority rating systems and policies

266. The rating system and policies adopted across the region varies between local authorities, owing to the flexible powers provided by the Local Government (Rating) Act. Individual local authorities have adopted a rating system that most appropriately and equitably finances the needs of their communities.
267. Rating systems may vary on the valuation base used, the level of uniform annual general charges, the use of targeted rates and rating differentials for certain classes of rating units, policies on the postponement and remission of rates, and the way in which water charges are structured and levied. The percentage of rates funding raised from general rates also varies considerably across the region.

268. A high-level overview of the rating systems, policies and sources of rates funding adopted by each local authority for the 2012/13 financial period is summarised in the following table.

Table 4: Summary of Local Authority Rating Systems, Policies, Rates Funding Sources – 2012/13

Local Authority	Rating Valuation Basis (General Rate)	Maximum Differential on Commercial General Rate*	% of Rates from General Rates	% of Rates from Targeted Rates	% of Rates from Water Usage	Total Rates Collected (\$000)	% of Total Income from Rates
Wellington	Capital Value	2.80	53%	42%	5%	\$239,567	66%
Hutt City	Capital Value	3.56	68%	19%	13%	\$91,306	70%
Upper Hutt	Capital Value	2.65	57%	42%	1%	\$30,228	79%
Porirua	Capital Value	3.50	79%	11%	10%	\$46,490	79%
Kapiti	Land Value	-	19%	66%	14%	\$47,180	80%
South Wairarapa	Land Value	2.00	67%	13%	20%	\$11,057	60%
Carterton	Capital Value	2.00	70%	30%	0%	\$8,513	76%
Masterton	Capital Value	2.00	57%	42%	1%	\$24,040	73%
Greater Wellington Regional Council	Capital Value	-	30%	70%	0%	90,258	41%

Source: 2012/22 Final LTPs, Funding Impact Statement adjusted for calculation Targeted Rates for Water Supply

* Excludes Greater Wellington's targeted transport rate

Auckland experience

269. One of the challenges faced by the amalgamation of the Auckland local authorities was the development of a single regional rating system. From 1 July 2012 Auckland's single rating system saw the majority of rates calculated on an Auckland-wide basis, although the Council will continue to use local targeted rates where appropriate. Significantly, Auckland's rates will be calculated on a capital value basis, a change from the mix of land and annual value methods used by previous councils. The rating policy will introduce a uniform annual general charge of \$350. There will be the same proportion of rate collected from residential and non-residential sectors as previously. The business differential rate is to be reduced from 2.63 times residential to 1.73 by the end of the 10-year long-term plan.

Would there be advantage in one rating system for the greater Wellington Region?

Importance and significance of commercial/business rating base

270. Most local authorities across the region have a commercial or business differential on their general rates. In simple terms, the effect of the differential is to redistribute or reallocate the impact of general rates from the residential sector to the commercial or business sector. In addition, local authorities may have separate commercial or business targeted rates.

271. The significance and importance of a strong commercial and business sector is not only is it vital for the region's economy, it is also integral to the way local authorities manage their rating and funding decisions.
272. Each local authority area generally has a central business district or commercial area. Within the region the size, scale and regional importance of Wellington's Central Business District is significant. From a rating and funding perspective, approximately \$84-\$86m of rates and water charges are forecast to be collected from the commercial Central Business District in the 2012/13 financial period. This includes a targeted downtown levy of \$13.6m. The differential on the commercial general rate is set at 2.80 for 2012/13.
273. Of the total rates collected by Wellington City Council approximately 36% is derived from commercial ratepayers in the Wellington Central Business District. Of the total rates funded from the commercial, industrial and business use sector, approximately 78% is derived from commercial ratepayers in the Wellington Central Business District.

Forecast operating expenditure: 2012/13 – 2021/2

274. Operational expenditure provides for day-to-day operations and services delivered by each local authority. It includes expenditure on services such as waste disposal, water supply and maintaining roads, issuing building consents, operating recreational facilities, and maintaining parks and gardens. It also includes the cost of back office functions (such as finance, information technology and human resources), governance, policy and planning.

275. A high level summary of the forecast operating expenditure for each local authority for 2012/13, and in aggregate over the 10-year period of the long-term plan, is summarised in the following table:

Table 5: Forecast Operating Expenditure 2012/13 – 2021/22

Local Authority	Forecast Operating Expenditure 2012/13 – 2021/22				
	Finance Expense \$000	Depreciation and Amortisation \$000	Other Operating Expenditure (incl. Personnel) \$000	Total Operating Expenditure 2012/13	Total Operating Expenditure 2012/13 – 2021/22
Wellington	\$22,647	\$91,703	\$264,830	\$379,180	\$4,346,840
Hutt City	\$4,000	\$31,688	\$95,587	\$131,275	\$1,463,865
Upper Hutt	\$1,459	\$11,734	\$31,742	\$44,935	\$529,132
Porirua	\$3,547	\$18,146	\$48,447	\$70,140	\$814,504
Kapiti	\$8,474	\$13,383	\$41,091	\$62,948	\$790,846
South Wairarapa	\$608	\$4,204	\$11,300	\$16,112	\$181,082
Carterton	\$520	\$3,272	\$8,375	\$12,167	\$142,730
Masterton	\$3,032	\$9,739	\$22,845	\$35,616	\$406,480
Greater Wellington Regional Council	\$8,173	\$31,720	\$215,255	\$255,148	\$3,119,209
TOTAL WELLINGTON REGION	\$52,460	\$215,589	\$739,472	\$1,007,521	\$11,794,688

Source: 2012/22 Final Long-term plans, Financial information sourced from Prospective Statement of Comprehensive Income.

276. Wellington's local authorities will incur approximately \$1billion of expenditure in the provision and delivery of their operating services and activities in the 2012/13 financial year. Over the period of the long-term plan, operating expenditure is forecast to total approximately \$11.9billion during the next 10 years.
277. In accordance with the balanced budget provisions of the Local Government Act 2002, each local authority must fund the operating expenses that it will incur in the delivery of its services, unless it determines that it is financially prudent not to do so.

Are there examples of services and activities provided at a local authority level that could be more efficiently provided on a region wide basis?

Forecast capital expenditure programme: 2012/13 – 2021/22

278. In addition to expenditure for operating purposes, each local authority is planning to invest in the current and future assets and infrastructure within each of their areas. Funding for capital investment is generally derived from borrowings, capital grants and subsidies, development and financial contributions or cash surpluses from operating activities (principally from funded levels of depreciation).

Considering the activities and service levels provided by your local authority how do these compare to activities and service levels provided by other local authorities?

279. A high-level summary of the forecast capital expenditure programmes for each local authority over the 10-year period of the long-term plan is summarised in the following table.

Table 6: Forecast Planned Capital Expenditure 2012/13 – 2021/22

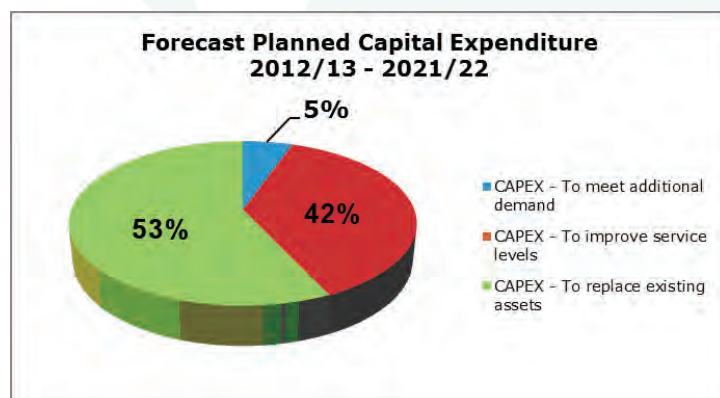
Local Authority	Total Forecast Planned Capital Expenditure 2012/13 – 2021/22			
	CAPEX - To meet additional demand \$000	CAPEX - Improve levels of service \$000	CAPEX - Replacement of Existing Assets \$000	Total forecast CAPEX 2012/13 – 2021/22
Wellington	\$42,784	\$421,088	\$974,952	\$1,438,824
Hutt City	\$0	\$211,524	\$231,681	\$443,205
Upper Hutt	\$0	\$47,874	\$73,867	\$121,741
Porirua	\$77,551	\$34,072	\$100,987	\$212,610
Kapiti	\$13,694	\$149,967	\$127,456	\$291,117
South Wairarapa	\$417	\$10,917	\$40,195	\$51,529
Carterton	\$2,286	\$2,967	\$37,101	\$42,354
Masterton	\$1,278	\$31,113	\$88,642	\$121,033
Greater Wellington Regional Council	\$23,083	\$454,417	\$76,991	\$554,491
TOTAL WELLINGTON REGION	\$161,093	\$1,363,950	\$1,751,872	\$3,276,903

Source: 2012/22 Final Long-term plans, financial information sourced from Funding Impact Statement.

280. Over the period of the long-term plan local authorities are planning to invest approximately \$3.3billion in new and existing assets and infrastructure within their local authority areas. Of this investment 53% will be invested in the renewal or replacement of existing assets, and 42% will be invested in assets and infrastructure in order to improve their service levels. Only 5% of the total planned investment is planned to meet additional demand, with two local authorities planning no new investment in this area.

Figure 4: Forecast Capital Investment over the period 2012/13 – 2021/22

Source: 2012/22 Final Long-term plans, financial information sourced from



Funding Impact Statement

Size and scale of local authority assets, liabilities and equity

281. Wellington's local authorities are responsible for the management of significant portfolios of assets and liabilities.
282. At an aggregated level, assets managed and under the stewardship of the region's local authorities amount to \$13.1billion. The majority of these assets represent the infrastructure (water, sewerage, roading infrastructure networks) and community/operational (libraries, swimming pools, recreation centres) assets within each local authority area. Assets also include investments by local authorities in subsidiary and associate entities. Of the region's assets, approximately 51 per cent are under the management and stewardship of Wellington City Council.
283. Total liabilities across the region are \$1.296billion, the majority of which is represented by Council debt and borrowings (refer separate section below).
284. A high-level summary of the equity, liabilities and assets of each local authority is summarised in the following table:

Table 7: Summary of Local Authority Equity, Liabilities and Assets – As at 30 June 2011

Local Authority	Total Equity \$000	Total Liabilities \$000	Total Assets \$000	Assets as a % of Region's Assets
Wellington	\$6,196,356	\$487,401	\$6,683,757	51%
Hutt City	\$1,149,105	\$109,279	\$1,258,384	10%
Upper Hutt	\$576,071	\$27,986	\$604,057	5%
Porirua	\$1,083,992	\$63,209	\$1,147,201	9%
Kapiti	\$737,766	\$91,841	\$829,607	6%
South Wairarapa	\$362,639	\$11,708	\$374,347	3%
Carterton	\$145,676	\$4,419	\$150,095	1%
Masterton	\$669,498	\$37,241	\$706,739	5%
Greater Wellington Regional Council*	\$939,446	\$462,489	\$1,401,935	10%
TOTAL WELLINGTON REGION	\$11,860,550	\$1,295,573	\$13,156,122	

Source: 2010/11 Annual Reports (Wellington Regional figures include Greater Wellington Rail)

* These are group accounts as substantial assets are held outside the council entity

Current and forecast levels of local authority borrowings

285. Borrowings are generally used by local authorities to fund the upgrade and renewal of existing assets, and to construct or purchase new assets. When local authorities invest in new or upgrading of assets such as swimming pools, libraries, sports stadiums, roading assets, landfills and sewage treatment plants, the benefits of these assets flow to the community across many years. Borrowing is generally considered the most cost-effective and prudent way to fund such capital

expenditure because it spreads the cost of the asset over the future generations of ratepayers who will benefit from the use of the asset. The use of borrowings as a source of funding for capital investment generally supports the principle of inter-generational equity.

286. Borrowing levels are managed by individual local authorities in accordance with their financial strategies and specific borrowing limits and target, developed during the long term planning process. There is significant variance in borrowing strategies, parameters and practice across the region.
287. A high-level summary of the actual and forecast level of borrowings and indebtedness across the region is summarised in the following table:

Table 8: Summary of Local Authority Borrowings (Actual and Forecast)

Local Authority	Actual Borrowings 30 June 2011 \$000	Forecast Borrowings 30 June 2013 \$000	Borrowings per resident 2012/13	Forecast Borrowings 30 June 2022 \$000	Forecast Movement in Borrowings 2012-2022
Wellington	\$341,525	\$373,668	\$2,082	\$532,355	42%
Hutt City	\$77,993	\$68,725	\$703	\$56,255	(18%)
Upper Hutt	\$20,745	\$24,972	\$650	\$50,154	101%
Porirua	\$41,766	\$53,058	\$1,093	\$52,499	(1%)
Kapiti	\$71,266	\$135,190	\$2,926	\$188,079	39%
South Wairarapa	\$8,420	\$10,138	\$1,141	\$16,711	65%
Carterton	\$1,636	\$9,414	\$1,326	\$10,988	17%
Masterton	\$28,491	\$52,005	\$2,299	\$54,174	4%
Greater Wellington Regional Council	\$112,616	\$182,248	\$2,696	\$375,436	106%
TOTAL WELLINGTON REGION	\$704,458	\$909,418		\$1,336,651	47%

Source: 2010/11 Annual Report (actual borrowings as at 30 June 2011), 2012/22 Long-term plans (forecast borrowings 30 June 2013, 30 June 2022), Residents as per 2012/22 long-term plans

288. Total borrowings for the Wellington region are forecast to be \$909.418 million at the end of the 2012/13 financial period, increasing to \$1,336.651 million by 30 June 2022.
289. Borrowing levels for individual local authorities vary significantly, and are likely to be influenced by the size and scale of both historical and planned capital investment programmes. In general, local authorities are planning significant levels of capital investment over the period of their long-term plans, either to replace or upgrade ageing infrastructure, to meet changing demands on asset service levels or to effectively plan and manage forecast growth.
290. In addition, borrowing levels will be influenced by the financial strategies and policies adopted by local authorities to manage the level of borrowings (prudential borrowing ratios and targets), developing strategies to specifically repay borrowings or in funding certain financial liabilities where it is considered financially prudent to do so (funding significant liabilities etc).

291. Reductions in borrowing levels of the period of the long-term may result from a lower level of investment in new assets, deferral of capital expenditure, changes to the timing of asset renewals, the availability of surplus capital funding, decisions to fund borrowing reductions or the sale of assets and the application of sale proceeds to repay borrowings.

Auckland experience

292. On amalgamation the borrowings of each local authority in the Auckland region were combined into the overall Auckland Council group. As per the draft long-term plan Auckland Council borrowings (Whole of Group) were forecast to increase from \$5.4billion at the end of the 2012/13 financial period to \$12.5billion by the end of the long term plan. Borrowings are managed and funded on a region wide basis, except for a small portion of borrowings funded by a city centre upgrade targeted rate. This means that legacy borrowings from previous local authorities are now managed on a regional basis and have not been attributed to ratepayers in those previous local authority areas. Given the size of Council's borrowing portfolio and the limited size and capacity of liquidity in the New Zealand market, Auckland Council has the power to borrow money offshore. It is the only local authority in New Zealand permitted to raise financing offshore.

Realising efficiency savings from local government reform

293. In the previous pages we profiled the financial size and scale of each Wellington local authority as well as the combined impact that the nine local authorities have on the greater Wellington region economy. The financial scale of local government operations in the Wellington region is significant. Funding of local government activities, operation and investment involves significant amounts of public money.
294. The Royal Commission into Auckland Governance noted that many of the submissions made to the Commission in support of change were of the view that the amalgamation of individual local authorities should result in significant cost savings. The Commission accepted the importance of financial savings and efficiencies, although it noted there were other equally important issues in considering the impact and benefit of local government reform across the Auckland region.
295. In the case of Auckland, the Commission identified that proposals for structural change could be expected to result in estimated efficiency savings of between 2.5 per cent and 3.5 per cent of the total expenditure planned by the then local authorities that made up the greater Auckland Region. Total estimated savings and efficiencies for Auckland were estimated at between \$76million and \$113m per year.
296. The 2010 PricewaterhouseCoopers study⁵⁷, commissioned by the Wellington Mayoral Forum, drew on UK research that

Each local authority has a different financial strategy and approach to the use and management of debt and borrowing. Borrowing is generally used to fund capital investment, principally to meet additional demand or improve levels of service. The nature and extent of capital investment planning across the region differs as does the management of debt and borrowing. Across certain activities, local authorities are having to invest more heavily to address infrastructure quality and service level issues. What is the best way to address and fund local investment needs and requirements? How would you address the funding implications of current levels of debt and borrowing within each local authority area?

What issues or concerns would you foresee from managing the aggregated borrowings from Wellington's local authorities on a regional basis?

⁵⁷ PricewaterhouseCoopers above note 1.

was undertaken into the size of local government and its relationship to efficiency⁵⁸. In that research, it noted that the United Kingdom 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.

297. 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.”

298. In addition to considering structural opportunities, both the 2010 PricewaterhouseCoopers study and the more recent Morrison Low study⁵⁹ commissioned by the Wairarapa local authorities considered options for greater sharing of services, or shared service arrangements. The premise of enhanced shared service arrangements being that efficiency savings could reasonably be expected if current local service provision and delivery (including back office functions) were efficiently and effectively reorganised and provided on a region wide basis.
299. The Panel also notes that the experience and expectation from restructuring or reorganisation of operating units and service delivery from within the central government and health sectors further supports the case that efficiency savings can be achieved through amalgamation, integration and sharing of services. This is particularly the case in the area of back office functions.
300. The Panel has not undertaken any detailed analysis or modelling of efficiency savings that could be generated by reorganising current governance and operational structures into larger structure. Nor has the Panel assessed the potential efficiency savings that could be generated from the greater use of shared services.
301. The Panel accepts the importance of efficiency savings needing to be carefully considered in the context of the way that existing structures and service delivery is structured across the Wellington region today. The Panel notes that there are a number of examples of local authorities working together, combining resources or performing activities in a consistent coordinated manner today (for example, water management services, emergency management, joint venture arrangements for landfills etc).

⁵⁸ Rhys Andrews and George Boyne, Cardiff University, *Size, Structure and Administrative Overheads: An Empirical Analysis of English Local Authorities* (2006).

⁵⁹ Morrison Low, above note 51.

302. However, the Panel considers that sufficient weight can be given to the evidence of efficiency savings from the Auckland experience, and that identified in the PricewaterhouseCoopers study, to suggest that there should be a reasonable expectation of efficiency savings from a reorganisation of the current governance and service delivery structures of Wellington local authorities.

Do you consider that efficiency savings could be achieved by fashioning larger units of local government in the Wellington region?

303. Efficiency savings could be reasonably expected in the following areas:

- Unified or "common" areas of activity of service (for example, procurement, back office systems and functions, information technology, finance and human resources)
- Common regulatory functions, activities and processes (for example, consents and licensing)

How important are efficiency savings from changes to the shape of local government across the Wellington region relative to other tangible and intangible benefits that may be derived by changing the shape of local government across the region?

304. The Panel notes that if the Wellington region were to deliver a level of efficiency savings comparable to the expectation identified in the Auckland Commission report (2.5 per cent - 3.0 per cent) then this would translate into operational efficiency savings of between \$300m - \$360m across the Wellington region over a 10-year period. A similar level of efficiency savings on the region's capital investment programmes would reduce the capital investment required by between \$81m - \$99m, and potentially reduce the level of borrowings required to fund some of this planned investment.

What level of efficiency savings would be required in order for you to support a change in the structure of local government in the Wellington region?

Auckland experience

305. The Panel notes that Auckland Council has recently reported it is on track to achieve its forecast levels of savings and efficiencies. In its first year of operation the Auckland Council has reported efficiencies of \$81million. Over the period of the 2012-2022 long-term plan the Council is forecasting a further \$1.7billion in efficiency savings (more or same service levels for less cost).

Where do you consider there is the greatest opportunity today for operational and finance efficiency savings within your local authority or across the Wellington region?

306. The Auckland experience highlights that efficiency savings are more realistically expected in the medium to long term. The process and timeframes of reorganisation and integration take time. Short-term efficiency savings would be partially offset by the costs associated with restructuring, reorganisation and integration.

Chapter 6: Options for governance

307. The Panel's Terms of Reference requires it to "...assess possible local government options for the Wellington region and identify an optimal one, which may include either structural and/or functional changes". This section examines a number of options and their strengths and challenges.
308. It is important to note that the Panel is currently seeking a wide range of input and there is no preferred option indicated at this stage. As a result of consultation and consideration of other research and analysis, the Panel's final report will:
- Contain a description of the preferred model and how it would operate, including levels of decision-making, functions, governance arrangements and a proposed approach to financial arrangements (rates/other revenue, debt and liability management)
 - If the preferred option includes any changes, outline transition arrangements, including approximate costs and a timeframe for implementation

What are the options for local government in the Wellington region?

309. As set out in the preceding chapters, there is a case for a better approach to local government in the Wellington region. What is not yet apparent is what the options are, and what they mean for everyone. Does it mean major change or simply doing things better?
310. When faced with a set of organisational and functional issues, there is a tendency to immediately focus on structural form and physical options for change. While this is an understandable response for some people, it is also problematic because it defaults to considering solutions before having worked through the issues. As the recent research into local government consolidation in Australia and New Zealand states:
- a. Too much attention is focused on the institutional arrangements of the local government system in each jurisdiction rather than on the fundamental issue of the societal functions performed by local government and its changing role.⁶⁰
311. It follows then, that **form** (structures and systems) should follow **function** (roles, responsibilities, activities, mandates). As described, local government in New Zealand and the Wellington region includes a very wide range of functions, services, facilities, activities and relationships.

⁶⁰ Australian Centre of Excellence for Local Government, above note 39.

Change

312. Change, by its nature, can be challenging and potentially complex. The Panel recognises that many options could be considered for local government in the Wellington region – ranging from the “no change” or status quo, to the other end of the spectrum with far-reaching organisational and boundary change, possibly resulting in little resemblance to current structures and systems.
313. The recent Australian research into consolidation⁶¹ identifies the following continuum of consolidation, although aspects of each can be combined:

Regional collaboration > **Shared services** > **Boundary change** > **Amalgamation**

314. Of course, there are many combinations of options that could be considered. Careful thought is needed on:
- The **type** of change
 - The **way** in which change should be managed (scale, sequence, timing)

Possible structural and functional local government options for the Wellington region

315. There is not a one-size-fits-all model that can be used throughout New Zealand, let alone in the Wellington region. Local government is a complex and diverse institution and sector with involvement in a very wide range of activities, services, functions, facilities and relationships. It is both a service delivery agency and the layer of government closest to the community. It is a creature of statute with well over 100 Acts and regulations to abide by or administer. These aspects need to be borne in mind when options for local government in Wellington are being considered, along with other dynamics such as physical geography, population, service, activity, facility, history, and existing structures and frameworks.

Wellington regional governance options

316. Before the Panel can form an opinion on a preferred option, it is important that citizens and ratepayers have the opportunity to express their views. This will help to gauge the overall interest for change and any particular areas for improvement, enhancement or development. This section sets out several options for collaborative or shared services and structural form.

⁶¹ Australian Centre of Excellence for Local Government, above note 39.

Collaborative and shared service options

317. Earlier reference has been made to some of the collaborative and shared services options for local government as a whole. This table provides a description of some of the collaborative and shared service options for the Wellington region. There may be other options to consider and the Panel welcomes your views.

What are your views on the collaborative and shared service options described in the table? Are there any other collaborative and shared service options that should be considered?

COLLABORATIVE AND SHARED SERVICE OPTIONS	Description
Ad hoc shared services - status quo	This is the current situation. Opportunities are identified and taken up as they arise. Examples include the recent regionalised Civil Defence/Emergency Management service for all Councils; delivery of water services (Wellington, Hutt and Upper Hutt City Councils); and Wellington and Porirua City Councils' management of Spicer Landfill in Porirua.
Prioritised shared services and collaboration	This would be a more deliberate and proactive regional drive toward shared services and collaboration with regional joint ventures, joint committees between councils, and extending the use of Council Controlled Organisations at a regional level to manage key services and infrastructure. It would require a sense of urgency and commitment to a defined programme of work between the respective parties to pursue change. If this is unlikely, then legislative change would be required.
Services provided by one council on behalf of others	This is generally in relation to service platforms for organisational function and business management. It implies developing specialised centres for specific services within one or possibly two councils. Examples could include provision of payroll services, information technology, and procurement. There is an assumption of some savings, although as discussed earlier, these may not be realised immediately.
Regional planning for particular services/assets/infrastructure	A greater prioritisation and more deliberate regional drive toward regional planning in specific areas. For example access and transport network design; funding economic development (including tourism promotion and visitor attraction); solid waste management; provision of major regional amenities and open spaces; land use management frameworks; and emergency preparedness and response (recently initiated).
Harmonised regulatory processes	A deliberate regional programme to achieve consistent, harmonised, regulatory processes in resource management, building and resource consents.
Regional spatial planning	As has taken place in Auckland, a spatial plan would set out an integrated regional economic, environmental, infrastructure and social planning framework. It would enable differences to be reconciled within a single plan, rather than between independent plans produced by separate councils. It would also enable a more deliberate and coordinated interface with government-funded services, programmes and policies. It is important to note however, that Auckland Council has the only statutory mandate for spatial planning. ⁶²

⁶² Local Government (Auckland Council) Act 2009, Part 6.

Structural options

318. This table provides a general description of some of the structural options for local government in the Wellington region. There may be other options to consider and the Panel welcomes your views.

STRUCTURAL OPTIONS	Description
No change – status quo	<p>Eight Territorial Authorities:</p> <ul style="list-style-type: none"> • Carterton District Council • Hutt City Council • Kapiti Coast District Council • Masterton District Council • Porirua City Council • South Wairarapa District Council • Upper Hutt City Council • Wellington City Council <p>Functions include local infrastructure (water, wastewater, stormwater, roads); community wellbeing and development; local economic development; environmental health and safety; recreation and cultural facilities; resource management; land use planning and development control; and community advocacy. Some councils also have community boards.</p>
	<p>One regional council:</p> <ul style="list-style-type: none"> • Greater Wellington Regional Council <p>Functions include: resource management; biosecurity; river control; flood management; regional land transport; regional economic development; and bulk water supply.</p>
Regional council plus expanded regional council role Amalgamated local councils	<p>The regional council would have an expanded mandate for spatial planning A range of options for local council amalgamation could be considered across the region (various combinations of the current eight Territorial Authorities) Community boards could still be an option</p>
Two-tier local government	<p>The current organisations would change through function and form All rates would be collected by the regional council A regional council would have a regional focus and deliver regional services, spatial planning etc Local councils would have a local focus and be responsible for delivery of local services and community functions in accordance with defined statutory provisions There would be a range of options for local council amalgamation across the region, that is various combinations of the current eight Territorial Authorities</p>
Unitary authorities (2 +) with local boards	<p>One or more unitary authorities could be formed across the region (combined regional and local functions plus a spatial planning mandate) Local boards to enable local representation and decision making on behalf of local communities (Auckland model – see description below)</p>
Regional unitary authority with local boards	<p>All existing councils, areas and functions combined into one organisation for the region (combined regional and local functions plus a spatial planning mandate) Local boards to enable local representation and decision making on behalf of local communities (Auckland model – see description below)</p>
Boundaries	<p>Boundary changes will occur with any amalgamation options at local council level Boundaries could also change if it was deemed necessary to realign an area, for example to better recognise natural catchments Boundaries could also change at the regional level at the current boundary with Manawatu-Wanganui (for example to address the current anomaly at the border of Masterton and Tararua District Councils)</p>

Auckland Council's Local Boards: one model of a local democratic structure

319. Local boards have been established in Auckland (s10 Local Government (Auckland Council) 2009) to enable local representation and decision making on behalf of local communities. Their functions as set out in s16 of the Act include:

- Decisions on non-regulatory local matters
- Negotiating standards of local services
- Identifying and communicating local views on regional strategies, policies, plans and bylaws to the Auckland Council
- Developing three-year local plans and negotiating local agreements with the Auckland Council
- Providing local leadership and developing relationships with the Auckland Council, the community, community organisations and special interest groups in the local area
- Providing input to CCO plans and initiatives
- Identifying and developing bylaws for the local board area and proposing them to the Auckland Council
- Monitoring and reporting on the implementation of local board agreements
- Any additional responsibilities delegated by the Auckland Council

What are your views on the structural options described in the previous table?

Are there any other structural options that should be considered?

What combination of options (structural, collaborative and shared services) would best enable the region to address the strategic issues it faces, while avoiding unnecessary costs or "change for change's sake"?

Appendix 1 – Auckland Royal Commission list of activities undertaken by regional, city and district councils

As described in the *Issues Paper*, the breadth of local government activity is very wide and difficult to describe in general terms. The 2009 report of the Royal Commission on Auckland Governance featured a very useful list of activities that was collated by the Commission based on a survey of Auckland territorial authorities in July 2008. There will be some variation between councils across New Zealand in the way that work is described or aligned. Rather than prepare a separate list, or try to rename some of the activities as they might be more commonly known in the Wellington region, the activities below are listed in the order that they appear in Appendix 3.2 Auckland Governance, Volume 1: Report pages 108-110.

Activities

Affordable housing advocacy	Air quality control (environmental and health)
Animal control, impounding, welfare	Art galleries
Arts and culture	Asset and liability management
Auckland Regional Holdings	Beach control
Beautification	Biosecurity
Broadband	Brothels – control of location and signage
Building consents, processing, advice, and compliance	By-laws (wide variety) and enforcement
Business support	Citizen and customer contact
Cemeteries	Citizenship services
Citizens Advice Bureaux	Climate change
Civil defence emergency management	Coastal environment development control
Closed landfills management	Community centres, halls, and facilities
Coastal planning and management	Community development, partnerships, services and support
Community development	Community grants and levies
Community notice boards	Community planning
Corporate services	Council-controlled organisations
Crematorium	Crime prevention
Cultural heritage conservation	Democracy and governance
Democracy services	District planning
District promotion	Dog control
Economic development	Education and employment advocacy
Entertainment and cultural venues	Environmental health control
Environmental monitoring	Events promotion
Farming in parks	Film facilitation
Fire protection	Flood protection
Food premises licensing	Forests
Gambling and gaming machine policy	Gardens
Graffiti control and removal	Grants
Harbourmaster	Hazard register
Hazardous substances controls	Hazards management
Health – advocacy and programmes	Holiday parks

Land development	Land drainage
Land information memoranda (LIMs)	Land management
Land use planning	Landfills
Libraries	Liquor licensing
Management of social facilities	Māori relations
Marina operations	Migrant settlement facilitation
Museums	Natural heritage conservation
Noise control	Parking control
Parking places	Parks and reserves
Passenger transport policy and facilities	Pensioner housing
Planning	Playgrounds
Pollution response	Pounds
Property information memoranda (PIMs)	Property management
Public information	Public transport planning
Quarries	Rating
Recreation and sport programmes	Recreation centres
Recycling	Refuse transfer stations
Regional and district leadership	Regional growth planning
Regional parks	Regional planning
Regional social development strategy	Resource consents processing and monitoring
Revenue collection and management	Road asset management
Road construction	Road maintenance
Road safety	Safety in public places
Shared service development	Shareholdings and investments
Sister city programmes	Social well-being advisory group
Sports grounds and venues	Stormwater management
Street furniture and trees	Swimming pools
Toilets – public	Tourist facilities and information
Town centre and business precincts promotion	Transport network management
Transport policy and planning	Treasury and debt management
Urban and rural design	Vehicle testing station
Visitor services	Walking and cycling strategy
Walkways	War memorials
Waste management	Wastewater
Water quality monitoring	Water supply
Wharf management	Zoo



