

Local Government Commission

Mana Kāwanatanga ā Rohe

Draft Proposal for Reorganisation of Local Government in Wellington

Volume 2

Technical report: Evaluation of the options
and the draft proposal

December 2014

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Technical Report: Evaluation of the options and the draft proposal

Local Government Commission
Mana Kāwanatanga ā Rohe
Wellington

December 2014

*Nei rā te Kōmihana e mihi atu ana ki a koutou ngā mōrehu
o ngā mātua tūpuna kua wehe atu kī te pō.*

*Tēnā koutou e rau rangatira mā i tēnā marae kāinga i tēnā hāpori,
te mana whenua i te Ūpoko o te Ika a Māui.*

Tēnā hoki koutou o ngā iwi e whai pānga ana ki te rohe nei.

*Ko te tūmanako,
he kaupapa pūrangiaho,
he kaupapa mārama ēnei
kia taea ai koutou ki te whakahoki whakaaro mai
ki a mātou te Kōmihana.*

*Nau mai haere mai ki te whakarongo kōrero
ki te whakaputa whakaaro!*

Nāku, Nā

Basil Morrison
Tumuaki, Mana Kāwanatanga-a-Rohe

Contents

Part 1: Executive Summary	1
Introduction	1
Proposal	1
Background	2
Wellington Region.....	2
The current system of local government.....	4
Process overview	5
The applications	7
The “reasonably practicable options”	9
Evaluation of the “reasonably practicable options”	13
The “preferred option”	13
The proposed Greater Wellington Council	16
Next Steps	21
Report structure.....	22
Part 2: Wellington Region.....	23
Mana whenua	27
The region’s natural and physical resources and issues.....	28
The region’s economy.....	32
The region’s people and communities.....	34
Interdependency of Wellington communities.....	40
Connections with other parts of New Zealand	55
Features of Wellington Region most relevant to local government reorganisation.....	55
Part 3: The current system of local government	57
Financial overview.....	58
Assets overview.....	65
Core services	69
Improving economic performance	83
Representation.....	87
Māori participation	88
Shared services and collaborative arrangements.....	89
Conclusion.....	92
Part 4: The legislative requirements and the process	94
The purpose of local government reorganisation	94
What is local government reorganisation?.....	94
Receipt of reorganisation applications	95
Community support for reorganisation.....	97
Seeking alternative applications	100
The alternative applications.....	100
Identifying the “reasonably practicable options”	106
Initial consideration of the “reasonably practicable options”.....	108
Determining the “preferred option”	109

Part 5: The “reasonably practicable options”	116
Types of “reasonably practicable option”	116
Is a unitary authority for the Wairarapa a “reasonably practicable option”?	118
Options with multiple unitary authorities	135
The “reasonably practicable options”	140
The Wairarapa – Tararua boundary	146
Part 6: Evaluation of the “reasonably practicable options”	148
The evaluation	148
Communities and issues	149
Democratic decision-making	157
Improved provision of core services	170
Achieving the objectives of other legislation	189
Improved economic performance	196
Overall savings and cost of transition	206
Impact on ratepayers	221
Overall conclusion – the “preferred option”	224
Part 7: Refinement of the “preferred option”	228
The name of the district and council	228
Boundary with Tararua District and Manawatu-Wanganui Region	228
Representation arrangements	229
Local board arrangements	235
Māori participation	246
Area offices and service centres	246
Council-controlled organisations	247
Assets and debt	248
Transition	254
Part 8: The draft reorganisation proposal	256
Schedule A: Maps of proposed areas and boundaries	264
Schedule B: Membership of local boards	267
Schedule C: Role of local boards	268
Schedule D: Advantages & disadvantages of the proposal	274
Schedule E: Iwi and hapū in Wellington Region	277
Part 9: Next Steps – Public consultation	279
Appendix A: Background papers and reports	281
Appendix B: Schedule of consultations and discussions	284
Appendix C: Lists of tables and figures	287

Part 1: Executive Summary

Introduction

- 1.1 The last major reform of councils in Wellington Region occurred a generation ago, in 1989. Fundamentally reviewing the local government arrangements for Wellington is a once in a generation opportunity to make positive change.
- 1.2 Local government plays a fundamental part in the daily lives of every New Zealander. Councils provide the infrastructure and services that enable people to travel easily in cars or on foot, on bikes, buses and trains, to drink clean water, dispose of sewage and waste, go to the library, celebrate a community event, walk their dog and play with their children in the park. Councils also plan for the future. It is critical for them to meet the needs of the mokopuna of future generations through careful planning and wise long-term decisions.
- 1.3 The Local Government Commission is responsible for making sure that local government is organised in the best way possible to meet the current and future needs of communities.
- 1.4 The elected representatives of Wellington Region and Wairarapa asked for new council structures to better meet their needs. We carefully considered their requests and consulted widely with many other affected parties.
- 1.5 The Commission found there were many aspects of local government which have worked well till now. But it also recognised there were limitations, inadequacies and challenges. Perhaps most importantly, the Commission identified strong factors which interconnect the region which give it a common future goal. The Commission concluded there is a case for change. It has identified a structure of local government to best meet the needs of the people of the entire Wellington Region over the next 30 years. The Commission is now seeking feedback on our proposal.

Proposal

- 1.6 The Commission proposes to establish one Wellington council with eight local boards. To be called the Greater Wellington Council, this new council will merge all of the current councils in the region including the Wairarapa. The Greater Wellington Council will have all of the responsibilities of the regional council and all of the city and district councils. Decision-making will be shared between a governing body and the eight local boards.

Background

1.7 The *Local Government Act 2002* (section 24AA) sets out the purpose of local government reorganisation as to:

- Improve the effectiveness and efficiency of local government by-
- (a) providing communities with the opportunity to initiate, and participate in considering, alternative local government arrangement for their area; and
 - (b) requiring the Commission, in consultation with communities, to identify, develop, and implement in a timely manner the option that best promotes good local government.

1.8 The Commission received two reorganisation applications relating to the local government arrangements for Wellington Region. The first was from the three Wairarapa territorial authorities. This sought the establishment of a single unitary authority for the Wairarapa. The second application was from the Greater Wellington Regional Council. This sought the establishment of a single unitary authority for the existing region, including the Wairarapa.

1.9 The Commission also assessed a number of alternative applications that were lodged in response to the required public notification of the original applications.

1.10 This report presents the Commission's consideration of the original and alternative applications for local government reorganisation in Wellington Region.

Wellington Region

1.11 Wellington Region is currently administered by the:

- Wellington City Council
- Porirua City Council
- Kapiti Coast District Council
- Hutt City Council
- Upper Hutt City Council
- South Wairarapa District Council
- Carterton District Council
- Masterton District Council
- Tararua District Council (a small part in the north-east of the region)
- Greater Wellington Regional Council.

1.12 The following iwi and hapū are found in Te Upoko o Te Ika and currently operate under a number of different mandates and through a number of different representative arrangements:

- Ngāti Kahungunu – Ngāti Kahungunu Iwi Inc.
- Ngāti Kahungunu ki Wairarapa – Tāmaki Nui ā Rua
- Ngāti Kahungunu ki Wairarapa – Tāmaki Nui ā Rua Trust

- Ngāti Raukawa ki te Tonga – Te Rūnanga o Raukawa Incorporated and Ngāti Raukawa ki te Tonga Trust (fisheries only)
 - Ngāti Toa Rangatira – Te Rūnanga o Toa Rangatira Inc. – *Ngati Toa Rangatira Claims Settlement Act 2014*
 - Rangitāne (North Island) – Rangitāne Settlement Negotiations Trust - Mandate recognised by the Crown for Treaty of Waitangi settlement negotiations (Agreement in Principle signed with the Crown on 28 March 2014)
 - Rangitāne o Wairarapa Inc.
 - Taranaki Whānui ki te Upoko te Ika – (*Port Nicholson Block (Taranaki Whānui ki Te Upoko o Te Ika) Claims Settlement Act 2009*) along with the Wellington Tenth's Trust (Te Atiawa/Taranaki Whānui)
 - Te Atiawa (Wellington) – Te Atiawa ki te Upoko o te Ika a Māui Pōtiki Trust (fisheries)
 - Te Atiawa ki Whakarongotai – Ati Awa ki Whakarongotai Charitable Trust.
- 1.13 Physically and topologically the region has four areas running roughly parallel along a northeast–southwest axis. The distinct topological features of the region reflect the prolonged and very significant action of the major fault lines that cut across the region.
- 1.14 The region’s topography constrains its transport system, which comprises a number of valley-based local networks connected by motorways and railway lines. The Port of Wellington provides the major connection between the North and South Islands. Wellington airport is a major domestic hub and also provides international services to Australia. The road and rail connections to the north of Wellington Region are its key land based lifelines to the rest of the country. They are very vulnerable to the effects of earthquakes, landslides, tidal surge and tsunami.
- 1.15 Within Wellington Region there are significant local communities of interest with their own sense of place and distinct identity, and their own local amenities, cultural and recreational facilities. But there is a very high degree of interdependence between these communities reflected in high levels of commuting across the region, patterns of retail expenditure and deep-seated economic flows of inputs, products, services and income across Wellington Region, including the Wairarapa. Functionally, the Wairarapa is part of the Wellington economy and an integral part of the way that the people of the region live, work and play.
- 1.16 In the ten years to 2013, Wellington Region performed worse than the national economy on all indicators except employment growth and business unit growth. The Wellington economy is dominated by the government sector. To perform better it needs to diversify and significantly lift its national and international competitiveness. Leadership and the ability to deliver a single plan for the region will be critical to improved competitiveness and better economic outcomes.
- 1.17 Wellington Region is home to just under 500,000 people. Overall the population is expected to age significantly and grow slightly over the next 30 years. But growth will be uneven. Increases will be centred on central, urban Wellington. Population decline is projected for some of the rural parts of the region. Significant reductions in the working-age populations of Lower Hutt, Upper Hutt and the Wairarapa are also forecast.

1.18 Wellington is our capital city. It matters to our country. It is at the heart of decision-making about the future of our country and our international standing. It is often the face the country shows the world when New Zealand hosts high-profile international events. Wellington faces particular region-wide long-term challenges relating to:

- its ageing population
- uneven patterns of growth in some areas and expected decline in others
- exposure to major earthquakes, tsunami, floods which could devastate the region
- the need to diversify the region's economy to build competitiveness, resilience and performance
- the longer term consequences of climate change and sea level rise.

1.19 To deal with these challenges Wellington needs effective regional planning and decision-making.

1.20 The region also faces particular local needs. Whether it is the competition for the use of parks and reserves, the ongoing development of the Dowse Art Museum in Lower Hutt and Te Rauparaha Arena in Porirua, or the revitalisation of town centres, Wellington needs effective local governance. It needs its decision-makers to remain close to individual neighbourhoods, to be responsive to communities, and to recognise and reflect the qualities that make these smaller areas distinct and different.

The current system of local government

1.21 Together the councils of Wellington Region have:

- financial assets valued at \$563 million (30 June 2013)
- investment in physical assets valued at \$12.8 billion (30 June 2013)
- debt totalling \$785 million (30 June 2013)
- forecast debt totalling \$1,336 million (by 30 June 2022)
- eight mayors, ninety-six councillors (including the regional council chair) and 57 community board members
- full-time equivalent staff totalling 3,256 (April 2014)
- 321 plans currently produced under the *Resource Management Act 1991*, *Local Government Act 2002*, *Land Transport Management Act 2003* and *Reserves Act*.

1.22 Together the councils of Wellington Region pay:

- elected member remuneration (including mayors/chair) of \$5.3 million per annum (2012/13)
- chief executive officer remuneration of \$2.6 million per annum (2012/13)
- audit fees for the audit of the 2012-13 annual reports of \$1.36 million
- audit fees for the audit of the 2012-22 long-term plans of \$0.863 million.

1.23 The following issues are particularly relevant to considering the reorganisation of local government:

- the variation in the financial position of the councils and their communities, and the growing gap between them in the future in terms of their ability to meet the needs of their communities due in part to quite inequitable endowments of strategic assets (especially the port and the airport) and equally uneven patterns of expected growth and demographic change
- the particular challenges the Hutt Valley and Wairarapa communities face with forecast declines in their working-age populations, but substantial required investment in infrastructure
- the particular challenges of the Kapiti Coast community, with relatively high level of council debt, significant investment required in both replacing existing and building new infrastructure, and a large proportion of the community on fixed incomes with limited ability to pay
- the need to fund significant renewals in the region's ageing pipe networks because across the region almost 50% of existing water pipes and around 40% of wastewater pipes are in poor or very poor condition and the largely unbudgeted cost of replacing them is between \$1.7 billion and \$2.6 billion
- the need for the councils to invest significantly more to increase the resilience of the region's infrastructure and to manage down hazard risks
- the need to co-ordinate planning and investment to ensure that the region gets the best possible value from its limited resources
- the need to make, fund and implement regional scale decisions in order to deal with the future challenges that the region faces including: transport, urban development, future provision of infrastructure, environmental management, economic development and competitiveness, natural hazards, and climate change
- the extensive attempts that have been made to undertake regional scale decision-making through collaboration, and to deliver services more efficiently through shared services arrangements, and the limited success and high transaction costs of these voluntary initiatives.

Process overview

1.24 The Local Government Commission is a statutory entity with specific functions, duties and powers under the *Local Government Act 2002* in relation to local government and local government re-organisation.

1.25 The purpose of local government reorganisation is set out in section 24AA of the *Local Government Act 2002* as to:

Improve the effectiveness and efficiency of local government by-

- (c) providing communities with the opportunity to initiate, and participate in considering, alternative local government arrangement for their area; and
- (d) requiring the Commission, in consultation with communities, to identify, develop, and implement in a timely manner the option that best promotes good local government.

1.26 The framework of the *Local Government Act 2002* sets out the potential scope of local government reorganisation, the process that the Commission must follow, the matters that the Commission must consider and the requirements and opportunities for communities to participate in the consideration of alternative arrangements.

1.27 The Commission received two reorganisation applications relating to the local government arrangements for Wellington Region. The first application was from the three Wairarapa territorial authorities. This sought the establishment of a single unitary authority for the Wairarapa. The second application was from the Greater Wellington Regional Council. This sought the establishment of a single unitary authority for the present Wellington Region, including the Wairarapa. This second application included a proposal for a local board structure. Both applications proposed to exclude a small area of Tararua District, currently in Wellington Region, which would be transferred to Manawatu-Wanganui Region.

1.28 The Commission agreed to assess both applications as they both met legislative requirements. It declared the “affected area” for both applications was the whole Wellington Region including the small area of Tararua District currently in the region, and decided to publicly notify the two applications together.

1.29 On 8 July 2013 the Commission notified the applications and called for alternative applications. The closing date for the receipt of alternative applications was 16 August 2013.

1.30 Nineteen responses to the invitation for alternative applications were initially identified. Two further responses, received in relation to the Hawke’s Bay reorganisation proposal, were subsequently identified. Fifteen of the total 21 responses were assessed as meeting the statutory requirements for alternative reorganisation applications. Broadly the local government arrangements sought by the alternative applications were:

- a unitary authority for the Wairarapa and either one or more unitary authorities for the rest of the region or enhanced status quo arrangements for the rest of the region involving forms of regional collaboration in decision-making and service delivery between councils
- one combined territorial authority for the Wairarapa and either further combined territorial authorities for the rest of the region or enhanced status quo arrangements for the rest of the region

- the transfer of statutory obligations between councils
 - a request that the Eketahuna Ward of Tararua District be included in any Wairarapa or Wellington unitary authority
 - a new east coast regional council including all of Hawke’s Bay, Tararua District and the three Wairarapa territorial authorities
 - two unitary authorities for the east coast with one covering all of Hawke’s Bay and one comprising Tararua District together with the three Wairarapa territorial authorities.
- 1.31 The original applications and some of the alternative applications were accompanied by substantive supporting analysis and investigations by councils and by a number of major consulting firms. This body of work was considered by the Commission and its advisors as it considered the applications and the options for local government in Wellington Region. The bibliography attached to this report (Appendix A) sets out the wide range of material that the Commission considered.
- 1.32 This report presents the Commission’s consideration of the original and alternative applications for local government reorganisation in Wellington. The report presents the analysis that the Commission has undertaken, including the assessment of alternatives that the Commission identified, and the determination the Commission has made about “the option that best promotes good local government” (section 24AA of the *Local Government Act 2002*).

The applications

- 1.33 The Commission is required by the legislation to identify what it believes is “the best option” for the structure for local government in Wellington. It must do so with a focus on the future. This requires consideration of the past performance and current circumstances of the existing councils, but more importantly it must address the challenges that the region and its councils will have to deal with in the foreseeable future.

The Wairarapa councils’ application

- 1.34 On 23 May 2013 the Wairarapa councils lodged an application, on behalf of the three Wairarapa territorial authorities (Masterton, Carterton and South Wairarapa District Councils).
- 1.35 The Wairarapa councils’ application proposed to combine the three existing territorial authorities in the Wairarapa to create a new unitary authority, with a consequential alteration of the boundaries of Wellington Region to remove the Wairarapa from it. The application also required consideration of the Wellington regional boundary which currently includes a small area of Tararua District. The application involved the transfer of statutory obligations of the existing Wairarapa territorial authorities, and the Greater Wellington Regional Council in relation to the Wairarapa, to the new unitary authority. No other changes were proposed to the remainder of Wellington Region.
- 1.36 The Commission considered the Wairarapa councils’ application on 13 June 2013 and agreed to assess the application.

1.37 The establishment of a unitary authority for the Wairarapa impacted on the whole Wellington Region because of its impact on the current Greater Wellington Regional Council. Therefore the Commission declared that the “affected area” was the whole of Wellington Region including the small area of Tararua District currently in the region.

The Greater Wellington Regional Council application

1.38 An application from Greater Wellington Regional Council was received on 21 June 2013. Its proposal was to create a single unitary authority covering the whole of the current Wellington Region apart from the area of Tararua District in the region.

1.39 The proposed unitary authority included a governing body and local boards, along similar lines to the Auckland Council. Under this proposal all statutory obligations of the existing territorial authorities in the region and the Greater Wellington Regional Council would transfer to the new unitary authority. The proposal set out a proposed structure of local boards and a proposed initial allocation of responsibilities to them.

1.40 At its meeting on 4 July 2013 the Commission agreed to assess the application. It again declared that the “affected area” was the whole region including the small area of Tararua District currently in the region.

Community support

1.41 In addition to support for the individual applications, the Commission had to satisfy itself that there was also “demonstrable community support” for local government reorganisation more generally in each affected district. Both of the original applications included information that demonstrated such support, including letters of support and results of a number of public opinion surveys. The Commission also noted that there had been considerable work and region-wide debate on reorganisation since 2010. As a result, the Commission determined that there was “demonstrable community support” for local government reorganisation in Wellington Region.

Alternative applications

1.42 On 8 July 2013 the Commission publicly notified the two applications for reorganisation in Wellington and called for alternative applications. A total of 21 responses were received and 15 of these were accepted as “alternative applications” that is they proposed local government arrangements different from status quo arrangements.

The “reasonably practicable options”

1.43 From the original and alternative applications, the Commission was required to identify and evaluate the “reasonably practicable options” as defined in clause 11(5) of Schedule 3 of the *Local Government Act 2002*. These tests involved the proposed councils:

- having the necessary resources to undertake their roles effectively (clause 11(5)(a))
- having appropriate districts for their roles (clause 11(5)(b)),
- not unnecessarily dividing communities of interest (clause 11(5)(c)), and
- enabling effective catchment-based flooding and water management (clause 11(5)(d)).

This step filtered out options that were not considered to be workable for these reasons.

1.44 As a result of this step, four alternative applications were identified by the Commission as not being “reasonably practicable options”. These applications were for proposals extending beyond the identified “affected area” involving further areas of the east coast as far as Wairoa District.

1.45 The remaining applications were then divided into two broad groups:

- Proposals that retained one directly elected body for Wellington Region:
 - **Stronger Regional Delivery** – proposals for a modified status quo involving the transfer of particular statutory obligations from territorial authorities to the Greater Wellington Regional Council
 - **Enhanced Local Efficiency** – proposals for territorial authority amalgamations including one or more of the following: the Wairarapa, the Hutt Valley, Wellington and Porirua Cities and possibly Kapiti Coast District Council, also including the option of enhanced status quo arrangements for parts of the region
 - **One Wellington Council with local boards** – proposals for a unitary authority for Wellington Region excluding the small area of Tararua District currently in the region
 - **One Wellington Council with no local boards** – proposals for a unitary authority for Wellington Region excluding the small area of Tararua District currently in the region
- Proposals that removed the current directly elected regional body in part or all of Wellington Region:
 - **A Wairarapa Unitary Authority** – with (enhanced) status quo arrangements elsewhere in Wellington Region
 - **Multiple Unitary Authorities** in Wellington Region, including separate authorities for the Wairarapa and Kapiti Coast, with the option of collaborative arrangements between authorities.

1.46 A number of the applications depended on the creation of a Wairarapa unitary authority. Therefore the Commission then focused its attention on whether or not a Wairarapa unitary authority was a “reasonably practicable option” and passed the relevant legislative tests.

Option of a unitary authority for the Wairarapa

1.47 The Commission determined that the establishment of a Wairarapa unitary authority would result in:

- significantly greater costs for the people of the Wairarapa than the status quo when they already pay amongst the highest rates per person in Wellington Region
- less ability to share the costs of addressing public transport, flood protection and other regional council functions with the rest of region
- risk to the delivery of public transport services to the Wairarapa due to the ongoing need to rely on councils agreeing a funding formula for a single network
- limited ability to progress initiatives like the Wairarapa water investigation project, which would limit opportunities for economic development
- inability to meet future requirements with respect to environmental management and flood protection
- significant transition costs which would not be able to be recovered in the short to medium term
- a council that would have a shortfall in required revenue closer to the \$10 million to \$11 million per annum end of the estimates than the \$2 million per annum estimates.

1.48 The Commission believed any council established as a result of a reorganisation scheme would be expected to be able to operate effectively not just in the short-term but over a span of decades.

1.49 **The Commission concluded that it could not be reasonably satisfied that a Wairarapa unitary authority would have the necessary resources, both now and into the future, to effectively carry out the responsibilities, duties and powers, of both a territorial authority and a regional council.**

1.50 A key aspect of the financial challenges that a Wairarapa unitary authority would face would be the ability to manage a considerable forward capital works programme, not just for the territorial authority functions, but also for flood protection. Given this, the major changes in the requirements for effective water management through the National Policy Statement for Freshwater Management, and the challenges in attracting and retaining adequate capability to discharge the functions of a regional council, **the Commission also concluded that it could not be reasonably satisfied that establishing a Wairarapa unitary authority would enable effective catchment-based flooding and water management.**

- 1.51 Finally, the Commission noted that there was a degree of economic interdependence between the people and communities of the Wairarapa and the rest of Wellington Region that needed to be supported by local government arrangements. The people of the Wairarapa have a significant interest in the regional level decisions that affect the development of Wellington, and in regional transport decisions in particular. **The Commission concluded that dividing the people and communities of the Wairarapa from the rest of Wellington Region would divide a regional community of interest**, further challenging the requirements of clause 11(5) of Schedule 3 of the *Local Government Act 2002*.
- 1.52 **In short, the Commission determined that a Wairarapa unitary authority did not meet the statutory tests for it to be considered to be a “reasonably practicable option” for local government in Wellington.**

Options with multiple unitary authorities

- 1.53 Alternative applications by Wellington City Council, Hutt City Council, Upper Hutt City Council, and some individuals relied to some degree on the establishment of a Wairarapa unitary authority. Some of these applications proposed multiple unitary authority governance models. These options had other challenges because they presented difficulties in either providing effective catchment-based flooding and water management (clause 11(5)(d) of Schedule 3), or in providing for the alignment of decision-making and funding for issues, or activities that would cross the boundaries of the new unitary authorities (which presented challenges with respect to clauses 11(5)(b) and 11(5)(c) of Schedule 3).
- 1.54 Having concluded that a Wairarapa unitary authority was not a “reasonably practicable option” and that arrangements between multiple unitary authorities in Wellington would be impracticable, the **Commission concluded that none of the options that proposed multiple unitary authorities could be considered to be “reasonably practicable options”**. The only “reasonably practicable options” that the Commission identified retained one directly elected regional body for Wellington Region.

The remaining “reasonably practicable options”

- 1.55 At a meeting on 8 May 2014, the Commission confirmed what it considered to be the “reasonably practicable options” in relation to local government arrangements in Wellington Region. These were as follows:

The Status quo

- 1.56 The Status quo is required by legislation to be considered as a “reasonably practicable option”.

Stronger regional delivery

- 1.57 This option would strengthen the potential for regional decision-making and action by transferring statutory obligations from the current Wellington territorial authorities to the Greater Wellington Regional Council. The Commission considered the possible transfer of current activities, responsibilities, assets and relevant liabilities relating to: transport, water supply, wastewater, stormwater, policy and regulatory activity under the *Resource Management Act 1991*, responsibilities with respect to the subdivision of land and issuing titles, and responsibilities under the *Building Act 2004*.
- 1.58 Under this option there would continue to be nine local authorities in the region, each with their own administration, elected council and chief executive. The existing territorial authorities would continue to set their own rates and be responsible for their remaining functions. They would have the ability to advocate for their communities as if they were a 'natural person' including by challenging the Greater Wellington Regional Council in court.

Enhanced local efficiency

- 1.59 The Commission considered it would be possible to foster enhanced local efficiency of delivery through the amalgamation of existing territorial authorities. The **Enhanced Local Efficiency** options identified by the Commission were:
- **One Wairarapa Territorial Authority** – the combination of the three Wairarapa councils to form one territorial authority
 - **One Hutt Valley Territorial Authority** – the combination of the two Hutt Valley councils to form one territorial authority
 - **One Western Territorial Authority** – the combination of the Wellington City, Porirua City and Kapiti Coast District Councils to form one territorial authority
 - **One Wairarapa and one Hutt Valley Territorial Authority** – with Wellington City, Porirua City and Kapiti Coast District Councils unchanged
 - **Three Territorial Authorities** (one Wairarapa Territorial Authority, one Hutt Valley Territorial Authority and one Western Territorial Authority) – the combination of all three initial mergers resulting in three territorial authorities and retention of the Greater Wellington Regional Council.

One Wellington Council with local boards

- 1.60 This option created a single unitary authority for the whole of Wellington Region except the small area of Tararua District currently in the region. The option that the Commission evaluated was the Greater Wellington Regional Council proposal, with a governing body of 20 members plus a mayor, and eight local boards.

One Wellington Council with no local boards

- 1.61 This option created a single unitary authority for the whole of Wellington Region except the small area of Tararua District currently in the region. The option that the Commission chose to evaluate was similar to that proposed by Wellington City Council (except that it included the Wairarapa). It included an elected council of 29 members (elected from single-member wards) plus a mayor.

Evaluation of the “reasonably practicable options”

- 1.62 From the “reasonably practicable options” the Commission under clause 12 of Schedule 3 of the *Local Government Act 2002* must determine its “preferred option” being the option that “best promotes the purpose of local government” and “will facilitate improved economic performance”.
- 1.63 The Commission developed an evaluation framework to help it give effect to the relevant requirements of the *Local Government Act 2002*. It comprised a key set of factors and questions under the following headings:
- Communities and issues
 - Democratic decision-making
 - Improved provision of core services
 - Achieving the objectives of other legislation
 - Improved economic performance
 - Overall savings and cost of transition
 - Impacts on ratepayers.
- 1.64 The Commission tested each of the “reasonably practicable options” using its evaluation framework to reach its “preferred option”. The Commission noted that it needed to exercise a degree of judgement across all of the relevant factors to reach a conclusion that satisfied the requirements of the *Local Government Act 2002*.

The “preferred option”

- 1.65 **The Commission’s “preferred option” is the establishment of one Wellington council with local boards to share decision-making with the governing body, and to be called the Greater Wellington Council.**
- 1.66 This approach provides the greatest scope to improve the performance of local government in Wellington Region. Across each of the evaluation criteria, this option is either the best option, or near the best option, of those considered. It is the most expensive option to implement, but offers substantial potential for financial savings of just over \$30 million per annum.
- 1.67 The Commission has concluded that the proposed Greater Wellington Council with local boards provides the greatest scope:

- to address the significant future issues facing the communities of Wellington relating to infrastructure, demographics, economic development, hazards and environmental management - these issues are regional in scale and impact and will require regional scale responses
- to ensure that future councils can understand and engage with their community, both at a local level and at a regional level
- to align decision-making with the communities that are directly interested in or affected by the decision, because it is able to maintain two realms of decision-making, one regional and one more local
- for Māori to participate in decision-making because it best aligns with iwi and hapū levels of decision-making
- the option that relies the least on collaboration between councils in order to be successful
- to enhance Wellington's representation, advocacy and share of voice as it seeks to compete nationally and internationally, while also providing an effective local voice in decision-making
- to deliver the focus necessary to lift Wellington's global and national competitiveness
- to develop the form of leadership that will be required to drive Wellington's future success
- for delivering better decisions as well as economies of scale, scope and management with respect to core local government services (network infrastructure, public transport, avoiding or mitigating hazards, and community facilities and services)
- to secure benefits from improved regulatory activity through standardisation, scale and managerial economies
- to deliver benefits from spatial planning, effectively integrating planning and aligning planning responsibility with financial responsibility across a range of key local government obligations
- to improve economic performance (although there is not a major difference between some of the options in this respect)
- to simplify planning, while at the same time ensuring that there is an effective local voice in decision-making.

1.68 The Commission has concluded that providing for local boards would provide the necessary focus for expressing local community views and making local decisions. Explicitly recognising that there are two realms of democratic decision-making provides legitimacy to local interests and ensures that they will not be lost to a completely regional view. Providing for local boards reflects the principle of subsidiarity and a new balance between local decision-making and action and regional decision-making and action that would better reflect present and future needs of communities. The Commission did carefully explore the option of one Wellington council with no local boards and concluded that it was an inferior option.

- 1.69 Providing for local boards also supports the potential for local leadership and local emergency management response. This is important, particularly for the Wairarapa. Further, given the nature of differences that do exist within the region and between its constituent parts, it is important that there are voices to express those differences and mandated advocates for the interests of each community. For these reasons the Commission considers that the unquantifiable benefits of including local boards outweigh the additional cost of having them.
- 1.70 In weighing the “reasonably practicable options” against the criteria set down in the *Local Government Act 2002*, the Commission has placed particular significance on the need to meet the future needs of Wellington communities. The Commission has sought to identify the local government arrangements that best equip Wellington to meet the challenges of the next 25 to 30 years and to be successful.
- 1.71 To be successful Wellington will need to work with more single-minded purpose to achieve its vision for the future and to constantly look for ways to lift its global competitiveness. A significant factor in whether or not Wellington is able to lift its competitiveness and attractiveness will be the emergence of leadership that delivers a far-sighted approach, harnessing the collective efforts of residents, businesses and local government to implement a single plan for Wellington. The option that is most likely to foster this form of leadership and a broad, outwardly-focused approach to local government, is the development of the proposed Greater Wellington Council with local boards.
- 1.72 The proposed Greater Wellington Council also provides a significant opportunity to simplify and streamline the number of plans and planning documents that are required to govern Wellington. There are currently over 300 plans administered by the region’s councils.
- 1.73 The options for **Enhanced Local Efficiency** by merging territorial authorities all have some merit and would, on most measures, provide better outcomes than the status quo. However, these options all have the potential (to some degree) to make regional level planning and action more difficult. This means that they are not as attractive as the proposed Greater Wellington Council.
- 1.74 The **Stronger Regional Delivery** option of transferring functions to the regional council would, for less cost and lower risks, secure many of the benefits of the proposed Greater Wellington Council. However, this option would leave the residual territorial authorities as a mere shadow of their current organisations but carrying significant ongoing governance costs out of proportion to the scale of their activities. This option would not foster harmony between the resulting councils and this would make collaboration difficult.
- 1.75 Since the regional council has fewer effective mechanisms for local engagement than a territorial authority, there is a very real risk with the **Stronger Regional Delivery** option that genuine local interests and differences would be overlooked in decision-making. The fact that the residual councils would all have the ability to take legal action against the regional council could mean that any tensions rapidly escalate to judicial review or other action. This sort of outcome has the potential to undermine the benefits that would come from regional scale activity.

- 1.76 On balance the case for change in Wellington is not as compelling as it was in Auckland. Wellington does not face the growth pressures that Auckland has. Neither does it have the level of dysfunction between current councils that was evident in Auckland prior to amalgamation. However, unless Wellington is able to build and sustain the ability to consider, plan and implement action at a regional level it will not successfully address the major future issues that the region faces. The major challenges of infrastructure, demographics, economic development, hazards and environmental management are regional in scale, nature and effect. Their impact crosses current council boundaries. Responses to these challenges need to be regional in scale and will require long-term commitments. Current regional decision-making relies on collaborative decision-making and action between multiple councils. These collaborative processes have not been sufficiently successful to date for Wellington to be able to rely on them to meet the challenges of the future.
- 1.77 Wellington communities also face ongoing local issues and demands that reflect the importance of place, of local shops and amenities, of local reserves and recreation opportunities, of safety and of identity. The ability to deal with these issues must not be lost in an attempt to deal with the bigger, region-wide issues.
- 1.78 **One Wellington Council with local boards** provides the best way of meeting both regional and local needs within a single administration with the greatest scope to meet the challenges of the future.

The proposed Greater Wellington Council

Name

- 1.79 The Commission decided to call the new council the Greater Wellington Council. This name signifies that the new council covers the whole of Wellington Region.

Responsibilities

- 1.80 The Greater Wellington Council will take on all of the responsibilities, functions, powers, assets, liabilities and obligations of the current regional, city and district councils, including all of their council-controlled organisations. Like New Zealand's other unitary authorities, this includes responsibility for environmental management and protection.

Representation arrangements

- 1.81 The Greater Wellington Council will comprise:
- 1 mayor and 21 councillors (currently there are 8 mayors and 96 councillors including the regional council chair)
 - 60 local board members (compared to the current 57 community board members).
- 1.82 The proposal will reduce the number of elected representatives governing Wellington from 161 to 82. It will require one chief executive, not nine.

- 1.83 To achieve effective representation of communities of interest and fair representation for electors on the governing body of the new council, the 21 councillors will be elected from eight wards: Wairarapa, Upper Hutt, Lower Hutt, Kapiti Coast, Porirua, Ohariu, Lambton and Rongotai. The proposed representation is shown in Table 1.

Table 1: Proposed ward representation

Ward	Population (2013 estimates)	Councillors	Population per councillor
Wairarapa	42,390	2	21,195
Upper Hutt	41,300	2	20,650
Lower Hutt	101,200	4	25,300
Kapiti Coast	50,700	2	25,350
Porirua-Tawa	68,710	3	22,903
Ohariu	69,760	3	23,253
Lambton	47,440	2	23,720
Rongotai	65,250	3	21,750
Total	486,750	21	23,179

Local board arrangements

- 1.84 The Commission proposes eight local boards whose boundaries coincide with the eight wards.

Membership and election of local boards

- 1.85 The board members will be elected by voters at local authority elections like councillors are. The board members will have a greater financial and planning role than that presently performed by community board members.
- 1.86 The Commission proposes that the governing body appoints two members of the governing body to each local board. This is important for achieving effective communication and coordination between the governing body and local boards.
- 1.87 The Commission proposes that the chairperson of each local board be elected by the members of the board. This will ensure that each chairperson has the support of his or her board, and this will be important in what will be a new and challenging environment.
- 1.88 The Commission proposes that some of the local boards be subdivided for electoral purposes and some be elected at large. Table 2 sets out the proposed elected membership for the eight local boards.

Table 2: Proposed local board representation

Local board/ subdivisions	Population	Number of members	Population per member
Wairarapa Local Board			
Masterton Urban	18,690	4	4,673
Masterton-Carterton Rural	9,080	2	4,540
Carterton Urban	4,810	1	4,810
Greytown	3,340	1	3,340
Featherston	3,070	1	3,070
Martinborough	3,400	1	3,400
Total	42,390	10	4,239
Upper Hutt Local Board			
At large	41,300	6	6,883
Lower Hutt Local Board			
Northern-Eastern	33,090	3	11,030
Western-Central	32,750	3	10,917
Harbour	17,680	2	8,840
Wainuiomata	17,680	2	8,840
Total	101,200	10	10,120
Kapiti Coast Local Board			
Otaki	8,780	2	4,390
Waikanae	11,630	2	5,815
Paraparaumu	19,130	3	6,377
Paekakariki-Raumati	11,160	2	5,580
Total	50,700	9	5,633
Porirua-Tawa Local Board			
Northern	21,400	2	10,700
Eastern	20,080	2	10,040
Western	10,510	1	10,510
Tawa	16,720	2	8,360
Total	68,710	7	9,816
Ohariu Local Board			
At large	69,760	6	11,627
Lambton Local Board			
At large	47,440	6	7,907
Rongotai Local Board			
At large	65,250	6	10,875

Decision-making in the Greater Wellington Council

- 1.89 The proposed Greater Wellington Council will be a unitary authority with local boards. It will have all of the responsibilities of both the regional council and the existing territorial authorities. It will have a single council organisation, with a single chief executive and staff, but with two realms of elected representatives who share decision-making. The governing body will be responsible for strategic and region-wide issues. The Commission intends that the local boards will have maximum possible governance responsibility for local matters. This governance will be exercised locally and all local community decisions will be made locally.
- 1.90 The *Local Government Act 2002* provides that decisions about regulatory matters, transport networks and infrastructure, as well as certain other council governance matters, are the responsibility of the governing body. Decisions about other responsibilities may be allocated to either the governing body or to local boards, in accordance with a set of principles. In general responsibility rests with local boards for these matters unless there is a valid reason for them to be a governing body responsibility.
- 1.91 The division of decision-making responsibility between the governing body and the local boards of Greater Wellington Council will be defined by a set of allocations and an agreed annual budget for each local board. Annual budgets will be based on priorities set out in three-year local board plans. Local boards will develop their own plans. Every three years the governing body of the council must adopt a local board funding policy as part of the council's overall 10-year plan. The funding policy will be the basis of the funding available to local boards for their plans and activities. Local boards will also have a role in providing local perspectives and input into the decision-making of the governing body.
- 1.92 There will also be broad scope for the governing body to delegate further regulatory and non-regulatory responsibilities to the local boards.
- 1.93 If the Wellington reorganisation proposal proceeds to a final proposal, the Commission must make the initial allocation of decision-making responsibility for non-regulatory activities between the governing body and the local boards. While such an allocation is not required to be part of a draft proposal, the Commission has decided to foreshadow potential allocations of decision-making responsibilities to local boards in this proposal in order to aid public understanding of the proposal. A schedule of potential allocations and also recommended delegations is attached as Schedule C to the draft proposal, in Part 8.

Area offices and service centres

- 1.94 In any reorganisation it is vital that the members of the public continue to have access to the services and information provided by the council. In order to provide for effective transition and governance the Commission has decided that the administrative headquarters of Greater Wellington Council will be located in the current Wellington City and that the council must provide area offices in Wellington City and in Porirua, Paraparaumu, Lower Hutt, Upper Hutt and Masterton for not less than five years.

1.95 The Commission also proposes that the Greater Wellington Council must retain service centres in Carterton, Featherston, Greytown, Martinborough, Otaki and Waikanae for not less than five years.

Council-controlled organisations

1.96 The Commission decided that it would focus its attention on the core reorganisation of existing councils and leave existing council-controlled organisations in place for the new council to address.

Assets and debt

1.97 The Commission concluded that there is little case for ring-fencing of debt under its “preferred option”. The levels of current debt vary between the councils, but so too do the levels of investment assets and the condition of, and required future spending on, the infrastructure they own. Generally where there are disproportionately low levels of current debt, they are matched by higher levels of less visible debt in the form of required future expenditure on major asset renewals and replacement. Those councils with a disproportionately high share of debt also tend to have both investment assets and infrastructure assets in better condition. Accordingly the Commission’s draft proposal makes no provision to ring-fence any debt or any investments.

Transition

1.98 For the purposes of planning, the Commission adopted a timeline that provides for the receipt of submissions through to early 2015, the conduct of hearings in the first quarter of 2015 and (if required) a poll on any final proposal in mid-2015. If the poll supports the final proposal, or no poll is required, the next steps would then be:

- a transition body in place by September 2015
- an interim chief executive appointed by May 2016
- elections for the new council in October 2016
- a commencement day for the new council of 1 November 2016.

1.99 The Commission proposes a transition body comprising:

- a transition board made up of an independent chair appointed by the Commission, and one member nominated by each of the nine Wellington councils from amongst their elected members
- an implementation team, including a manager, appointed by the Commission from amongst the staff of the affected councils and consultants to assist the transition board and support the interim chief executive.

The draft reorganisation proposal

1.100 The formal legal description of the draft reorganisation proposal is presented as Part 8 of this report.

Next Steps

- 1.101 The release of this report and the Commission’s draft proposal for local government reorganisation in Wellington starts a process of public consultation. The Commission is now seeking submissions from the affected councils, from key stakeholders and from the public.
- 1.102 Once the Commission has received and read the submissions, it will proceed to hold public hearings at which submitters will have the opportunity to present their submission. More importantly, the hearing process provides the Commission with the opportunity to ask submitters questions to ensure that they understand the concerns raised. The Commission expects a large number of submitters and will conduct focused hearings in order to be fair to all, and make timely progress.
- 1.103 Once the Commission has concluded the public hearings, it will then decide how it will proceed. At that point it can determine, under clause 21 of Schedule 3 of the *Local Government Act 2002*, whether to:
- issue the draft proposal as a final proposal, or
 - issue a modified draft proposal as a final proposal, or
 - identify another “preferred option” as the basis for a new draft proposal, or
 - decide not to issue a final proposal and give public reasons for that decision.
- 1.104 If the Commission decides not to issue a final proposal, the status quo local government arrangements would continue. In the event that it does issue a final proposal, the proposal must be publicly notified along with a detailed statement setting out how it would promote the purpose of local government and facilitate economic performance, and setting out the advantages and disadvantages of the proposal.
- 1.105 Once the Commission has issued a final proposal, the electors of the affected territorial authorities can call for a poll on the proposal by presenting to the Commission a petition signed by ten per cent or more of the electors of one of the affected territorial authorities, within 60 working days of the release of the final proposal.
- 1.106 If no poll is called for, an Order in Council is prepared to give effect to the final proposal and to appoint a transition body. The transition board would then assist the Commission to prepare and issue a reorganisation scheme providing for detailed implementation of the final proposal. The detailed transition process to establish the new council(s) would then commence.
- 1.107 If a petition calling for a poll meets the required tests, the Commission must proceed to hold a poll. If more than fifty per cent of the valid votes cast in a poll support the final proposal, then the steps set out in the previous paragraph take place. If fewer than fifty per cent of the valid votes cast in a poll support the final proposal, then the proposal fails and the status quo local government arrangements would continue.

Report structure

- 1.108 This report is set out as a series of **Parts**.
- 1.109 The Commission’s decision-making needs to reflect the particular nature of Wellington, its people, communities, challenges and opportunities and **Part 2** presents a description of Wellington Region.
- 1.110 **Part 3** summarises the current system of local government within the region and provides a snapshot of the current state of the nine Wellington councils.
- 1.111 **Part 4** sets out the original applications, alternative applications and the legislative requirements and process that the Commission was required to follow. **Part 4** also contains the evaluation framework that the Commission developed to reflect the matters that it must consider and weigh in making a decision.
- 1.112 Together with **Parts 2 and 3** of the report, **Part 4** provides the context for considering what the “reasonably practicable options” for reform are, and these are set out in **Part 5**.
- 1.113 **Part 6** then provides the evaluation of these options to identify the “preferred option”.
- 1.114 **Part 7** identifies proposed refinements of the “preferred option” including the name of the council and its boundaries, representation arrangements, provisions for local boards, Māori representation and participation, area offices and service centres, assets and debt, and the transition process.
- 1.115 **Part 8** presents the formal draft reorganisation proposal, which is now subject to consultation and hearings.
- 1.116 **Part 9** sets out the process for public consultation and the next steps that the Commission will take.

Part 2: Wellington Region

- 2.1 Wellington Region may arguably be the next most obvious place, following Auckland, to consider for a major local government reorganisation. Certainly this was the view of parties that submitted applications for reorganisation in the region, to be considered by the Local Government Commission. The objectives of these reorganisation applications varied, but they also shared considerable ground. A common theme in the applications was the need to improve decision-making for regional matters (such as urban development) and delivery of regional-scale services (such as water, wastewater and stormwater) – while not reducing representation of local communities.
- 2.2 Wellington has a range of characteristics that might make local government reform worthwhile, and which also affect the type of local government arrangements that would be most appropriate. Distinct features of Wellington most relevant to the reorganisation review include:
- its population size
 - its national functions
 - its existing regional infrastructure networks
 - its significant exposure to natural hazard risks
 - the interdependence between the metropolitan part of the region and its rural hinterland the Wairarapa – and the physical separation between them imposed by the Rimutaka Ranges
 - uneven patterns of population growth and demographic change
 - distinct sub-regional communities with different needs.
- 2.3 Any consideration of local government reorganisation must be imbued with an understanding of the region, districts, communities, resources and environments that would be affected by change. This Part of the report provides a snapshot of Wellington Region and its communities, and provides the context for the Commission’s consideration.
- 2.4 Known to Māori as Te Upoko o Te Ika a Māui or the head of Māui’s fish, Wellington Region comprises 813,000 ha and has 497km of coastline. The region occupies the southern tip of the North Island, bounded to the west, south and east by the sea. To the west lies the Tasman Sea, to the east the Pacific Ocean, and to the south Cook Strait. The region extends north to Otaki and almost to Eketahuna in the east. The region and its boundaries are shown in Figure 1.
- 2.5 Wellington Region is administered by the:
- Wellington City Council
 - Porirua City Council
 - Kapiti Coast District Council
 - Hutt City Council
 - Upper Hutt City Council
 - South Wairarapa District Council
 - Carterton District Council

- Masterton District Council
- Tararua District Council (a very small part in the north-east of the region)
- Greater Wellington Regional Council.

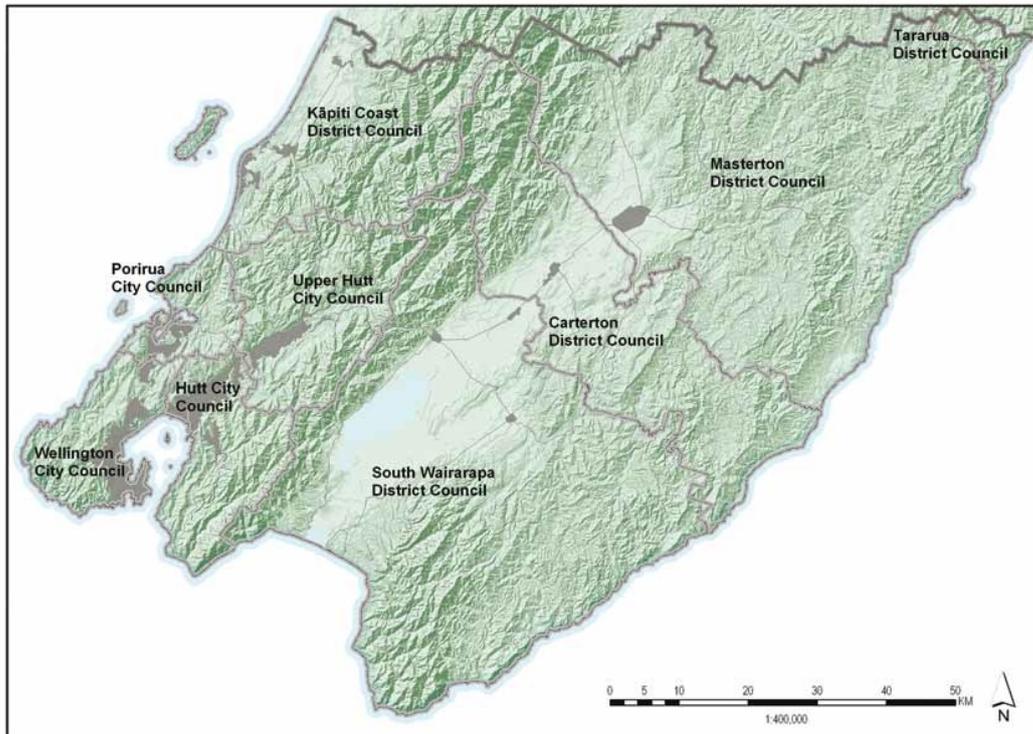


Figure 1: Wellington Region city and district council boundaries

Source: Greater Wellington Regional Council, Regional Policy Statement

- 2.6 Physically and topographically the region has four areas running roughly parallel along a northeast–southwest axis:
- the Kapiti Coast, a narrow strip of coastal plain running north from Paekakariki
 - the rough hill country of the Rimutaka and Tararua Ranges which are the southern end of the North Island fault system with Wellington City and the Hutt Valley located in the coastal valleys and plains at the southern end of these ranges
 - the more undulating hill country of the Wairarapa around the Ruamahanga River, which becomes lowland flats in the south, leading down to the wetlands around Lake Wairarapa
 - the rougher hill country toward the east of the Wairarapa.
- 2.7 The distinct topographical features of the region reflect the prolonged and very significant action of the major fault lines that run through the region (Figure 2). As Figure 2 shows major, active faults which are part of the North Island fault system, cut through the region. The North Island fault system is a major plate boundary under constant stress from movement between the Pacific and Australian plates. The fault system runs in a continuous line from the Bay of Plenty southwards to the Wellington coast and has pushed up lines of mountain ranges including the Kaweka, Ruahine, Tararua and Rimutaka Ranges. The parallel faults within Wellington Region include the very significant Wellington fault and the Wairarapa fault.

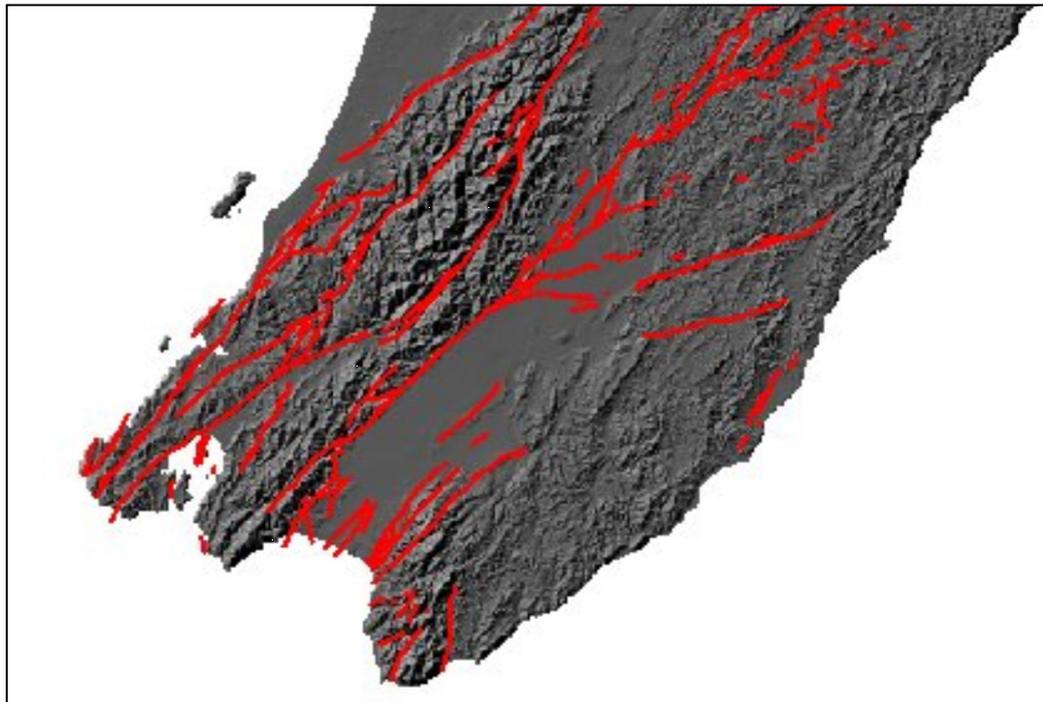


Figure 2: Wellington Region active faults
 Source: GNS Active Fault Database

2.8 The major topographic features of the region also define its water catchments (Figure 3).

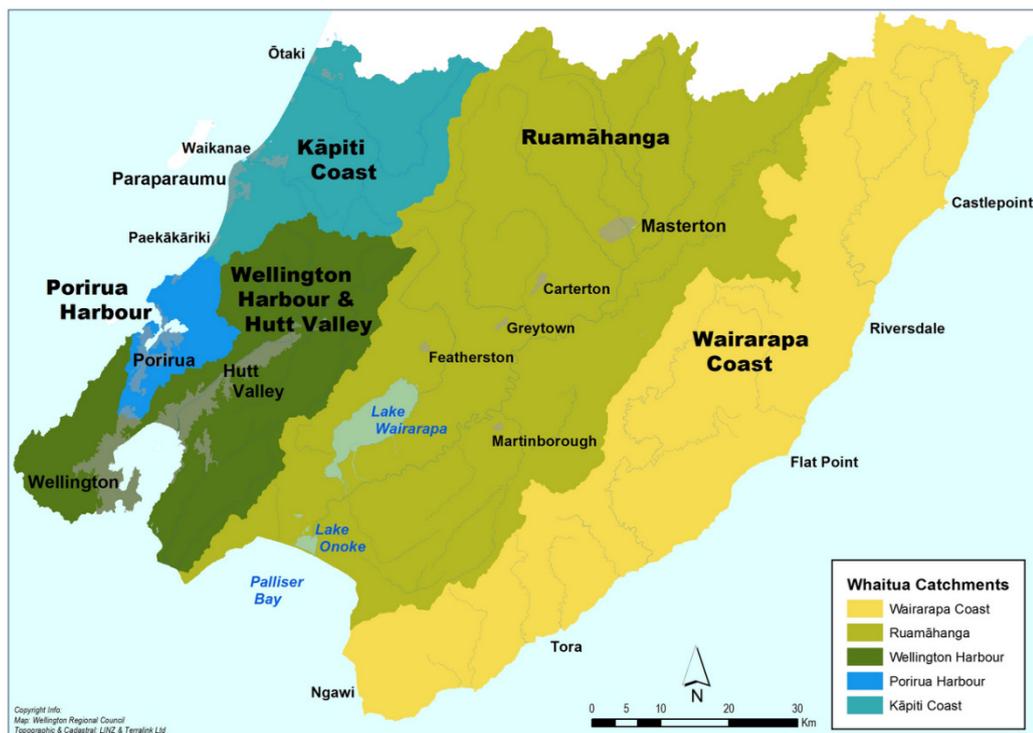


Figure 3: Wellington Region major catchments
 Source: Greater Wellington Regional Council

2.9 The region’s topography constrains the region’s transport system. The region’s transport system essentially comprises a number of valley-based local networks connected by motorways and railway lines. As Figure 4 shows, the major transport linkages to the east and to the north within the region, run along the edge of the harbour and up the Hutt Valley, before crossing the Rimutaka Ranges to the Wairarapa. To the northwest the transport corridors cross through the Ngauranga Gorge before entering the Porirua catchment, skirting the Porirua Harbour and following the coast north toward Paraparaumu and Otaki. The major railway corridors follow the same narrow and steep corridors as the roading, with significant tunnels on both the Wairarapa line and the Main Trunk Line to the north.

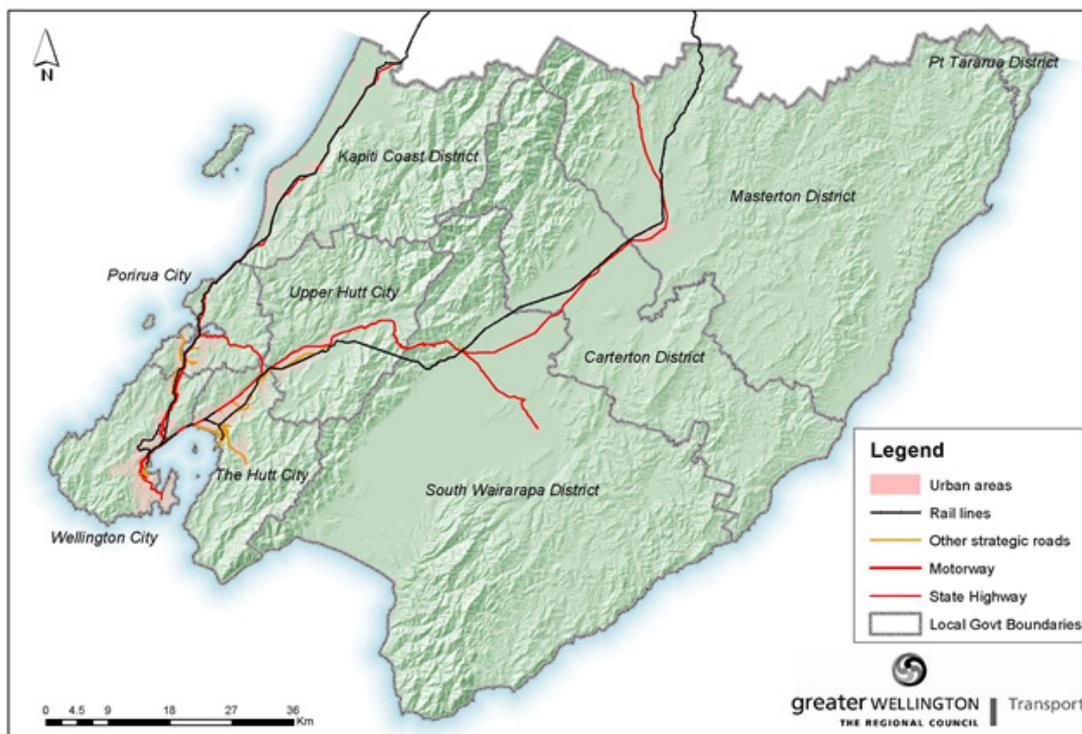


Figure 4: Wellington Region major transport linkages

Source: Greater Wellington Regional Council

- 2.10 The Port of Wellington provides the major connection between the North and South Islands. Wellington airport is a major domestic hub and also provides international services to Australia.
- 2.11 The road and rail connections to the north of Wellington Region are its key land-based lifelines to the rest of the country. Along with the port and the airport they are vulnerable to the effects of earthquakes, landslides, tidal surge and tsunami. The road across the Rimutaka Ranges is also vulnerable to high winds and snow.

Mana whenua

2.12 The iwi of the region are largely those whose representative organisations have been established and recognised through either legislated mandate, long-standing representation or by means of an authoritative process such as a Waitangi Tribunal inquiry report.

2.13 According to a report prepared for the Commission by Morrie Love¹, the following iwi and hapū are found in Te Upoko o Te Ika and currently operate under a number of different mandates and through a number of different representative arrangements:

- Ngāti Kahungunu – Ngāti Kahungunu Iwi Inc.
- Ngāti Kahungunu ki Wairarapa – Tāmaki Nui ā Rua
- Ngāti Kahungunu ki Wairarapa – Tāmaki Nui ā Rua Trust
- Ngāti Raukawa ki te Tonga – Te Rūnanga o Raukawa Incorporated and Ngāti Raukawa ki te Tonga Trust (fisheries only)
- Ngāti Toa Rangatira – Te Rūnanga o Toa Rangatira Inc. – *Ngati Toa Rangatira Claims Settlement Act 2014*
- Rangitāne (North Island) – Rangitāne Settlement Negotiations Trust - Mandate recognised by the Crown for Treaty of Waitangi settlement negotiations (Agreement in Principle signed with the Crown on 28 March 2014)
- Rangitāne o Wairarapa Inc.
- Taranaki Whānui ki te Upoko te Ika – (*Port Nicholson Block (Taranaki Whānui ki Te Upoko o Te Ika) Claims Settlement Act 2009*) along with the Wellington Tenths Trust (Te Atiawa/Taranaki Whanui)
- Te Atiawa (Wellington) – Te Atiawa ki te Upoko o te Ika a Māui Pōtiki Trust (fisheries)
- Te Atiawa ki Whakarongotai – Ati Awa ki Whakarongotai Charitable Trust.

2.14 Other groups such as mātāwaka organisations and urban Māori organisations are seeking to become mandated and/or operate as taura here.

2.15 The Treaty of Waitangi guarantees rangatiratanga – the right of tangata whenua to manage their lands and resources in accordance with cultural traditions. This includes the exercise of kaitiakitanga which reflects the principle that everything is interrelated and interconnected.

2.16 There are currently limited opportunities for ongoing involvement of tangata whenua in council decision-making. According to the Wellington Regional Policy Statement, iwi authorities have identified concerns about:

- the degree to which the principles of the Treaty of Waitangi are taken into account in local government decision-making
- the limited availability of resources to enable iwi to effectively engage in resource management processes

¹ Love, M., (2014, August), *Report on Iwi Participation in Alternative Local Government Organisation in the Greater Wellington Region*

- the lack of consistency and coordination among councils with regard to resource management planning
- insensitive resource use threatening mahinga kai (customary food sources)
- growth and development pressure around significant cultural heritage sites.

The region's natural and physical resources and issues

- 2.17 Under the provisions of the *Resource Management Act 1991*, the Greater Wellington Regional Council is required to prepare a regional policy statement. The Wellington Regional Policy Statement became operative on 24 April 2013 after a statutory process of review, submissions, hearings, decisions, and appeals.
- 2.18 The Wellington Regional Policy Statement provides a robust description of the region's environment and the issues that are of regional significance, or have been identified as issues of significance to Wellington Region's iwi authorities. The Commission therefore drew on the regional policy statement in writing the following sections of the report.

Air quality

- 2.19 Overall, Wellington Region has good air quality. This is because it has a windy climate and there are few polluting industries in the region. However the region does experience localised air quality problems that impact on amenity and health of the community and the mauri of air.

Coastal environment

- 2.20 From Otaki around to the Wairarapa, the region's coastal environment contains significant habitats for a wide range of plants and animals, and provides for a diverse range of activities. The regionally significant issues are:
- adverse effects on the natural character of the coastal environment - coastal subdivision and development may have effects which undermine the integrity of the values listed in the New Zealand Coastal Policy Statement
 - coastal water quality and ecosystem health - discharges of stormwater, sewage, sediment and other contaminants to the coast are adversely affecting the health of coastal ecosystems, the suitability of coastal water for recreation and shellfish gathering, mauri and amenity
 - human activities interfere with natural coastal processes - sediment run off, the construction of seawalls and the location of residences in locations which may be subject to sea level rise may all have an influence on coastal processes
 - public access to and along the coastal marine area, lakes and rivers - inconsistent approaches to subdivisions have meant that public access is not always provided, or is provided in places where people cannot take advantage of it.

Fresh water

2.21 Fresh water is integral to health, well-being, livelihood and culture. Monitoring of the region's rivers shows that many urban and lowland pastoral streams sometimes fail water quality guidelines. The most common reasons for failing are high levels of nutrients or bacteria, or poor water clarity. The regionally significant issues for fresh water are:

- pollution is affecting water quality in some water bodies - caused by a mixture of point source discharges and non-point source infiltration of fertilisers, farm effluent and industrial and transport runoff
- poor ecosystem function in rivers, lakes and wetlands - for example, that which may be present in the Waiwhetu Stream (now largely restored), Lake Ferry and some of the Kapiti Coast streams which may be caused by over extraction and local pollution
- increasing demand on limited water resources - there is a limited amount of water in water bodies available for human use. Demand is increasing. The efficient management of water in the region's water bodies is a matter of vital importance for sustaining the wellbeing of people and communities and the regional economy. Water resources are increasingly proposed for land uses such as horticulture and agricultural irrigation schemes, particularly in the Wairarapa
- public access to and along lakes and rivers - this is often restricted by a combination of fencing off and physical difficulties such as steep banks, erosion and lack of easy road access. This is more likely to be an issue in Kapiti Coast, Upper Hutt and the Wairarapa than elsewhere.

Heritage

2.22 Historic heritage provides a connection to the past and helps to define communities and creates a sense of place. The regionally significant issue is the loss of heritage value through the inappropriate modification, use and destruction of historic heritage.

Indigenous ecosystems

2.23 The region's indigenous ecosystems have been reduced in extent. Specifically, this has occurred in wetlands, lowland forests, lowland streams, coastal dunes and escarpments, estuaries, and eastern dry land forests. The region's remaining indigenous ecosystems continue to be degraded or lost.

Landscape

2.24 The regionally significant issues with respect to landscape include:

- the inappropriate modification of the characteristics of outstanding features and landscapes or of special amenity landscapes resulting in the loss of what makes them outstanding and natural, or distinctive, widely recognised, and highly valued by the community
- inconsistency in the identification of landscapes across Wellington Region which may result in discrepancies in the management of landscapes and landscape values which cross local authority boundaries.

Natural hazards

2.25 Wellington Region is particularly exposed to natural hazards. The three most potentially damaging and costly natural hazard events that can occur in the region are:

- **Earthquake** – high magnitude earthquake (7.0+) from the rupture of a local fault (especially the Wellington fault) affecting Wellington City, Hutt Valley, Porirua, Kapiti Coast and towns in the Wairarapa
- **Flooding** – major river flooding in the Hutt Valley, Kapiti Coast and the central Wairarapa plains, with flooding being the most frequently occurring hazard in the region
- **Tsunami** – large tsunami (particularly one that is locally generated) affecting low lying areas around Wellington harbour including the Hutt Valley, and the southern bays, settlements along the southern and eastern Wairarapa Coast, Porirua Harbour and the Kapiti Coast.

2.26 Other natural hazards have more localised impact but occur more frequently. These include:

- localised flooding and inundation from streams and stormwater overflow, which can occur in low lying areas like parts of Porirua, around the tributary streams of larger rivers such as the Hutt River and in areas with steep short catchments such as the Paekakariki stream
- coastal erosion and inundation, often associated with storm surge, affecting seafront and low lying coastal developments and sections of the coast that are in long-term retreat such as Paekakariki
- landslips in the hill suburbs of Wellington City, the Hutt Valley, Eastbourne, Wainuiomata, Paekakariki, and in the Wairarapa hill country.

2.27 Climate change will increase both the magnitude and the frequency of natural hazard events, particularly:

- sea level rise, exacerbating the effects of coastal erosion and inundation and river flooding in low-lying areas, especially during storm surge
- increased frequency and intensity of storm events, adding to the risk from floods, landslides, severe wind, storm surge, coastal erosion and inundation
- increased frequency of drought, placing pressure on water resources and increasing the wild fire risk.

- 2.28 The Cook Strait earthquake sequence of 2013 was a timely reminder about the high earthquake risk faced by the region. Some areas of Wellington have been reclaimed as a result of uplift from earthquakes. Liquefaction, tsunami, land slips and fault rupture are critical risks which must be reduced and responded to.
- 2.29 Critical parts of the Wellington central business district and other communities are located near sea level. Therefore these parts of the Hutt Valley, Kapiti Coast and the Wellington central business district are particularly vulnerable to sea level rise which will be exacerbated by climate change. While this is a long-term challenge, the cost of adjustment will be large and hard decisions will need to be made about either fortification or relocation.
- 2.30 Very significant elements of the region's major infrastructure are located in places that are particularly vulnerable to major natural hazards. For example, significant parts of the State Highway 1, State Highway 2 and the rail system run adjacent and parallel to the Wellington fault and very close to sea level. The region's bulk water supply dams sit at the head of the Hutt Valley and astride major fault lines. The major electricity reticulation lines, which transfer power from the South Island to Wellington and much of the North Island, traverse the region and run parallel to the major fault lines. At pinch points around Thorndon and Ngauranga, gas, water, and electricity reticulation, major roads and railways are all located in a small corridor. The Wellington airport is exposed to both tsunami and seismic risk. There are few alternatives for much of this infrastructure.
- 2.31 The consequences of natural hazards in Wellington Region could be particularly severe because of their impact on regional and national connectivity. Addressing these challenges requires Wellington's local government to undertake farsighted regional planning and investment in infrastructure resilience. It will be both difficult and expensive, but of national as well as regional importance.

Regional form, design and function

- 2.32 The Wellington Regional Policy Statement notes that Wellington City contains the central business district for the region. Its continued vibrancy, viability and accessibility are important to the whole region. There are also important sub-regional town centres, particularly Lower Hutt and Masterton. These centres are significant areas of transport movement and civic and community investment.
- 2.33 The physical arrangement of these centres, the region's industrial business areas, the port, airport and the region's open space network are fundamental to a compact and well-designed regional form. The region has a strong transport corridor pattern to support this compact form.
- 2.34 There are parts of the region where growth pressures exist and where the region's current compact form may be subject to pressure with consequent effects on transport efficiency. For example, the region has limited east-west transport linkages which mean freight and commuter movements are focused along the north-south corridors, increasing congestion and creating risk in the event of a major earthquake.

Soils and minerals

- 2.35 Again as noted in the Wellington Regional Policy Statement, the soils of the region are an important source of economic wealth. The soil related challenges faced in the region include: preventing soil erosion, maintaining soil health, retaining productive soils for agricultural use, preventing contamination and preventing the unsafe use of contaminated sites.
- 2.36 About one third of the region is erosion prone, although over half the land in the region has little or no sign of erosion. Off-site effects of soil erosion include reductions in water quality and aquatic habitat and an increased risk of flooding because of bed load aggradation in streams.
- 2.37 The region has a comparatively small amount of class 1 and 2 land suited to a full range of productive uses. This is mostly located in the river valleys of the Otaki and Ruamahanga Rivers and around the townships of Otaki, Featherston, Greytown, Carterton and Masterton.

The region's economy

- 2.38 BERL² produced a report which provided the Commission with substantial detail on the nature of the population and economy of Wellington Region and the changes which have occurred over the period 2001 to 2013. The report also provided information relating to each of the eight districts within the region, and important insights into the nature and dynamics of the region, its people and economy. The key conclusions from the BERL report were:

"In the ten years to 2013 the Wellington Region performed worse than the national economy on all indicators except employment growth and business unit growth. While the difference in the indicators for the Wellington Region and New Zealand was marginal, labour productivity growth [0.0%pa cf 0.7%pa] and GDP growth [1.5%pa cf 2.1%pa] in the Wellington Region were notably lower than for the country as a whole." (p3).

"Overall population growth within the region since 2001 has been lower than the national average [0.8%pa cf 0.9%pa]." (p3).

- 2.39 Statistics New Zealand noted in its most recent release of regional gross domestic product figures that Wellington grew more slowly than other regions between 2007 and 2013, because growth in that period was driven by primary sector exports that are proportionately very small in Wellington but significant in other places.
- 2.40 The BERL report also noted that Wellington Region provided full-time equivalent employment to 226,800 people and generated gross domestic product estimated at \$26.0b in 2013. The region accounts for 12% of New Zealand jobs and 13.5% of national gross domestic product.

² BERL, (2014, April), *The Wellington Region Situation Analysis 2013: A Snapshot*

2.41 Another regional characteristic is a low level of sectoral diversity³. In comparing the diversity (the extent to which economic activity is evenly spread across all industries) of the 16 regions, Wellington is ranked at number 15 (second least diversified), based on the criteria under the international Herfindahl-Hirschman Diversity Index methodology.

2.42 The Ministry of Business, Innovation and Employment's Regional Economic Activity Report (April 2014) was also of assistance to the Commission. This report noted that:

- the region is highly specialised in providing public administration, finance, ICT, professional technical and scientific, and cultural services
- the region's agricultural and manufacturing sectors are proportionally very small compared to other regions in New Zealand
- Wellington's economy is relatively internally and nationally focused (including on Government) but there are opportunities for its services firms to diversify and internationalise their markets.
- Wellington is home to significant tertiary and research institutions, and its workforce has the highest education attainment levels and skills in New Zealand
- employees in the region receive some of the highest average incomes in New Zealand
- Wellington employment rates lead the country (alongside those in Canterbury), while unemployment rates are close to the national average
- the cost of rental housing, the share of household income spent on rent and the median house price in Wellington Region are all close to the national average and the significant higher average capital price of houses in the metropolitan area is balanced by the lower values in the region's periphery.

2.43 Within Wellington Region, Wellington City accounts for an estimated 65% of the region's gross domestic product, Hutt Valley 21%, Porirua-Kapiti Coast 10%, and the Wairarapa 5%. While public administration and finance services are concentrated in Wellington City, wholesale trade is important in the Hutt Valley, manufacturing in the Hutt Valley and the Wairarapa, and agriculture (meat, forestry and wine) in the Wairarapa.

2.44 Wellington City is an events destination for out-of-region visitors. Significant examples include rugby tournaments, the World of Wearable Arts, the New Zealand International Arts Festival, individual concerts and small-to-medium sized conventions. Local government, and in particular Wellington City Council, has been a significant player in promoting this part of the economy. Wellington also benefits from the cruise ship trade with around 100 ships in the 2012/13 season.

³Infometrics, (2013), *Wellington Annual Economic Profile, 2012* (part of the Greater Wellington Regional Council application)

- 2.45 There is a commitment to invest in the Wellington central business district.⁴ This includes a new mid-size convention centre, advanced talk of a war museum and a separate film museum, and the active courting of growth in the IT sector. This would build from the current strong central business district presence of the NZX listed companies Xero and Trade Me and would be aligned to the opportunities which may be provided by a new Whitereia/Weltec training facility. In addition, the potential to extend the runway at Wellington airport is being actively pursued with the hope this will allow Wellington to be directly connected to international airport hubs such as Singapore.
- 2.46 Agricultural and horticultural sector potential is to some extent limited by seasonal water availability in parts of the Wairarapa, but less so in the remainder of the region where limits on production largely derive from a lack of available versatile soil due to the limited flat or gently rolling land. Areas that would benefit from irrigation have been identified in the plains areas of the northern Wairarapa. Investigations are continuing (further comment is made on this later in the report).

Summary - economy

- 2.47 The Wellington regional economy specialises in the provision of knowledge services that generate relatively high income. Such people-intensive activities thrive in high amenity and well-functioning urban agglomerations. Recently Wellington has acquired a 'hub' status in aspects of IT, communications and visual media. It is a stable economy supported by a comparatively high knowledge workforce and for New Zealand a good transport network. In order to keep its businesses and skilled employees, Wellington's local government needs to maintain the region's liveability, viability and diversity.
- 2.48 In common with other capital city/regions, Wellington is less dependent on direct exports and more dependent on central government and the associated head office effect. Further development relies on Wellington's services businesses increasing their international focus.

The region's people and communities

- 2.49 The Commission drew on a number of references to develop an understanding of the region's people and communities. The most important of these was the 2013 census. Overview comments are made below about the composition and dynamics of the population located throughout the region. Comment is then made about the particular characteristics of the population in each part of the region. Attention is drawn to a limited sample, from each area, of the many local projects currently receiving the attention of communities.

⁴ Wellington City Council, (2014, September), *Going for Growth*, media release

The region

2.50 Wellington Region is home to nearly 487,000 people, 11% of New Zealand's population⁵, just behind Canterbury. Approximately 41% of the region's people live in Wellington City, 21% in Lower Hutt City, and 11% in Porirua City; with smaller populations further out from the urban core (see Table 3).

Table 3: Resident population by territorial authority

Source: Department of Statistics, 2013 Population Estimates

Territorial authority	Population	%
Kapiti Coast District	50,700	10.4
Porirua City	53,700	11.0
Upper Hutt City	41,300	8.5
Lower Hutt City	101,200	20.8
Wellington City	197,500	40.6
Masterton District	24,100	5.0
Carterton District	8,490	1.7
South Wairarapa District	9,800	2.0
Total Wellington Region	486,790	100.0

2.51 The region's population grew by 22,356 between the 2006 and 2013 censuses, an increase of 5% overall. Wellington City accounted for the majority of the growth between 1986 and 2013 (55.3%). Wellington Region's population growth rate projections are slightly lower than the national average at 0.5% compared to 0.8% nation-wide.

2.52 Dependency ratios are also lower than the national average.⁶ This is a feature of urban regions, which attract working-age people, while retired people move to smaller areas. This pattern is also at play within the region. Porirua tends to have a greater proportion of the younger-age groups in the regional community, while Kapiti Coast has a greater proportion of the older-age groups.

2.53 Māori constitute a smaller proportion of the population of Wellington Region than other parts of New Zealand (12% compared to 14%). However, Māori comprise 21% of the Porirua population (and Pacific people 27%).

⁵ MBIE, (2014, April), *Regional Economic Activity Report*. Jackson, N., University of Waikato, (2012, August), *Greater Wellington – Socio-demographic Profile 1986-2031*. (This is the number of 'usually resident' persons recorded in the 2013 census.)

⁶ Dependency ratios are calculated by the number of people aged under 15 and 65 or older for every 100 people between the ages of 15 and 64. Wellington has a dependency ratio of 48 compared to the national average of 52

- 2.54 Wellington City has a disproportionately large number of people aged in their twenties and thirties while Lower Hutt and Porirua have disproportionately large numbers of children. All other districts have deeply waisted (hour glass shaped) age structures, typically reflecting the net migration loss of young adults. Only Wellington City is projected to experience future population gains in most age groups. Lower Hutt, Upper Hutt, Masterton, Carterton and South Wairarapa are expected to see a decline in the proportion of persons aged below 55 years and all are projected to experience growth in the number of people aged 65+ years.
- 2.55 The projected population growth in the period 2013-2031 is 0.5% compared to the expected growth throughout New Zealand of 0.8%. International migration into the region in the period 2008-13 declined by 2,280 and internal migration increased by 498 persons. Between the 2001 and 2013 censuses, the share of the population aged 45 years and older increased from 34% to 40%. Over the same period, the share of people under the age of 15 fell from 23 to 20%.
- 2.56 In summary, the regional population is projected to grow slowly and in some areas, decline, especially in areas like Masterton (see Table 4). The increasing proportion of the population over 65 years and on fixed incomes will present challenges in some locations in terms of the population's ability to pay for necessary community infrastructure and services. It will also increase demands for the provision of housing suited to the elderly. Increasing expectations for improvements to quality water, waste and road systems will place pressure on ageing communities that are increasingly reliant on fixed incomes.

Table 4: Projected local authority population changes (%) by age group 2011-2031

Source: Statistics New Zealand Subnational Population Projections by Age and Sex, 2006 (base) – 2031 Update

Age Group	Local authority							
	Wellington City	Lower Hutt City	Porirua City	Kapiti Coast District	Upper Hutt City	Masterton District	South Wairarapa District	Carterton District
0-14	8.0	-11.1	-5.7	9.7	-14.4	-15.6	-20.5	-14.0
15-24	4.4	-9.9	-8.3	2.3	-12.5	-30.4	-18.4	-10.5
25-39	6.6	-1.6	1.6	26.1	-0.3	-9.6	-20.3	-5.4
40-54	18.8	-16.9	-11.1	-6.4	-27.2	-21.5	-40.8	-15.7
55-64	30.7	6.5	10.0	19.9	6.0	-16.4	-8.8	-8.7
65-74	86.6	62.4	61.4	48.5	69.1	41.1	33.0	51.4
75-84	115.1	89.1	147.4	53.0	78.4	76.7	110.9	109.8
85+	86.0	80.1	184.2	89.8	107.3	78.3	182.4	107.1
Total	19.1	1.5	5.4	20.4	0.8	-4.0	-5.1	3.3
65+	95.1	72.9	96.0	56.3	77.7	58.3	70.1	76.4

Masterton

2.57 The population is ageing, relatively static and likely to decline over the long term. The big impact on rates from addressing wastewater issues demonstrates the vulnerability of a small territorial authority to the cost of such large projects.

2.58 The local issues being addressed by the Masterton community⁷ include:

- the affordability of maintaining rural roads, particularly given the pressure of logging trucks and the expected forest harvest
- defining the best structure for the delivery of local government services in the Wairarapa
- continuing with sewerage and water upgrades, including significant expenditure on the Homebush scheme
- rolling out ultra-fast broadband services
- delivering upgraded library services using the SMART programme.

Carterton

2.59 Carterton is a relatively small rural area with a population of around 8,200. It has a village centre and provides rural servicing. Its population has recently increased due to immigrants wanting lifestyle choices while often working elsewhere. The growth also reflects the desire of older people to retire to a smaller centre. Carterton experienced the highest rates of growth (20% from 2001 to 2013) of all districts in the region. Actual numeric growth in Carterton over this period, however, was only 1,300 people.

2.60 The local issues being addressed by the Carterton community⁸ include:

- investing in ageing infrastructure
- upgrading the Dalefield Road wastewater treatment plant
- processing a larger than usual number of resource consents and generally managing growth in a sustainable way.

South Wairarapa

2.61 The South Wairarapa District has experienced low growth and an ageing population. South Wairarapa is a sprawling rural district with three main village centres: Martinborough, Greytown, and Featherston. These centres each have their own identity. Featherston is primarily a small rural employment centre and service centre. Featherston was originally a rail and forestry town, later servicing the local farming community. Greytown has a substantial Wellington City property ownership base and functions as a boutique weekend retreat for many Wellingtonians. Martinborough has an identity built around wine and crafts, and as a rural service centre. Each of these centres is separated by a rural area.

⁷ Masterton District Council annual report 2012/13

⁸ Carterton District long-term plan 2012-20

2.62 The local issues being addressed by the South Wairarapa⁹ community include:

- upgrading wastewater treatment plants
- addressing significant natural hazard events – storms and earthquakes
- processing an increased number of building consents
- maintaining Palliser Road in the face of coastal erosion.

Upper Hutt

2.63 Upper Hutt was established as a rural service centre in the 19th century. It contains a number of rural or semi-rural valleys. The district previously had an industrial presence and tertiary and research centres.

2.64 Population estimates and projections suggest an ageing and, in parts of the district, a declining population, which may influence local employment patterns and average incomes. Some parts of the district show minor growth through immigration of working age-people. This is in part because of the comparative affordability of housing and access to commuter rail. There is some green-fields development on the periphery of the urban area.

2.65 The local issues being addressed by the Upper Hutt¹⁰ community include:

- completion of stage 2 of the Maidstone Park Sports Centre
- growing the city's retail and business centre
- supporting the development of the Rimutaka cycle trail
- continuing to focus on community safety and intolerance for graffiti.

Lower Hutt

2.66 Lower Hutt is an amalgam of separate communities that were extended to include Eastbourne, Petone and Wainuiomata as part of the 1989 local government restructuring. The Lower Hutt retail centre provides a retail and social focus for most residential communities in the wider Hutt Valley and for other parts of the region. Many of its residents work in Wellington City and utilise recreational facilities there and elsewhere across the region. The city comprises a cluster of communities which have grown together around the transport backbone of the rail lines and two main roads and the presence of the Hutt River.

2.67 The local issues being addressed by the Lower Hutt¹¹ community include:

- preparing an urban growth strategy
- improving community outcomes in Naenae, Taita, Pomare and Stokes Valley
- upgrading/strengthening the civic administration building, town hall and horticultural hall
- promoting economic development
- investment in recreational facilities.

⁹ *South Wairarapa District Council annual report 2012/13*

¹⁰ *Upper Hutt City Council annual report 2012/13*

¹¹ *Hutt City Council annual report 2012/13 and annual plan 2014/15*

Wellington City

- 2.68 The suburbs of the city are structured around four main internal transport routes: Johnsonville, Karori, Island Bay and the eastern suburbs route. Local community connections are balanced to a significant extent by the effect of these main linkages due to work, retail and recreational activities extending beyond the purely local. Recreation areas and facilities are spread across the city.
- 2.69 Wellington City provides infrastructure and facilities for more than its usually resident population. It must cater for the commuter workforce (30,000 commuting daily into the central business district from outside the city) and visitors to the region. The estimated additional capacity required is around a quarter of its usually resident population.
- 2.70 The local issues being addressed by the different communities within Wellington City¹² include:
- dealing with growth and progressing the implementation of the Wellington Regional Strategy
 - dealing with earthquake prone buildings (including the town hall) without undermining the heart of the central business district
 - the development of an economic growth agenda focusing on eight big ideas for economic growth including: investigating the possible extension of the runway at Wellington airport, possible development of a central business district technology zone, and the possible development of a convention and concert venue.

Porirua

- 2.71 Porirua's transport and employment connections to the Wellington central business district are strong. Porirua is in many respects an outer suburb of Wellington City. This has been driven in part by more affordable housing, the availability of development space, and a decline in independent local industrial activity. The growth of suburbs such as Mana, Camborne, Whitby, Papakowhai, and even the beach community of Pukerua Bay, have created a wider range of niche suburbs.
- 2.72 The local issues being addressed by the Porirua¹³ community include:
- creating a streamside quarter as part of the city centre revitalisation programme
 - making significant investment in the upgrade of wastewater and stormwater pipe networks
 - establishing local road links to Transmission Gully.

¹² Wellington City Council annual report 2012/13

¹³ Porirua City Council annual report 2012/13

Kapiti Coast

- 2.73 Kapiti Coast District consists of the four smaller communities of Otaki, Waikanae, Paraparaumu-Raumati and Paekakariki, each of which is focused around a local centre. While the district does have a rural context this is less significant economically than the Wairarapa’s farming community.
- 2.74 Otaki still retains a rural service town identity, while Waikanae is increasingly taking on the role of a retirement centre for Wellington and the Hutt Valley – alongside being a commuter belt residential zone. Paraparaumu has expanded as a retirement and beach community with the level of commuting increasing, as housing affordability becomes an issue in Wellington City. Paraparaumu-Raumati has a local industrial presence and a minor link airport, but also good connections to Wellington City. Paekakariki has a minor suburban presence founded on an early fishing and beach community identity.
- 2.75 The local issues being addressed by the Kapiti Coast¹⁴ community include:
- completing the Coastlands Aquatic Centre
 - sustaining the district’s water supply through ground water augmentation and the implementation of a water metering scheme
 - undertaking a review of the district plan
 - developing a strategy to support the arts.

Interdependency of Wellington communities

- 2.76 The Commission drew on a number of references, including the 2013 census spending, travel and economic data to inform its consideration of the communities of Wellington Region and their degree of interdependence. The Commission also used a paper developed by Helen Fulcher from the South Australian Department of Local Government¹⁵ as a framework for understanding the nature of communities of interest in Wellington Region. Fulcher’s paper identifies three interwoven dimensions of community of interest: perceptual, functional and political which can be used to address the degree of community interdependence in an area.
- 2.77 The Commission also found a report prepared by consultancy firm Martin Jenkins for Greater Wellington Regional Council¹⁶ to be valuable in assessing the degree of interdependence of the Wairarapa with other parts of the region.
- 2.78 Together the information the Commission was given and the analysis the Commission undertook suggests that Wellington Region is one interdependent regional community of interest with many distinct and diverse local communities.

¹⁴ Kapiti Coast District Council annual report, 2012/13

¹⁵ Fulcher, H., (1989), South Australian Department of Local Government, *A Discussion Paper Which Explores the Concept of Community of Interest As It Applies to Local Government Boundaries*

¹⁶ Martin, Jenkins and Associates Limited, (2012, February), *Appendix 4: Economic Interdependence between the Western Area of the Wellington Region and Wairarapa*

Perceptual dimension

- 2.79 Fulcher describes the perceptual dimension of community of interest as a sense of belonging to an area or locality which can be clearly defined.

“The first [perceptual] dimension of community of interest, encompassing subjective interpretation, has regard to people’s perceptions of the identity of the area to which they feel they belong. A community of interest can be said to exist where people feel an affinity or compatibility with the area and the people who live there. They see each other as having like interests and value systems and often equate that sense of identity with the “local” in local government.”¹⁷

- 2.80 On a day-to-day basis this sense of belonging and identity is most often felt at a local community or suburb level. As a result the sense of local community is often strongest at a level that is smaller than some of the current territorial authorities. For instance, within Lower Hutt City there may be as strong a sense of community identity associated with the local communities of Eastbourne, Petone, or Wainuiomata as there is of an overall sense of the whole of Lower Hutt City. Indeed, the smaller urban communities of Wainuiomata, Kelburn or Khandallah have some of the same sense of local identity and pride as Greytown, and Martinborough.
- 2.81 A sense of identity does, however, also exist at the regional level, based in part on the history of regional administration, but also through such factors as identification with regional or provincial sports teams.
- 2.82 As a result of the feedback it received, the Commission concluded that the perception of being a separate identity from Wellington, rather than a separate identity within Wellington, was undoubtedly strongest in the Wairarapa (separated as it is from metropolitan Wellington by the Rimutaka Ranges), but that this was also evident to some extent in other districts.

Functional dimension

- 2.83 Fulcher describes the functional interpretation of community of interest as looking at:

“the existing functional relationships between the people living in the same area. This has conventionally been a measure of local activity patterns: where people go to shop, bank, school, church, play sport, and socialise. In this sense the measure of a strong community of interest is that of the vast majority of people going towards a common centre for services, and having membership of sports clubs, parishes and other community organisations. As the Victorian Commission (1986:52) commented:

“Units of local government will be more effective if they cover the same area as that in which people live, work and play. This is because the most responsive municipality is one which is securely rooted in a well-established community”.

¹⁷ Fulcher, H., (1989), South Australian Department of Local Government, *A Discussion Paper which Explores the Concept of Community of Interest as it Applies to Local Government Boundaries*, p3

2.84 The functional communities of interest within Wellington Region are reflected in the provision of both local and central government services, non-governmental services and, equally significantly, in the economic flows within the region and between its communities. The flows of goods and resources, the daily patterns of commuting to work, and the way in which people spend their money across the region all reflect a high level of functional integration between the communities of Wellington Region.

Political dimension

2.85 The political dimension of community of interest is defined by Fulcher as one:

“which encompasses the organisational objective of participatory democracy. Local government’s mandate is to act as the voice of local opinion. That voice should be representative of all of the people who use and/or contribute to the facilities and services provided by the council. It must be able to represent and reconcile different interests, which will require public confidence in its leadership.

By virtue of its size, compared with state and federal government, local government should be able to involve a greater proportion of its electorate in decision-making processes. Whatever the extent of the actual involvement, it is important that constituents feel or perceive that their views are represented, or that they can participate in decision-making if they choose to do so.”¹⁸

2.86 In the Wellington context this political dimension of communities of interest relates to the structures and processes that are required to represent the interests of the different communities and for making decisions on their behalf. The need to make decisions at a level that most closely reflects the particular community of interest is reflected in clause 11(6)(a) and (b) of Schedule 3 of the *Local Government Act 2002*, as the “area of impact of responsibilities, duties and powers and the area of benefit of the services provided.”

2.87 The application of this principle suggests that if a service provides benefits or relates only to a local area (such as the operation of a community hall, local library, swimming pool, or local playground) then decisions relating to it should be made at that level. On the other hand, if the service provides benefits at a wider regional level (such as the provision of public transport services, flood protection, or a stadium) then decisions relating to it should be made by a regional body, reflecting the regional community of interest. This is particularly important where the response to an issue requires action or services that cut across the physical boundaries of a geographically defined community.

2.88 More particularly, issues or services that require actions that cut across the boundaries in Wellington Region include:

- the provision of public transport
- managing flood risks and river control

¹⁸ Fulcher, H., (1989), South Australian Department of Local Government, *A Discussion Paper which Explores the Concept of Community of Interest as it Applies to Local Government Boundaries*, p4

- dealing with natural hazards, risk mitigation and emergency response
 - the provision of regional scale cultural and recreational facilities.
- 2.89 Communities of interest that cut across the boundaries of the current territorial authorities include:
- the rural community of interest, including those with an interest in productive use of rural land, and those who choose to live in a rural context, but are part of the urban labour market
 - the urban community of interest
 - significant cultural and ethnic communities of interest
 - sporting or recreational groups who utilise facilities spread across the region.
- 2.90 Equally, issues or services that are at a scale that is smaller than the current territorial authority boundaries will include:
- the maintenance and provision of local playground equipment and park maintenance
 - the operation of the local community hall
 - the location and operation of a branch library
 - the control of parking in the local shopping centre.
- 2.91 The structures of non-governmental bodies representing particular sectors and interests can also provide insights into the landscape of political communities of interest. In Wellington Region Federated Farmers of New Zealand and the Chambers of Commerce have boundaries that overlap with the existing council boundaries to some degree. Federated Farmers of New Zealand's Wairarapa provincial branch covers the Wairarapa as well as Kapiti Coast through to Wellington (including the Hutt Valley). The Chamber of Commerce in the region has separate branches within a central region covering Taranaki, Wanganui-Manawatu, Hawke's Bay and the Wellington local government regions.
- 2.92 The Commission noted that Wellington Region's local government structures currently bear only a partial relationship to parliamentary representation structures within the region in terms of both the general and Māori electorates.
- 2.93 Iwi are an important and distinct community that have specific interests and particular statutory roles in relation to local government. Iwi and the ability of Māori generally to participate in council decision-making are discussed separately below.
- 2.94 The variability in the scale of issues, services and areas of benefit that relate to the responsibilities of local government mean that in Wellington Region there are meaningful political communities of interest at the local, sub-regional and regional levels.

The dimensions of community of interest in Wellington Region

2.95 The Commission used Fulcher’s three dimensions of community of interest to assist it to identify the degree of interdependency that currently exists within Wellington Region. While recognising its importance at the local level, the Commission found a very high level of interdependency was also apparent at the regional level in relation to particular local government services, other government and non-government services, and the economic flows within the region and between the communities that makeup the region.

Local government services

2.96 Services delivered regionally can be seen in Wellington Region to currently include public transport, civil defence and emergency management, and regional parks. Examples of delivery on an aggregated district basis currently include management of water catchments including bulk supply of water (for the four metropolitan territorial authority districts provided by Greater Wellington Regional Council) and drinking water and wastewater services (by way of a jointly-owned council controlled-organisation in the metropolitan area).

Central government and non-government agency services

2.97 Most government departments and emergency service providers align their delivery to the regional scale of local government. The three Wellington district health boards serve communities located in three groupings of councils in the region (the Wairarapa, the Hutt Valley and Wellington City/Kapiti Coast). Increasingly, however, health board services, particularly in specialist health areas, are provided in an integrated way across districts.

2.98 In terms of education, many students travel daily across districts, not only to the region’s tertiary institutions but also to schools in other local government jurisdictions.

2.99 CentrePort and Wellington airport provide sea and air links for people and businesses located right throughout the region, and further afield, and are essential to the regional economy.

2.100 The Hutt Valley, Kapiti Coast, Porirua, and Wellington City council areas fall within the Wellington Work and Income Region. The three Wairarapa council areas are covered by the Central Work and Income Region. The Wellington Policing District coincides with the Wellington Regional Council boundaries and the Wellington Police Region is part of a region covering the southern half of the North Island.

Economic Interdependence

- 2.101 The Commission engaged Market Economics to undertake an analysis of the economic and financial interrelationships within Wellington Region¹⁹. Market Economics modelled the flows and economic relationships within and among the Wellington councils using a market economics – economics futures model. The model applies an inter-sectoral input-output framework to identify the structures of local economies. The model takes into account the structure of each region's economy, the net flows inward and outward to or from that economy, known physical flows to or from each other region, and the effects of distance to estimate the origin-destination structure of these flows. Data on physical flows used in the model includes interregional freight flows, interregional transactions by consumers as well as detailed data on the supply of goods and services. The model identifies flows to each of 106 sectors of the economy.
- 2.102 Table 5 shows the intra-regional economic flows modelled by Market Economics. This table, when combined with other information in the report, describes how modelled input-output interrelationships show the interdependencies of the district economies in Wellington Region. While there is a greater level of interdependence between the economies of the western areas, the Wairarapa economies are typical of a more rural hinterland that supports and is supported by the core urban area.
- 2.103 The report also shows that the majority of the inputs into the economy of each area come from within the region. For each of the districts to the west of the Rimutaka Ranges, over 80% of the inputs to their economies come from their neighbouring areas. A further 2% to 4% comes from the Wairarapa. For the Wairarapa districts, between 34% and 41% of inputs come from the Wellington side of the Rimutaka Ranges. Broadly the same proportion of their outputs flow to the economies of other districts in the region. Indeed the Wellington City economy is almost as important to the Wairarapa as it is to Kapiti Coast and Upper Hutt (17% to 20% of outputs and 21% to 24% of inputs).
- 2.104 Other sections of the report show how most of the region's local economies consume more than they produce. Kapiti Coast (0.74), Porirua (0.73), Upper Hutt (0.76), Masterton (0.96), Carterton (0.82) and South Wairarapa (0.80) all have ratios of outputs to inputs of less than one. In contrast Lower Hutt City (1.06) and Wellington City (1.37) are net exporters. Exports from Wellington City economy provide 21% to 24% of all inputs to the economies of the Wairarapa districts.
- 2.105 Despite being 74% of the land area of the region and home to 9.1% of the region's population, the Wairarapa produces just 5.4% of the region's output.

¹⁹ Market Economics, (2014, September), *Economic and Financial Interrelationships within the Wellington Region*

Table 5: Wellington intra-regional economic flows

Source: Market Economics, 2014

Economy inputs (\$m as at 2007)														
Economy outputs	Kapiti Coast District	Porirua City	Upper Hutt City	Lower Hutt City	Wellington City	Other Wellington subtotal	Masterton District	Carterton District	South Wairarapa	Wairarapa subtotals	Wellington Region subtotal	Rest of North Island	Rest of New Zealand	Total output
Kapiti Coast District	904	125	57	155	332	1,573	27	12	14	53	1,626	271	61	1,958
Porirua City	102	615	69	246	585	1,617	23	9	12	44	1,661	221	67	1,949
Upper Hutt City	50	66	457	315	322	1,210	29	14	18	61	1,271	276	85	1,632
Lower Hutt City	247	366	468	2,719	2,671	6,471	113	42	55	210	6,681	1,266	421	8,368
Wellington City	712	1,022	672	3,087	12,359	17,852	317	111	137	565	18,417	5,501	2,093	26,011
Other Wellington	2,015	2,194	1,723	6,522	16,269	28,723	509	188	236	933	29,656	7,535	2,727	39,918
Masterton District	40	36	45	99	202	422	527	111	48	686	1,108	249	56	1,413
Carterton District	13	11	18	39	70	151	70	84	19	173	324	88	11	423
South Wairarapa	14	14	18	46	86	178	22	17	107	146	324	120	13	457
Wairarapa	67	61	81	184	358	751	619	212	174	1,005	1,756	457	80	2,293
Wellington Region	2,082	2,255	1,804	6,706	16,626	29,474	1,128	400	410	1,938	31,412	7,992	2,807	42,211
Rest of North Island	427	340	283	954	1,857	3,861	293	97	136	526	4,387	178,505	7,253	190,145
Rest of New Zealand	120	79	64	240	472	975	57	21	24	102	1,077	4,926	57,930	63,933
Total input	2,629	2,674	2,151	7,900	18,956	34,310	1,478	518	570	2,566	36,876	191,423	67,990	296,289

Note: The columns in Table 5 show the economic inputs to each area. Looking across to the left hand column shows where those inputs come from. Each row of Table 5 shows the economic outputs of each area. Looking up to the column heading shows where that economic output goes.

2.106 Output per person varies significantly across the region. Porirua and Upper Hutt have the lowest level of output per person (\$37,900 and \$40,200 respectively). Output per person across the Wairarapa district economies range from \$47,700 in South Wairarapa to \$59,500 in Masterton. In contrast output per person in the Wellington City economy is \$132,000. This disparity is reflected in the relative income of the residents of each district and also reflects to some degree the proportion of the population on fixed incomes. This is an important consideration in relation to the ability of each community to maintain and fund the level of infrastructure and services that are required to sustain it.

Place of work

2.107 The interdependence of the communities of Wellington Region is also reflected in the way that people routinely commute across the region for work. The 2006 census journey to work data for places of work in Wellington Region is shown in Table 6.

2.108 With more than 102,000 jobs, Wellington City attracts more than half of all daily work trips within the region. Only Wellington City and Masterton provide jobs within their own area for more than 80% of the workers who live within their district. The other districts provide employment to their own residents between a low of only 43.4% for Porirua and 66% in South Wairarapa. The lower levels of self-sufficiency for these areas are a reflection of the geography of the region and the economic and social interdependence of its constituent communities.

2.109 There are different patterns of commuting amongst the districts that are the furthest from the Wellington central business district. Kapiti Coast has a relationship with the rest of Wellington that is akin to Lower Hutt. That is, around 65% of residents work within the district, but 23% commute to Wellington City for work. In contrast, the workers living within the Wairarapa communities are more focused on jobs that are located within the Wairarapa. Masterton provides employment for 57% of all Wairarapa workers. In all, 90% of Wairarapa workers are employed in the Wairarapa. However, connections between the Wairarapa and the metropolitan part of the region are evident with 11% of Carterton workers and nearly 20% of South Wairarapa workers travelling to work in the metropolitan area.

Table 6: Place of usual residence and normal place of work by local authority 2006

Source: Statistics New Zealand Census of Population and Dwellings 2006

Usual residence	Horowhenua	Kapiti Coast	Porirua	Upper Hutt	Lower Hutt	Wellington	Masterton	Carterton	South Wairarapa	No. working in Wellington Region		No. working in metropolitan part of Wellington Region*	
										#	%	#	%
Tararua	0	0	0	0	12	18	57	6	0	-	-	-	-
Horowhenua	7,416	396	36	6	36	186	0	0	0	-	-	-	-
Kapiti Coast	291	9,600	798	156	702	3,432	15	9	12	14,724	65.2%	5,088	34.6%
Porirua	9	228	7,113	267	1,320	7,425	21	12	9	16,395	43.4%	16,125	98.4%
Upper Hutt	0	42	354	6,783	3,747	3,615	30	9	18	14,598	46.5	14,499	99.3%
Lower Hutt	6	102	579	1,344	22,926	12,504	63	45	42	37,605	60.9%	37,353	99.3%
Wellington	30	255	2,364	564	4,914	74,253	150	72	72	82,644	89.8%	82,095	99.3%
Masterton	6	9	9	33	84	195	6,903	576	141	7,950	86.8%	321	4.0%
Carterton	0	0	0	36	75	186	711	1,488	207	2,703	55.0%	297	11.0%
South Wairarapa	0	0	15	84	141	414	291	153	2,205	3,303	66.8%	654	19.8%

*The metropolitan area comprises Upper Hutt, Lower Hutt, Porirua and Wellington Cities.

- 2.110 The metropolitan part of the region is the location of work for virtually all workers (in excess of 98% in each case) residing in the four districts making up this area. In other words, there is very little travel for work purposes for residents of Upper Hutt, Lower Hutt, Porirua and Wellington City residents outside the boundary of these combined four districts. There is, however, a considerable amount of travel across the districts making up this area for work purposes. The location of work for only 43% of Porirua workers and 46% of Upper Hutt workers is within their own district, compared to the nearly 90% of Wellington City workers who work in the city.
- 2.111 The Wellington central business district is acknowledged as the economic hub of the region. It provides direct and indirect employment for significant numbers of the region's residents, including from Wairarapa. In 2006, there were almost 70,000 in the Wellington central business district.²⁰ Over 9,000 people also commute from Wellington City to other places to work.

Place of expenditure

- 2.112 Further evidence of the functional interdependence of the region is revealed by the scale of the money flows that occur between individuals with a residence in one location and the location where that money is spent. Table 7 presents BNZ cardholder spending by the district of residence of the purchaser and the location of the merchant for the period January to December 2013.
- 2.113 Merchants located in Wellington City attracted 48% of all of the bank card expenditure that was recorded by Wellington Region during 2013. For residents of the western districts the pattern of expenditure tends to reflect the same interconnections as was evident in the journey to work data. The majority of the expenditure generated by the residents of each district is spent in the district that they live in. However, a significant proportion is still spent in other districts. Wellington City attracts a significant proportion of expenditure that originates from other districts. It attracts 10% of Kapiti Coast's expenditure, 23% of Porirua's and 16% of Lower Hutt's.

²⁰ 2006 *Census of population and dwellings*

Table 7: BNZ Cardholder spending by location of merchant and customer, Jan – Dec 2013

Source: BNZ

Merchant Location	Customer Spending (\$'000)									
	Customer Location									
	Kapiti Coast	Porirua	Upper Hutt	Lower Hutt	Wellington	Masterton	Carterton	South Wairarapa	Region	Rest of NZ
Kapiti Coast	78,554	2,582	641	1,964	6,925	138	44	82	90,931	9,307
Porirua	5,775	55,257	1,214	2,730	26,076	127	83	158	91,420	4,327
Upper Hutt	487	792	45,550	4,673	2,278	312	259	876	55,226	1,814
Lower Hutt	2,467	6,164	14,153	135,901	36,534	913	544	1,250	197,924	14,088
Wellington	10,729	19,876	8,045	31,197	367,297	2,193	981	2,269	442,586	70,533
Masterton	201	238	373	606	1,789	39,755	8,291	6,664	57,918	4,876
Carterton	47	66	97	159	444	1,202	7,508	1,660	11,182	494
South Wairarapa	212	304	324	715	2,283	1,304	1,223	9,197	15,562	2,283
Region	98,471	85,278	70,397	177,944	443,626	45,944	18,933	22,156	962,750	107,723
Rest of NZ	12,536	8,157	5,851	16,660	57,404	5,513	1,663	1,969	109,754	6,933,534

- 2.114 In relation to bank card expenditure, approximately 86% of expenditure (by both monetary value and transactions) by Masterton residents occurs within Masterton District. This compares to approximately 40% of expenditure by Carterton residents and 54% (by transactions) by South Wairarapa residents occurring within the respective home districts.
- 2.115 Again connections between Wairarapa communities and the metropolitan area are evident with approximately 10% of Carterton District expenditure and approximately 20% of South Wairarapa expenditure occurring in the metropolitan area.²¹
- 2.116 The regional hierarchy of retail centres is reflected in the pattern of expenditure. Carterton and South Wairarapa both attract less than 40% of the expenditure generated in their districts. Porirua and Upper Hutt both attract less than 60% of the expenditure generated in their district. In contrast Masterton attracts a greater share of Carterton's expenditure than Carterton is able to retain.
- 2.117 Like the journey to work data, the expenditure data shows a clear pattern of interrelationship between the districts of the region. Interestingly the flows of expenditure from the outer areas of the region towards Wellington City are reciprocated. Residents of Wellington City account for 13% of the bank card expenditure in South Wairarapa. Overall, residents from the western districts account for 9% of all bank card expenditure in the Wairarapa.
- 2.118 Together the data suggests that the metropolitan part of the region can be seen as a single economic entity centred on the Wellington central business district, for employment and shopping purposes. More generally it can be said that while individuals may identify most strongly with a particular locality for some purposes, they tend to live, work, shop and play within the broader economy of the region.
- 2.119 Whilst there is a marked difference in the extent of interconnection between the residents of the Wairarapa and the western part of the region, there are still significant levels of cross-commuting for employment and significant flows of expenditure across the Rimutaka Ranges in both directions.

Property ownership

- 2.120 This level of interconnection is to a degree also reflected in property ownership. Greater Wellington Regional Council advised that there are a noticeable number of properties in each district which are owned by residents in another district. Table 8 shows the pattern of cross-ownership. As with the other measures of functional interconnectivity, the level of cross-ownership diminishes further away from the Wellington central business district, but it is still significant.

²¹ The 'metropolitan area' referred to here is Upper Hutt, Lower Hutt, Wellington City and Porirua

Table 8: Levels of cross-ownership of property between Wellington districts

Source: Greater Wellington Regional Council, properties with a rating address outside the local authority

Owner's postal address	Properties within each district							
	Carterton		Masterton		South Wairarapa		Total Wairarapa	
	No.	%	No.	%	No.	%	No.	%
Kapiti Coast	21	0.5	47	0.4	54	0.8	122	0.5
Lower Hutt	77	1.7	128	1.0	211	3.2	416	1.8
Porirua	27	0.6	38	0.3	56	0.9	121	0.5
Upper Hutt	32	0.7	78	0.6	87	1.3	197	0.8
Wellington City	239	5.2	386	3.1	589	8.9	1214	5.2
Total elsewhere in Wellington Region	396	8.7	677	5.5	997	15.1	2070	8.8
Outside Wellington Region	186	4.1	750	6.1	438	6.7	1374	5.9
Wairarapa	3,981	87.2	10,889	88.4	5,150	78.2	20,020	85.3
Total	4,563	100	12,316	100	6,585	100	23,464	100

2.121 The pattern of expenditure by Wellington City residents in South Wairarapa noted above is explained by the level of property ownership in that district by Wellington City residents. This is a feature of the regional lifestyles and the location of holiday or second homes in South Wairarapa.

Place of recreation and entertainment

2.122 Major events attract crowds from all parts of the region. Examples include the NZ International Arts Festival, Toast Martinborough (South Wairarapa), Wings over Wairarapa (Masterton), the International Rugby Sevens (Wellington City), and other sports fixtures.

2.123 Some major regional arts and entertainment facilities are located in Wellington City including the Westpac Stadium, St James Theatre, the Opera House, and other theatres. Other facilities located around the rest of the region also have more than a narrowly identifiable local significance, for example the Pataka Museum and Te Rauparaha Arena in Porirua, and the Carterton Events Centre.

- 2.124 In terms of sporting and leisure activities, there is a wide range of regional, district and sub-district bodies and facilities at various levels. At the local level there are sports clubs with long histories but also others that have had to combine with neighbouring clubs to remain viable. While locally based, these teams may also play in sub-regional or regional competitions. The Central Pulse Netball team represents a very broad area, including Taranaki, Manawatu-Wanganui, Hawke's Bay and Wellington Regions. The Hurricanes rugby team represents an area that includes the Manawatu-Wanganui and Hawke's Bay Regions. In contrast Cricket Wellington does not include the Wairarapa, which is part of the Central Districts Cricket Association.
- 2.125 The importance of regional amenities has been recognised in a very modest way by the establishment of the Wellington Regional Amenities Fund. The fund was set up to support entities of regional significance with day-to-day operational expenses and new innovative projects that will achieve identified priorities for the region. The fund is focused on arts, cultural and environmental attractions and events. In 2013 funding totalling \$865,000 was made available to four projects.

The Wairarapa and the western part of Wellington Region

- 2.126 The geographic proximity of Wairarapa to the western area of Wellington Region is such that they have historically had a close relationship. The western area provides educational institutions, transport connections, distribution hubs and business services. It also hosts a range of events, sporting, recreational and cultural activities, which are consumed and part funded by Wairarapa residents.
- 2.127 By contrast, Wairarapa has a low population density, is predominantly rural and has a dependence on primary production. It is also recreationally important to the western area and generates business for the port and airport.
- 2.128 At an aggregate level, the relationship between these two parts of the region often leads to them being characterised as a traditional hinterland supplying an urban centre but in real terms, it is more complex than that. Martin Jenkins²² suggests the myriad of linkages and connections between the Wairarapa and the western part of Wellington Region are of significance to the people and businesses of both areas although in the aggregate, the western area is more significant to Wairarapa than the reverse. Each has different things to offer to the other.
- 2.129 The Wairarapa is a supplier of primary and manufactured products and an important domestic tourism destination. The western area provides the Wairarapa with highly skilled professional services and skilled labour, distribution and transport networks and domestic tourism spending. The economies of each have uniquely different structures with two important economic consequences: a degree of resilience and complementary offerings.

²² Martin, Jenkins and Associates Limited, (2012, February), *Appendix 4: Economic Interdependence between the Western Area of the Wellington Region and Wairarapa*

2.130 As already noted, the perception of a community of interest separate from Wellington is undoubtedly stronger in the Wairarapa than elsewhere in the region. This in part reflects the physical separation imposed by the Rimutaka Ranges and the predominantly rural and small town character of the Wairarapa as opposed to the predominantly urban character of the metropolitan part of the region.

2.131 This sense of a Wairarapa community must be balanced by recognition that there are strong functional links and interdependencies between the Wairarapa and the western area of the region. Functionally, the Wairarapa is part of the Wellington regional economy and an integral part of the way that the people of the region live, work and play.

Conclusion regarding communities and interdependence

2.132 The significant levels of functional interconnection and interdependence discussed above are important. They underscore the reality that the residents and businesses of one district are directly affected by the decisions made in other districts. As the location of the majority of the jobs and the most significant entertainment venues in the region, decisions by Wellington City Council on zoning, parking, traffic control, and alcohol policy will impact on the daily lives of residents of Lower Hutt City or Kapiti Coast District. In some instances the impacts of these decisions may be as significant for the residents of Lower Hutt City or Kapiti Coast District as some decisions made by the council that they elected to govern in Lower Hutt or Kapiti Coast. For example, decisions relating to the performance of the road network around the Basin Reserve affect access to Wellington hospital and Wellington airport by residents and businesses across the region.

2.133 The analysis undertaken for the Commission confirmed that:

- Wellington faces a number of significant long-term challenges and opportunities and for the most part these are regional in scale, have impacts that cross current council boundaries and require coordinated region-wide responses
- there are significant local communities within each of the current council districts
- each of these local communities has an interest in their own neighbourhood, in their sense of place and in the local amenities and local cultural and recreational facilities of their area and of the region as a whole
- there are high levels of interconnection, interaction and interdependency between these local communities, the Wellington central business district and other parts of the region
- the perception of a community of interest separate from Wellington is undoubtedly stronger in the Wairarapa than elsewhere in the region
- functionally, the Wairarapa is part of the Wellington economy and an integral part of the way that the people of the region live, work and play.

- 2.134 There is a regional community of interest and mutual dependency within the region which reflects a shared interest: in the performance and development of the economy; the transport system; the exposure to natural hazards and the ability to both reduce risk and deal with the consequences of a significant event; as well as regional scale amenities, cultural and sporting facilities like the stadium and the regional parks.
- 2.135 There are also distinct and important local communities within the region that have their own identity and sense of place, and their own local issues. These contribute to the diversity and richness of the region. They are important and valued by residents.
- 2.136 These conclusions suggest the need for local government structures that are sensitive to both strong regional functional and political integration factors in Wellington Region, and the natural tendency of residents to perceive their community of interest in more local terms.

Connections with other parts of New Zealand

- 2.137 From its place in the middle of New Zealand, Wellington also provides a hub with connections to all other parts of the country.
- 2.138 This facilitates its role as the seat of government, where Parliament and most of the country's public policy-making is located. Associated with this is the location in Wellington of foreign consulates, head offices of national organisations and companies, and national education and research facilities.
- 2.139 Wellington also specialises in providing other national knowledge services (ICT, professional, scientific and technical services and cultural services). In this, Wellington plays a complementary economic role to the larger, more international and more commercially-focused Auckland.
- 2.140 These national functions rely on Wellington being a high amenity, well-functioning urban agglomeration that can attract skilled labour. Wellington's local government arrangements need to be able to maintain its liveability and its regional connectivity, including in the face of possible natural hazards. Given Wellington's national functions, it is also desirable that Wellington's local government can engage effectively with central government and with local leaders in other regions.

Features of Wellington Region most relevant to local government reorganisation

- 2.141 Those features of Wellington Region outlined above that the Commission considered of most relevance to the reorganisation options included the following:
- Its **population size** – at 11% of the New Zealand population, similar to Canterbury, the benefits or costs of Wellington Region's local government arrangements are not insignificant.

- Its **national functions** – functions include Wellington’s role as New Zealand’s capital, diplomatic base, as a head office location, and as a provider of national knowledge services. Wellington’s local government arrangements need to be able to maintain liveability and strong regional connections, as well as effective engagement with other leaders.
- Its **existing regional infrastructure networks** – this infrastructure includes road and rail networks that connect the different parts of the region and provide the key land-based lifelines to the rest of the country. It also includes the region’s water, wastewater and stormwater networks, substantial parts of which will require renewal within the next 30 years. Effective management and funding of these networks is essential to the region.
- The region’s **significant exposure to natural hazard risks** – Wellington is particularly susceptible to earthquakes, tsunami and flooding, which pose threats to its regional water infrastructure and key transport links. Wellington’s local government arrangements need to manage down the consequences of these risks and ensure the resilience of regional infrastructure. Given Wellington’s role as the capital, this is of national importance.
- The **interdependence within the metropolitan area and between the metropolitan part of the region and its rural hinterland, the Wairarapa – and the physical separation between the two area imposed by the Rimutaka Ranges** – the movement of people, goods and services between these two parts of the region require local government to maintain sufficient transport linkages and other services to overcome the physical barrier.
- **Uneven patterns of population growth and demographic change** – these variations require aligned regional and sub-regional planning.
- **Distinct sub-regional communities with different needs** – Wellington’s local government arrangements need to provide services that meet the different circumstances of a number of diverse communities in terms of factors such as socio-economic status, age, ethnicity and occupation.

2.142 These features of Wellington Region involve some significant long-term challenges with impacts that cross current council boundaries and require coordinated region-wide responses. Wellington’s local government arrangements need to be able to provide far-sighted decision-making that balances both regional and local needs.

Part 3: The current system of local government

3.1 This Part of the report provides an overview of the current system of local government in Wellington Region. It includes information about:

- key financial metrics (including assets, debt, revenue, sources of revenue, rates, current state of assets)
- numbers of elected representatives and representation ratios
- numbers of staff
- major expenditures and activities
- existing shared services and collaborative arrangements
- particular issues identified in council plans, reports and elsewhere.

3.2 The Part draws on a variety of reports produced for the Commission and others provided by various applicants, in particular:

- Report on Financial and Service Metrics of the Nine Wellington Councils²³
- Survey – Asset Management Activities Wellington Region Local Authorities²⁴
- Greater Wellington – Socio-demographic Profile 1986-2031²⁵, and Update²⁶
- Future Wellington – Proud, Prosperous and Resilient²⁷ - Report of Wellington Region Local Government Review Panel.

3.3 The above information has been augmented by material from the published council plans and reports, and information gathered in meetings with each of the region's councils and a wide variety of stakeholders.²⁸

3.4 In brief, together the Wellington Region councils have:

- financial assets valued at \$563 million (30 June 2013)
- investment in physical assets valued at \$12.8 billion (30 June 2013)
- debt totalling \$785 million (30 June 2013)
- forecast debt totalling \$1,336 million (by 30 June 2022)
- eight mayors, 96 councillors and 57 community board members
- full-time equivalent staff totalling 3,256 (April 2014)
- 321 plans currently produced under the *Resource Management Act 1991*, *Local Government Act 2002*, *Land Transport Management Act 2003* and *Reserves Act*.

²³ Brian Smith Advisory Services Limited, (2013, November), *Report on Potential Savings for Reorganisation of Nine Wellington Councils into One Unitary Council Without Boards*

²⁴ MWH, (2013, November), *Survey – Asset Management Activities Wellington Region Local Authorities*

²⁵ Jackson, N., University of Waikato, (2012, August), *Greater Wellington – Socio-demographic Profile 1986-2031*

²⁶ Jackson, N., (2014, February), *Greater Wellington and its TAs – Comparison of Key Demographic Trends with 2013 Census Data*

²⁷ Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*

²⁸ See Appendix B

3.5 Together the Wellington Region councils pay:

- elected member remuneration (including mayors and regional chair) of \$5.3 million per annum (2012/13)
- chief executive officer remuneration of \$2.6 million per annum (2012/13)
- audit fees for the audit of the 2012-13 annual reports \$1.36 million
- audit fees for the audit of the 2012-22 long-term plans \$0.863 million.

Financial overview

3.6 As a group, the current financial position of the Wellington Region's councils is not remarkable relative to other councils in New Zealand. Total operating expenditure per capita is somewhat higher than the national average, while capital expenditure per capita is somewhat lower.²⁹ Residential rates also appear to be close to the national average.

3.7 However, the financial position of each of the councils individually varies considerably across the region. For example, per capita operating expenditure during the 2012/13 year ranged from the lowest of \$1,091 in Upper Hutt, up to \$2,202 in Wellington City (compared to the New Zealand average of \$1,899). Table 9 summarises the per capita operating expenditure for each of the region's councils, based on 2012-13 annual reports and census data.

Table 9: Forecast Operating Expenditure 2012/13 – 2021/22

Source: Derived from 2012/13 annual reports and census data.

Council	Per capita operating expenditure (\$)
Wellington	2,202
Hutt	1,336
Upper Hutt	1,091
Porirua	1,357
Kapiti Coast	2,048
South Wairarapa	1,941
Carterton	1,395
Masterton	1,487
Greater Wellington Regional	375
Average for Wellington Region	1,915

²⁹ Ministry of Business Innovation and Employment, *Regional Economic Activity Report 2014*

- 3.8 This variation in expenditure is caused by different costs or the provision of different standards of service in different parts of the region. However it does not clearly translate to differences in average residential rates levels, which are remarkably similar between council areas. According to the “Ratepayers Report”³⁰ (produced by Fairfax NZ Ltd and the Taxpayers’ Union using information collected from individual councils, the Department of Internal Affairs and Statistics New Zealand), the average residential rate paid in each area of Wellington Region sat at close to \$2,000 last year, with Upper Hutt residents paying the least at \$1,733.
- 3.9 The different financial position of each council relates to factors such as the following:
- **Costs of providing local government services in the area** – the expenditure of urban councils necessarily includes services (such as culture, recreation and community facilities, public spaces etc.) that are either not provided in rural areas or are provided at a lesser scale and in a less capital intensive way. On the other hand, the larger land area of rural councils increases their total roads maintenance costs. Some councils are planning to increase their levels of debt to finance substantial capital expenditure, required to meet increased environmental standards or cater for population growth. This will need to be repaid by the future ratepayers who will benefit from these investments.
 - **The size and composition of the rating base** – Wellington City has by far the largest rating base with both the most residential properties and also the most significant concentrations of commercial properties against which it has offset residential rates.
 - **Ability to source non-rates income such as fees and charges, financial assistance and investment income** – as shown in Table 10, Greater Wellington Regional Council has the most opportunity to access these sources with almost half of its revenue comprising New Zealand Transport Agency financial assistance for passenger transport, and revenue from CentrePort and regional forests. New Zealand Transport Agency subsidies are also relatively important for Masterton, Carterton and South Wairarapa. Two of the councils that are less reliant on rates revenue (Wellington City and South Wairarapa) also have significant income-earning assets in comparison to their level of gross debt. In Upper Hutt, Porirua and Kapiti Coast, however, rates revenue accounts for 70% or more of total annual revenue.
 - **The underlying ability to pay of the population** – while rates are based on property values, the reality is that high income populations with a large proportion of working-age people are better able to fund local services, than are communities with older populations and fewer economic opportunities. People in Wellington City on average have higher incomes than residents of other Wellington councils and therefore a greater ability to pay.
 - **The extent a council is required to fund services for people outside its district** – Wellington City Council provides a range of services in the central business district frequently used by workers who commute into the area from other districts.

³⁰ Fairfax NZ Ltd., (2014), *Ratepayers Report*

Table 10: Major sources of funding for the region's councils

Source: Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*, p59.

Council	Total operating funding (\$000)	rates (general, targeted, water usage) (\$000)	Revenue from fees and charges (\$000)	Other sources of revenue (\$000)	Revenue from rates (%)
Wellington	365,289	239,567	97,421	28,301	66
Hutt	131,079	91,306	29,570	10,203	70
Upper Hutt	38,057	30,228	5,505	2,324	79
Porirua	58,751	46,490	9,883	2,378	79
Kapiti Coast	58,639	47,180	9,654	1,805	80
South Wairarapa	18,551	11,057	604	6,890	60
Carterton	11,211	8,514	1,431	1,267	76
Masterton	32,836	24,040	5,800	2,996	73
Greater Wellington Regional	218,523	90,258	4,448	123,817	41
Total Wellington Region	932,936	588,640	164,316	179,981	63

- 3.10 Variations between the councils' respective financial positions will likely increase in future, mostly because of the demographic shifts referred to in the previous Part of this report. While the populations of Wellington City, Kapiti Coast and Porirua are projected to grow between now and 2031, those in Masterton and South Wairarapa are forecast to shrink. Furthermore, while there will continue to be some growth in the working-age populations in the west of the region (most significantly in Wellington City), the rest of the region is forecast to lose working-age people. Much of the population increase forecast in the Hutt Valley and the Wairarapa is in people aged 65 and over. This will over time erode the ability to pay for local services of these five communities.
- 3.11 Meanwhile, the Wairarapa communities will need to maintain extensive roading systems, and all of the councils to varying degrees will face increased costs for renewal of ageing water, wastewater and stormwater assets in the next 10 – 30 years (detailed in the next section). These renewal costs are not all factored into the current long-term plans of the councils, which only present forecast financial information for a 10-year period.
- 3.12 Table 11 summarises the forecast operating expenditure major sources of funding for the councils in the region, based on 2012-22 local-term plan data. The combined total operating expenditure of just over a billion dollars a year collectively is significant.

Table 11: Forecast operating expenditure 2012/13 – 2021/22

Source: Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*, p61

Council	Finance expense (\$000)	Depreciation & amortisation (\$000)	Other operating expenditure (incl. personnel) (\$000)	Total operating expenditure 2012/13 (\$000)	Total operating expenditure 2012/13 – 2021/22 (\$000)
Wellington	22,647	91,703	264,830	379,180	4,346,840
Hutt	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	18,133	48,460	70,140	814,248
Kapiti Coast	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	8,173	31,720	215,255	255,148	2,959,181
Total Wellington Region	52,460	215,576	739,485	1,007,521	11,934,434

- 3.13 Table 12 shows the planned expenditure on renewals and replacement of assets over the period 2012-2022, by asset class.

Table 12: Proposed expenditure on renewals and replacement 2012-2022

Source: MWH, (2013, November), *Survey – Asset Management Activities Wellington Region Local Authorities*, p14

Council	Roads (\$000)	Water supply (\$000)	Waste-water (\$000)	Stormwater/ Flood control (\$000)	Public transport (\$000)	Total (\$000)
Greater Wellington Regional		38,431		See note	337,245	375,676
Wellington	286,000	154,540	109,780	61,750		612,070
Porirua	16,308	13,234	31,392	427		61,361
Kapiti Coast	32,426	27,503	20,931	5,187		86,047
Hutt	90,900	26,020	63,220	8,240		188,380
Upper Hutt	25,940	12,890	11,380	14,261		64,471
Masterton	39,764	22,930	14,810	1,441		78,945
South Wairarapa	20,610	3,630	27,910	1,750		53,900
Carterton	17,258	5,172	3,141			25,571
% of total	(34%)	(20%)	(18%)	(6%)	(22%)	
Total Wellington Region	529,206	304,350	282,564	93,056	337,245	1,546,421

Note: For floodplain management, the Greater Wellington Regional Council does not separate out costs for renewals from the overall upgrade programme's costs.

- 3.14 Across the region transport assets will account for more than half of all renewals and replacement. Roads will account for 34% and public transport assets for 22% of this expenditure. While expenditure over the next ten years for renewals and replacements is substantial, it is, with only a few exceptions, still less than the rate at which assets are being consumed. This suggests that there is likely to be some overall decline in asset condition across the region over the decade.
- 3.15 Table 13 shows the planned new capital expenditure intentions from the long-term plans over the period 2012-2022. Notably, planned expenditure on renewals and replacement is about twice as much as planned new capital expenditure. Around 70% of new capital expenditure is categorised as driven by improvements to service levels rather than growth. This reflects that the region as a whole is not subject to high levels of pressure to respond to population and economic growth, but that it is exposed to rising expectations of improved level of service across a number of areas.

Table 13: Proposed new capital expenditure 2012-2022

Source: MWH, (2013, November), Survey – Asset Management Activities Wellington Region Local Authorities, p11

Council	Growth (\$m)	ILOS (\$m)	Other (\$m)	Total (\$m)
Greater Wellington Regional	57,447	139,432	63,432	260,014
Wellington	16,251	157,109		173,360
Porirua	49,755	17,879		67,634
Kapiti Coast	13,694	76,936		90,630
Hutt	0,000	118,726		118,726
Upper Hutt	24,293	11,878		36,171
Masterton	1,278	24,032		25,310
South Wairarapa	0,000	0,000	5,104	5,104
Carterton	0,000	4,768		4,768
Total Wellington Region	162,718	550,463	68,536	781,717

Note: ILOS – increase in level of service

- 3.16 The Table 14 sets out a summary of the equity, liabilities and assets of the region's councils. Understandably, Wellington City Council has both the most significant assets (52% by value) since it is home 42% of the region's population, and it has 46% of the total liabilities of the region's councils.

Table 14: Summary of the equity liability and assets of the region's councils

Source: Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*

Council	Total equity (\$000)	Total liabilities (\$000)	Total assets (\$000)	% of region's assets
Wellington	6,196,356	487,401	6,683,757	52
Hutt	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	6
Greater Wellington Regional	810,929	213,724	1,024,653	8
Total Wellington Region	11,732,032	1,046,808	12,778,840	

- 3.17 Table 15 provides some insights into the level of gross debt held by each council and the way that it is forecast to change over the next decade. It sets out the actual and forecast borrowing of the region's councils.

Table 15: Actual and forecast borrowing of the region's councils

Source: Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*, p63.

Council	Actual borrowings 30 June 2011 (\$000)	Forecast borrowings 30 June 2013 (\$000)	Ratio of debt to rates revenue 2013	Borrowings per resident 2012/13 (\$)	Forecast borrowings 30 June 2022 (\$000)	Forecast movement in borrowings 2012-2022
Wellington	341,525	373,668	1.58	2,082	532,355	42%
Hutt	81,616	68,725	0.86	703	56,255	(18%)
Upper Hutt	20,745	24,972	0.80	650	50,154	101%
Porirua	41,766	53,058	1.14	1,093	52,499	(1%)
Kapiti Coast	71,266	135,190	2.55	2,926	188,079	39%
South Wairarapa	8,420	10,138	0.88	1,141	16,711	65%
Carterton	1,636	9,414	0.88	1,326	10,988	17%
Masterton	28,491	52,005	2.16	2,299	54,174	4%
Greater Wellington Regional	112,616	182,248	2.01	406	375,436	106%
Total Wellington Region	708,081	909,418	1.54		1,336,651	47%

Note: Derived from 2010/11 annual reports (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

- 3.18 A typical measure of debt capacity is the ratio of total debt to annual rates revenue. With current ratios of debt to rates revenue of 2.55 and 2.16 respectively, Kapiti Coast and Masterton are amongst New Zealand councils with the highest debt ratios. Greater Wellington Regional Council, with a debt to rates revenue ratio of just over two, is also high in comparison to other regional councils, reflecting the scale of the investment being made in public transport.
- 3.19 Some of the Wellington councils have considerable income-earning investments. These include Greater Wellington Regional Council's shareholding in CentrePort and Wellington City Council's shareholding in Wellington International Airport. Taking that into account, Table 16 shows the current net debt position of the Wellington councils (gross public debt less investments).

Table 16: Actual and forecast borrowing of the region's councils

Source: 2012/22 long-term plans (forecast borrowings 30 June 2013, 30 June 2022).

Council	Forecast borrowings 30 June 2013 (\$m)	Value of investments 2013 (\$m)	Debt less investments 2013 (\$m)	Share of net debt (%)
Wellington	374	254	120	26%
Hutt	69	25	44	10%
Upper Hutt	25	0	25	5%
Porirua	53	23	30	7%
Kapiti Coast	135	3	132	29%
South Wairarapa	10	8	2	0.4%
Carterton	9	2	7	1.5%
Masterton	52	11	41	9%
Greater Wellington Regional	182	128	54	12%
Total Wellington Region	909	454	50	100%

- 3.20 Once the value of the income-earning assets is considered, it becomes clear that the council that is most challenged by the scale of its borrowings is Kapiti Coast District Council. With just 10% of the region's population, Kapiti Coast holds 29% of the net council debt in Wellington Region.
- 3.21 Overall, none of the Wellington councils is in financial difficulty. All operate within the bounds of accepted financial prudence and most (but probably not Kapiti Coast) have continued headroom for borrowing if that should prove necessary.

Main trends

- 3.22 The main trends for the Wellington councils with respect to their financial position are as follows:
- Other than Greater Wellington Regional Council and Wellington City Council, the councils have a significant reliance on rates as a proportion of total income which exposes councils to greater financial risk.

- Based on long-term plan estimates, there is a predicted increase in forecast debt for most of the Wellington councils from \$785 million to \$1,336 million over the period 2012 to 2022, an increase of 70%.
- A long-term trend of underfunding depreciation is slowly being reversed. With some exceptions, this follows a long period of under investment in assets and there is a potential affordability problem beyond the horizon of the current long-term plans.
- The underground networks in particular are ageing and also contain sections of pipes that are predicted to fail (because of their composition and the environment) within a thirty-year time horizon.
- It is likely, based on changes to environmental regulation, that regional expenditure on the environment, particularly water quality and availability issues, will increase as higher environmental targets are formulated and monitored. This is a generic impost on all ratepayers in the country, but it will need to be factored into future cost projections.
- Provision for earthquake strengthening of council properties is understandably greater in areas with the highest capital value (such as the Wellington central business district and the centre of Lower Hutt City), but is also required in smaller centres and may not have been fully quantified by the smaller councils.
- Transport costs (capital and operating) are predicted to increase over the period of the current 10-year plans, with the greatest costs falling on the Greater Wellington Regional Council and Wellington City Council, both of which have the largest investments and associated income. Transport also accounts for the greatest proportion of increased borrowing by Greater Wellington Regional Council.
- Based on census projections, demographic changes in the region are likely to include ageing and selective depopulation, with Wellington City likely to be least affected of the eight districts. This, among other things, is likely to manifest itself in a decline in the ratio of employed to non-employed, with a net negative effect on the ability of these communities to meet the expected increases in rate requirements.

Assets overview

3.23 MWH was engaged by the Commission to conduct a survey to:

- provide a summary of the current state of key assets that each council manages
- identify the proposed expenditure on key assets, and renewals and replacements identified in long-term plans
- provide a summary of the activities each council plans to undertake in relation to its key assets in its long-term plan
- identify possible asset-related issues not reflected in the current long-term plans
- provide an opinion on the reliability of the current asset management plans.

3.24 The focus of this work was on the major classes of council infrastructure assets (roads, water, wastewater, stormwater/flood control, and public transport).

3.25 In their responses to MWH, councils identified common themes in describing factors that impact on the management of their assets. They were:

- the risk of natural hazard events and the potential cost of repairing and restoring the networks after them
- the need to plan for future climate change and the changing risk environment that this implies for council assets
- the extent to which government policy changes can impact on councils' operations and costs
- the impact of higher environmental expectations (which impact particularly when new resource consents have to be obtained or existing ones renewed)
- the critical impact of New Zealand Transport Agency subsidy rates for public transport and for roads, especially for those councils where the maintenance and renewal of roads or public transport is a significant part of their budgets.

3.26 The overall conclusions reached by MWH were:

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

The study did cause some uneasiness about:

- *whether or not the future renewal requirements are in all cases being sufficiently planned for and undertaken at the optimum time in the assets lifecycle; (and)*
- *the absence of information about potential extraordinary funding requirements for renewals in the next 10-30 years – especially for water supply, wastewater and stormwater.”³¹*

3.27 The mix of asset types differs across the councils. The value of the assets of the three Wairarapa councils is heavily dominated by roads, as is typical of predominantly rural councils. The four metropolitan councils have a more even spread across roads, water, wastewater and stormwater. Kapiti Coast District Council sits in between, with roads comprising about half of total asset value. For Greater Wellington Regional Council water, flood control and public transport assets dominate.

3.28 Not unexpectedly, councils reported higher levels of confidence about asset condition for roads than for the underground assets.³¹ The replacement and depreciated replacement values of the major assets for the region's councils are shown in Table 17. The ratio of the depreciated replacement value to the replacement value of the asset provides an indicator of the remaining useful life of the asset.

³¹ MWH, (2013, November), *Survey – Asset Management Activities Wellington Region Local Authorities*

Table 17: Asset values

Source: MWH, (2013, November), Survey – Asset Management Activities Wellington Region Local Authorities, p14.

Council	Replacement Value (\$m)	Depreciated Replacement Value (\$m)	Depreciated value as % of replacement value (%)					
			Roads	Public Transport	Water Supply	Wastewater	Stormwater / Flood Control	Total
Greater Wellington Regional	1,757.0	1,037.0		45	56		100	59
Wellington	3,349.0	1976.0	73		50	53	54	59
Porirua	797.9	482.4	70		50	54	64	60
Kapiti Coast	652.8	455.6	75		59	64	77	70
Hutt	1,755.1	923.9	56		45	47	58	53
Upper Hutt	723.5	450.3	64		62	56	65	62
Masterton	828.0	604.6	83		44	49	52	73
South Wairarapa	456.3	359.4	84		52	54	50	79
Carterton	178.0	125.7	77		41	36	50	70
Total Wellington Region	10,497.6	6,414.9						61

- 3.29 Across the region the useful life of council assets varies by both district and asset class. Generally roads had the highest ratios of depreciated value to replacement value, typically 70% to 80%. In contrast, water and wastewater assets have ratios of less than 50% for some councils.
- 3.30 The asset management plans of the Wellington councils provide a different means of understanding the current condition of, and possible required future investment in, infrastructure. The picture that emerges from the asset management plans is that substantial parts of the councils' piped networks are likely to reach the end of their economic lives within the next 30 years.
- 3.31 Table 18 shows the current assessment of the water and wastewater assets of the Wellington councils. Assets that are assessed as being in very poor condition are rapidly approaching the end of their life. As they continue to deteriorate, the risk of their failure will increase significantly. Failure of water networks will leave consumers without potable water. Failure of wastewater assets will result in overflows of wastewater and consequential health risk and environmental impact.

Table 18: Condition assessment of water and wastewater assets

Source: MWH, (2014, April), *Supplementary Report – Financial Impact of Asbestos Cement Pipe Replacement in the Wellington Region*, p2.

Council	Water			Wastewater		
	Length of Pipework (m)	% AC or poor to very poor	Length (m) of poor to very poor	Length of Pipework (m)	% AC or poor to very poor	Length (m) of poor to very poor
Wellington	1,245,000	42	522,900	1,109,000	13	144,170
Porirua	321,000	61	195,810	403,000	84	338,520
Kapiti Coast	485,000	53	257,050	348,200	67	233,294
Upper Hutt	279,000	31	86,490	216,000	70	151,200
Hutt	677,000	58	392,660	681,000	29	197,490
Masterton	187,800	43	80,754	170,800	40	68,320
South Wairarapa	104,000	47	48,880	68,000	38	25,840
Carterton	48,500	66	32,010	30,800	44	13,552

- 3.32 The proportion of the region’s water and wastewater network that is in poor or very poor condition varies across the councils. However, with 61% of its water network and 84% of its wastewater network rated as poor or very poor, Porirua faces a considerable future investment to replace these assets. Kapiti Coast also faces a challenge with 53% of its water network and 67% of its wastewater network rated as poor or very poor.
- 3.33 The major challenge for the future relating to infrastructure that emerged from the MWH study is the widespread need for increased financial provision for renewals of water and wastewater infrastructure. This was frequently identified as an issue by councils, but usually as an issue outside the timeframe of current long-term plans. As a result, current planning documents often do not contain information identifying the potential scale of the costs involved.
- 3.34 The previous section of this report considered the visible debt position of the current councils. The extent of the required future investment in ageing or poor infrastructure can also be considered to be a form of debt, it is just more difficult to see and quantify.
- 3.35 Before the late 1970s there was widespread use of sub-grade cement pipes. These have shorter lives than pipes made of other materials and the current condition of at least those laid before 1970 can generally be regarded as likely to be poor to very poor. It is reasonable to assume that all these pipes will have to be replaced within the next 10 to 30 years.

- 3.36 The Commission sought from MWH a first order assessment of what the order of costs of this work might be. There are a large number of variables that impact on the cost of pipeline renewals. It has not been possible for precise estimates to be made. However, a high level scoping of the potential scale of costs by MWH³² suggested that the range of costs would probably lie in the range of \$728m to \$1,041m for water and \$1,082m to \$1,548m for wastewater, or an overall figure in the range of \$1,769m to \$2,630m. The combined total of planned expenditure on renewals and replacement of water and wastewater assets over the next decade is \$587m (see Table 12).
- 3.37 Overall, the Wellington councils face some significant challenges to manage, replace and develop the region's infrastructure over the next two decades. Currently planned levels of expenditure to deal with the renewal and replacement of existing assets are at a level lower than the expected deterioration of the assets. Beyond the life of current long-term plans, considerably higher levels of expenditure will be required to replace ageing water and wastewater networks, and it is likely that rising environmental standards and increasing level of service expectations will add to this challenge. For districts such as Kapiti Coast, which is forecast to grow but where there is already a high level of debt in relation to its income, and a significant proportion of its wastewater network reaching the end of its life, the future will be challenging indeed.
- 3.38 The need to respond to increased obligations with respect to earthquake prone buildings will also drive the need to renew or replace assets. Wellington City Council has allocated \$47m for this in its long-term plan; Hutt City Council has allocated \$21m. These provisions may yet prove to be inadequate.

Core services

Road management

- 3.39 Current responsibilities for land transport functions in Wellington are summarised in Table 19. This table reflects the recent changes to the *Land Transport Management Act 2003*.

³² MWH, (2014, April), *Supplementary Report – Financial Impact of Asbestos Cement Pipe Replacement in the Wellington Region*, p3

Table 19: Current land transport functions

Function	Primary responsibility	Comments
Strategic planning	Regional	Wellington Regional Land Transport Plan is prepared by the Wellington Regional Transport Committee.
Programming	Regional	Wellington Regional Land Transport Plan is prepared by the Wellington Regional Transport Committee. From 2015 the new plan will replace the previous, separate regional land transport programme regional land transport strategy.
Public transport services	Regional	The planning and procurement of bus, rail and ferry services is undertaken by Greater Wellington Regional Council through the Wellington Regional Public Transport Plan. Rail services are provided under contract by KiwiRail, and bus and ferry services under contract to private operators.
Rail infrastructure	National (KiwiRail)	KiwiRail owns and maintains rail infrastructure as part of the national rail network. It also operates passenger rail services under contract to Greater Wellington Regional Council.
Other public transport infrastructure	Regional & Territorial	Greater Wellington Regional Council owns or controls railway stations, park and rides, and major off-street interchanges. Other public transport infrastructure (bus stops, bus priorities etc.) is located within the road reserve, and is the responsibility of territorial authorities.
State highways	National (NZ Transport Agency)	New Zealand Transport Agency operates Wellington's motorways and state highways as part of the national state highway network.
Local roads	Territorial	All roads other than state highways are the responsibility of territorial authorities as road controlling authorities.
Walking and cycling	Territorial	Most walking and cycling infrastructure in the region is the responsibility of territorial authorities.
Travel demand management	Regional & Territorial	Greater Wellington Regional Council plans, promotes and provides training for travel planning programmes. Territorial authorities lead implementation. Territorial authorities and NZ Transport Agency are responsible for on-road initiatives such as traveller information systems, high occupancy vehicle lanes, pedestrian safety, etc.

3.40 The transport assets of the region are significant. Table 20 shows the scale of the road networks owned and managed by the territorial authorities. The length of roading in urban areas (3,679.5 lane km) is very similar to that located in rural areas (3,771.6 lane km).

Table 20: Road length

Source: MWH, (2013, November), *Survey – Asset Management Activities Wellington Region Local Authorities*, p48.

Council	Length of sealed road (km)	Length of unsealed road (km)
Wellington	690	1
Porirua	246	0
Kapiti Coast	386	16
Upper Hutt	480	0
Hutt	157	82
Masterton	521	282
South Wairarapa	882	271
Carterton	286	155

- 3.41 The Wairarapa councils have large roading networks, which are predominantly rural and have relatively low operating costs per km. Nevertheless with a total road network of 1,153km, South Wairarapa faces a significant and ongoing road maintenance task. Kapiti Coast, Porirua, Upper Hutt and Lower Hutt have predominantly suburban road networks with similar costs per km, whereas Wellington City has an urban network with higher traffic volumes, more traffic control devices, more non-vehicle use of road reserves and relatively high costs per km.
- 3.42 Capital expenditure per capita is close to twice as much for the Wairarapa councils as for the rest of Wellington, reflecting the much greater length of road per capita. Roading accounts for almost half of the total planned capital expenditure for the Wairarapa councils, and more than 80% of this is budgeted for renewals. Wellington City Council also has a relatively high level of planned capital expenditure per capita, with about 25% used to increase levels of service.
- 3.43 Council expenditure on local roads is funded through a combination of rates and New Zealand Transport Agency funding. The level of New Zealand Transport Agency input is determined by the funding assistance rate, which takes into account the size and condition of the rating network, and the rating base of the council. In Wellington Region, the current funding assistance rate for road maintenance ranges from 45.8% in Wellington City to 64.0% in Wairarapa.³³ This may change once the current New Zealand Transport Agency review of financial assistance rates is completed.
- 3.44 Planning and programming of transport expenditure is undertaken with the help of the Wellington Regional Transport Committee, which is a committee of the Greater Wellington Regional Council. The key document prepared by this committee (from 2015) is the Wellington Regional Land Transport Plan. This provides the basis for coordinating the long-term development of the region's transport networks including public transport.

³³ Overall effective rate 2012/13 – this may be adjusted following a review undertaken in 2014

3.45 Historically, officers from the region's councils have worked together in a variety of ways, including collaborating in developing the previously required regional land transport programme and regional transport strategy. Completing these documents has required considerable technical and political effort to reconcile the different visions and aspirations of the region's councils. Major differences between councils have emerged over many of the major transport proposals over the last decades, for example:

- different views on Transmission Gully have been reflected in over 30 years of debate about the relative merits of a coastal route and an inland route (now resolved)
- the debate over the impact of the extension of the urban motorway on an area of historic heritage continued for 20 years
- the ongoing conflict over the duplication of the Mount Victoria tunnel and the Basin Reserve flyover
- the prolonged argument over the scale and scope of the upgrading of the current coastal route of State Highway 1
- agreeing regional priorities for investment through the regional transport committee framework has been difficult and time consuming.

3.46 There are a number of informal arrangements where neighbouring councils, particularly the Wairarapa councils, work together to achieve scale in the contracts they let for tender. This has included the letting of road maintenance group contracts. Upper Hutt City Council and Hutt City Council are moving to better align specifications and procurement processes to take advantage of shared knowledge and seek opportunities to lower prices for services. A joint operations centre has been established by Wellington City Council and the New Zealand Transport Agency. In other areas, there are currently no formal arrangements for councils to work together in delivering transport responsibilities.

3.47 Overall, under the current framework, the level and effectiveness of cooperation on transport matters depends largely on the individuals that are involved and the relative level of goodwill which exists between councils. Progress also depends on the ability of political leaders to broker solutions, and the ability to do this varies in each electoral cycle.

3.48 On the Wellington Regional Transport Committee there are two representatives from the Greater Wellington Council to represent a regional view, one New Zealand Transport Agency representative who holds a national community of interest perspective, and eight territorial authority representatives, each representing interests of their own community. Accordingly, the balance of democratic voice sits with those who represent local geographic communities of interest. Regional priorities are established through a political process juggling competing and different local interests. Misalignment between functional communities of interest and the current framework of decision-making make this form of decision-making difficult.

Public transport services

- 3.49 Wellington has a very good and highly used public transport system. This system is an important enabler of the interconnectivity between the communities of the region and contributes substantially to the social and economic prosperity of the individual communities, the Wellington central business district and the region as a whole.
- 3.50 The core of the Wellington Region public transport network north of the central business district is the rail lines connecting Waikanae, Masterton and Johnsonville to the central business district (and all places in between). There are also bus services connecting local communities with the rail lines. These bus services connect local communities and a ferry service connects Day's Bay in Lower Hutt City with the Wellington central business district. South and east of the central business district, public transport is provided by bus services.
- 3.51 Seventeen per cent of all commuter trips between home and work in 2011 were made by public transport. Seventy-five per cent of people in Wellington Region used public transport during that year. The Wellington railway station and central business district are the centre points for the majority of train and bus journeys.
- 3.52 As noted above, an efficient public transport system makes a critical contribution to the success of the Wellington central business district. Accessible public transport means that people can afford to live in other places but work, play, and shop in the central business district. The Wellington central business district and users of the Wellington City transport network make a legitimate and significant contribution to the cost of the provision of regional passenger transport services.
- 3.53 Greater Wellington Regional Council is responsible for preparing a regional public transport plan, which sets out the public transport services the regional council intends to have provided in the region through contracts with individual operators. Funding for these services is supported by regional rates and New Zealand Transport Agency funding. The Greater Wellington Regional Council also owns or controls most critical passenger transport infrastructure. Territorial authorities provide related street works and bus stops.
- 3.54 Central government, Greater Wellington Regional Council, New Zealand Transport Agency and KiwiRail have agreed on a package of infrastructure works, capital stock and funding to improve the quality of the region's commuter rail service. This has included double tracking and electrification of rail lines to Waikanae, park-and-ride facilities at a number of locations, the purchase of a large number of Matangi trains, the upgrade of the Johnsonville line and improvements to the Wairarapa line.

- 3.55 The public transport system is regional in scale and provides vital peak period capacity in Wellington’s tightly constrained network. The regional level of planning and action works well and major progress is currently being made on the redevelopment of the rail system.
- 3.56 The areas of challenge and difficulty with the current framework for delivering public transport are in the provision of bus services and the need to align differing views in relation to the design of the services (by Greater Wellington Regional Council) and the operation and design of the local roads (by territorial authorities). Differences between the Greater Wellington Regional Council and Wellington City Council over the scale, pace and detail of bus priorities within the Wellington central business district are an example of this challenge. It is a reflection of the misalignment of functional communities of interest with the existing framework of local government decision-making.

Water, wastewater and stormwater

- 3.57 Table 21 shows the scale of the water supply and reticulation systems owned by the Wellington councils.

Table 21: Water supply reticulation summary

Source: Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*, p125.

Council	Pipe network (kms)	Reservoirs /storage lakes	Pump stations	Treatment plants
Wellington	1,245	80	33	
Hutt	683	24	13	
Upper Hutt	277	16	8	
Porirua	321	17	13	
Kapiti	528	8	8	5
South Wairarapa	104			Local schemes
Carterton	50	3		1
Masterton	168	2		2+ local schemes
Greater Wellington Regional	183	2	18	4

- 3.58 Table 22 shows the extent of the wastewater networks and treatment plants owned by the councils.

Table 22: Wastewater networks and treatment plants summary

Source: Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*, p125.

Council	Pipe network (kms)	Pump stations	Peak flow storage tanks	Treatment plants
Wellington	1,058	62		2
Hutt	677	44	2	
Upper Hutt	215	12		
Porirua	403	44		11
Kapiti	280	142		2
South Wairarapa				4 local schemes
Carterton	31	11		1
Masterton	150	4		1 + 3 local schemes

Note: Porirua City Council and Wellington City Council share plant

- 3.59 Until very recently, bulk/wholesale water has been supplied to Wellington City, Lower Hutt City, Upper City and Porirua City by the Greater Wellington Regional Council.
- 3.60 Bulk storage and supply is now (2014) part of an integrated management arrangement delivered for the affected councils by Capacity Infrastructure Ltd, which it is proposed will be renamed 'Wellington Water'. Water storage for this bulk supply occurs at the Stuart Macaskill Lakes at Te Marua in Upper Hutt City. Final details about how this new arrangement will operate are still being confirmed.
- 3.61 Kapiti District Council supplies its communities with water from various ground water and stream sources and has recently introduced a water metering system. The three Wairarapa councils also each supply their own local communities with water, wastewater and stormwater services. Services within Kapiti Coast and Wairarapa are principally supplied under contract but water treatment services are provided in-house.
- 3.62 The discussion in section 3.2 has highlighted the future issues that the region faces with respect to the renewal and replacement of water and wastewater assets. Given the scarcity of public funds, the region's councils will need to address how to consider growth, the relocation of activities within the region, and the potential for alternative forms of service delivery as they re-invest. Other than the voluntary measures through the Wellington Regional Strategy, there are very limited ways to coordinate the redevelopment of infrastructure within the region to best support future competitiveness or deliver best value from scarce funds.

3.63 Table 23 shows the scale of the stormwater systems provided by the councils. While it is commonplace to focus more attention on the management of water and wastewater assets, stormwater systems are one area where there will be increased attention through the application of rising environmental standards and in the longer term through the need to respond to changing risk profiles driven by the impacts of climate change. In urban areas the quality of stormwater is one of the key determinants of the health of the receiving waters.

Table 23: Stormwater systems summary

Source: Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*, p126.

Council	Pipe and tunnel network (kms)	Open drains (kms)	Pump stations
Wellington	740		
Hutt	546		14
Upper Hutt	147	11.5	6
Porirua	304		
Kapiti Coast	193	40	12
South Wairarapa			
Carterton	11	27	
Masterton	33		

Solid waste management

3.64 There are five operating landfills in the Hutt Valley, Wellington City, Porirua City and Kapiti Coast District. All are within 45 minutes of their neighbouring landfill. The ownership of Porirua’s Spicer landfill is shared with Wellington City. Masterton has two landfills. The Wairarapa has recycling centres and waste transfer stations as shown in Table 24. The Wairarapa councils also operate a joint contract for solid waste disposal.

Table 24: Solid waste facilities

Source: Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*, p126

Council	Landfills	Recycling centres	Waste transfer stations
Wellington	1		
Hutt	2		
Upper Hutt	0		
Porirua	11		
Kapiti Coast	1	3	1
South Wairarapa		4	1
Carterton			1
Masterton	2		3

Note: Porirua's Spicer landfill is shared in ownership and operation between Wellington City and Porirua City Councils.

Avoidance or mitigation of natural hazards

- 3.65 Significant progress has been made in building organisational capacity to respond to natural hazard events in Wellington Region in the last few years. This is primarily because of the formation of the Wellington Regional Emergency Office. This organisation provides oversight and connection between the region's councils particularly when responding to a significant natural hazard event. However, the consequences of a natural hazard will also depend upon the resilience of the infrastructure affected, and this will require Wellington's councils to undertake significant expenditure. Currently the greatest evidence of the need to build resilience is in flood control.
- 3.66 With respect to flooding, according to the Greater Wellington Regional Council³⁴, significant investment is proposed in flood control infrastructure over the next 30 years. This totals \$227 million with \$140 million in the Hutt Valley, \$20 million in Kapiti Coast and \$65 million in the Wairarapa. In addition \$16 million is spent annually on maintenance in these areas.
- 3.67 Greater Wellington Regional Council has established reserve funds to assist with recovery from a major flood event. Balanced with insurance and borrowing, the council is confident it is well positioned to meet any demands which may arise anywhere in the region without imposing a heavy burden on local ratepayers.
- 3.68 The Greater Wellington Regional Council has a specialist team to provide services in asset management, hydraulic modelling, and flood forecasting and river geomorphology. It has said that it is currently directing attention toward addressing the consequences of an 800mm rise in sea level and changes to bed load (scouring in the head waters and deposition in the lower reaches).

³⁴ Greater Wellington Regional Council, (2014, August), *Response to questions from the Commission*

- 3.69 Flood protection works are funded by the Greater Wellington Regional Council by up to 50% from a general rate across the region, with the remainder being from rates that directly charge the beneficiaries of the works. The 50% regional contribution reflects the flood protection benefits that accrue to the wider catchment and region and enables these benefits to be spread without undue burden on individual local ratepayers.
- 3.70 The current activity in relation to natural hazards is primarily focused on emergency response or mitigating risks. Avoiding risk, or avoiding actions that would compound existing risks, will require coordinated and consistent planning and action across the region with respect to both land use and infrastructure.

Community facilities

- 3.71 The Wellington councils operate a range of community facilities that are a key part of the fabric of the community. These facilities vary in scale from those that have a regional nature, to community halls and pensioner flats that are very local facilities. Table 25 summarises the type and number of community facilities in Wellington Region by council.

Table 25: Community facilities in Wellington Region by council

Source: Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*, p188.

Council	Community facilities					
	Libraries	Museums Galleries	Pools	Indoor recreation	Cemeteries	Other examples
Wellington	12	6	7	4	2	Zoo, Zealandia, marina, golf course, botanical gardens, social housing
Hutt	8	2	6	2	2	Community halls, community housing
Upper Hutt	2	1	1		1	Community halls
Porirua	5	1	2	1	3	Community halls, 26 pensioner flats
Kapiti Coast	4	1	3		4	Community halls, 74 pensioner flats
Masterton	1	1	1	1	2	Pensioner flats, 6 rural community halls, airport
Carterton	1		1	1	1	
South Wairarapa	3		3		4	

- 3.72 To a degree the difference in the scale of the facilities is reflected in their cost of operation. The operating cost of social infrastructure for each council is shown in Table 26. The level of service clearly differs between the councils, as does the cost per person served. Not only does Wellington City Council provide the highest level of service, it can also be argued that it provides the greatest proportion of the community facilities that are of a more regional nature. Again there is an argument here that a degree of misalignment exists between the functional communities of interest in the region and the current local government arrangements.

Table 26: Cost per person per annum for operational expenditure in social infrastructure

Source: Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*, p89.

Council	Operational cost 2012 – 2022 (\$m)	Population	Cost per person per annum (\$)
Wellington	965,417	200,100	482
Hutt	383,618	103,000	372
Upper Hutt	116,304	41,500	280
Porirua	198,714	52,700	377
Kapiti Coast	113,840	48,000	237
Masterton	107,982	23,500	459
Carterton	40,113	7,650	524
South Wairarapa	51,640	9,430	528
Total Wellington Region	1,977,628	485,880	3,259

- 3.73 The high level framework for the management of most areas of open space and parks is defined in the *Reserves Act 1977*. Under this Act, management plans are required to be prepared on a ten-year review timeframe. In Wellington City, the recently updated *Wellington (City) Town Belt Reserves Act 1908* performs a similar role. The elected representatives make decisions about the matters to be included in these policy instruments. They also set levels of service and cost recovery provisions.
- 3.74 The Greater Wellington Regional Council sets policy for and delivers regional parks and reserve services and was (alongside Wellington City Council) the lead provider of the regional Westpac Trust Stadium.
- 3.75 The mechanism for the delivery of parks and recreation services varies across the region. For example, the Hutt Valley councils make extensive use of private sector providers. Wellington City Council largely applies an in-house provider model but also delivers some services to Porirua City. There are varying views about the benefit to be achieved from the delivery of contracted services across the region to gain efficiencies from scale, as compared to supporting local businesses.

- 3.76 Many facilities, including swimming pools may be provided in partnership with sporting code providers or schools. Councils also establish and manage local and regional arts and cultural facilities such as galleries and museums and support community use of these facilities with funding, programmes and promotion. These often extend to local events, heritage management and exhibitions etc. and include services tailored for ethnic communities and people with disabilities.
- 3.77 A regional facilities and amenities grant fund has been established to help meet the costs associated with needs which cross council boundaries. The fund is administered by the regions' mayors under joint terms of reference. However not all of the region's councils participate in this arrangement.
- 3.78 All of the territorial authorities of the region independently deliver library services, sometimes in conjunction with the provision of community spaces. Some councils share a common IT platform ('SMART') for the management of library references and book CD / DVD rentals.

Regulatory activity

Building regulation

- 3.79 This activity is managed under the *Building Act 2004*. Territorial authorities may apply to the Ministry of Business Innovation and Employment to be registered as building consent authorities in order to issue building consents, code of compliance certificates, notices to fix and certificates of acceptance. To be registered, building consent authorities must meet quality standards defined in the Act for their procedures, processes and people. Local policy discretion does not apply to the exercise of the provisions of the Act.
- 3.80 Regional authorities are building consent authorities for dams. Greater Wellington Regional Council has delegated this responsibility to Otago Regional Council.
- 3.81 Some Wellington territorial authorities enter into contracts with each other in order to satisfy the quality standards established in the *Building Act 2004* and thereby enable them to process applications for the more complex consents for buildings in their area. Wellington City Council is currently contracting with Christchurch City Council and the Chatham Islands Council to process building consents. Ten of the 100 building regulation staff employed by Wellington City Council are employed to do this – with site inspection being carried out locally by Christchurch City officers.
- 3.82 Wairarapa councils are seldom required to process complex building consents. When these arise they are addressed with the help of the private sector.

Prostitution regulation

- 3.83 This activity is managed under the *Prostitution Reform Act 2003*. Operators of places used for prostitution must register with the District Court. The role of a territorial authority is to establish policy and rules in a district plan about where and under what circumstances venues for prostitution may be located. All Wellington territorial authorities have included these provisions in their district plans.

Liquor licencing regulation

- 3.84 This activity is managed under the *Sale and Supply of Alcohol Act 2012*. Local alcohol policies may be developed by territorial authorities to enable communities to establish trading hours, density of licenced premises, operating conditions and licenses. District licensing committees consider applications. Disputed decisions are considered by the Alcohol Regulatory and Licensing Authority. Wellington City Council has made use of the policy provisions of the Act to draft a local alcohol policy. Other councils have made use of the default provisions provided within the Act to enable their current policy to continue to apply.

Gambling regulation

- 3.85 This activity is managed under the *Gambling Act 2003*. Territorial authorities must have a class 4 gambling venue policy, which must be reviewed within three years of being adopted and thereafter every three years. Every territorial authority must also have a TAB venue policy. These define the location and density of gaming machines and premises. Control and monitoring is undertaken by the Department of Internal Affairs. All Wellington territorial authorities have developed class 4 gambling venue policies.

Environmental and public health/food hygiene regulation

- 3.86 This activity is managed under the *Food Act 2014* and the *Food Safety Hygiene Regulations 1974*. All premises selling food to the public are required to have a certificate of registration issued by a territorial authority. A risk based assessment approach is applied. Premises are inspected annually. Local policy discretion is largely limited to matters of location and density.
- 3.87 All territorial authorities in the region are currently updating their practices to reflect the “risk based assessment” process defined in the *Food Act 2014*. A high level of national consistency is required although some subtle variation between territorial authorities is apparent within their adopted policies. Cost recovery provisions also vary.

Dogs and animals regulation

- 3.88 This activity is managed under the *Dog Control Act 2009* and under bylaws such as the *Wellington Consolidated Bylaw – Animals 1996 and Dog Policy 2009*. Territorial authority responsibilities include the management of nuisance, faeces, numbers of dogs on a property, dangerous dogs, and location of other animals like hens and roosters.
- 3.89 There is some variation in the dog control policies applied by different Wellington councils and in particular between the urban and rural territorial authorities. Wellington City Council policy tends to be conservative whereas policy in Lower Hutt and Porirua tends to be more generous. This includes variations in the area provided for dogs to run without restraint and in the scope of management applied to those dog breeds deemed to be aggressive. Dog compliance and enforcement for Wellington City Council is outsourced to the Hutt City Council.

Psycho-active substances regulation

3.90 Recent amendments to the *Psychoactive Substances Act 2013* have meant that no such substances are currently legal. However, the framework of the Act means that if such substances are deemed to be safe and therefore can be sold, councils will need to develop policies to control the location of the premises selling these substances.

Other regulatory matters

3.91 A large number of uses of public places are controlled using bylaws. These include such things as: street performers/buskers, trading in public places, signs and billboards, parking, amusement devices, use of footpaths/encroachments, fire prevention, liquor consumption in public places, local speed limits, control over discharge of waste to wastewater networks, etc.

Environmental services

3.92 Environmental services are mandated by the following:

- plant and animal pest management under the *Biosecurity Act 1993*, including the requirement to prepare a regional pest management strategy
- river management and land drainage under the *Soil Conservation and Rivers Control Act 1941*, the *Land Drainage Act 1908*, the *Local Government Act 1974*, and the *Resource Management Act 1991*
- water storage, reticulation and irrigation projects (discretionary) under the *Local Government Act 2002*, as an aspect of regional development
- regional parks under the *Reserves Act 1977*.

3.93 All of these listed environmental services are currently delivered to the region by the Greater Wellington Regional Council. This includes services listed as discretionary and the works required to make progress on the Wairarapa water use project. The following characteristics of these services are salient:

- a second generation Wellington Regional Policy Statement, with a focus on the integrated management of regional environmental issues, became operational in April 2013
- all of the services listed above require the application of skills that are in comparatively short supply throughout New Zealand
- 40% of Wellington Region is considered erosion prone, while Greater Wellington Regional Council currently subsidises on-farm work up to 50% and prepares and monitors farm environmental plans in areas suffering from erosion
- management of bovine tuberculosis risks, with associated biodiversity benefits, occurs in collaborative arrangements established between OSPRI (formerly the Animal Health Board) and Greater Wellington Regional Council.

Improving economic performance

Economic development

- 3.94 Local government's support of economic development is currently delivered through two channels in Wellington Region:
- regional implementation of the Wellington Regional Strategy through its implementation agency Grow Wellington, funded by a regional rate augmented by central government funding
 - business development spending by individual councils within their boundaries generally funded by their own rates.
- 3.95 The Wellington Regional Strategy was developed between 2004 and 2007 in consultation with businesses, education providers, and central government agencies. The Wellington Regional Strategy project team built up an information base of the drivers of economic activity in the region and council policies and practices. This allowed councils to identify common opportunities and development objectives but also highlighted differences between the region's councils in terms of their approach to economic development, spatial planning and provision of infrastructure.
- 3.96 The objective of the Wellington Regional Strategy was to make Wellington Region internationally competitive, a great place to live, with excellent career opportunities, and a strong vibrant economy. The councils agreed to implement the strategy by:
- requesting the Greater Wellington Regional Council to collect a regional rate (around \$4 million) with local councils foregoing some of their rates as a parallel initiative
 - establishing the Wellington Regional Strategy Committee (6 mayors from the individual councils, with the three Wairarapa mayors being represented by one mayor, plus 5 independent directors and an independent chair) and Grow Wellington the organisation charged with both using the funding to implement the objectives of the strategy and attracting co-funding.
- 3.97 The Wellington Regional Strategy was refreshed in 2012 following a review by Martin Jenkins in 2011. The current version of the strategy has six focus areas. These may be summarised as follows:
- commercialisation of innovation – supporting successful businesses to innovate and championing a supportive business environment
 - investment mechanisms for growth – attracting international investment, using existing investment networks and ensuring businesses are in a position to realise investment opportunities
 - building world-class infrastructure – connected and resilient
 - attracting business, investment and talent to the region – including businesses, potential investors, skilled migrants and students

- education and workforce development – to service regional economy needs
 - ‘open for business’ – councils delivering business services with a can-do attitude and facilitating a business environment where smart, innovative firms can flourish.
- 3.98 Grow Wellington is defined as the lead agency with support from local councils for four of the six focus areas: commercialisation of innovation; investment mechanisms for growth; attracting business, investment and talent; and education and workforce development. Councils are the lead agencies for the focus areas building world-class infrastructure and open for business.
- 3.99 The emphasis is on working with the external partners listed for each focus area to deliver the objective of the strategy.
- 3.100 A key argument for the regional delivery of the strategy was that partnerships with central government agencies, education providers and private sector organisations would be much easier to develop and would contribute more effectively to the growth of the region if these organisations could partner with regional local government rather than individual councils.
- 3.101 Wellington City Council has recently proposed a merger of Grow Wellington with the Wellington City Council’s Positively Wellington Tourism and major event promotion entities, into a regional economic development agency. The Wellington Regional Economic Development Agency initiative addresses some of the issues around coordination of the Grow Wellington and Wellington City Council efforts in the focus area of attracting business, investment and talent. The new Wellington Regional Economic Development Agency would include the following entities:
- Grow Wellington
 - Partnership Wellington Trust (Positively Wellington Tourism)
 - Wellington Venues Limited
 - Wellington City Council Events Team.
- 3.102 The governance of Wellington Regional Economic Development Agency would be based on a two-tier model with political oversight provided by a restructured Wellington Regional Strategy Committee comprising:
- four representatives from Wellington City Council
 - one representative from each of Hutt City, Upper Hutt City, Porirua City, Kapiti Coast District and Greater Wellington Regional Councils
 - one representative from the three Wairarapa councils.
- 3.103 Governance of operations would be provided by an independent board of eight directors, appointed for their business expertise and experience.
- 3.104 Wellington Regional Economic Development Agency would be funded by a combination of the Wellington City Council and the existing Wellington Regional Strategy funding, for a period of five years. The proposal anticipates that this funding would be augmented by funding from other sources.

- 3.105 As part of the Wellington Regional Economic Development Agency proposal, Wellington City Council has indicated that it will be seeking either greater value, or a reduction in the amount of the Wellington Regional Strategy rate that is received by the Greater Wellington Regional Council (currently \$0.6 million), in return for operating the office of the Wellington Regional Strategy Committee.
- 3.106 The Wellington Regional Economic Development Agency proposal was launched with the support of the Wellington Mayoral Forum. The period for public consultation on the proposal ended on 6 August. The majority of the feedback was positive. Wellington City Council staff have informed the Commission that the proposal is expected to be approved later this year.
- 3.107 The Commission noted that this proposal will not preclude other councils continuing to develop and fund local economic development initiatives that could conflict with, or undermine the regional strategy.

Planning processes

- 3.108 Under the *Local Government Act 2002*, all of the councils must prepare annual plans and consult their communities on them each year. They must also all prepare long-term plans and consult on these every three years. The financial planning and accountability framework for the councils is a statutory requirement, and is a fundamental part of the accountability regime for elected representatives. There are a wide range of other policies that councils must develop and consult on, including financial management policies and (where they choose to) reserve management plans.
- 3.109 The *Resource Management Act 1991* requires the following functions to be delivered by regional councils:
- integrated management of natural and physical resources and the preparation of a regional policy statement
 - land use control for soil conservation (also required under the Soil Conservation and Rivers Control Act), natural hazards, hazardous substances and water quality
 - identification of contaminated land
 - management of the coastal marine area and the preparation of regional coastal plans
 - water quantity/allocation of water and water quality/allocation of discharge capacity and contaminants
 - management of air quality/discharges to air
 - management of the beds of water bodies
 - maintenance of indigenous biodiversity
 - strategic integration of infrastructure
 - management of hazardous wastes
 - information gathering and environmental monitoring including that required under the *Environmental Reporting Act 2014*.

- 3.110 There are distinct differences within the above *Resource Management Act 1991* functions in the scale of discretion that may be exercised by elected representatives compared to officials. Elected representatives have a critical role to play in defining policy and recording this policy in district and regional plans and in a regional policy statement. In general, once that policy framework (regional policy statement, regional or district plan) is set by elected representatives, its implementation becomes substantially administrative. Most non-notified consents are processed by staff. Almost all notified consents are decided by panels of commissioners or by staff.
- 3.111 Local area planning and special management area planning is neighbourhood focused. The results of this aspect of planning almost always require community level engagement. The results are often expressed in urban design-based projects and may be reflected in district plans. They may also be developed under the *Local Government Act 2002* as village, centre, local action, neighbourhood or community plans. Porirua City Council's village planning initiative is an internationally recognised example of this level of community planning.
- 3.112 The three Wairarapa councils have integrated their previous disparate district plans into one. The Kapiti District Council is in the process of preparing a second generation district plan. Other district plans are being reviewed through rolling reviews. The five regional plans of the regional council are also currently being reviewed with the intent of creating a single integrated plan by 2015. The review of the Wellington Regional Policy Statement has been completed. Recent changes to the *Resource Management Act 1991*, and others that have been foreshadowed, may provide greater potential to develop joint plans and simplify processes further.
- 3.113 Carterton, Masterton, South Wairarapa and Upper Hutt have the least development pressure and the least number of consents to process. Wellington and Hutt City Councils have the most consent applications to process.
- 3.114 There are variations across the councils about the scope of the decisions delegated to officers for such matters as notification and enforcement. All councils appear to perform their consent responsibilities reasonably well. Statutory timelines for processing resource consents are met at all locations.
- 3.115 There does not appear to be any formalised coordination of *Resource Management Act 1991* planning between the councils of the region although liaison takes place between planning officers over such matters such as the development of common iwi provisions.
- 3.116 Part 2 of this report highlights the uneven expected patterns of future growth and development within the region. The current voluntary frameworks for planning provide little scope to effectively deal with the challenges that will follow. There is currently little scope to reinforce growth trends or seek to encourage redevelopment of renewal within particular parts of the region. It may be, for example, that seeking to redevelop areas of Lower Hutt City would be a more cost effective form of development than fostering growth on the Kapiti Coast. The current voluntary framework for regional planning is unlikely to allow the current councils to adequately address that question. It is even less likely to provide the financial framework that would make it possible to achieve.

Representation

3.117 Table 27 sets out the numbers of elected councillors across the councils in Wellington Region and calculates representation ratios (population per councillor).

Table 27: Numbers of elected councillors across Wellington Region councils and representation ratios (population per councillor)

Source: Department of Internal Affairs.

Council	Population	No. of councillors	Population per councillor	Councillor salary (\$)
Kapiti Coast	49,287	10	4,929	29,000
Porirua	51,432	10	5,143	31,800
Upper Hutt	40,617	10	4,062	28,200
Hutt	98,220	12	8,185	46,900
Wellington	197,019	14	14,073	76,600
Masterton	23,736	10	2,374	22,100
Carterton	8,241	8	1,030	15,700
South Wairarapa	9,582	9	1,065	14,800
Wellington Regional	478,134	13	36,779	61,841
Total	478,134	96	4,981	

3.118 The wide range of representation ratios is typical. It is usual for councils with smaller and more geographically dispersed populations to have higher headline representation ratios than more populous and more densely settled districts. The ratios for Wellington councils are not outside the range for similar sized councils elsewhere in the country.

3.119 This simple headcount of elected members is, however, potentially deceptive as the basis for comparing levels of effective representation. This is because the time commitment required of councillors differs significantly across districts with some being effectively full-time roles and others only part-time. The remuneration in Table 25 highlights the marked differences in the size of councillor roles across the region. On this basis the range becomes considerably less wide although representation levels in the predominantly rural Wairarapa districts remain significantly more generous than in metropolitan Wellington.

3.120 In addition to council members, several territorial authorities have community boards. Details are set out in the Table 28.

Table 28: Community boards in territorial authorities*Source: Department of Internal Affairs*

Council	Community board	Population	Elected members
Kapiti Coast	Otaki	8,010	4
	Waikanae	12,000	4
	Paraparaumu-Raumati	28,100	4
	Paekakariki	1,690	4
Wellington	Makara-Ohariu	880	6
	Tawa	15,050	6
	Area outside community	186,200	0
Hutt	Eastbourne	4,900	5
	Petone	12,950	6
	Wainuiomata	18,200	6
	Area outside community	66,700	0
South Wairarapa	Featherston	3,070	4
	Greytown	3,070	4
	Martinborough	3,260	4
Total			57

3.121 Voter turnout, in line with national trends, has generally declined across the region over the period since 1989. Turnout across the region in 2010 was 47%. Voter turnout is generally lower in the more urban parts of the region compared to the more rural districts. This is also consistent with the pattern nationwide. Numbers of candidates offering themselves has varied over the years since 1989 but appears relatively consistent across the period as a whole, with no obvious trend upwards or downwards. In a number of instances, however, the number of candidates offering themselves for election to community boards has not been sufficient to require an election to be held, and this appears to be becoming more frequent over time.

Māori participation

3.122 The provisions of the *Local Government Act 2002* require councils to promote Māori participation in decision-making. There is no standard approach to achieving this outcome. Nor are there mandated guidelines on how it is to be achieved. In general, legislation acknowledges that the Crown has a direct Treaty of Waitangi responsibility. While councils are not part of the Crown, they are creatures of statute undertaking functions and responsibilities on behalf of the Crown. Therefore councils must be able to reflect the Crown's treaty obligations in what they do, and in the way that they operate.

- 3.123 Treaty of Waitangi settlements provide further guidance with respect to the participation of Māori in the management of very specific resources such as the beds of rivers and lakes, or of particular pieces of culturally significant land.
- 3.124 In some cases district and regional plans establish particular roles and processes with respect to wāhi tapu and other sites of significance to Māori. In this context Māori means the mana whenua iwi of the area.
- 3.125 Many existing councils have members of staff who assist on matters around the Treaty of Waitangi, matters of tikanga and matters related to the involvement of the council with Māori throughout the community. Iwi have noted that it is important for these staff to continue to be an interface between iwi and the councils but not be seen as a substitute for direct rangatira to rangatira involvement at the governance level.
- 3.126 Current arrangements include:
- charters of understanding and memoranda of partnership
 - the regional Ara Tahi Leadership Forum comprising mana whenua iwi leaders and Greater Wellington Regional Council leaders
 - Māori standing committees comprising mana whenua iwi representatives and council representatives
 - Te Upoko Taiao – a regional council standing committee responsible for natural resource regulation, comprising seven councillors and seven non-councillors nominated by mana whenua iwi, all with equal voting rights
 - iwi appointees on council standing committees, in some cases with voting rights and in some cases without voting rights
 - other less formal partnership mechanisms between local councils and mana whenua iwi
 - formal joint governance arrangements for parks and land areas that have been returned to mana whenua iwi under Treaty of Waitangi settlement agreements.

Shared services and collaborative arrangements

Collaborative arrangements

- 3.127 In Wellington, as in most regions, councils to some extent work together across boundaries in a variety of shared services and other collaborative arrangements. At the highest level, all of the councils worked collectively to develop the Wellington Regional Strategy, which provides umbrella direction to council policies on future development.

- 3.128 The Wellington Regional Strategy was adopted in May 2007 and revised in 2012. It has a strong economic development driver and until recently has been implemented by Grow Wellington (a council-controlled organisation of Greater Wellington Regional Council), the Wellington Regional Strategy Office and local councils. The most tangible outcomes of the Wellington Regional Strategy have been the establishment of Grow Wellington, and the Greater Wellington Regional Council taking a lead role in the investigation of potential water storage and irrigation in the Wairarapa. The councils of the region also maintain a less formal political dialogue through the Wellington Mayoral Forum.
- 3.129 Producing the Wellington Regional Strategy required the alignment of the differing views and aspirations of each of the region's councils. This was a substantial undertaking that took considerable effort, requiring both technical and political collaboration.
- 3.130 As is discussed above, collaboration between the current Wellington councils has a varied track record. There are examples of close and long-standing working relationships between neighbouring councils, in particular in the Wairarapa. However, there are comparatively few examples of effective and long-standing collaboration across the whole of the region. This can in part be explained by the simple reality that the more partners that are involved the more difficult it is to meet the requirements and expectations of each partner.
- 3.131 Another explanation for the difficulty in securing long-term collaborative arrangements is the need for political leaders to differentiate themselves and their communities. Given the nature of politics, it is to be expected that leaders will have differing political philosophies and values. This results in a competition between ideas and ideals which have been and will be reflected in different policy objectives and expenditure priorities across the councils of the region. Given the three-year electoral cycle, leaders also need to compete for recognition. In addition communities compete for investment. The combination of political differences and competition makes collaboration difficult. The impact of this sort of competition is reflected in the poor track record of region-wide collaboration.

Shared services

- 3.132 Shared services, in particular, provide an option for councils to work together to obtain the advantages of greater scale in the delivery of services. There are a variety of processes, at differing degrees of formality, which aspire to provide degrees of collaboration or coordination between councils within regions.
- 3.133 Over the past decade or so, councils in Wellington Region have spent considerable time and effort in discussions and investigations of possible additional shared services arrangements. To some extent the lodging of reorganisation applications can be seen as reflecting a degree of frustration on the part of some that these efforts have not produced more substantial results. The period since the lodging of reorganisation applications has, however, seen some further significant developments in this area.

- 3.134 Shared services arrangements currently exist at a variety of scales, in terms of both the numbers of councils involved and the significance of the activities concerned.³⁵ There are a variety of collaborative arrangements between the Hutt and Upper Hutt City Councils, of which the shared trunk wastewater system and the Silverstream landfill are the most significant. These two councils have also worked together around roading issues including agreeing a joint set of local conditions under the National Utilities Access Code and a joint roading procurement policy. Consideration is also given to joint tenders for roading contracts, and these councils have worked together in areas such as trade waste bylaws and monitoring, and animal control facilities.
- 3.135 Similarly there is a significant degree of collaboration among the three Wairarapa councils. This includes the headline example of a combined district plan (which is a notable national first), a joint waste management contract, a joint roading procurement policy and joint library service (between Carterton and South Wairarapa Districts). Wellington and Porirua Cities share the Spicer Landfill and a wastewater treatment plant servicing Porirua and part of Wellington City's northern suburbs. There are also whole-region joint procurement arrangements in some areas such as geographic information system licences and valuation contracts. Some councils in the region are also part of wider sector shared services arrangements such as the SMART library collaboration (involving Kapiti Coast, Carterton, Porirua, Hutt and Masterton Councils), and after-hours call centre services.
- 3.136 Arguably the most significant shared services venture in the region is Capacity Infrastructure Services. This was established as a joint council-controlled organisation by Hutt and Wellington City Councils for the delivery of water services. Capacity has also provided services under contract to Upper Hutt. Over the past year agreements have been reached firstly for Upper Hutt and Porirua City Councils to become shareholders, and more recently for Greater Wellington Regional Council to bring its bulk water supply within an enlarged council-controlled organisation to be rebranded as 'Wellington Water'. The structural model used, however, is one based on each council retaining ownership of its own assets and responsibility for funding its own work programme. This is an important shared service initiative, but it has taken more than a decade of studies, consideration and debate to get to the current position. None of the partner councils have yet felt comfortable enough to take the next step of transferring the ownership of the assets to Capacity.
- 3.137 Another significant development has been the establishment of the Wellington Region Emergency Management Office in 2012. It is a semi-autonomous organisation that coordinates civil defence and emergency management services on behalf of the nine councils in Wellington Region.

³⁵ NZIER, (2012, November), *Merger Options for Wellington Councils: Economic Analysis of Options for Merged Governance of the Wellington Region*

- 3.138 Discussions and investigations of shared services have continued over the period when the Commission has been considering the reorganisation applications for the region. As noted above, agreement has recently been reached for the establishment of Wellington Water as a jointly- owned water services delivery organisation for Greater Wellington Regional Council and the four metropolitan councils. In addition, agreement has been reached for Grow Wellington (the regional council owned council-controlled organisation created under the Wellington Regional Strategy), to combine with Wellington City’s tourism, venues, and major events operations to become the Wellington Regional Economic Development Agency.
- 3.139 Investigations of options for shared IT infrastructure among the councils have also been ongoing, although at this stage it is now clear that not all councils are likely to participate in any such venture. This initiative highlights the challenges of developing a shared services framework where each of the councils is on a different investment cycle, or has differing service expectations.
- 3.140 Overall the incentives for collaboration between councils on shared services are weak. It is invariably easier for each council to do something by itself than it is to broker a partnership approach to shared delivery. This is reflected in the modest number of significant shared service arrangements across and between all the councils of Wellington Region.

Conclusion

- 3.141 The description of current local government arrangements outlined in this Part of the report provides the base for comparison with reorganisation options. Combining an understanding of the current framework of local government with the nature of the region (Part 2), the following issues are particularly relevant to reorganisation of local government arrangements:
- the variation in the financial position of the councils and their communities, and also the growing future gap between them in the future in terms of their ability to meet the needs of their community due in part to quite inequitable endowments of strategic assets (especially the port and the airport) and equally uneven patterns of expected growth and demographic change
 - the particular challenges the Hutt Valley and Wairarapa communities face with forecast declines in their working-age populations and substantial required investment in infrastructure
 - the particular challenge of the Kapiti Coast community, with a relatively high level of council debt, significant investment required in both replacing existing infrastructure and building new infrastructure, and a large proportion of the community on fixed incomes with limited ability to pay
 - the need to fund significant renewals in the region’s ageing pipe networks in the next 10 – 30 years (particularly in Lower Hutt, Porirua and Kapiti Coast) the scope of which is not clear from current planning documents

- the need for the councils to invest significantly more to increase the resilience of the region's infrastructure and manage down hazard risks
- the need to coordinate planning and investment to ensure that the region gets the best possible value from its limited resources
- the need to make, fund and implement region-scale decisions in order to deal with the future challenges that the region faces including: transport, urban development, future provision of infrastructure, environmental management, economic development and competitiveness, natural hazards, and climate change
- the extensive attempts that have been made to undertake regional-scale decision-making through collaboration, and to deliver services more efficiently through shared services arrangements, and the limited success and high transaction costs of these voluntary initiatives.

Part 4: The legislative requirements and the process

- 4.1 The *Local Government Act 2002* sets out the process that the Commission is required to follow in considering and determining a reorganisation application and proposal. It is important to note that the tests that apply at each step of the process differ.
- 4.2 This Part provides a summary of the process that is required by the *Local Government Act 2002* on the receipt of a reorganisation application, and the sequence of decisions that the Commission has made with respect to the applications for local government reorganisation in Wellington Region.
- 4.3 The Part also provides a summary of the evaluation framework that the Commission has developed to consider the relative merits of what it is required to identify as the “reasonably practicable options” and then its “preferred option”.

The purpose of local government reorganisation

- 4.4 The detailed process and requirements that the Commission must follow are set out in Schedule 3 of the *Local Government Act 2002*. However, they must be read in the context of section 24AA which sets out the purpose of local government reorganisation as follows:

“The purpose of the local government reorganisation provisions of this Act is to improve the effectiveness and efficiency of local government by –

- (a) providing communities with the opportunity to initiate, and participate in considering, alternative local government arrangements for their area; and
- (b) requiring the commission, in consultation with communities to identify, develop and implement the option that best promotes good local government.”

- 4.5 It is important to emphasise that the Commission is required to find and implement the best option for promoting “good local government”.

What is local government reorganisation?

- 4.6 Local government reorganisation is defined in section 24 of the *Local Government Act 2002* as providing for one or more of the following³⁶:
 - the union of districts or regions
 - the constitution of a new district or region
 - the abolition of a district or region
 - the alteration of the boundaries of a district or region

³⁶ The *Local Government Act 2002 Amendment Act 2014* also added changes to local boards to this definition of reorganisation, but these are not relevant here

- the transfer of the statutory obligations from one local authority to another
 - the assumption by a territorial authority of the powers of a regional council.
- 4.7 With amendments to the *Local Government Act 2002* in 2014, it is important to note that Schedule 3 now provides for a wider range of changes to local government arrangements to be included in a final reorganisation scheme, such as establishment of council-controlled organisations. However, these are only matters that can be done in the context of giving effect to something defined in section 24 as local government reorganisation.

Receipt of reorganisation applications

- 4.8 Once the Commission has received a reorganisation application it must decide whether or not to assess the application. Clause 7 of Schedule 3 of the *Local Government Act 2002* sets out the grounds for declining to assess an application.
- 4.9 If the Commission agrees to assess an application, it must then determine whether or not there is “demonstrable community support” in the district of each affected territorial authority for local government reorganisation in the “affected area”.
- 4.10 If the Commission is satisfied that there is “demonstrable community support”, it must then notify receipt of the application and call for alternative applications.

The Wairarapa councils’ application

- 4.11 On 23 May 2013, the three Wairarapa territorial authorities (Masterton, Carterton and South Wairarapa District Councils) lodged a reorganisation application.
- 4.12 The application proposed the combining of the three existing territorial authorities in the Wairarapa to create a unitary authority, with a consequential alteration of the boundaries of Wellington Region to remove the Wairarapa from it. This also meant a further regional boundary alteration would be required with the small area of Tararua District currently in Wellington Region transferring to Manawatu-Wanganui Region. The proposal would transfer all statutory obligations of the existing Wairarapa territorial authorities, and the Greater Wellington Regional Council in relation to the Wairarapa, to the new unitary authority. No changes were proposed to the remainder of Wellington Region apart from the exclusion of the area of Tararua District.
- 4.13 The applicant saw the proposal as providing an integrated local government structure for the Wairarapa, with enhanced local representation and democratic decision-making. It also saw the proposal as reflecting the natural separation of Wellington and the Wairarapa, and a perception that Wairarapa is a separate community of interest from the rest of the current Wellington Region.

- 4.14 The Commission considered the application, pursuant to clauses 6 to 8 of Schedule 3 of the *Local Government Act 2002*, at its meeting on 13 June 2013. It agreed to assess the application given the application met the legislative requirements.
- 4.15 The Wairarapa councils' application was focused on the structure of local government in the Wairarapa. However, in proposing the establishment of a unitary authority for that area, it also impacted on the whole region because of its potential implications for the future operations of the Greater Wellington Regional Council. Therefore the Commission declared that the "affected area" was the whole of Wellington Region (including the small area of Tararua District currently in Wellington Region). As part of this decision, the Commission was satisfied that there was both support for the application and also "demonstrable community support" in the district of each affected territorial authority for local government reorganisation generally (see below for the evidence of this support).
- 4.16 The Commission decided to delay publicly notifying receipt of the application and the call for alternative applications, pending the expected arrival of an application from the Greater Wellington Regional Council. This decision reflected concern that having two separate processes affecting Wellington Region running concurrently would result in public confusion and would not be conducive to an effective consultation process.

The Greater Wellington Regional Council application

- 4.17 An application from Greater Wellington Regional Council was received on 21 June 2013.
- 4.18 The application was for the establishment of a single unitary authority covering the whole of the current Wellington Region apart from the area of Tararua District presently in the region. It was proposed that the unitary authority include both a governing body and local boards, along similar lines to the Auckland Council, as provided for by the *Local Government Act 2002* amendments of 2012. All statutory obligations of the existing territorial authorities in the region, and the Greater Wellington Regional Council, would transfer to the new unitary authority. The proposal set out a proposed structure of local boards and a proposed initial allocation of responsibilities to them.
- 4.19 The applicant saw the proposal as providing a structure that would improve how key infrastructure was planned, delivered and managed, by providing unified regional leadership and the ability to define and implement clear regional strategy. It also saw the model of a unitary authority with local boards as offering improved local democracy.

4.20 At its meeting on 4 July 2013, the Commission considered the application and, given it met the legislative requirements including support for the application and “demonstrable community support” for reorganisation generally (see below for evidence of this support), agreed to assess the application. It again declared that the “affected area” was the whole region including the small area of Tararua District presently in the region.

Community support for reorganisation

4.21 Schedule 3 of the *Local Government Act 2002* has two requirements in relation to community support for reorganisation. Clause 5(1)(f) requires an applicant to provide information that demonstrates community support for the application in the district of each affected territorial authority. Clause 8 requires that the Commission, before it decides to assess a reorganisation application, “must first be satisfied that there is demonstrable community support in the district of each of the affected territorial authority for local government reorganisation in the affected area”.

4.22 The Commission interpreted these requirements to mean simply that the applicant must be able to demonstrate that there is community support in the district of each affected territorial authority for the application and for local government reorganisation. The requirements are not for the applicant to demonstrate significant support, or majority support, just to be able to demonstrate support.

4.23 In determining that there was demonstrable support for both reorganisation applications, the Commission considered a range of material provided by the applicants including public opinion surveys, the results of public engagement in the development of the applications, and letters of support from organisations and community groups.

4.24 The Wairarapa application included the following information:

- a letter from the Mayor of Wellington, dated 10 May 2013, noting the work undertaken by the Wairarapa councils to investigate the potential viability of a unitary authority for their areas and the significant local support for such an approach, and expressing the view that decisions on governance arrangements are for directly affected communities to take themselves
- a letter from the Mayor of Lower Hutt City dated 2 April 2013 advising his council had unanimously decided to support Wairarapa’s “preferred option” of a unitary authority
- a letter from the Mayor of Upper Hutt City dated 24 April 2013 advising the support of his council for the concept of the Wairarapa forming a unitary council.

- 4.25 The application from Greater Wellington Regional Council noted that 15 parties from across the region supported the application. The application also noted there had been considerable region-wide engagement in processes on reorganisation since 2010 and that there was “demonstrable support of the unitary authority model with local boards as the most appropriate form of local government for the Wellington Region, in each of the affected areas in the region”.
- 4.26 In relation to the Greater Wellington Regional Council application, the Commission noted that there had been four surveys and engagement processes. These were the PricewaterhouseCoopers report (2009), the Colmar Brunton survey (June 2012), the Wellington Region Local Government Review Panel (October 2012), and the Joint Working Party on Local Government Reform Working Party (March 2013). The Commission also considered the results of the Colmar Brunton Wairarapa booster survey provided in the Wairarapa councils’ application.
- 4.27 In addition, the Greater Wellington Regional Council application included information about online and telephone surveys conducted by councils in the region – Wellington City Council Colmar Brunton survey (May 2013), Kapiti Coast District Council survey (May 2013) and Porirua City Council survey, and also letters from certain iwi. A more recent Colmar Brunton survey (19 June 2013 report) that had been conducted for the two Hutt Valley councils was also noted.
- 4.28 “Demonstrable community support” for reorganisation generally was identified firstly on the basis of the results of an independent Wellington region-wide public opinion survey of all eight territorial authority areas undertaken by Colmar Brunton in June/July 2012. This survey was presented to the Commission as Appendix 2 of the Wairarapa councils’ application.³⁷ The broad results of this survey are shown in Figure 5. Based on this survey, the Commission was satisfied that there was evidence of support in each affected territorial authority for some form of local government reorganisation. This included a level of support from within each Wellington council area for local government reorganisation including for the Wairarapa as a standalone council.
- 4.29 Figure 5 shows the surveyed level of support for both ‘three councils’ (shown as option 2) and ‘two councils’ (shown as option 3) which both involved a standalone Wairarapa council, ranging between 8% (Wellington City) to 16% (Kapiti Coast District) of a total of 3,300 people surveyed across Wellington Region.

³⁷ For further details about the Colmar Brunton 2012 survey and other surveys of public opinion about local government reform in the Wellington Region, see also Appendix 2 of the application forwarded to the Commission by Greater Wellington Regional Council

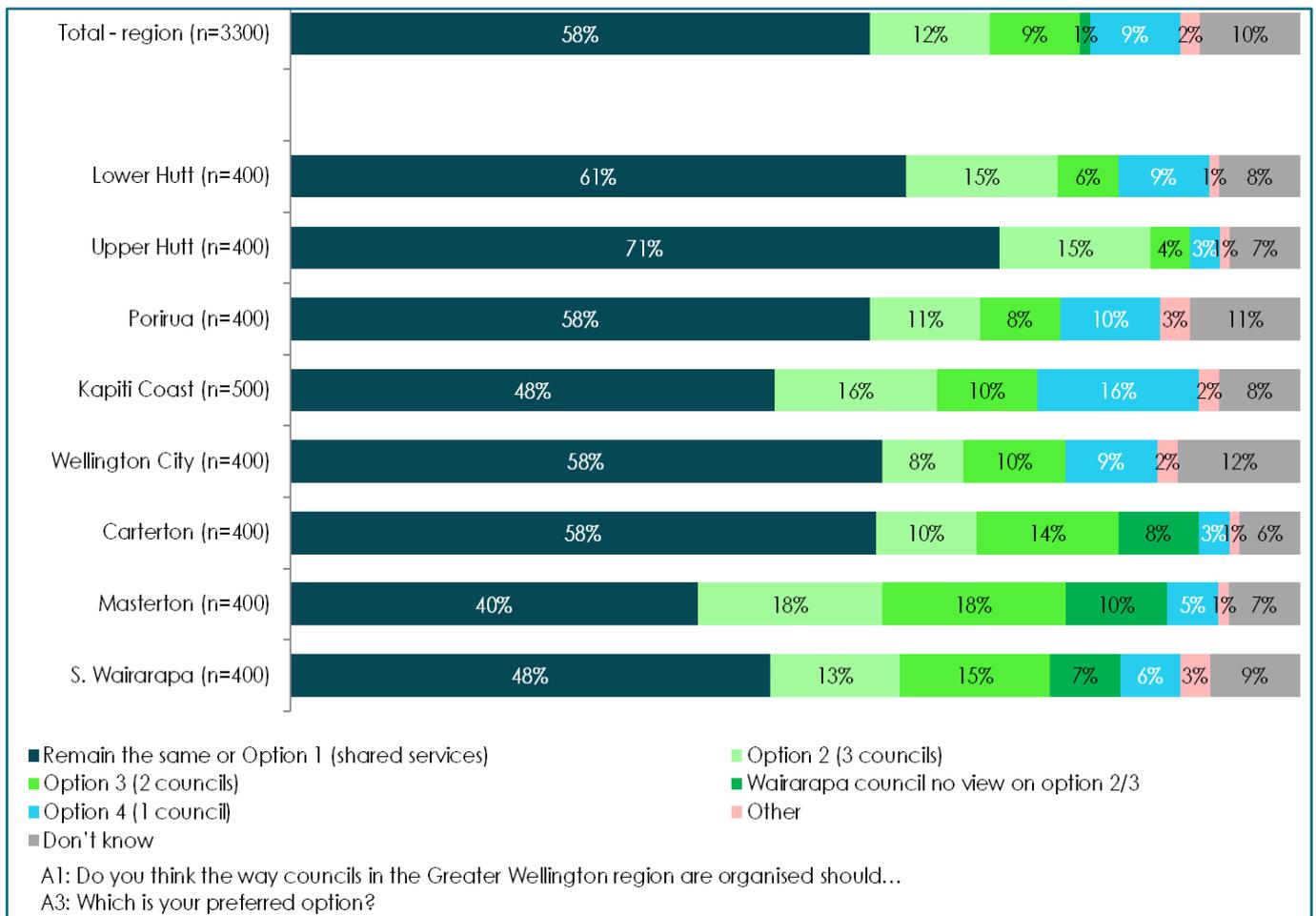


Figure 5: Colmar Brunton opinion survey June/July 2012

Source: Colmar Brunton, (2012, August), *Survey on local government reform – research report, in the Wairarapa councils’ application, Appendix 2.*

- 4.30 While the Wairarapa support for a unitary authority (either one or two-tier model) was not disaggregated, this information combined with the Colmar Brunton Wairarapa booster survey (provided in the Wairarapa application) showed evidence of community support for the application in each territorial authority in Wairarapa.
- 4.31 In addition to the information provided in the applications, the Commission undertook a number of meetings with individuals and groups across the region to confirm the extent of support for reorganisation. The meetings that the Commission undertook are set out in Appendix B. These meetings helped the Commission in its decision that there was “demonstrable community support” for local government reorganisation in Wellington.
- 4.32 In relation to the area of Tararua District presently in Wellington Region, the 11 property owners were invited to complete a survey form that asked if they preferred their property to be included in Manawatu-Wanganui Region or in Wellington Region. Three forms were completed and returned with one owner preferring to stay in Wellington Region, one preferring to transfer to Manawatu-Wanganui Region, and one noting the owner would not respond on the basis that they “didn’t see why there needed to be a change”.

Seeking alternative applications

- 4.33 Once the Commission had agreed to assess the applications and was satisfied that there was community support for local government reorganisation in the “affected area”, it was then required to seek alternative applications under clause 9 of Schedule 3 of the *Local Government Act 2002*.
- 4.34 Clause 10 of Schedule 3 requires that an alternative application must meet most of the content requirements of an (original) application. The Commission may decline to assess an application if it fails to meet these requirements, or on a number of other grounds set out in clause 7. In addition, an alternative application needs to fall within the scope of a local government reorganisation as defined in section 24 of the Act and set out above.
- 4.35 On 8 July 2013 the Commission publicly notified the two applications for reorganisation in Wellington and called for alternative applications. The closing date for the receipt of alternative applications was 16 August 2013. Nineteen responses to the invitation for alternative applications were initially identified.
- 4.36 These 19 responses included one from Hawke’s Bay Regional Council. That council put forward the same proposal as the one it had submitted to the Commission in response to the invitation for alternatives to an application for reorganisation of local government in Hawke’s Bay. The proposal was for a regional council for the east coast area of the North Island from Hawke’s Bay to the Wairarapa. Two further responses to the Hawke’s Bay invitation were subsequently identified as also relating to the Wellington process given they also involved the Wairarapa. This brought the total number of responses to the invitation for alternatives to Wellington reorganisation proposals, to 21.

The alternative applications

- 4.37 The responses to the invitation for alternative applications were assessed against the definition of a reorganisation application and the requirements of clauses 5 and 7 of Schedule 3 of the *Local Government Act 2002*. As a result of the assessment, 15 of the 21 responses were accepted as alternative applications.
- 4.38 While all 21 of the responses were received and noted by the Commission, the 15 alternative applications were investigated, along with the two original applications and also current arrangements (a statutory requirement), in the process for identifying the “reasonably practicable options”.
- 4.39 The proposals set out in the alternative applications ranged from retention of status quo arrangements involving a two-tier regional-territorial authority model, to combining territorial authorities while retaining the regional council, to replacement of the current two-tier regional-territorial authority model with one or more unitary authorities (with or without local boards). The proposals also included enhancement of status quo structural arrangements, along with new arrangements for delivery of services and/or decision-making structures for particular responsibilities, and transfer of statutory obligations between councils.

- 4.40 The 15 alternative applications received and accepted by the Commission as alternative applications, are summarised below. (By convention the Commission does not publish the names of individuals who submit alternative applications, only the names of councils or organisations).

Alternative applications from councils

Wellington City Council

- 4.41 This alternative application supported the Wairarapa councils' application for a separate unitary authority in the Wairarapa, and in addition proposed a unitary authority for the remainder of the region. The proposal was for the new unitary authority to have a single tier of governance with an enlarged membership (29 councillors) based on a direct representation model. The proposal had the effect of dividing the region into two unitary authorities separated by the Rimutaka Ranges. Although the application also made the point that should the Commission decide not to advance the proposal for a separate Wairarapa unitary authority, the model of a unitary authority with a single governance tier was seen as capable of accommodating the Wairarapa.
- 4.42 The proposal included two semi-autonomous council commissioners, one focused on environmental issues and the other in an administrative review role, to provide checks and balances on the council.
- 4.43 The overall objectives for the western part of the region were similar to those of the Greater Wellington Regional Council proposal. The chief difference was the single-tier governance model. This was seen by the applicant as providing direct access for citizens to their elected representatives without the additional bureaucracy of local boards, and providing for more efficient decision-making and greater flexibility.

Hutt City Council

- 4.44 This alternative application indicated that the council's first preference was for an enhanced status quo model west of the Rimutaka Ranges, involving the establishment of specialised single-purpose regional entities for land transport and 'the three waters'.
- 4.45 The application was primarily focused on putting forward a second preference proposal, should the Commission decide to make structural changes. This involved support for the proposal for a Wairarapa unitary authority, along with a proposal to create three more unitary authorities in the western part of the region, one based on the current Lower Hutt and Upper Hutt Cities, another based on Wellington and Porirua Cities, and the third based on Kapiti Coast District. Alongside this, a supplementary structure was proposed for cross-council decision-making and service delivery.

4.46 This structure involved establishment of a Greater Wellington Regional Committee with binding decision-making power over the Greater Wellington Regional Strategy, a Greater Wellington spatial plan, a Greater Wellington regional transport strategy and programme, and regional amenities funding decisions, with all four of the proposed new unitary authorities represented. The proposal recommended a rationalisation of the 23 council-controlled organisations in the region involving 13 being transferred to one or other of the new unitary authorities, and 10 becoming jointly-owned council-controlled organisations of the new unitary authorities. These would include:

- ‘Wellington Water’ – a horizontally and vertically integrated operation for water supply, wastewater, stormwater and flood protection jointly owned by the Wellington and Hutt Valley unitary authorities
- ‘Greater Wellington Transport’ – a single transport planning and delivery organisation across Wellington and Wairarapa, and also including central government participation.

4.47 Key governance roles such as the adoption of plans would be undertaken by the Greater Wellington Regional Committee. Service level decisions would however sit with the individual unitary authorities. The proposed Greater Wellington Regional Committee was seen by the applicant as an effective means of achieving strategic coherence in the region, with the proposed structure of council-controlled organisations seen as able to provide scale for operational efficiencies in areas where these were considered likely to be available.

Upper Hutt City Council

4.48 This alternative application supported the Wairarapa councils’ application, and did not propose any boundary changes or the abolition of any councils in the remainder of the region. Instead it proposed a mandatory model for the remainder of the region. This involved the establishment of a Wellington Regional Committee to replace the Wellington Mayoral Forum, the Wellington Regional Strategy Committee and the Wellington Regional Land Transport Committee, along with a restructuring of the region’s council-controlled organisations. The possible transfer of statutory obligations and ownership from Greater Wellington Regional Council was also signalled. The Wellington Regional Committee would guide the development of a Wellington regional spatial plan and Wellington regional strategy.

4.49 The major council-controlled organisations proposed were:

- a regional vertically-integrated water service delivery and management company (council-controlled organisation) based on the current Capacity Infrastructure Services, with asset ownership remaining with territorial authorities. This would require the Greater Wellington Regional Council bulk water operation and assets to be either voluntarily transferred to territorial authorities, or for the Commission to do this by transfer of the relevant statutory obligations

- a jointly-owned regional service delivery body (council-controlled organisation) to oversee land transport infrastructure, other than passenger transport which would remain with Greater Wellington Regional Council. There would also be central government participation. The council-controlled organisation would be responsible for planning and delivering local roading as a contractor to individual councils. It would be responsible for developing the regional land transport programme for approval by the Wellington Regional Committee.
- 4.50 The aims of this proposal were similar to those of the Hutt City Council application. No structural change was proposed outside the Wairarapa, but a regional committee and a structure of council-controlled organisations were seen by the applicant as the best means of achieving strategic coherence and operational efficiencies within the current structure.

Hawke's Bay Regional Council

- 4.51 This alternative application was the same as the one received in response to the invitation for alternatives to the proposal for one unitary authority for Hawke's Bay Region. It sought the constitution of a new east coast region spanning the Hawke's Bay, Tararua District and the Wairarapa. No preference was expressed concerning the arrangement of territorial authorities within the proposed new region. Given the proposal included the Wairarapa, it needed to be considered in the Wellington-Wairarapa process as well.
- 4.52 The proposal was seen by the applicant as providing for the effective undertaking of specialised regional council responsibilities over an area with common characteristics with scope for efficiencies from increased scale and a simplification of planning processes.

Alternative applications from organisations

Ngāti Kahungunu Iwi Inc.

- 4.53 This alternative application was received in response to the invitation for alternatives to the proposal for one unitary authority for Hawke's Bay Region. It sought the constitution of two unitary authorities covering the east coast from Wairoa in the north to Wairarapa in the south, with one covering Hawke's Bay and one covering Tararua District and the three Wairarapa territorial authorities. Given the proposal included the Wairarapa, it needed to be considered in the Wellington-Wairarapa process as well.
- 4.54 The proposal was seen by the applicant as reflecting the rohe of Ngāti Kahungunu which at present has to engage with eight territorial authorities and three regional councils. It also was seen to reflect similarities in landscape, climate and the economy of the east coast.

Wairarapa Federated Farmers

- 4.55 This alternative application was for the union of the three territorial authorities in the Wairarapa, while retaining a separate regional council. It was compatible with the Wairarapa being within the region of either a Wellington or a Hawke's Bay-based regional council.
- 4.56 The applicant saw the proposal as providing for effective leadership, improved regulatory performance and efficiency gains in territorial authority responsibilities, while retaining the advantages of being part of a larger region for the undertaking of regional council responsibilities.

Kapiti Coast Grey Power

- 4.57 This alternative application proposed the establishment of a Kapiti Coast unitary authority.
- 4.58 The proposal appeared to be made on the basis that it would preserve Kapiti Coast's independence and ensure the continuation of valued features of the district.

Alternative applications from individuals

Person A

- 4.59 This alternative application proposed that the three Wairarapa territorial authorities be amalgamated, and that a separate regional council (Greater Wellington Regional Council or its successor) with jurisdiction over the whole of the current Wellington Region, be retained. It also proposed the transfer of a number of responsibilities between the two tiers of local government. It was suggested that responsibilities for regional economic development, regional networks (water supply, public transport and regional parks) and assets of regional significance be retained at the regional level. It suggested that unspecified local level functions of the current regional council be transferred to the local level. It also proposed a single regional rates collection system.
- 4.60 The proposal was advanced as a means of enabling more effective management of matters of regional scale by transferring responsibility for them to the regional level. It was seen by the applicant as avoiding costs associated with the full restructuring of local government, avoiding the disturbance of accepted communities of interest around existing territorial authority boundaries, and as being more likely to be accepted by the public.

Person B

- 4.61 This alternative application proposed several amalgamations of territorial authorities while leaving the current regional council in place. It proposed that the three Wairarapa Districts be combined, that Lower and Upper Hutt Cities be combined, and that Wellington and Porirua Cities be combined.
- 4.62 The applicant sought greater efficiency in local government at the territorial level.

Person C

- 4.63 This alternative application proposed that the Eketahuna Ward of Tararua District be included in any future Wairarapa or Wellington unitary authority.
- 4.64 The Eketahuna Ward of Tararua was seen by the applicant as having a significant community of interest with Masterton. The application requested that this be considered in framing any changed arrangements for the Wairarapa.

Person D

- 4.65 This alternative application proposed the amalgamation of the current Wairarapa territorial authorities. It also proposed that Wellington and Porirua Cities be merged.
- 4.66 The proposal in relation to the Wairarapa was seen by the applicant as more cost effective for the Wairarapa than the proposed Wairarapa unitary authority. The Wellington-Porirua merger proposal was seen as reflecting the wishes of those districts.

Person E

- 4.67 This alternative application proposed the dissolution of the Greater Wellington Regional Council and the constitution of six unitary authorities. There would be a single Wairarapa unitary authority and each of the other existing territorial authorities would become unitary authorities.
- 4.68 The proposal was focused on moving away from the current two-tier structure of local government, which was seen by the applicant as 'bureaucratic' and 'wasteful'.

Person F

- 4.69 This alternative application proposed the establishment of three unitary authorities. These would be one for the Wairarapa, one for Kapiti Coast, and one combining Wellington, Porirua, Lower Hutt and Upper Hutt Cities. It was a variation on the Wellington City Council alternative application but left Kapiti Coast as a standalone unitary authority in the same way as the Wairarapa.
- 4.70 The proposal reflected the view that Kapiti Coast does not share infrastructure in the way the other four cities in the region do, and that it is less truly urban in character.

Person G

- 4.71 This alternative application proposed a two-step reform approach. The first step would involve amalgamations of territorial authorities (the three Wairarapa councils together, the two Hutt Valley cities together, and Wellington and Porirua Cities and possibly also Kapiti Coast District). Subsequently it envisaged that consideration be given to disestablishing the Greater Wellington Regional Council and establishing a 'super city'.
- 4.72 The proposed approach was proposed as an incremental one following consideration of updated data that would become available.

Person H

- 4.73 This alternative application was received in response to the invitation for alternatives to the proposal for one unitary authority for Hawke’s Bay Region. It sought, as an alternative to the status quo, which was their “preferred option” for Hawke’s Bay, the constitution of a new east coast region spanning the Hawke’s Bay, Tararua District, and the Wairarapa. However it also proposed a boundary alteration in the north with part of Wairoa transferring to Gisborne District. It proposed constitution of three territorial authorities in the proposed new region being Hawke’s Bay, southern Hawke’s Bay and the Wairarapa. Given the proposal included the Wairarapa, it needed to be considered in the Wellington-Wairarapa process as well.
- 4.74 The proposal was seen by the applicant as reflecting communities of common interest, based around a strong primary production base and people’s right for self-determination, by amalgamating councils of like interests and issues reflected in the proposed three new territorial authority districts.

Identifying the “reasonably practicable options”

- 4.75 Once the Commission had received the alternative applications it was required to determine its “preferred option”. This was a two-stage process. The first step was to identify the “reasonably practicable options” for local government reform in the “affected area”, that is, Wellington Region. The second step was to evaluate the “reasonably practicable options” in order to determine the “preferred option”.
- 4.76 Clause 11(3) of Schedule 3 of the *Local Government Act 2002* sets out the matters that the Commission had to consider in determining the extent to which it identified “reasonably practicable options”. These are:
- the scale and scope of the changes proposed
 - the degree of community support demonstrated to the Commission
 - the potential benefits of considering other options
 - the desire for early certainty (timeliness of decision-making).
- 4.77 To help identify the level of support for the various applications, the Commission undertook an extensive informal round of consultation. The individuals, groups and organisations the Commission consulted in the period July 2013 to February 2014 are set out in Appendix B.
- 4.78 The Commission accepted that the material provided to it in conjunction with the various applications, as well as input from the subsequent public meetings and meetings with sector and interest groups, demonstrated a sufficient degree of community support for consideration of a range of different local government arrangements for Wellington Region.

- 4.79 The Commission considered that the evidence of support for local government reorganisation and the ongoing debate within the region highlighted a need for certainty and for the Commission to complete the assessment of the applications as soon as practicable. However, the Commission decided that the need for early certainty about local government arrangements in the “affected area” did not outweigh the need to carefully consider a range of potentially “reasonably practicable options” for Wellington. It considered that local government was important and materially contributed to the daily lives, well-being and economic potential of people and communities of the region. It was important, therefore, that the Commission’s work canvassed an appropriately broad set of possible options for Wellington.
- 4.80 Not all the proposals set out in alternative applications sought to address the whole of the “affected area”, however consideration of those that did not was to a significant degree contingent on the consideration of the proposals that did.
- 4.81 In addition, not all of the alternative applications demonstrated community support beyond their immediate area of interest. However, it is not a requirement for an alternative application to include evidence of community support where this has previously been demonstrated in a district affected by an original application.
- 4.82 Some of the alternative applications did include material that demonstrated community support for the proposal. For instance, a Colmar Brunton survey conducted for the two Hutt Valley councils and reported on 19 June 2013, showed some support for a ‘super city’ (18%), compared to 50% for ‘an enhanced status quo’ and 28% for a ‘Hutt Valley unitary authority’.
- 4.83 In identifying the “reasonably practicable options”, clause 11(4)(a) of Schedule 3, importantly, required the Commission to consider the current local government arrangements as one of these options. In addition clause 11(4)(b) states that the “reasonably practicable options” may include:
- the proposals in the original applications (from the Wairarapa councils and Greater Wellington Regional Council)
 - proposals in an alternative application
 - options formulated by the Commission
 - a combination of aspects from all of the above.
- 4.84 The Commission noted that another potential option was to consider possible connections between Kapiti Coast District and Horowhenua District to the north. However in the absence of evidence of strong connections between these districts or any proposals from the communities in these areas, the Commission decided not to explore additional options that would involve an extended area beyond the north-west boundary of the declared “affected area”.

4.85 The substantive tests that the Commission was then required to apply in identifying the “reasonably practicable options” are set out in clause 11(5) and (6) of Schedule 3:

- (5) The Commission must be satisfied that any local authority proposed to be established or changed under a reasonably practicable option will—
 - (a) have the resources necessary to enable it to carry out effectively its responsibilities, duties, powers; and
 - (b) have a district or region that is appropriate for the efficient performance of its role as specified in Section 11; and
 - (c) contain within its district or region 1 or more communities of interest, but only if they are district communities of interest; and
 - (d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively by the regional council or unitary authority.
- (6) For the purposes of subclause (5), the Commission must have regard to—
 - (a) the area of impact of the responsibilities, duties and powers of the local authorities concerned
 - (b) the area of benefit of the services provided
 - (c) the likely effects on a local authority of the exclusion of any area from its district or region
 - (d) any other matters the Commission considers appropriate.

Initial consideration of the “reasonably practicable options”

4.86 Four alternative applications involved an area on the eastern side of the region extending beyond the declared “affected area”. These were:

- the application proposing consideration of the inclusion of the Eketahuna Ward of Tararua District in any future Wairarapa or Wellington unitary authority
- the two applications proposing an east coast regional council from Hawke’s Bay to the Wairarapa
- the application proposing two unitary authorities for the same east coast area of the North Island.

4.87 Given these applications involved an area wider than the “affected area”, the applications were required to provide evidence of “demonstrable community support” for the application. Little or no such evidence was provided.

4.88 As part of its consideration of local government arrangements for Hawke’s Bay, the Commission had previously considered current communities of interest on the east coast of the North Island. It concluded that Tararua District as a whole had a community of interest distinct from Hawke’s Bay to the north and Wairarapa to the south, while having strong connections to Palmerston North and the wider Manawatu-Wanganui Region.

- 4.89 Given this, the Commission decided in considering the earlier applications relating to Hawke’s Bay, that the east coast regional council option and the two unitary authorities option for the east coast should not be identified as “reasonably practicable options”. The Commission considered this argument based on distinct communities of interest, applied equally to the process for considering “reasonably practicable options” for Wellington Region including the Wairarapa. Accordingly at its meeting on 8 May 2014, the Commission resolved that the three alternative applications involving either one east coast regional council or two east coast unitary authorities, not be identified as “reasonably practicable options”.
- 4.90 In relation to the alternative application to add the Eketahuna Ward of Tararua District to any new Wairarapa or Wellington unitary authority, the Commission did note that there may be an argument to consider whether current communities of interest within Tararua District would support a proposal to divide the district three ways between Hawke’s Bay, Manawatu-Wanganui and the Wairarapa. However, it also noted no such proposal had been received by the Commission including possible levels of community support. In particular, the alternative application did not provide any evidence that communities of interest in Tararua District would be better reflected by changed local government arrangements.
- 4.91 On this basis, the Commission further resolved at its meeting on 8 May 2014, that the alternative application to add the Eketahuna Ward of Tararua District to any new Wairarapa or Wellington unitary authority, with no consideration given to the other parts of Tararua District, not be identified as a “reasonably practicable option”. In so resolving, the Commission did note that there was the opportunity for any party to make submissions on this matter in response to the draft proposal for Hawke’s Bay issued by the Commission, or in response to any future draft proposal issued for Wellington Region.
- 4.92 At its meeting on 8 May 2014, the Commission agreed to consider the remaining options against the tests in clause 11(5) of Schedule 3 for being “reasonably practicable options”. The Commission’s consideration of these options is presented in Part 5 of this report.

Determining the “preferred option”

- 4.93 From the “reasonably practicable options” the Commission must determine its “preferred option” being the option that “best promotes good local government” (section 24AA of the *Local Government Act 2002*).
- 4.94 The key provision that drives the evaluation of the “reasonably practicable options” is clause 12 of Schedule 3.³⁸ This clause provides the definition of what promoting “good local government” may mean. It is important to note, however, that clause 12 does not provide a complete and closed list of the matters that the Commission must consider in determining which option best promotes “good local government”. Rather it provides a broad reference to the option that best promotes the purpose of local government and assists improved economic performance:

³⁸ Clause 12 of Schedule 3 the *Local Government Act 2002* has just been amended (July 2014) to include a new subclause that establishes the criteria that must be considered with respect to a local board reorganisation proposal. Since the Wellington applications are not for a local board reorganisation these provisions are not been addressed here.

- (7) For the purposes of clause 11(8), the Commission must be satisfied that its preferred option—
 - (a) will best promote, in the affected area, the purpose of local government as specified in section 10; and
 - (b) will facilitate, in the affected area, improved economic performance, which may (without limitation) include-
 - (i) efficiencies and cost savings; and
 - (ii) productivity improvements, both within the local authorities and for the businesses and households that interact with the those local authorities; and
 - (iii) simplified planning processes within and across the affected area through, for example, the integration of statutory plans or a reduction in the number of plans to be prepared or approved by a local authority.

4.95 These provisions go directly to the purpose of local government (section 10) and also to what “good local government” is. “Good local government” is not directly defined in the *Local Government Act 2002*. However, the definition of the characteristics and aspects of “good local government” may be drawn from sections 10 (Purpose of local government), 11 (Role of a local authority), 11A (Core services to be considered in performing role), 13 (Performance of functions under other enactments) and 14 (Principles relating to local authorities).

4.96 Section 10 provides guidance about the importance of democratic decision-making, the types of activities and services that a council provides, the importance of meeting both current and future needs of communities and the importance of efficiency, effectiveness and appropriateness:

- (8) The purpose of the local government is—
 - (a) to enable democratic decision-making by, and on behalf of, communities; and
 - (b) to meet current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- (9) In this Act, good-quality, in relation to local infrastructure, local public services, and performance of regulatory functions means infrastructure, services, and performance that are—
 - (i) efficient; and
 - (ii) effective; and
 - (iii) appropriate to present and anticipated future circumstances.

4.97 Together these provisions represent a broad and complex set of considerations. To enable it to give careful consideration to these, the Commission developed an evaluation framework that comprises a key set of factors, and for each factor a set of questions that reflect the matters to be considered. The framework is set out in Table 29.

Table 29: The framework for evaluating the “reasonably practicable options”

Factors	Key questions
Communities and issues	
The communities	What are the communities of the “affected area”?
Current needs and issues	What are the issues currently facing the “affected area”?
Future needs and issues	What are the issues that the communities of the “affected area” must address in the future? To what extent are the issues able to be addressed/being addressed under the status quo? To what extent could they be better addressed under each option?
Democratic decision-making	
Understanding communities	Would the ability to understand and engage with the communities that are represented be improved?
Māori participation	Would the ability/ease of Māori to participate in decision-making and the degree of alignment between Māori decision-making frameworks and local authority frameworks be improved?
Alignment of decision-making with affected communities	Would the degree of alignment between the nature and spread (geography) of the issues facing communities and the level of decision-making (regional versus local) and the geographic basis of representation be improved?
Collaboration	How would the extent to which decision-making relies on collaboration and the incentives for effective collaboration and co-operation to address significant issues be affected?
Representation/share of voice	Would the extent to which the ability of the council(s) to represent the interests of their residents and businesses be improved, be more effective, and deliver a greater share of voice and influence over other decision-makers?
Improved provision of core services	
Network infrastructure <ul style="list-style-type: none"> • Roads • Water • Wastewater • Stormwater 	Would the provision of local infrastructure and services be improved? Would delivery be more efficient and/or more effective? Would improved delivery provide greater opportunities for improved economic development? Would delivery reduce costs or provide productivity benefits to those who engage with these services?
Public transport services	Would local infrastructure and services be more appropriate to the current and future needs of the community (including dealing with any historic underinvestment, or the need for renewal or upgrades)?
Solid waste	

Factors	Key questions
Avoidance or mitigation of natural hazards Flood protection works Other natural hazards Response, reduction, readiness, recovery	Would the ability to avoid or mitigate natural hazards be improved? Would delivery be more efficient and/or more effective? Would improved delivery provide greater opportunities for improved economic development? Would delivery reduce costs or provide productivity benefits to those who engage with these services? Would hazard avoidance and mitigation activity be more appropriate to the current and future needs of the community?
Community facilities and services Libraries Museums Reserves Recreational facilities Community amenities	Would the provision of community facilities and services be improved? Would delivery be more efficient? Would delivery be more effective? Would community facilities and services be more appropriate to the current needs of the community? Would community facilities and services be better able to meet the future needs of the community? Is the provision of regional facilities and services different from the provision of local facilities and services?
Regulatory activity <i>Resource Management Act 1991, Building Act 2004, Local Government Act 2002</i> etc.	Would the provision of regulatory services be improved? Would delivery be more efficient and/or more effective? Would delivery reduce costs for those engaging with the council(s)? Would local regulatory activity be able to be more appropriate to the current and future needs of the community?
Achieving the objectives of other legislation	
<i>Resource Management Act 1991, Land Transport Management Act 2003</i> , spatial planning, environmental services etc.	Would the objectives of other legislation be better achieved under the option? Would the option result in better integrated management of the natural and physical environment (<i>Resource Management Act 1991</i>)? Would the option support better integration of land use and transport between the <i>Resource Management Act 1991</i> and the <i>Land Transport Management Act 2003</i> ?
Improved economic performance	
Improved competitiveness	Would improved delivery of local government services and improved decision-making increase the competitiveness of the “affected area”? How significant is the possible improvement in competitiveness and what might it mean for the “affected area”?
Productivity improvements	Would productivity improvements be possible for the council(s)? Would productivity improvements be possible for households and businesses? How large are the productivity improvements, and what would drive them?
Simplified planning processes	Is there scope to simplify planning processes? Would planning processes be more efficient and/or more effective? Would simplified planning processes provide benefits to those who engage with the council(s)?

Factors	Key questions
Overall savings and costs of transition	
Savings	<p>What is the scale and relative magnitude of the savings that could realistically be achieved compared to the status quo and where do they arise?</p> <p>What are the risks to achieving those savings?</p> <p>Can those risks be managed effectively?</p>
Cost of transition	<p>What are the likely costs of transition?</p> <p>What are the key drivers of transition costs?</p> <p>What are the risks around the costs, and can they be managed?</p>

4.98 In applying the framework, the Commission adopted the approach described below. The application of this evaluation framework of the “reasonably practicable options” is presented in Part 6 of this report.

Comparison with the status quo

4.99 The Commission had to determine which of the “reasonably practicable options” was the option that “best promoted good local government”. The Commission noted that the status quo is deemed to be a “reasonably practicable option”. It was therefore the benchmark for all other options. For another option to be the “preferred option”, it had to be better than the status quo.

Focus on the differences

4.100 The number of factors that the Commission could have considered was large. For some factors it was considered that there was no discernable difference between the options. When this was the case, the Commission did not focus on that factor.

Balancing a range of factors

4.101 The Commission considered that none of the factors alone was sufficient, by itself, to determine the “preferred option”. The Commission therefore had to balance and weigh the factors that it considered. The balancing of the factors varied from area to area, reflecting the particular circumstances of each area.

4.102 The test established in clause 12 of Schedule 3 of the *Local Government Act 2002* involves a two-stage test that the Commission needed to apply. The Commission had to be satisfied that its “preferred option” was the “reasonably practicable option” that would “best promote ... the purpose of local government”. The second test, that the Commission had also to be satisfied on, that the “preferred option” would “facilitate ... improved economic performance”, was not so absolute. This suggested that it was open for the Commission to, for instance, adopt an option that in its view best promoted the purpose of local government and facilitated improved economic performance, but was not the option likely to have the greatest impact with respect to improved economic performance.

4.103 Overall, the Commission needed to exercise a degree of judgement across all of the relevant considerations and come to a conclusion that satisfied the requirements of clause 12 of Schedule 3.

A draft proposal

4.104 If the Commission determines that its “preferred option” is not the status quo, it must proceed to develop a draft reorganisation proposal that gives effect to the “preferred option”. Part 8 of this report sets out the Commission’s draft proposal in response to the applications for reorganisation in Wellington, and the Commission’s consideration of these.

4.105 The Commission must then notify the applicants, all affected councils and the general public, and call for submissions in response to the draft proposal. In effect the release of a draft proposal moves the process on from a phase of research, investigation and analysis, to one of formal consultation. The formal consultation involves the calling of submissions on the draft proposal and a decision of the Commission on whether to hold hearings for those who wish to appear before the Commission in support of their submission.

A final proposal and possible poll

4.106 Once the Commission has received and (and if it so chooses) heard submissions on its draft reorganisation proposal, it must proceed to make decisions under clause 21 of Schedule 3 of the *Local Government Act 2002*. This clause provides that the Commission must do one of the following:

- issue the draft proposal as a final proposal, or
- issue a modified draft proposal as a final proposal, or
- identify another “preferred option” as the basis for a new draft proposal, or
- decide not to issue a final proposal and give public reasons for that decision.

4.107 In the event that the Commission decides not to issue a final proposal, the status quo local government arrangements continue. In the event that it does issue a final proposal that proposal must be publicly notified along with a detailed statement setting out how it would promote the purpose of local government and facilitate economic performance, and setting out the advantages and disadvantages of the final proposal.

4.108 Once the Commission has issued a final proposal, the electors of the affected territorial authorities can call for a poll on the proposal by presenting to the Commission a petition signed by ten per cent or more of the electors of one of the affected territorial authorities within 60 working days of the release of the final proposal.

- 4.109 If no poll is called for, then the Commission must proceed to appoint a transition body to assist it to prepare and issue a reorganisation scheme that gives effect to the final proposal. The transition process to establish the new council(s) would then commence.
- 4.110 If a petition calling for a poll meets the required test, the Commission must proceed to hold a poll. If fewer than 50% of the valid votes cast in the poll, conducted over the whole “affected area”, support the proposal, then the process ends and status quo local government arrangements continue. If more than fifty per cent of the valid votes cast in the poll support the final proposal, then the Commission must proceed to appoint a transition body to assist it to prepare and issue a reorganisation scheme that gives effect to the final proposal. The transition process to establish the new council(s) would then commence.

Part 5: The “reasonably practicable options”

- 5.1 Having received and agreed to assess the original applications, determined that there was “demonstrable community support” for local government reorganisation, determined the “affected area” and received alternative applications, the next step in the process was for the Commission to determine the “reasonably practicable options” that it would consider in detail.
- 5.2 The process set out in Schedule 3 of the *Local Government Act 2002* for the identification of “reasonably practicable options” progressively narrows the focus of the Commission’s consideration. The tests initially act as a coarse sieve for considering which of the options merit more detailed consideration and evaluation. Options that fail these tests are discarded.
- 5.3 Through the original and alternative applications for local government reorganisation in Wellington Region, the Commission received a large number of quite different proposals for reform. They reflected a broad debate about the merits of quite different models for the future governance of the region. Some of these were well-worked and comprehensive proposals. Others were more embryonic concepts that would require considerable design work to turn into an operating model. Some of the applications proposed arrangements that could not be implemented because they required actions that went beyond the powers of the Commission. Others failed to meet some of the specific tests that the Commission must apply.
- 5.4 As a first step in the process, and as noted in Part 4, the Commission agreed that four of the alternative applications, involving areas extending beyond the declared “affected area”, should not be identified as “reasonably practicable options”.
- 5.5 This Part of the report discusses the considerations of the Commission in determining which of the remaining options were to be identified as “reasonably practicable options” and these are then evaluated in Part 6. This Part is presented as a series of considerations that mirror the statutory tests required of the Commission. In essence the approach tested the numerous options for fatal flaws that would make them impracticable or unable to meet the statutory requirements.
- 5.6 In identifying “reasonably practicable options” for Wellington Region, the Commission had careful regard to the nature of Wellington, its people, communities, environment, natural and physical resources, and the current and future needs of the community. These matters are summarised in Part 2 of the report.

Types of “reasonably practicable option”

- 5.7 As required by the *Local Government Act 2002*, the status quo is deemed to be a “reasonably practicable option”. The current framework of local government for Wellington Region (the status quo) is set out in Part 3.

- 5.8 Several of the alternative applications put forward proposals for future local government arrangements that were a package involving both structural and non-structural changes. Some of these packages presented standalone options and others cross-referenced other proposals.
- 5.9 The range of proposals received by the Commission included some options that were compatible with one another, some options that were mutually exclusive or competing alternatives, and some options which depended upon the implementation of others. For instance:
- the proposals set out in the Wairarapa councils’ and the Greater Wellington Regional Council’s applications were mutually exclusive
 - those from Upper Hutt and Hutt City Councils were compatible with, supported, and were ultimately contingent on, the consideration of the Wairarapa application, but as a result were incompatible with the application from Greater Wellington Regional Council
 - the model set out in the Wellington City Council alternative application was potentially viable at different scales depending upon the results of assessment of the Wairarapa councils’ application.
- 5.10 Given this variety, the Commission distinguished two broad groups of applications. These were those that retained a single directly elected body for Wellington Region, and those that would remove such a body. The applications were grouped as follows:
- Proposals that would retain one directly elected body for Wellington Region:
 - **Stronger regional delivery** – a modified status quo involving the transfer of particular statutory obligations from territorial authorities to the regional council
 - **Enhanced local efficiency** – through territorial authority amalgamation including one or more of the following: the Wairarapa, the Hutt Valley, Wellington and Porirua Cities and possibly Kapiti Coast District Council, also including the option of enhanced status quo arrangements for parts of the region
 - **One Wellington Council with local boards** – a unitary authority for Wellington Region excluding the small area of Tararua District currently in the region
 - **One Wellington Council with no local boards** – a unitary authority for Wellington Region excluding the small area of Tararua District currently in the region.
 - Proposals that would remove the current directly elected regional body in part or all of Wellington Region:
 - A **Wairarapa unitary authority** – with (enhanced) status quo arrangements elsewhere in Wellington Region
 - **Multiple unitary authorities** – including separate authorities for the Wairarapa and Kapiti Coast, with the option of collaborative arrangements between councils.

5.11 As is noted above, a number of the possible options were interdependent. In particular, the consideration of options involving multiple unitary authorities hinged on whether or not the option of a Wairarapa unitary authority proceeded. Therefore the Commission focused considerable attention on whether or not a Wairarapa unitary authority was indeed a “reasonably practicable option” and passed the relevant statutory tests. Reflecting the pivotal role of this issue in relation to multiple options, this consideration is set out in detail below.

Is a unitary authority for the Wairarapa a “reasonably practicable option”?

5.12 To be considered a “reasonably practicable option”, a Wairarapa unitary authority needed to meet the statutory criteria of clause 11(5) of Schedule 3:

- (5) The commission must be satisfied that any local authority proposed to be established or changed under a reasonably practicable option will—
 - (a) have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers; and
 - (b) have a district or region that is appropriate for efficient performance of its role; and
 - (c) contain within its district or region one or more distinct communities of interest; and
 - (d) enable, in the case of regional councils and unitary authorities, effective catchment-based flooding and water.

5.13 The clause requires that the Commission “must be satisfied” that the answer to these questions was ‘yes’.

5.14 The statutory criteria outlined in clauses 11(5)(a) and (d) were the subject of considerable attention in both of the original applications and in some of the alternative applications that the Commission received. Most of the major New Zealand consulting firms that provide strategic financial advice to councils contributed to the consideration of these issues. In addition to the advice received in the applications, the Commission also sought additional advice in relation to the necessary requirements.

5.15 All told, Morrison Low, Martin Jenkins, Taylor Duignan Barry, PWC, New Zealand Institute of Economic Research (NZIER), Brian Smith Advisory Services, MWH, BERL, and MPC Headway produced reports relating to these matters that contributed to the Commission’s consideration. All are reputable consultants. Between them there were differing views reflecting different assumptions and differing professional opinions. The bulk of this work focused on the financial viability of a unitary authority for Wairarapa.

- 5.16 The Commission noted, however, that the statutory test was considerably broader than just a financial test. The requirement of clause 11(5)(a) was that a local authority “would have the resources to enable it to carry out effectively its responsibilities, duties and powers.” This did require financial viability, but it also required access to necessary skills and expertise, and it required a consideration of effectiveness and adequacy. The Commission considered that to some extent there was always scope for a body to be financially viable by ‘cutting its cloth accordingly’ and ‘going without’ in terms of services and service levels. However it also considered that if living within scarce resources was likely to result in a proposed local authority having to deliver declining levels of service, or being unable to meet statutory requirements, then that proposal would appear likely to fail to meet the requirements of clause 11(5)(a).

The differing views

- 5.17 The Wairarapa councils’ application to the Commission followed a process undertaken by the Wairarapa territorial authorities to consider optimum governance arrangements for the Wairarapa. In December 2011 the Shared Services Working Group (a predecessor to the Wairarapa Governance Review Working Party) was given a mandate to conduct a strategic review and assess options for the future delivery of local government services in the Wairarapa. In May 2012 the report “Assessment of options for joint management and service delivery”³⁹ canvassed various options at a high level. These spanned an enhanced status quo (with increased shared services), the delivery of services through joint council-controlled organisations, a combined Wairarapa district council, a Wairarapa unitary authority, and a Greater Wellington unitary authority.
- 5.18 The Morrison Low report concluded that the best local government arrangements for the Wairarapa were likely to be either a Wairarapa unitary authority or a combined Wairarapa district council. In doing so, however, it noted:
- “Further work is required to consider in detail the costs, benefits and risks and in particular the cost implications of a Wairarapa unitary authority which would need to fund activities currently undertaken by the Greater Wellington Regional Council in the Wairarapa and which are currently funded in part by regional rates”.*⁴⁰
- 5.19 A further report in September 2012⁴¹ sought to advance these issues. It used information sourced from Greater Wellington Regional Council providing an allocation of the revenue and expenditure of Greater Wellington Regional Council relating to the Wairarapa for the 2012/13 year, showing that, based on current expenditure, a Wairarapa unitary authority would have an operating deficit of approximately \$8.6 million per annum (after estimated savings from formation of a combined Wairarapa district).

³⁹ Morrison Low Ltd., (2012, May), *Assessment of options for joint management and service delivery – Final report*

⁴⁰ Morrison Low Ltd., ... p.16

⁴¹ Morrison Low Ltd., *Wairarapa District Councils – Phase Three Report: Investigation into the formation of an amalgamated Wairarapa District Council and a Wairarapa Unitary Authority*

5.20 It then considered potential efficiencies that might be available under a Wairarapa unitary authority, and benchmarked the costs of activity groups against three other existing unitary authorities. This concluded:

“Wairarapa District Council would result in a small operating surplus and savings”. However, for a Wairarapa unitary authority “there would be an operating deficit given current regional revenue and current expenditure for local and regional services. The operating deficit would be at least partly offset by the operating surplus and reduction in ... costs for the amalgamated Wairarapa District Council. Some potential efficiency savings for regional activities have been identified, however the remaining operating deficit would still be significant.”

5.21 Subsequently Greater Wellington Regional Council was requested by other territorial authorities to provide an allocation of its expenditure and revenue among all the districts within the region. Greater Wellington Regional Council commissioned PWC to do this and the allocation was carried out based on 2011/12 actual data.⁴² This produced a slightly different answer from the earlier 2012/13 budget-based exercise undertaken solely for the Wairarapa showing a net flow of revenue to the Wairarapa of \$10.9 million per annum, compared to the earlier estimate of \$11.2 million per annum.

5.22 In April 2013 the Wairarapa Governance Review Working Party received a further report, this time commissioned from Martin Jenkins Ltd and Taylor Duignan Barry (MJ/TDB).⁴³ This modelled the starting financial position of a future Wairarapa unitary authority firstly by developing a consolidated financial position of the three Wairarapa territorial authorities and then adding its assessment of the likely costs of the additional regional council activities. This took as its starting point the PWC allocation undertaken for the Greater Wellington Regional Council, but made a number of adjustments to it based on its own assumptions. The result was the suggestion that a Wairarapa unitary authority would have a starting deficit of \$2 million.

5.23 The report concluded that this would be manageable by various possible combinations of: additional efficiencies, rates increases and reviewed levels of service, and that on that basis a future Wairarapa unitary authority would be financially viable. In scoping options for how this might be managed, however, MJ/TDB identified that:

*“To restore the operating balance to the surpluses currently projected in LTPs, rates revenue would have to increase in 2013/14 by approximately 6% (one off) over and above the 5.1% that, on average is incorporated in the LTPs of the three Wairarapa Councils”.*⁴⁴

⁴² PricewaterhouseCoopers, *Allocation of Greater Wellington Regional Council Financials by Territorial Authority Geographic Area*

⁴³ Martin Jenkins Ltd. and Taylor Duignan Barry Ltd., (2013, April), *Assessment of the Viability of a Wairarapa Unitary Authority and Wellington Regional Council’s Response to the Report*

⁴⁴ Martin Jenkins Ltd. and Taylor Duignan Barry Ltd., (2013, April),... p40

- 5.24 The Greater Wellington Regional Council application to the Commission included a critique of the MJ/TDB report that challenged both its overall conclusions, and a number of the specific adjustments and assumptions used.⁴⁵ MJ/TDB in turn responded to the issues raised by Greater Wellington Regional Council in a letter dated 3 May 2014 to the Chair of the Wairarapa Governance Review Working Party.⁴⁶
- 5.25 The assessments made in these reports received by the Commission differed very widely. At one extreme the April 2013 report by MJ/TDB estimated that a Wairarapa unitary authority would start with an annual deficit of around \$2 million per annum, which was regarded as a viable starting position. At the other end of the spectrum the allocations of the current expenditure and revenue of the Greater Wellington Regional Council suggested that based on status quo arrangements, a deficit for regional council activities as high as \$10.9 million per annum (based on 2011/12 actuals) or \$11.2 million per annum (based on 2012/13 long-term plan data).

Reconciling the differences

- 5.26 In an attempt to reconcile these differing assessments the Commission procured two further reports. These were:
- “A comparison of cost estimates and associated issues of a WUA” - BERL, (November 2013)
 - “Regional council functions in a Wairarapa unitary authority”, MPC and Headway, (January 2014).
- 5.27 In addition, as part of the evaluation of “reasonably practicable options”, the Commission received work from Brian Smith Advisory Services, Deloitte, McGredy Winder & Co and Stimpson & Co that collectively explored the potential for savings associated with the “reasonably practicable options” and also estimated transition costs.
- 5.28 There were also a number of other reports drawn on by the Commission covering topics such as changes to legislative requirements on unitary and regional authorities, transport and local government infrastructure efficiency. The staff of the Commission visited all three Wairarapa councils and discussed infrastructure, rating and expenditure with the officers of those councils.

BERL report

- 5.29 BERL was asked to provide an assessment of the likely levels of costs to any future Wairarapa unitary authority of undertaking the roles and responsibilities of a regional council for the Wairarapa, and in particular to explain the differences in the two sets of estimates – the PWC allocation, and the MJ/TDB estimates. Based on this, BERL was also asked to provide advice on its assessment of whether or not a Wairarapa unitary authority would be financially viable.

⁴⁵ Greater Wellington Regional Council, *Assessment of Martin Jenkins Report on a Wairarapa Unitary Authority*

⁴⁶ Provided to the LGC as part of the Wairarapa councils’ application

- 5.30 BERL concluded that neither the MJ/TDB assessment nor the allocation of current regional costs by PWC on their own provided a sufficient basis for concluding that the resources available to a Wairarapa unitary authority either would or would not be sufficient. The PWC exercise was simply an allocation of costs and revenue at a point in time. The MJ/TDB assessment adjusted the PWC figures based on their own assumptions, and *“lacks in detail the levels of services required and the implications for rates payments”*.⁴⁷
- 5.31 BERL noted that conceptually, the making of adjustments to reflect ways in which the future may differ from the snapshot allocation was appropriate, although this did not necessarily imply that any given adjustment was appropriate or that the adjustments made presented a sufficiently complete picture of the likely future.
- 5.32 BERL made the point that it was also necessary to take account of future changes that might impact on a Wairarapa unitary authority, such as likely future capital requirements or policy changes potentially affecting particular activities such as public transport and environmental requirements. Neither of the two earlier assessments did this.
- 5.33 BERL considered in detail the various adjustments made by MJ/TDB to the PWC allocations. These are outlined below.

CentrePort dividend

- 5.34 MJ/TDB increased the estimated revenue to a Wairarapa unitary authority from the CentrePort dividend from \$0.4 million to \$0.8 million, based on historic precedents for the allocation of Port shares upon a local government reorganisation. Greater Wellington Regional Council challenged the calculation involved and also drew attention to the risk that reducing Greater Wellington Regional Council’s ownership below 66.7% would result in reduced dividends through the loss of tax advantages and the current loan guarantee arrangement (resulting in increased cost of borrowing to CentrePort).

Forestry and loan repayment

- 5.35 MJ/TDB made a reduction of \$2.2 million from the PWC allocation as representing the costs associated with operating and debt servicing costs relating to forests on reserve land in the Wairarapa. This was done on the basis that it was intended that cutting rights for these forests would be sold and that this would repay the debt and remove the need for the related operating costs. Greater Wellington Regional Council challenged this on the basis that the process of sale was uncertain and the proceeds might not be sufficient to fully repay the loan. Clearly at whatever point the cutting rights are sold this element of Greater Wellington Regional Council’s costs in the Wairarapa would at the very least be reduced and perhaps be completely eliminated. It is understood that, subsequently, agreement has been reached for the sale of the cutting rights during 2014/15 and that the proceeds would be sufficient to repay the loans in question.

⁴⁷ A comparison of cost estimates and associated issues of a WUA - BERL, (November 2013), p2

Democratic services

- 5.36 MJ/TDB made a reduction of \$0.2 million from the PWC allocation because a Wairarapa unitary authority would no longer be expected to fund part of Greater Wellington Regional Council democratic services costs. BERL accepted that such an adjustment seemed appropriate although it was a minor one.

Cost efficiencies at the territorial authority level

- 5.37 MJ/TDB made a reduction of \$2 million from the current costs of the three Wairarapa territorial authorities in the expectation that combining the three territorial authorities would produce savings of 3% in operating expenditure. This scale of saving was consistent with those projected by the Royal Commission on Auckland Governance in relation to its proposals for Auckland, which also appeared to have been adopted by the Wellington Region Local Government Review Panel.
- 5.38 BERL noted, however, that the estimates related to amalgamations at a larger scale than the Wairarapa and may not be so large at the scale of a Wairarapa unitary authority. They also noted that while MJ/TDB suggested a low risk of offsetting diseconomies from the reduction in the scale of regional council activities, it did not explain why the risk was seen as low. The inclusion of the 3% saving in the starting financial position for the Wairarapa unitary authority also involved an assumption that any such efficiencies would manifest themselves in the form of cost reductions rather than being applied to service level improvements or enhanced capacity. Recent research suggested that this is often not the case.⁴⁸

Resource management/environmental services

- 5.39 MJ/TDB made a reduction of \$1 million from the PWC allocation in relation to resource management and environmental services. This was done on the basis of benchmarking with Marlborough District Council as previously undertaken by Morrison Low⁴⁹, which showed that the expenditure across this group of activities was higher for Greater Wellington Regional Council in the Wairarapa than for Marlborough. MJ/TDB assumed that there would be a review of levels of service in this area, and that the outcome of this would be a reduction in costs of between \$0.5 million and \$1.0 million (the higher figure of \$1 million was used in their subsequent analysis).
- 5.40 Greater Wellington Regional Council challenged this on a variety of grounds, including the inability of a Wairarapa unitary authority to opt out of *Resource Management Act 1991* requirements, the level of future demand for environmental services in the Wairarapa and the risk of reduced service levels producing poorer environmental outcomes. BERL suggested that the appropriateness of Marlborough District Council as a benchmark required closer investigation, and signalled several

⁴⁸ Aulich, Gibbs, Gooding, McKinlay, Pillora and Sansom, (2011, May), *Consolidation in Local Government: A Fresh Look*

⁴⁹ Morrison Low Ltd., *Wairarapa District Councils – Phase Three Report: Investigation into the formation of an amalgamated Wairarapa District Council and a Wairarapa Unitary Authority*

areas where it was suggested that central government requirements on regional councils were increasing and may add greater costs in the future. The report from MPC and Headway (summarised later in this report) was commissioned to look more closely at these matters.

Public transport

- 5.41 MJ/TDB excluded the regional contribution to public transport (estimated by PWC at \$2.64 million) from their calculations on the basis that *“we have no grounds to assume that the share of public transport revenues and costs attributed to the Wairarapa would change”*.⁵⁰ It did, however, include an additional cost of \$0.4 million for the costs of maintaining a pan-regional approach to public transport. This was challenged by Greater Wellington Regional Council, which also provided copies of legal advice on the implications for the governance and funding of the system if existing services were to become inter-regional services as a result of local government reorganisation.⁵¹
- 5.42 BERL noted that the public transport services should be run as an integrated system and also noted that *“The issue is who should be paying for this and whether or not it means rates increases for Wairarapa residents”* and further that *“the question is whether or not ratepayers in the western area carry unjustifiable burdens if the current funding structure continued”*.⁵² BERL also noted that the current phased process of reduction of the financial assistance rates for passenger rail services and public transport facilities, and the scale of planned investment in rail by Greater Wellington Regional Council, were factors already in play that might drive towards costs for ratepayers even under current governance and rating arrangements.

Future capital requirements and policy drivers

- 5.43 As noted previously, BERL suggested that an assessment of the future viability of a Wairarapa unitary authority needed also to take account of future capital expenditure needs, cost pressures and the impact of foreseeable policy changes. The report identified, based on current Greater Wellington Regional Council plans, \$20 million of planned capital expenditure on the Wairarapa railway line, and \$16 million on flood protection in the Wairarapa. Based on current long-term plans, total capital expenditure for the three Wairarapa councils plus Greater Wellington Regional Council (Wairarapa rail and flood protection) totalled \$250.6 million.⁵³ In terms of a Wairarapa unitary authority’s role as a regional council, the report noted Government policy directions in relation to freshwater as seeming to indicate increasing requirements for land and water management.

⁵⁰ Martin Jenkins Ltd. and Taylor Duigan Barry Ltd., (2013, April), p28

⁵¹ DLA Phillips Fox and Grant Hewitson and Associates Ltd., (2013), Legal Advice

⁵² *A comparison of cost estimates and associated issues of a WUA* – BERL, (November 2013), p22

⁵³ Brian Smith Advisory Services Limited, (2014, February), *Information on Forecast Capital Expenditure for the LTP period 2012-22 for the Wairarapa*

BERL conclusions

5.44 In their commentary BERL made the point that any discussion about what might or might not be regarded as financial viability, is in reality a debate about the levels of service that are provided and must be funded. The Commission agreed that this was an important point. On the one hand, decision-makers in any future council would have scope to tailor the levels of service provided to match the resources available. On the other hand, however, if the resulting levels of service fall short of what citizens or central government (from a national perspective) expect, then the question would arise whether the council was able to carry out its role effectively, and whether the available resources were sufficient for it to do so.

5.45 The overall conclusion reached by BERL was that:

“based on the information available to us we conclude that a Wairarapa unitary authority is unlikely to be financially viable unless there was:

- *further evidence of significant efficiency gains from bringing the three district councils’ functions together with those services in the Wairarapa currently provided by Greater Wellington Regional Council*
- *evidence that significant changes to policy priorities were likely to be acceptable to the Wairarapa community*
- *evidence that reduced levels of service (in such areas as public transport or environmental services, would be acceptable to the Wairarapa community and these reductions would not contravene (potentially increasingly stringent) regulatory requirements*
- *evidence that the Wairarapa would accept higher rates payments”*.⁵⁴

MPC and Headway report

5.46 The report commissioned from MPC and Headway was commissioned to focus more specifically on the resources likely to be required to undertake the environmental responsibilities of a unitary authority in the Wairarapa. Their brief was to:

- identify the scope of activities a unitary authority must carry out
- identify the extent to which these are mandatory or voluntary
- identify how the level of resources might impact on delivery
- identify the known current and future drivers
- provide commentary on Marlborough District Council’s environmental management framework and comparison with the proposed Wairarapa model
- provide a general commentary on good practice in the environmental management field.

⁵⁴ A comparison of cost estimates and associated issues of a WUA - BERL, (November 2013), p36

5.47 Their report concluded that:

- there was a strong inter-relationship between the mandatory and discretionary activities of a regional council
- there would be substantial one-off costs to establish a suite of Wairarapa-specific *Resource Management Act 1991* regional plans and processes and while this could be undertaken over time it could not be avoided
- a reduction in resources had the potential to reduce the effectiveness of regional activities and result in poor environmental outcomes
- in relation to the assumed saving of \$1 million in environmental management expenditure identified in the MJ/TDB report, “We consider that the proposed reduction in funding (compounded over time) in conjunction with the known increase in demands for more environmental management services will, all else equal, result in a greater risk of poorer environmental outcomes for the region”
- the comparison between Marlborough and the Wairarapa was sound in terms of some of the parameters, but detail was lacking as to whether the current investment in Marlborough was sustainable into the future given the policy and legislative changes likely to affect all regions
- diversity in how regional and unitary authorities organised themselves to deliver services appeared to be driven strongly by cultural history, however, larger and better resourced regions generally took a lead in establishing best practice.

5.48 There were a number of known drivers likely to impact on regional environmental activities. These included:

- a greater emphasis on the need for regional spatial planning
- the focus on fresh water management, including the new responsibilities reflected in the National Policy Statement for Freshwater Management, which included requirements to work collaboratively with stakeholders
- public expectations for improved flood protection and the increased value of assets at risk
- the greater focus on non-point source pollution of waterways, driven by increased expectations of New Zealanders and export markets.

5.49 There were also less certain and predictable drivers which may become increasingly significant. These included:

- possible co-governance arrangements under Treaty of Waitangi settlements and
- increased risks of pest incursions, severe weather events, and coastal erosion arising from climate change.

5.50 The report suggested “*These factors and other trends associated with regional environmental management (the need for more sophisticated science – for example, the need to deal with the impacts of climate change, etc.) all point towards more demand for resources to deliver environmental management in the foreseeable future rather than less*”.

Other considerations

Estimated savings and transition costs

- 5.51 The Commission received conflicting advice in relation to the potential for savings from the establishment of larger councils. As part of the evaluation of the “reasonably practicable options”, the Commission received advice that explored the potential for savings and also estimated transition costs for those options. This incorporated advice from Brian Smith Advisory Services, Deloitte, McGredy Winder & Co. and Stimpson & Co.. This work is summarised in Part 6.
- 5.52 The advice did not specifically address the establishment of a Wairarapa unitary authority, as this had previously been assessed as not a “reasonably practicable option”, but it did explore the option of a single territorial authority for the Wairarapa, and did so on the same basis as it applied to other options. The results of this exercise did offer some confirmation of the earlier conclusions about the likely adequacy of resources available to the proposed Wairarapa unitary authority.
- 5.53 It estimated the potential savings from a territorial authority as in the order of \$1.3 million per annum from year four after amalgamation, rather than the \$2 million per annum saving in operating costs (3%) from day one, as suggested by MJ/TDB in their report to the Wairarapa Governance Review Working Party.⁵⁵
- 5.54 Furthermore it is possible that the level of savings could be less than the \$1.3 million per annum estimate. There were a number of areas within the operations of the existing Wairarapa councils where the level of current resourcing was low compared to other councils. This may be because of the savings already achieved through shared services – including the combined district plan, joint waste management contract, joint roading procurement policy and joint library service - have reduced the scope for further savings in these areas. It was also possible that in some areas an amalgamation could result in increased costs because the change process would identify any areas that were currently under-resourced.
- 5.55 This work produced an estimate of the costs of transition to establish a single Wairarapa territorial authority. There were significant caveats around that work as it related to the Wairarapa territorial authority option, which are discussed in Part 6. These related to the potential cost for integration of IT systems which was by far the largest component of the estimate of transition costs. This estimate was prepared by Deloitte who stated clearly that they knew less about the current state of the Wairarapa councils’ systems than those across the rest of Wellington Region. In addition the estimate seemed high in comparison to advice received by the Commission in relation to the Hawke’s Bay reorganisation process. Even setting aside the estimated IT costs, however, other transition costs were estimated at around \$6.5 million.

⁵⁵ See discussion on p33 and p34 of that report

- 5.56 The cost of transition to a Wairarapa unitary authority would inevitably be greater than that for a combined territorial authority. Additional complexity would have to be built into the IT systems relating to the regional council responsibilities of a unitary authority and the transition of staff, systems, information and records from Greater Wellington Regional Council would also make the transition to a Wairarapa unitary authority more complex and expensive than for a single territorial authority.
- 5.57 Overall this was seen as reinforcing the conclusion that the Commission had reached that a Wairarapa unitary authority was unlikely to have the resources necessary to enable it to effectively carry out its responsibilities, duties and powers.
- 5.58 The current long-term plans of the three Wairarapa councils provided for a total of \$45.6 million in rates in 2012/13. The allocation of Greater Wellington Regional Council rates undertaken by PWC⁵⁶ showed a further \$12.2 million of regional rates. An operating shortfall of \$2 million would represent 3.4% of that combined rates income. A larger shortfall would inevitably equate to a larger share of combined rates income, for instance a shortfall of \$10 million would equate to 17.3% of that combined rates income.
- 5.59 The lower estimates of the impact of delivering regional council responsibilities relied in part on the view that these activities could be delivered at a lower cost than was currently achieved by the Greater Wellington Regional Council. In reality, the current approach by the regional council reflects historic policy settings and environmental expectations. Current policy settings and expectations are driving improved environmental performance and would be more expensive to deliver. The lower estimates of additional cost did not include the additional capital investment that would be required in flood protection works beyond the current long-term plan. These factors, along with the lower estimated savings from combining territorial authority functions, made it difficult for the Commission to accept the lower estimates of the costs of a Wairarapa unitary authority.
- 5.60 On the basis of the work that the Commission reviewed, it concluded that the annual operating shortfall that a Wairarapa unitary authority would face was more likely to be significantly greater than the \$2 million per annum estimated by the Wairarapa applicants. Moreover, the shortfall was likely to increase over time given the increasing requirements to deal with flood control and environmental management.

CentrePort and the allocation of port shares, assets and liabilities

- 5.61 The reports presented to the Commission took differing views on the way to allocate the assets of Greater Wellington Regional Council if a Wairarapa unitary authority was to be established. This aspect of any potential reorganisation was challenging. It was one of the aspects of the 1989 reorganisation process that was the subject of legal challenge.

⁵⁶ PricewaterhouseCoopers, (2013, February), *Allocation of Greater Wellington Regional Council Financials by Territorial Authority Geographic Area*

- 5.62 The dividend paid by Port Investments Ltd (Greater Wellington Regional Council’s company that holds the 76.9% of shares in CentrePort Ltd) in 2012 was \$2.228 million.⁵⁷ No dividend was distributed in 2013.
- 5.63 The likely annual operating shortfall for a Wairarapa unitary authority based on the advice above was between \$2 million and \$11.2 million per annum, and could be higher.
- 5.64 The key issue here was that the CentrePort Ltd dividend in total would not be sufficient to fund an operating shortfall of more than \$3 million. Given that under any equitable asset allocation formula that may be contemplated, a Wairarapa unitary authority would receive a relatively small proportion of the shareholding in CentrePort, and that any disproportionate distribution of CentrePort shares would also attract a disproportionate allocation of Greater Wellington Regional Council liabilities, there was no likely allocation of Greater Wellington Regional Council assets and debt that would be sufficient to make a Wairarapa unitary authority viable.

The Wairarapa water use project

- 5.65 The Commission noted that investigations were currently being undertaken of the potential for large scale water storage and irrigation in the Wairarapa – the Wairarapa water use project. These investigations were being funded and supported by Greater Wellington Regional Council as a regional economic development priority. Greater Wellington Regional Council had committed \$1.25 million per annum for 3 years for the pre-feasibility phase of this investigation. Whether investigations proceeded further depended upon the outcome of the current phase and future decisions.
- 5.66 Were this project to proceed, there would be ongoing costs for subsequent phases of the investigation, and potentially also around the consenting of any project that arose (as currently being undertaken in relation to the Ruataniwha water storage project in Hawke’s Bay). If a Wairarapa unitary authority were created, it would fall to it to fund any future local government role in this or any other regional development project in the Wairarapa, rather than this being able to be funded across a larger region as at present. Given the relatively low level of financial capacity that a Wairarapa unitary authority would have, the Commission considered it unlikely that a Wairarapa unitary authority could play any significant role in progressing investment in such a major water use or storage project.

The likely effects on a local authority of excluding an area

- 5.67 Clause 11(6)(c) of Schedule 3 of the *Local Government Act 2002* also directed the Commission to consider the effects of excluding any area from a district or region. The formation of a Wairarapa unitary authority would affect the remaining councils of the current region. The effects were considered as likely to be both positive and negative.

⁵⁷ *Greater Wellington Regional Council annual report 2012-13*

- 5.68 On one hand, the removal of the Wairarapa from the region reduced or avoided cross-subsidisation from the metropolitan area. However, given that the total cross-boundary funding from Greater Wellington Regional Council was around \$10 million and the total financial assets of the existing region were \$563 million in June 2013 (Greater Wellington Regional Council had \$168 million in financial assets), the level was not regarded as significant for metropolitan ratepayers, although the extent of the subsidy and its loss was clearly more significant for Wairarapa residents due to the far smaller number of ratepayers.
- 5.69 On the other hand, the proposed change could reduce the scale and scope of efficiencies in existing regional delivery units given the Wairarapa comprised 74% of the region. Splitting capacity could bring about diseconomies of scale, affecting not just the Wairarapa unitary authority but also any other future councils in the remainder of the region. Areas where this may be significant included flood protection and the science capability underpinning environmental and resource management activities. These were both areas where a single pool of expertise was currently deployed across all catchments in the region. These were also activities where recruitment and retention of appropriately skilled staff can be challenging.
- 5.70 On balance, the likely effects of excluding the Wairarapa from Wellington Region on the rest of the region were considered as likely to make the rest of the region better off financially, but to make effective environmental management and flood protection slightly more difficult.
- 5.71 The converse of this was that excluding the Wairarapa from Wellington Region was likely to make the Wairarapa worse off financially, and also make environmental management and flood protection in the Wairarapa more difficult. This is because, in competition for scarce skills and capabilities, a Wairarapa unitary authority would find it difficult to compete with both a Wellington regional council and other regional councils around the country.

Public transport issues

- 5.72 The Commission considered that the implications for public transport in Wellington Region of the creation of a Wairarapa unitary authority (or indeed any other future configuration of councils that would mean that the current public transport system would cross regional boundaries) were complex and ultimately uncertain.
- 5.73 It noted that the Wellington Region's public transport system was currently operated as a single integrated regional network, and the local share of its funding was obtained from a regional transport rate. The regional transport rate was a complex differential rate based on capital value designed to mimic the effect of a congestion charge.⁵⁸ The effect of this was that ultimately most of the local share of the cost of the public transport system was met by ratepayers in Wellington City, and the central business district in particular. For 2013/14, 61.2% of the revenue raised by the regional transport rate was from Wellington City (including 37.9% from the defined downtown city centre area). By contrast the three Wairarapa councils in aggregate contributed 1.5% of the revenue.

⁵⁸ The transport rate provides more than half of Greater Wellington Regional Council rates revenue – 52% according to 2013/14 annual plan

- 5.74 Any division of the current region that made public transport services inter-regional in nature would have two sets of implications. Firstly, it would change the governance structure for planning and decision-making about the system, and secondly, it would impact on the rating arrangements and sources of the local share of funding for it.
- 5.75 Inter-regional governance arrangements, such as a joint committee, could be established. However the funding of the local share of costs would no longer flow from the mechanics of a single regional rating system. The respective shares of the costs of any inter-regional service would need to be agreed between the councils concerned, and then collected by each from its own ratepayers under its own rating system. It was not clear how disagreements or disputes about respective shares of the costs which might arise in this process would be resolved. This was clearly a less certain and stable governance framework than the current arrangements, and it was questionable whether it could be regarded as a satisfactory arrangement for the governance of such an important infrastructural responsibility.
- 5.76 The Commission was not aware of any significant public transport services that were currently funded by two regional councils. A number of the applicants that proposed multiple regional bodies argued that current arrangements would likely remain. On the other hand, Greater Wellington Regional Council argued that there was reason to believe that in the absence of a single regional rating process current cost allocations would become more tenuous, or would be re-litigated.
- 5.77 The closest historical precedent for the funding of services that cross council boundaries appeared to be the practice of the former Auckland Regional Authority levying territorial authorities for the provision of public transport services prior to establishment of the Auckland Regional Council. The Auckland Regional Authority devised a formula based on allocating the costs of each service between origin areas that benefited and destination areas that benefited. This formula was the subject of considerable litigation between the territorial authorities, who objected to the allocation of costs for services to them. Since the Auckland Regional Authority had the statutory ability to levy the territorial authorities, the allocation formula was ultimately determined by the courts.
- 5.78 With more than one unitary authority (and/or regional council) responsible for the funding a significant public transport service that crossed the regional boundary, there was no legal power for one council to levy the other. Neither was there any mechanism to resolve any dispute over the allocation of costs, unless the councils chose to enter into a funding agreement that provided for the allocation and for a mediation or arbitration process relating to the allocation of future costs. The Commission, however, was not confident it had the powers to require such an agreement as part of a reorganisation process and that would provide the necessary future certainty.
- 5.79 It was considered possible that a future negotiation process might reproduce the outcomes of the current regional transport rate. On the other hand, as noted by BERL, any future council or councils in the western area might find it difficult to justify the current arrangements to its own ratepayers, and might expect the Wairarapa to contribute a greater share of the cost of the Wairarapa rail services.

5.80 Ultimately there was no way of knowing what decisions might be made in the future under this or any other local government structure, including the status quo. It seemed clear to the Commission, however, that there would be a significant risk that Wairarapa ratepayers would be expected to fund a greater share of the costs in the future than they had been accustomed to. Any such increase in the rating burden on the residents of the Wairarapa would compound the fact that they already paid amongst the highest rates per person in the region.

Future flood protection works

5.81 BERL considered the additional requirements to fund capital works in relation to flood protection over the decade covered by Greater Wellington Regional Council's current long-term plan. Greater Wellington Regional Council had subsequently undertaken further work to produce its new 30-year infrastructure strategy.⁵⁹ That work suggested that capital expenditure in the Wairarapa of \$15 million for the period 2012-2022 would need to increase to more like \$50 million over the following decade. Greater Wellington Regional Council stressed that this was a first order estimate that would be refined through further floodplain management planning but advised that this reflected the likely level of required future funding.

5.82 The Commission saw this picture of additional future capital expenditure as compounding the financial analysis above and the challenging financial position that a Wairarapa unitary authority would be in.

Communities of interest

5.83 Amongst the other factors that the Commission had to take into account was the strong sense of perceived community of interest in the Wairarapa and that it was seen by many in the Wairarapa as separate from the rest of Wellington. As the Commission recognises in Part 2, this sense of a separate identity was stronger in the Wairarapa than elsewhere in the region. The sense of separate identity rested on the physical separation imposed by the Rimutaka Ranges and the predominately rural and small town character of the Wairarapa.

5.84 However, as the Commission notes in Part 2, in addition to the perceived sense of community of interest, it must also recognise the strong functional links and interdependencies between the Wairarapa and Wellington sub-regions. Functionally, the Wairarapa is part of the Wellington economy and an integral part of the way that the people of the region live, work and play.

5.85 In addition, tests that the Commission must apply did not allow it to weigh up the sense of community against the adequacy of the resources of a possible new council. Irrespective of the strength of community bonds, unless the Commission was able to conclude that a new council met all the tests of clause 11(5), including having the necessary resources to effectively carry out its responsibilities, duties and powers, it could not consider a Wairarapa unitary authority to be a "reasonably practicable option".

⁵⁹ Greater Wellington Regional Council, (2014, August), *Memo in response to questions from the Commission*

Conclusions

- 5.86 Clause 11(5)(a) of Schedule 3 of the *Local Government Act 2002* required the Commission to be satisfied that any local authority proposed to be established or changed under a “reasonably practicable option” would have the resources necessary to carry out effectively its responsibilities, duties and powers. The test in clause 11(5)(a) was understood as one requiring the Commission to be able to come to a positive determination about the adequacy, or otherwise, of the resources likely to be available.
- 5.87 The information and investigations summarised in this report established that the current Wairarapa territorial authorities were viable in their existing roles. A single combined territorial authority would also be viable after a certain period to accumulate sufficient savings in operating costs to cover the cost of establishing such a council.
- 5.88 The key focus of material provided to the Commission by applicants and the work undertaken for the Commission was on whether a Wairarapa unitary authority would be likely to have the necessary resources to effectively undertake the additional roles it would assume as a regional council.
- 5.89 Having considered the information that is summarised above, the Commission determined that the establishment of a Wairarapa unitary authority would result in:
- significantly greater costs for the people of the Wairarapa than the status quo when they already pay amongst the highest rates per person in Wellington Region
 - less ability to share the costs of addressing public transport, flood protection and other regional council functions with the rest of region
 - risk to the delivery of public transport services to the Wairarapa due to the ongoing need to rely on councils agreeing a funding formula
 - limited ability to progress initiatives like the Wairarapa water investigation project which would limit opportunities for economic development
 - risk of an inability to meet future requirements with respect to environmental management and flood protection
 - significant transition costs which would not be able to be recovered in the short to medium term
 - a council that would have a shortfall in required revenue closer to the \$10 million to \$11 million per annum end of the estimates provided to the Commission than the \$2 million per annum estimates.
- 5.90 Any council(s) established as a result of a reorganisation scheme would be expected to be able to operate effectively not just in the short-term but over a span of decades. The Commission concluded that it could not be reasonably satisfied that a Wairarapa unitary authority would have the necessary resources, both now and into the future, to effectively carry out the responsibilities, duties and powers, of both a territorial authority and a regional council, in terms of clause 11(5)(a) of Schedule 3 of the *Local Government Act 2002*.

5.91 The Commission noted that this echoed the conclusion the Local Government Commission reached 25 years ago when it created the Greater Wellington Regional Council. This council combined the functions of the previous Wellington Regional Council, Wairarapa United Council, Wairarapa Catchment Board and Wellington Regional Water Board, along with various pest destruction and noxious plants authorities. The inclusion of the Wairarapa in Wellington Region was a key decision in this region. It reflected, in part, decisions to include part of the district of the former Wairarapa United Council (the part of Eketahuna Country that was part of the Manawatu River catchment) in Manawatu-Wanganui Region, and that:

*“after careful consideration, the Commission determined that a separate region based on the catchments within the Wairarapa Region would not be viable because of the limited resources available, the limited functional responsibilities for the necessary qualified staff that would need to be employed, and the fact that a better alternative was available”.*⁶⁰

5.92 The Commission considered that if a Wairarapa region was not viable 25 years ago, it was likely to be even less viable 25 years from now. In short, the area would need to face the significant challenges of funding increases for raised environmental standards and ageing infrastructure, while its population (and therefore its rating base) was forecast to be static or decline.

5.93 A key aspect of the financial challenges facing a Wairarapa unitary authority would be the ability to manage a considerable forward capital works programme, not just for the territorial authority functions, but also for flood protection. Given this, the major changes in the requirements for effective water management through the National Policy Statement for Freshwater Management, and the challenges in attracting and retaining adequate capability to discharge the functions of a regional council, the Commission also concluded that it could not be reasonably satisfied that establishing a Wairarapa unitary authority would enable effective catchment-based flooding and water management (under clause 11(5)(d) of Schedule 3).

5.94 Finally, the Commission noted that there was a degree of economic interdependence between the people and communities of the Wairarapa and the rest of Wellington Region that needed to be supported by local government arrangements. The people of the Wairarapa had a significant interest in the regional level decisions that affected the development of Wellington, and in regional transport decisions in particular. The Commission further concluded that dividing the people and communities of the Wairarapa from the rest of Wellington Region would divide a regional community of interest, challenging the requirements of clause 11(5)(c) of Schedule 3.

⁶⁰ Notes to the Draft Reorganisation Scheme for the Wellington Region, Local Government Commission, December 1988

Options with multiple unitary authorities

- 5.95 Alternative applications by Wellington City Council, Hutt City Council, Upper Hutt City Council and some individuals involved to some degree the establishment of a Wairarapa unitary authority. These applications were all affected by the Commission’s determination that a Wairarapa unitary authority was not a “reasonably practicable option”. Having reached that conclusion, it concluded that none of the options that would require the establishment of a Wairarapa unitary authority could be considered to be “reasonably practicable options”.
- 5.96 It was important to note, however, that the applications that proposed multiple unitary authority governance models would have faced other challenges in the Wellington context because they presented difficulties in either providing effective catchment-based flooding and water management (clause 11(5)(d) of Schedule 3), or in providing for the alignment of decision-making and funding for issues or activities that would cross the boundaries of the new unitary authorities which presented challenges with respect to clauses 11(5)(b) and 11(5)(c) of Schedule 3.
- 5.97 Some of the proposals for multiple unitary authorities would have resulted in the division of responsibility for the management of major river and catchment systems. Options which divided responsibility for the management of the Hutt River and its catchment, for example, would not provide for effective management of water or the risk of flooding. These options could not therefore be considered to be “reasonably practicable options”.
- 5.98 A number of other options would have resulted in fragmented management of the water that subsequently flows into Wellington Harbour. While effective management of the harbour was not a relevant factor under clause 11(5)(d) of Schedule 3, it was a relevant and important consideration under both clauses 11(5)(b) and 11(5)(c). The Commission noted that the importance of sound management of the coastal marine area was reflected in the New Zealand Coastal Policy Statement. Wellington Harbour was also of particular cultural significance to Māori. The Commission concluded that integrated management of land and activities within the catchment of Wellington harbour was essential for effective management of the harbour and its water quality. Options that would compromise this objective were seen as unlikely to be “reasonably practicable options”.
- 5.99 As is clear from Part 3 of this report, the Commission noted that Wellington faced a number of significant regional issues and long-term challenges that cross the boundaries of the current councils. In addition to the effective management of the harbour discussed above, these issues included: the provision of public transport, the planning and prioritisation of transport infrastructure, the provision of bulk water supply, catchment management, dealing with natural hazards and reducing the risks associated with natural hazards, spatial planning, responding to climate change and the pressures for improved environmental management. The effective delivery of these activities would also require consistency in delivery and equitable funding across the boundaries of the multiple unitary authorities that were proposed.

5.100 In terms of the statutory tests of clause 11(5) of Schedule 3, the removal of a single regional body raised questions about the extent to which any of the multiple unitary authority options met the test of clauses 11(5)(b) and (c), in that these options did not contain within a proposed council, the distinct and important regional community of interest that was affected by the issues that cut across Wellington. For these options to work, the Commission considered that these would require some form of collaborative decision-making framework to make important regional decisions.

5.101 A number of the applications proposed the establishment of collaborative arrangements to overcome this challenge. The applications included:

- provision for a joint committee to deal with matters currently provided for by the Greater Wellington Regional Council
- the establishment of a council-controlled organisation to manage and deliver transport responsibilities
- the establishment of a council-controlled organisation to deliver water and wastewater services.

5.102 The Commission noted that that the amended statutory framework of the *Local Government Act 2002* now supported the establishment of such arrangements.

5.103 Under section 17 of the Act, it was possible for a regional council to transfer responsibilities to a territorial authority and the reverse was also possible. The power to transfer responsibilities was seen as intended to be enabling, as shown in section 17(9):

- (9) Nothing in this section limits the ability of a local authority to—
- (a) delegate the exercise of responsibility to another local authority; or
 - (b) enter into a contractual agreement with another local authority for the performance of any activity or function.

5.104 The potential to enter into alternative delivery mechanisms was expanded in the new requirements of section 17A of the *Local Government Act 2002* for councils to regularly review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region. In particular, section 17A(4) requires:

- (4) A review under subsection (1) must consider options for the governance, funding, and delivery of infrastructure, services, and regulatory functions, including, but not limited to, the following options:
- (a) responsibility for governance, funding, and delivery is exercised by the local authority:

- (b) responsibility for governance and funding is exercised by the local authority, and responsibility for delivery is exercised by—
 - (i) a council-controlled organisation of the local authority; or
 - (ii) a council-controlled organisation in which the local authority is one of several shareholders; or
 - (iii) another local authority; or
 - (iv) another person or agency:
- (c) responsibility for governance and funding is delegated to a joint committee or other shared governance arrangement, and responsibility for delivery is exercised by an entity or person listed in paragraph (b)(i) to (iv).

5.105 The potential to establish collaborative frameworks that cross council boundaries was also supported by the *Land Transport Management Act 2003*. Section 105 of that Act provides for the establishment of a joint regional transport committee comprising more than one regional council. This provision would also apply to a number of unitary authorities exercising the functions of a regional council.

5.106 Further, the *Resource Management Act 1991* empowers a council to “*transfer any 1 or more of its functions, powers or duties under this Act, except this power of transfer, to another public authority*”.⁶¹ In this instance a public authority includes a joint committee established for the purposes of developing a joint district plan, or joint regional plan, or joint regional policy statement.

5.107 The nature of the arrangements proposed by Hutt City Council and others for dealing with regional planning, transport planning and prioritisation, and the delivery of transport and water and wastewater services were seen as the sorts of arrangements envisaged by the above legislation.

5.108 In addition the *Local Government Act 2002* empowers the Commission to:⁶²

- require one or more existing local authority to establish a council-controlled organisation and the nature and content of any agreement between the local authority(s) and the new entity for the delivery of services
- provide for committees for the first term of any affected local authority, their initial membership and terms of reference
- provide for a joint committee of one or more affected local authority, their initial membership and terms of reference.

5.109 It needs to be noted, however, that power for the Commission to provide for these things is only available as part of a package comprising one or more of the matters identified in section 24 of the *Local Government Act 2002* as constituting local government reorganisation.

⁶¹ *Resource Management Act 1991*, s33(1)

⁶² *Local Government Act 2002*, Schedule 3, Clause 43

- 5.110 The legislative framework described above was seen as meaning that on the face of it, the multiple unitary authority arrangement proposed by Hutt City Council and others may have been feasible. There were, however, in the view of the Commission, some limitations to the potential for this framework to deliver effective local governance in the Wellington context. The Commission did also note, however, that these limitations may not be so important in other regions or in other circumstances.
- 5.111 While the Commission could establish joint committees, as part of a reorganisation package, it could not ensure that these new arrangements would then stay in place. A joint committee established by the Commission would need to be re-established by the member councils at the beginning of each triennium if it was to continue. A decision by any one member council not to re-establish the joint committee would result in the collaborative framework coming to an end. This lack of permanence may be seen as an acceptable risk where the issues that were being managed under the collaborative model were minor. However, in the Wellington context the issues of regional planning, managing the risk associated with natural hazards, effective flood protection, and the effective provision of public transport services were not seen as minor activities by the Commission.
- 5.112 Any council-controlled organisation that owned significant assets would be significantly more difficult for future councils to break up than a joint committee. A jointly owned transport organisation that owned local roads was seen as likely to be impossible to walk away from. However, that would not remove the significant challenge of reaching agreement between the shareholders on how to fund operating costs (particularly for public transport), and how to prioritise the funding of major projects.
- 5.113 The other significant limitation of the collaborative multiple unitary authority models proposed by Hutt City Council and others was that there were some things that could not be delegated or transferred between councils. As stated in Schedule 7, clause 32 of the *Local Government Act 2002*, no council can delegate:

- (a) the power to make a rate; or
- (b) the power to make a bylaw; or
- (c) the power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan; or
- (d) the power to adopt a long-term plan, annual plan, or annual report; or
- (e) the power to appoint a chief executive; or
- (f) the power to adopt policies required to be adopted and consulted on under this Act in association with the long-term plan or developed for the purpose of the local governance statement; or
- (g) [Repealed]
- (h) the power to adopt a remuneration and employment policy.

- 5.114 This meant that ultimately no collaborative arrangement between neighbouring councils could set rates in the same way that could be achieved by a single overarching regional body. This would not be a significant issue if the activities to be funded were minor. However, it was more important where the activities to be funded were significant and the required expenditure would be in one council, and the significant beneficiaries of the expenditure resided in its neighbour. In the Wellington context the obvious examples of the desirability of being able to raise rates fairly across a regional community were seen as funding flood protection works, providing public transport services, and providing other regional infrastructure.
- 5.115 The issue of how to fairly charge beneficiaries and those that cause the need for expenditure, could be managed through a council-controlled organisation or a contract-for-service between councils where the activity generated its own revenue. The use of volumetric charges and direct billing of water users to fund water and wastewater services was a good example of establishing a potential service delivery framework that could provide for region-wide service delivery and fair charging, without reliance on the individual rating decisions of neighbouring councils (that may or may not agree with the overall funding policy). However, in the Wellington context the limited use of volumetric charges for water and wastewater services meant that this would be difficult, time consuming and costly to establish.
- 5.116 The Commission considered that in the absence of the ability to generate their own revenue, any jointly owned council-controlled organisation, or any implementation activity required to give effect to the decisions of a joint committee, would rely on the voluntary collaboration of councils to manage the disconnect between the decision-making of these regional bodies and their own separate, independent policy-making and funding decisions. Where funding, or joint policy decisions disadvantage one particular partner, difficulties were seen as likely to emerge.
- 5.117 A joint committee could be delegated powers by each of the proposed unitary authorities to progress regional policies. However, those delegations could be withdrawn by any one of the councils at any time. This would not provide for long-term security or consistency of policy making. There would also be no mechanism to ensure that policies made through a joint committee were actually implemented and funded effectively through each of the member councils. The Commission saw the experience of the Auckland Growth Forum, prior to the establishment of the Auckland Council, as underscoring the potential failings of this multi-council approach to regional decision-making.
- 5.118 This would not be a significant issue where the cross-boundary issues that need to be managed were minor in nature. For instance, where no major public transport services crossed boundaries between potential unitary authorities. However, in Wellington Region there were significant regional issues and services that cut across the boundaries of the multiple unitary authorities that were proposed.

- 5.119 As discussed in relation to the funding of public transport services, the Commission noted that there was uncertainty whether there was a mechanism that it could impose that would or could require future councils to fund the services that a jointly-owned and jointly-funded regional transport council-controlled organisation might determine were required. Given the significance of the passenger transport services that operated between the areas currently administered by Wellington City Council, Porirua City Council, Kapiti Coast District Council, Hutt City Council, and Upper Hutt City Council, the Commission concluded that multiple unitary authorities within that area would not meet the requirements of clauses 11(5)(b) (relating to the appropriateness of the districts), or 11(5)(c) (relating to communities of interest) of Schedule 3, and could not, therefore, be considered to be “reasonably practicable options”.
- 5.120 Similarly, it was unclear whether the Commission could establish a mechanism that would or could, with the necessary certainty, require future councils to fund the implementation of regional policy designed to address the integrated management of the region’s natural and physical resources, or to fund the scale of flood protection works or natural hazard mitigation that would benefit the whole of the region. Given the significance of these activities within Wellington Region, and the history of the collaboration between the councils with respect to economic development, water and wastewater services and other regional infrastructure, the Commission could not be satisfied that the option of multiple unitary authorities within Wellington Region would be a “reasonably practicable option”.
- 5.121 The combination of the conclusion that a Wairarapa unitary authority was not a “reasonably practicable option” with the consideration of options that would remove a single regional body and rely on collaborative arrangements between multiple unitary authorities, meant that the Commission concluded that none of the options with multiple unitary authorities could be considered to be “reasonably practicable options”. This meant that the only “reasonably practicable options” that the Commission could identify were those that retained one directly elected regional body for Wellington Region.

The “reasonably practicable options”

- 5.122 In Part 5.2 the applications were broadly categorised as those that retained one directly elected body for Wellington Region, and those that would remove a directly elected regional body in part or all of the region.
- 5.123 Having determined that the options that would remove a directly elected regional body were not “reasonably practicable options” the Commission was left with a number of broad options as follows:
- **Status quo** – which is deemed by the legislation to be a “reasonably practicable option”.
 - **Stronger regional delivery** – a modified status quo involving the transfer of particular statutory obligations from territorial authorities to the regional council.

- **Enhanced local efficiency** – territorial authority amalgamation including one or more of the following: the Wairarapa, the Hutt Valley, Wellington and Porirua Cities and possibly Kapiti Coast District Council, also including the option of enhanced status quo arrangements for parts of the region.
- **One Wellington Council with local boards** – a unitary authority for Wellington Region excluding the small area of Tararua District currently in the region
- **One Wellington Council with no local boards** – a unitary authority for Wellington Region excluding the small area of Tararua District currently in the region.

5.124 Other than the status quo, these options are discussed below.

Stronger regional delivery

5.125 An alternative approach to the establishment of either a single unitary authority for Wellington, or the multiple unitary authorities considered above, was to strengthen the potential for regional decision-making and action by transferring statutory obligations from the current Wellington territorial authorities to the Greater Wellington Regional Council. At face value this approach had the attraction of providing a cost effective transition to something that could be functionally similar to the operation of a single unitary authority with local boards, but without the integration that would be possible through having one administration. The major differences between this approach and the One Wellington Council options discussed below were that:

- there would continue to be nine councils each with their own administration, elected members and chief executive
- the existing territorial authorities would continue to set their own rates and be responsible for their remaining functions
- the existing territorial authorities would have the ability to advocate for their communities as if they were a “natural person”, including by challenging the Greater Wellington Regional Council in court.

5.126 The Commission noted that section 24(1)(e) of the *Local Government Act 2002* provided that a local government reorganisation may provide for “*the transfer of a statutory obligation from one local authority to another*”.⁶³

5.127 For this option to be effective and strengthen regional decision-making and action, whilst avoiding the separation of policy-making from responsibility for funding, the Commission considered that substantial responsibilities would need to be transferred. In order to explore this option, the Commission identified the possible transfer from the region’s current territorial authorities to the regional council, current activities, responsibilities, assets and relevant liabilities relating to: transport, water supply, wastewater, stormwater, policy and regulatory activity under the Resource Management Act, responsibilities with respect to the subdivision of land and issuing titles, and responsibilities under the *Building Act 2004*.

⁶³ *Local Government Act 2002*, s24(1)(e)

- 5.128 The Commission sought legal advice in relation to what constituted a “statutory obligation” to confirm how far the powers of the Commission extended.
- 5.129 In section 5(1) of the *Local Government Act 2002* “statutory obligation” is defined to mean “any responsibility, duty, or legal obligation conferred by or under any Act, and includes any powers associated with that responsibility or legal obligation”.⁶⁴
- 5.130 The Commission was advised that it was more common for local government law to describe “functions”, “powers” or “responsibilities”. Indeed when dealing with the “transfer of responsibilities” in section 17, the *Local Government Act 2002* defines “responsibility” to mean:

- (8) In this section, responsibility means any responsibility, duty, or legal obligation except a responsibility, duty, or legal obligation conferred by or under any other Act, and includes—
- (a) a responsibility that has previously been transferred under this section; and
 - (b) any powers associated with the responsibility, duty, or legal obligation.

- 5.131 The *Building Act 2004*, the *Land Transport Management Act 2003* and the *Resource Management Act* all have similar provisions that provide for the transfer of functions between councils. In each case any transfer is by agreement between the councils, following the use of the special consultative procedure to get community views. Each of the provisions provides for a mechanism to transfer functions back.
- 5.132 It seemed likely to the Commission that a statutory obligation would be considered by a court to be something more discrete than a broad set of functions, powers and responsibilities, especially where the powers were enabling and there was considerable discretion over the extent of the activities or actions that a council may take. For example, it was noted that councils had considerable discretion with respect to the provision of local services, including the economic development activity. It would be hard to argue that councils were obliged to provide these services. Where there was not a clear and identifiable statutory requirement to undertake an activity, there would be room to debate whether the activity fell within the scope of section 24(1)(e) of the *Local Government Act 2002*.
- 5.133 Equally, it seemed that the general powers of transfer provided for under sections 17 and 17A of the *Local Government Act 2002*, and those provided for in the *Building Act 2004*, the *Land Transport Management Act 2003* and the *Resource Management Act*, would remain after a reorganisation scheme that implemented a transfer of statutory obligations. It seemed that there was a risk that a transfer of statutory obligations under a reorganisation scheme could subsequently be undone by the application of the processes set out in these Acts. However, given the substantial nature of the change that the Commission contemplated, it considered that while possible, the risk of subsequent transfer of functions back to the original councils was unlikely.

⁶⁴ *Local Government Act 2002*, s5(1)

- 5.134 The transfer of assets and liabilities between councils, or to a council-controlled organisation, was seen as more difficult to change by any new councils, particularly where a council-controlled organisation had multiple shareholders. Accordingly the Commission was confident that the transfer of assets along with a transfer of functions and obligations would have some permanence.
- 5.135 As a result, the Commission determined that the substantial transfer of functions from the current territorial authorities to the regional council was probably legally feasible and should, therefore, be considered further.
- 5.136 The Commission also determined that the transfer of functions would meet the statutory tests of clause 11(5) of Schedule 3 in that the ability to provide for flooding and water management would be at least as effective as the status quo, the remaining territorial authorities would have the resources necessary to carry out a more limited role, and the boundaries of the councils would reflect the currently identified communities of interest. The Commission noted, however, there was a question as to the cost-effectiveness of maintaining the governance framework of a territorial authority that had significantly reduced responsibilities, but the Commission decided to proceed to evaluate a transfer of responsibilities option to test the significance of that and the overall performance of this approach in comparison to the other options.

Enhanced local efficiency options

- 5.137 The Commission considered that it would be possible to foster enhanced local efficiency of delivery through the amalgamation of existing territorial authorities. This approach had the benefit of maintaining a directly elected regional body that could deal with regional issues, whilst pursuing opportunities for scale and efficiency in territorial authority administration.
- 5.138 The approach adopted by the Commission, in considering possible amalgamations of territorial authorities, was to select a number of smaller possible mergers and to then test larger combinations of these mergers. All of the options that were considered retained the Greater Wellington Regional Council. As a result, the regional community of interest would not be fragmented and, therefore, met the clause 11(5)(c) test relating to communities of interest.
- 5.139 All of the options would have access to the same underlying level of rates revenue and would have the same responsibilities as the existing councils. The Commission considered it was reasonable to conclude that the options would have the resources necessary to enable them to carry out their responsibilities, duties and powers in line with the clause 11(5)(a) test.
- 5.140 The Commission saw the possible mergers as combining existing districts and therefore would also broadly meet the test under clause 11(5)(b) of having a district appropriate for the efficient performance of its role.

5.141 In developing the possible combinations of territorial authority mergers, the Commission had regard to the area of impact and the area of benefit associated with the activities of each possible council. Broadly, the options reflected the underlying geography of Wellington Region, that is, the area in the west and south of the region, the Hutt Valley and the Wairarapa.

5.142 The **Enhanced Local Efficiency** options considered by the Commission were:

- **One Wairarapa Territorial Authority** – the combination of the three Wairarapa councils to form one territorial authority
- **One Hutt Valley Territorial Authority** – the combination of the two Hutt Valley councils to form one territorial authority
- **One Western Territorial Authority** – the combination of the Wellington City, Porirua City and Kapiti Coast District Councils to form one territorial authority
- **One Wairarapa Territorial Authority, One Hutt Valley Territorial Authority** – with Wellington City, Porirua City and Kapiti Coast District unchanged
- **Three Territorial Authorities** (one Wairarapa territorial authority, one Hutt Valley territorial authority and one Western territorial authority) – the combination of all three mergers resulting in three territorial authorities and a regional council.

One Wellington Council with local boards

5.143 This option created a single unitary authority for the whole of Wellington Region. The option that the Commission chose to evaluate was the option proposed by the Greater Wellington Regional Council, with a governing body of 21 councillors and a mayor, and eight local boards. For the purposes of evaluation, the Commission assumed that the council would have eight local area offices that were the home of the local boards and provided front-of-house access to the council's services. It was assumed that to the greatest extent possible, the administration of the council would be centralised to maximise efficiency and potential savings. No changes to council-controlled organisations were considered for the purposes of comparing "reasonably practicable options".

5.144 In accepting that this option was a "reasonably practicable option", the Commission determined that since it would have access to all of the resources of the current councils it would have the resources necessary to enable it to carry out its responsibilities, duties and powers (clause 11(5)(a) of Schedule 3).

5.145 Adopting the same area as was currently administered by the Greater Wellington Regional Council (apart from a small area of Tararua District), and local boards that broadly reflected the boundaries of existing councils or council wards, as the basis for the option to be evaluated, the Commission was satisfied that this option would have a region that was appropriate for the efficient performance of its role (clause 11(5)(b) of Schedule 3).

- 5.146 The Commission also accepted that since this option provided a council with a similar geographic coverage as the Greater Wellington Regional Council, this option would enable effective catchment-based flooding and water management (clause 11(5)(d) of Schedule 3), provided the approach to the Mataikona River catchment (discussed below) was adopted.
- 5.147 The Commission also concluded that the area of the possible council matched both the maximum area of impact of its activities and included the area of benefit for the services that it would provide under clause 11(6) of Schedule 3.

One Wellington Council with no local boards

- 5.148 This option created a single unitary authority for the whole of Wellington Region. The option that the Commission chose to evaluate was similar to that proposed by Wellington City Council, except that it included the Wairarapa (which was not part of the preferred Wellington City Council proposal). The Commission tested a council of 29 councillors (elected from single member wards) plus a mayor. For the purposes of evaluation, the Commission assumed that the council would have eight local or area offices providing front-of-house access to the council’s services and that each councillor would also have a ward office that provided direct access to the councillor in a similar way to an electorate Member of Parliament. It was assumed that, to the greatest extent possible, the administration of the council would be centralised to maximise efficiency and potential savings. No changes to council-controlled organisations were considered for the purposes of comparing “reasonably practicable options”.
- 5.149 In accepting that this option was a “reasonably practicable option”, the Commission determined that since it would have access to all of the resources of the current councils it would have the resources necessary to enable it to carry out its responsibilities, duties and powers (clause 11(5)(a) of Schedule 3).
- 5.150 Adopting a similar area as was currently administered by the Greater Wellington Regional Council, and wards that broadly reflected the boundaries of existing councils or council wards, as the basis for the option to be evaluated, the Commission was satisfied that this option would have a region that was appropriate for the efficient performance of its role (clause 11(5)(b) of Schedule 3).
- 5.151 The Commission accepted that since this option resulted in a council with a similar geographic coverage as the Greater Wellington Regional Council, this option would enable effective catchment-based flooding and water management (clause 11(5)(c) of Schedule 3) provided the approach to the Mataikona River catchment (discussed below) was adopted.
- 5.152 The Commission also concluded that the area of the possible council matched both the maximum area of impact of its activities and included the area of benefit for the services that it would provide in terms of clause 11(6) of Schedule 3.

The Wairarapa – Tararua boundary

5.153 As is noted above, a small number of properties currently part of Tararua District, but as part of the Mataikona catchment, fell under the jurisdiction of the Greater Wellington Regional Council for catchment management and other regional council purposes. These properties are shown in Figure 6.

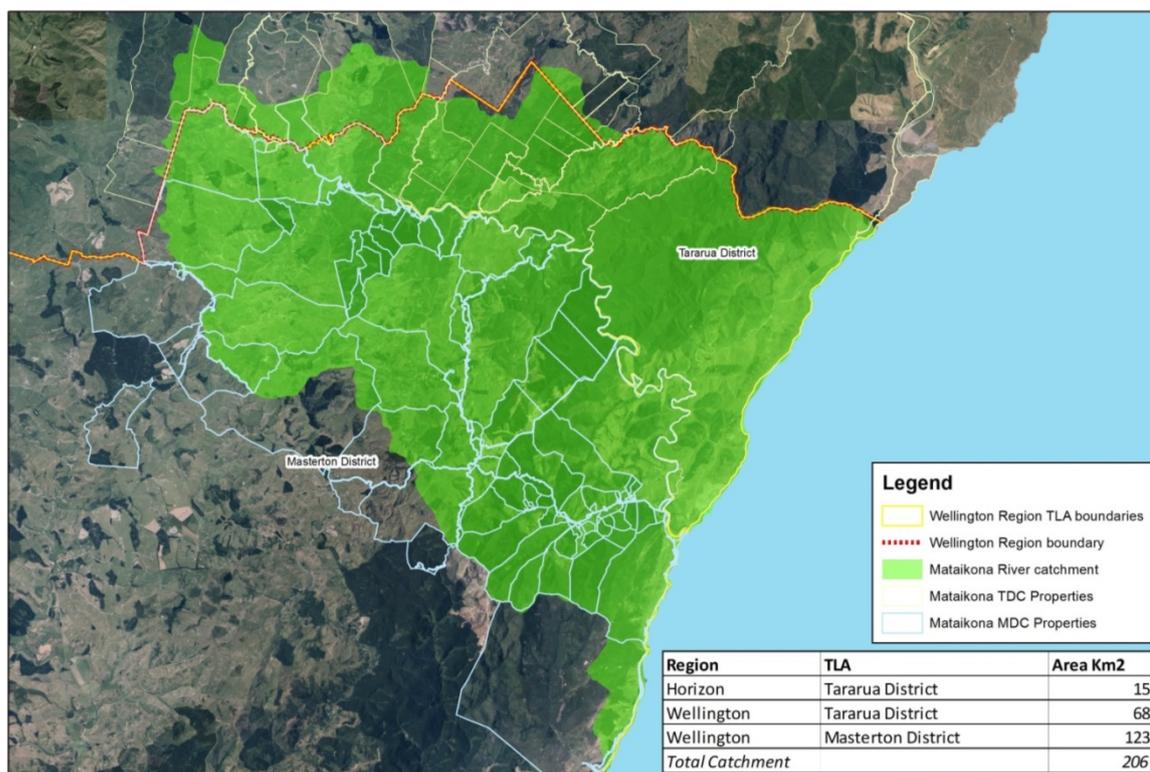


Figure 6: Properties within the Mataikona Catchment

Source: Greater Wellington Regional Council

5.154 The Commission noted that the current boundary between Masterton District and Tararua District was the Mataikona River. Access to the properties north of the river was by roads within Tararua District. For all practical purposes, other than catchment management and other regional council functions, these properties were part of the Tararua District and its community of interest.

5.155 The Commission agreed that in each of the Enhancing Local Efficiency options these properties would be unaffected and could remain under the same territorial authority arrangements as at present. However, in considering the One Wellington Council options, as a consequence of clause 3 of Schedule 2 of the *Local Government Act 2002*, the Commission was not able to contemplate a unitary authority that had different boundaries for its territorial authority and regional council functions.

5.156 As a result, the solution that the Commission reflected in each of the One Wellington Council “reasonably practicable options” was to consider a unitary authority which had the same boundary as the current Greater Wellington Regional Council in all respects other than the area to the north of the Mataikona River within the Tararua District. It agreed that these properties would remain a part of the Tararua District and fall within the boundary of the Manawatu-Wanganui (Horizons) Regional Council. However, in order to provide for effective catchment management (clause 11(5)(d) of Schedule 3 of the *Local Government Act 2002*), the relevant “reasonably practicable options” would assume that the statutory obligations of a regional council with respect to these properties would be transferred from the Manawatu-Wanganui Regional Council to the proposed One Wellington Council either with or without local boards.

Part 6: Evaluation of the “reasonably practicable options”

6.1 This Part of the report presents the assessment of the “reasonably practicable options” against the evaluation criteria. The Part draws upon the applications and the reports, investigations and research that support them. It also draws upon the further work that the Commission undertook to better understand the differences between the “reasonably practicable options”.

The evaluation

6.2 The evaluation follows the evaluation framework discussed in Part 4. This breaks down the assessment into the following key headings:

- Communities and issues
- Democratic decision-making
- Improved provision of core services
- Achieving the objectives of other legislation
- Improved economic performance
- Overall savings and cost of transition.

6.3 Under each of these headings of the evaluation, the relative merits of the “reasonably practicable options” is considered and presented in a summary table. Each table uses a thirteen point scale to compare the performance of each option with the current local government arrangements (status quo). The status quo is assigned a value of zero. Any option that would deliver better outcomes than the status quo is assigned a positive value between 1 and 6. Any option that would perform worse than the status quo is assigned a negative value of between -1 and -6. The approach is intended to provide a visual guide to the relative merits of the options. It provides an overall summary judgement.

6.4 The meanings assigned to the scores are shown in Table 30:

Table 30: The meanings of the scores

Score	Compared to the status quo	Score	Compared to the status quo
-6	Significantly worse	+6	Significantly better
-5	Considerably worse	+5	Considerably better
-4	Noticeably worse	+4	Noticeably better
-3	Moderately worse	+3	Moderately better
-2	Worse	+2	Better
-1	Slightly worse	+1	Slightly better
0	The same		

Communities and issues

Introduction

- 6.5 Part 2 of this report discussed the nature of the communities that make up Wellington Region and the environment in which the people in those communities live. It also described the perceptions people have about communities, the interdependencies between the communities of the region in functional terms, and the need for political arrangements to reflect both people’s perceptions and the functional interdependencies.
- 6.6 It concluded that:
- Wellington faces a number of significant long-term challenges and opportunities and for the most part these are regional in scale, have impacts that cross current council boundaries and require coordinated region-wide responses
 - there are significant local communities within each of the current territorial authorities
 - each of these local communities has an interest in their own neighbourhood, in their sense of place and in the local amenities and local cultural and recreational facilities of their area and of the region as a whole
 - there are high levels of interconnection, interaction and interdependency between these local communities, the Wellington central business district and other parts of the region
 - the perception of a community of interest separate from Wellington is undoubtedly stronger in the Wairarapa than elsewhere in the region, but also appears significant in Upper Hutt
 - functionally, the Wairarapa is part of the Wellington economy and an integral part of the way that the people of the region live, work and play.
- 6.7 The significant levels of functional interconnection and interdependence are important. They underscore the reality that the residents and businesses of one district are directly affected by the decisions of councils of other districts. As the location of the majority of the jobs and the most significant cultural, recreational and entertainment venues in the region, decisions by Wellington City Council on zoning, parking, traffic control, and alcohol policy will impact on the daily lives of residents of Lower Hutt City or Kapiti Coast District. In some instances the impacts of these decisions may be as significant for the residents of Lower Hutt City or Kapiti Coast District Council as some decisions made by the council that they elected to govern in Lower Hutt or Kapiti Coast.
- 6.8 There is a regional community of interest and mutual dependency within the region which reflects a shared interest in the performance and development of the economy, the transport system, the exposure to natural hazards and the ability to both reduce risk and deal with the consequences of a significant event, and also in regional scale amenities, cultural and sporting facilities like the stadium, and the regional parks.

- 6.9 There are also distinct and important local communities within the region that have their own identity and sense of place, and their own local issues. These contribute to the diversity and richness of the region. They are important and are valued by residents.
- 6.10 These conclusions suggest the need for local government structures that are sensitive to both strong functional and political integration factors at the regional level, and the natural tendency of residents to perceive their community of interest in more local terms.

Community issues

- 6.11 Very strong common interests emerge from a review of the applications received by the Commission for local government reorganisation. Strong themes in the material presented to or considered by the Commission were arguments that needs and issues would be better met by delivering:
- **world class infrastructure** with associated cost savings, efficiency, effectiveness and the other benefits arising from delivery in accord with a single agreed set of regional priorities
 - **reduced risk** and a better ability to respond to natural hazards such as floods, coastal erosion, tsunamis and earthquakes
 - a single coherent approach to **regional growth** with the help of a well-resourced development agency and enabled through a single coherent Resource Management Act planning document, a well thought through spatial plan and equally clear annual/long-term plans
 - a united, single and powerful **regional voice** which exudes strategic leadership, understands and grows cohesion within the Wellington community, moves at speed and has sway with central government, developers and investors
 - a representative **local democracy** system that enables participation, partnership and innovation in the way it operates.
- 6.12 Interestingly, most of the applications did not focus strongly on the particular local issues or values of the distinct communities within the region. Most applications tended to focus on the need to better deal with the regional level issues and challenges facing Wellington. This is where most applicants sought to improve the performance of local government. The Commission concurs with the applicants in this respect. It considers that it is by improving the ability to deal with regional level issues that the people of Wellington will get the greatest benefit from reform. However, this needs to be achieved without undermining the ability to effectively deal with local issues and to retain a local sense of place within Wellington's diverse communities.

Ability of different forms of local government to address current community issues

6.13 Factors identified in the material reviewed by the Commission which were said to constrain the current local government system from more effectively meeting the current needs and issues of the region’s communities included:

- **limited resources** and high fixed operating and compliance costs
- **multiple and duplicated decision-making processes** which mean that responding to any new issue or responsibility imposed a significant cost of change on each community, with little opportunity to share costs across all communities
- administrative and regulatory **frameworks which differed** between councils without apparent reason and thereby frustrated businesses and residents and slowed the speed of business development
- current council boundaries which meant that the majority of the high income households and the high value employers were in one council district contributing to differing levels of service and different costs per ratepayer and per property across the region – the current framework has **inherent inequities**
- an inability to fully ensure that **user-pays principles** were adhered to, that is those who either benefit from or cause the need for expenditure, but who live or operate their business in another council area should contribute to the solution
- underutilisation of the discounts which may be achieved through the **purchasing power** of a larger council
- increasing difficulty in attracting and retaining the high level **professional staff** that are necessary to tackle the issues facing communities
- high **transaction costs** associated with multiple council engagement in important aspects of regional decision-making, including slow and expensive processes, the inability to make trade-offs, duplication of effort, sub-optimal decisions, and a high propensity to re-litigate issues (perhaps best illustrated by the prolonged debate over Transmission Gully and alternatives)
- an inability to make timely **strategic decisions**
- the lack of an **effective voice** to advocate for the needs of the region with central government and others, and provide clear leadership.

6.14 Generally local government reform options that provide scale, strategic capacity, lower transaction costs and scope were said to provide an enhanced ability to better resolve the issues identified above. In particular, reduced purchasing power, the inability to attract and retain key high level staff and the high fixed cost structure that is inherent in a larger number of small organisations were all said to be issues that could be addressed by establishing fewer, larger councils.

6.15 Of course there is a natural counterbalance to the benefits of increased scale. If increased scale brings greater distance from communities and poorer understanding of their issues, concerns and values then it is likely to deliver poorer local decision-making.

- 6.16 Stated differently, whilst options that increase the size of the council will generally provide some scale economies (for some activities) and greater scope to deal with current community issues than the status quo, scale by itself could lead to a focus on regional issues at the expense of local responsiveness.
- 6.17 Options that provide scale at a local level (fewer, larger territorial authorities), but do not improve regional decision-making have the potential to deliver worse outcomes than the status quo. A smaller number of larger territorial authorities could simply result in better resourced sub-regional arguments instead of better regional decision-making. This issue is further considered in the discussion of democratic decision-making which follows.
- 6.18 There are opportunities within the current framework for the councils of Wellington Region to achieve scale through the use of shared services. In practice, the incentives to do this are weak. As noted in Part 3 of this report, the track record of councils with respect to shared services is mixed, and generally not as good as it could be. Further details about the opportunities and constraints of a collaborative approach are also commented upon later in this Part.

Ability to meet future community needs and issues

Alongside a consideration of current community needs and issues, the *Local Government Act 2002* also requires the Commission to direct attention toward future needs and issues.

- 6.19 The earlier work on local government reorganisation by the Local Government Review Panel led by Sir Geoffrey Palmer⁶⁵ provided something of a vision of what communities view as the issues and needs which need to be addressed under any future local government arrangement. The Review Panel identified the need for:
- a resilient economy
 - social and cultural cohesiveness
 - a safe and attractive living environment
 - a sustainable and healthy natural environment
 - a strong sense of identity and place
 - a stable and effective form of local government that is engaged with the community.
- 6.20 Moreover, to better meet the future needs of Wellington Region and achieve the vision developed by the Review Panel, the panel felt that future councils would need to also be able to work with their communities to:
- meaningfully address the impacts of **climate change**
 - significantly improve the **resilience** of the region and its ability to withstand a significant hazard event
 - find ways to **diversify the economy** and reduce the dependence on Wellington's role as the seat of government

⁶⁵ Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*

- find ways to lift the **productivity** of the region as its population ages
 - address the looming need to renew a significant proportion of the region’s **network infrastructure**
 - successfully manage the **environmental values** of the region and the quality of the region’s water bodies
 - find ways to realise the **productive potential** of the Wairarapa sub-region, particularly through the use of stored water for irrigation.
- 6.21 On the last two of the above points, the Commission notes that the region as a whole, but the Wairarapa part of the region in particular, is facing increasing pressure on its natural water and soil resources.
- 6.22 The complex demands of the National Policy Statement for Freshwater Management require collaborative decision-making, the provision of a strong understanding of science and a careful balancing of a shared community desire to set water quality limits. At the same time there is a need to provide for primary sector development, recreation, cultural, food gathering and ecosystem values and other aspirations.
- 6.23 The general challenge for the region’s communities, let alone those located in other parts of New Zealand, will be to find the skilled people to help them navigate through the complex law, science and processes which underpin the use of natural resources and achieve the sustainable opportunities they may provide.
- 6.24 The Commission also notes the very particular future challenges associated with the forecast changes to the population and demographics of the region. The forecast ageing of the population will result in very significant challenges, particularly for the Kapiti Coast District Council and for the Wairarapa councils. As the proportion of the population on fixed incomes in these districts increases, it will become increasingly difficult to fund the infrastructure and services that are required. Equally, what limited population growth is forecast for Wellington will not be distributed evenly. The differing impacts of growth in some areas and decline in others will make it increasingly challenging to develop and implement cohesive approaches to the development of the region.
- 6.25 As noted in Part 2, the region also faces particular natural hazard risks. Dealing with the consequences of these risks and ensuring the resilience of regional infrastructure is a vital component of future local government performance.
- 6.26 These future demands and pressures align with work that has been done internationally by Greg Clark, Global Advisor to Cities.⁶⁶ Greg Clark’s work has identified that:
- city-regions are increasingly important in national economies and internationally, principally because of agglomeration economies

⁶⁶ Greg Clark is an advisor and mentor to leadership groups in global cities and regions. His work centres on issues such as city economic strategy, city leadership, openness and migration, urban investment, long-term strategic planning and city branding. Greg Clark has advised the OECD, Brookings Institution, the World Bank, Urban Land Institute (ULI), the EIB, and the LSE. He has also been a strategy adviser to more than 30 cities, including Auckland. Greg Clark provided advice to the Royal Commission on Auckland Governance. The summary of his work used here is drawn from a number of his publications and advice that he has provided on a number of visits to New Zealand.

- global competition between city-regions is intensifying and this matters to national economies
 - the economic success of city-regions will therefore not only be measured in terms of their living standards, but also in terms of their global competitiveness.
- 6.27 Greg Clark has identified common interrelated drivers of economically successful city-regions. He argues that successful cities are underpinned by attributes such as:
- the existence of diverse specialisations
 - a thriving innovation system
 - skilled human capital
 - strong connectivity (regional, national and international)
 - a well-managed environment
 - effective leadership.
- 6.28 Over the medium- to long-term the success of Wellington will depend on its ability to foster and develop these attributes in ways that make it more competitive than other city-regions. Wellington faces significant competition for talent, for investment, and for markets to sell its products and services. Wellington's competitors, including Auckland, are not passive. They too are seeking competitive advantage to underpin their future success.
- 6.29 Local government does not have the scope or powers to address many of the success factors identified by Greg Clark. However, local government has a major role to play in supporting connections (physical, political and cultural), managing the environment, providing the infrastructure that is necessary to support innovation and investment, and in providing leadership. Options that equip Wellington local government to focus on these elements of global competitiveness will best provide for the region to address the future needs and aspirations of its communities. These elements, and the important role of leadership in particular, are considered within the evaluation framework that follows.
- 6.30 The current local government arrangements in Wellington Region were put in place in 1989. They have supported the development of the region for 25 years. In considering the future of local government and its ability to meet the future needs of the people of the region, the Commission must consider what would best deliver over the next 25- to 30-year period. Change over that timescale will be significant. Importantly the key future issues that Wellington must deal with are regional in scope and nature. Options that better support regional level decision-making and action will better equip the region to meet the future needs of its people.

How the options compare regarding communicates and issues

- 6.31 The local government arrangement which best supports meeting the current and future needs of the communities of Wellington Region and resolves the issues of importance to them, while still enabling participation by local communities, is the **One Wellington Council with local boards** option. This is because it is the only option that can improve both local and regional decision-making and action and at the same time provide ways to align regional and local activity. This means that it has the unique ability to address the current issues faced by Wellingtonians and to address the very challenging future needs associated with infrastructure, demographics, economic development, hazards and environmental management.
- 6.32 The three options for **Enhanced Local Efficiency** by combining current territorial authorities, all provide some scale advantage that would assist the resulting councils to better deal with current and local issues, to the extent that these options are within the scope of territorial authorities.
- 6.33 Of the three options which enhance local efficiency, the **One Western Territorial Authority** option provides the greatest scope for benefit. The scale of this territorial authority would enable it to address major issues on a sub-regional basis that would be noticeably better than the status quo. For the same reason, the **Three Territorial Authorities** option also performs better than any of the individual territorial authority unions, because the option provides the benefits which come from scale economics, increased scope and managerial economics to address sub-regional issues.
- 6.34 However, none of the **Enhanced Local Efficiency** options provide any ability to improve regional decision-making and action. Indeed regional decision-making under the **Three Territorial Authorities** option may be more difficult than at present. This option would provide all of the improved scope and capacity to the territorial authorities, leaving the regional council unchanged. As a consequence the balance of power, leadership and decision-making would shift, placing less emphasis on addressing regional issues – the ones that are the most challenging for Wellington Region. Given that the key future issues that Wellington must deal with are regional in scope and nature, these options will not deliver the long-term benefits that could come from the **Stronger Regional Delivery** or **One Wellington Council** options.
- 6.35 The **Stronger Regional Delivery** option would result in a noticeably worse ability to deal with current local issues. This is primarily because that option would provide poorer ability to deal with local place shaping and identity issues. The option would also risk substantial imbedded conflict between the regional decision-making by the regional council and the territorial authorities.
- 6.36 In contrast, this option would significantly improve the ability to make regional decisions and deliver regional scale activities. It would therefore result in a considerably enhanced ability to meet the future needs of the people at a regional level. It would, however, also reduce capacity and capability in the territorial authorities and would potentially drive up the cost of services which remained local because of a loss of scale and the limited internal capacity across which to spread governance and administration overheads.

6.37 In summary, the **One Wellington Council** options are both considered to be better than the other options because they provide:

- the greatest scope to address the issues that constrain the performance of the current councils
- the greatest scale and the best ability to deploy the region’s resources to address community needs and issues
- the greatest scope to address the future issues facing the region relating to infrastructure, demographics, economic development, hazards and environmental management
- the greatest scope to deliver the focus necessary to lift Wellington’s global and national competitiveness
- the greatest scope to deal with inequality and differing levels of service that reflect ability to pay rather than community need
- the greatest scope to invest to realise the productive capability of the Wairarapa
- the greatest scope to avoid duplication and align planning and investment
- a mechanism to align local level decision-making and action with regional level decisions and activity.

6.38 Combining these considerations, the relative merits of the “reasonably practicable options” regarding meeting the current and future needs of communities is shown in Table 31.

Table 31: Comparison of the “reasonably practicable options” regarding current and future community needs and issues

“Reasonably practicable option”	Score
Status quo	0
One Wairarapa Territorial Authority	+1
One Hutt Valley Territorial Authority	+2
One Western Territorial Authority	+3
One Wairarapa & One Hutt Valley Territorial Authority, plus WCC, PDC & KCDC	+2
Three Territorial Authorities	+3
Stronger Regional Delivery – transfer obligations to GWRC	-1
One Wellington Council with no local boards	+4
One Wellington Council with local boards	+5

Democratic decision-making

Introduction

- 6.39 Democratic decision-making by and for communities is at the heart of the purpose of local government. If the “reasonably practicable options” being considered by the Commission would result in markedly different qualities of democratic decision-making, then this becomes a particularly relevant factor in determining which of them will best promote the purpose of local government.
- 6.40 The quality of the democratic decision-making made by any individual council will vary depending upon the nature of the elected representatives, the balance of views between them, and the way in which the majority on the council behave. These sorts of factors will be at play irrespective of the scale of the council. However, poor democratic decision-making would arise when the structure of local government means that it is incapable of dealing with the issues that need to be tackled in the interests of the community. To the extent that good decision-making depends upon the structure of local government, it is an important part of the Commission’s consideration.
- 6.41 There are several significant elements that provide the platform for good democratic decision-making. These are:
- the ability to understand and engage with communities
 - the degree of alignment between the nature and spread (geography) of the issues facing communities and the level of decision-making (regional versus local), and the basis of representation
 - the extent to which decision-making relies on collaboration between councils, and the incentives for effective collaboration and co-operation to address significant issues
 - the extent to which the ability of the council to represent the interests of its residents and businesses may be improved, be more effective and deliver a greater share of voice and influence over other decision-makers
 - the ability/ease for Māori to participate in decision-making and the degree of alignment between Māori decision-making frameworks and council frameworks.
- 6.42 These different elements of democratic decision-making are discussed below in relation to the “reasonably practicable options”.
- 6.43 Cutting across the consideration of democratic decision-making is the recognition that in many areas of local government there is little local discretion. As is discussed in Part 3, many areas of local regulation (like the *Building Act 2004*) provide no scope for democratically elected representatives to make decisions other than with respect to the level of charges and the extent to which the activity is paid for by ratepayers or users. Any amalgamation of these activities will not reduce or change the nature of local democracy.

Understanding communities

- 6.44 The *Local Government Act 2002* provides through the purpose statement in section 10, the principles in section 14, and the procedural and consultation requirements relating to decision-making, a model of representative democracy that has very strong elements of public participation. Councils are required to consult their communities before making key decisions that affect (amongst other things) the level of service provided, the financial position of the council, the level of rates that are set, and the financial policies of the council. Councils are also required to formally consult when considering regulation, including for example: making by-laws, establishing policies under the Resource Management Act, or establishing policies relating to alcohol. Councils are then required to take into account the views of their community when making decisions.
- 6.45 For a council to meet its obligations under the *Local Government Act 2002*, with respect to the way it makes decisions, it must be able to understand and engage with its communities. The Act does not define communities in the sense that the word is used in section 10. From section 10 it is reasonably clear that the term is used in the broadest sense to include all communities: geographic, economic, social, of common interests, or facing a common set of challenges. Accordingly, the Commission needs to consider communities in a broad way. Some communities may relate to or be reflected in the existing council boundaries. However, other communities will be quite unrelated to existing boundaries, and either exist within parts of current council districts, or span one or more of the existing council districts. Certainly, for issues that span the region the relevant community of interest will be regional in nature.
- 6.46 Generally, the larger the council the more difficult it will be for its elected representatives to understand and effectively engage with its local communities. However, to deal with regional scale issues and decisions requires an ability to engage with the regional community. Options that do not provide for effective representation by, and engagement with regional communities will also make it difficult to make democratic decisions with respect to the significant regional issues that Wellington faces.
- 6.47 Given the nature of the Wellington communities and the current and future issues that they face, local government in Wellington must enable the distinct, but overlapping interests of the different communities of the region to be addressed. More particularly, Wellington local government needs to be able to address the very local issues and concerns of communities such as those located in Karori, Titiahi Bay, Otaki and Greytown and at the same time address the regional scale issues and concerns relating to the development of the transport system, flood control, environmental management and economic development. However it must also do this by ensuring that its elected representatives are not asked to represent communities that are too large or too diverse.

- 6.48 Some relevant benchmarks in considering what may or may not be too large a community to represent are:
- the size of parliamentary electorates (59,000 for 2014)
 - the basis of representation for the Auckland Council (where each governing body member represents 72,000 people and each mainland local board represents between 45,000 and 128,000 people)
 - the size of potential Wellington councils in relation to other large councils in New Zealand – with a regional population of a little less than 500,000, a single Wellington Council would govern a population similar in size to that of Auckland City Council prior to amalgamation in 2010 (450,000).
- 6.49 In this regard the Commission has concluded that the **Enhanced Local Efficiency** options that amalgamate territorial authorities would reduce to a degree the ability to engage with very local issues. These options are also likely to frustrate efforts to engage with the regional community on the important regional issues facing Wellington.
- 6.50 At the other end of the spectrum, the **Stronger Regional Delivery** and **One Wellington Council with no local boards options** would both improve the ability to engage with the regional community on regional issues. But they would also reduce the ability of the council to engage with local communities on very local issues significantly more than the **Enhanced Local Efficiency** options.
- 6.51 The option that provides the greatest scope to engage with and understand both regional and local communities is the **One Wellington Council with local boards** option. By establishing two realms of decision-making this option provides the greatest opportunity for effective engagement with the people of the region.

Alignment of decision-making with affected communities

- 6.52 A significant proportion of the decisions made by councils are administrative or operational decisions made by staff to implement council policy, or meet statutory requirements. These decisions are not democratic decisions. Statutory compliance is not discretionary. Neither should management decisions be made by those in governance roles. This means that for some entire functions (like those of a building consent authority) the only democratic decision-making that is possible is in relation to limited policy matters (for example, dangerous dams), the allocation of total council resources, and establishing the funding for the activity and the balance between revenue that comes from rates and revenue that comes from user charges.

- 6.53 The design of the local government framework gives implicit expression to the principle of subsidiarity. This principle is best described as seeking to make decisions at the level that is closest to those who are directly affected by the decision. This principle can be seen in the way that environmental decision-making differentiates between national, regional and local levels of decision-making. Under the Resource Management Act decisions that have a national impact (major pieces of national infrastructure) or impact on all citizens and their health (air quality standards) are considered and determined within a national decision-making framework. Decisions that impact on the scale of a catchment (like flood protection, or water allocation) or major air-shed (like controls over emissions) are made at a regional or major catchment level. Finally, decisions relating to activities that directly affect the interactions between neighbours (like controlling building height), or within local communities (like location of local shops or industry) are made by territorial authorities at a more local level. In other examples decisions in relation to public transport are normally made at a regional level, because in many parts of the country public transport services cross the boundaries of territorial authorities. Alternatively, earthquake, building and drinking water standards are established nationally.
- 6.54 In recognising the implicit application of the principle of subsidiarity in the design of the framework of local government, it is important to acknowledge that the design explicitly provides different levels of decision-making that reflect different interests in decisions. The framework provides for national decisions to be made nationally, for regional decisions to be made regionally, and for local decisions to be made locally.
- 6.55 Decisions that are made nationally generally remove or reduce the scope for regional or local decisions to be at odds with national level decisions. For instance, the establishment of the national drinking water standards mean that councils that provide potable water are not able to choose to provide poorer quality water than is required by the standard. Equally, the application of the national building code means that individuals, communities and councils cannot legally decide to accept lower building standards. In these areas councils have no democratic decision-making authority.
- 6.56 The recent amendments to the *Local Government Act 2002* have extended the framework of subsidiarity in decision-making by enabling the more widespread establishment of local boards. Parliament clearly intends that, in the right circumstances, this type of democratic decision-making can make a significant contribution to achieving the purpose of the Act.
- 6.57 The Commission is generally of the view that in determining local government arrangements it is preferable to align decision-making with the community of interest that is most directly affected by the significant decisions that need to be made to address the pressing issues facing the community. This consideration is fundamentally forward-looking.
- 6.58 The Commission has concluded that the major issues that must be addressed in Wellington Region are more of a regional nature than of a local nature. Therefore “reasonably practicable options” that provide for more effective regional level decision-making will be preferable.

- 6.59 There are and will always be a number of significant local issues that must also be addressed. These particularly relate to the local sense of place, safety, and the local amenities and facilities that people engage with in their day-to-day lives. This means that the “reasonably practicable options” that provide for sound local decision-making at the same time as strengthening regional decision-making are preferable.
- 6.60 The third dimension of alignment of decision-making is the ability to align financial responsibility with responsibility for other outcomes. One of the major issues that the communities of Wellington face is the condition of its major network utilities. With this goes complex interrelated issues of level of service, risk and the potential for service disruption, potential environmental impacts, effective emergency management, etc. “Reasonably practicable options” that establish scale in the management and development of the region’s major network infrastructure are more likely to deliver a combination of scale economies, economies of scope and managerial economies. More importantly, “reasonably practicable options” that align the financial responsibility for the assets with the environmental and economic consequences of failure, are more likely to result in better decisions for Wellington than the status quo – which separates these responsibilities.

Collaboration

- 6.61 As discussed earlier in the report, there are some very good informal and formal collaborative arrangements in place at present to enable local interests to be voiced in developing regional solutions.
- 6.62 The largest and most formal of these arrangements is the establishment of the council-controlled organisation Capacity Infrastructure Services. Capacity has been empowered to deliver water, wastewater and stormwater services to Upper Hutt, Lower Hutt, Wellington and Porirua communities. The economy of scale benefits and the benefits of combining large-scale storage with reticulation are clear. Further benefits may be achieved by also devolving responsibility to Capacity to gather its own revenue but understandably, the appetite of the region’s leaders for such arrangements is not strong.
- 6.63 At the more informal end of the spectrum are the various forums established by the mayors and chief executive officers of the region to enable them to discuss and share solutions to the issues they hold in common. These include specific arrangements such as the administration of the Regional Amenities Fund by the region’s mayors to deal with the provision of the regional events and amenities held in common. Informal collaborative arrangements also include a commitment to work together on exploring opportunities to jointly deliver back office services.
- 6.64 The challenges associated with such arrangements are that:
- their success depends on the willingness of each participant to supplant the interests of their particular local area to the benefits of the region as a whole
 - they often involve high transaction costs
 - they may not be resilient when particularly difficult or intransigent issues are faced

- they require strong alignment around common governance principles and outcomes with the unfortunate consequence that sometimes expedient compromises are entered into
 - they usually involve the separation of funding from delivery with funding able to be withdrawn or modified at the discretion of each of the participating members.
- 6.65 On balance, the limited nature and impact of the collaboration between the councils reflects the weak incentives for working in this way and the difficulty of securing ongoing co-operation. The new statutory requirement for councils to collaborate is an important signal, but it falls short of requiring councils to change their behaviour. Given the weak incentives for collaboration and the high political and transaction costs involved in making it successful, the Commission has concluded that it cannot rely on collaborative approaches to address major issues that cross council boundaries. Given that the major issues that Wellington will need to address over the next decade and beyond tend to be regional issues that cross current council boundaries, “reasonably practicable options” that rely on collaboration are less attractive than those that establish councils that are financially, operationally and politically responsible for the issue and its resolution.
- 6.66 Accordingly, the **Enhanced Local Efficiency** options and the **Stronger Regional Delivery** option that rely on regional collaboration are less attractive than either of the **One Wellington Council** options.

Representation, advocacy and share of voice

- 6.67 In addition to the internally focused questions of democratic decision-making within the “affected area”, there is another very important external dimension to a healthy democracy. This is the important advocacy role of elected representatives on behalf of their constituents.
- 6.68 Councils play a significant role in representing their district or region in order to attract and engage with businesses, potential investors and visitors. Mayors in particular exercise a significant leadership role as the representative of the area. They speak for the people, they facilitate engagement, and they use their public profile to encourage people to make investment decisions that foster the development of their district. Councils also contribute to the vibrancy and economic development of their districts through supporting events, and arts and cultural activity. The extent to which a “reasonably practicable option” may enhance this ability is an important consideration.
- 6.69 Councils also play a key role in the development of national level policy and regulation. As the representative of and advocates for their people, councils can wield significant influence over national policy decisions. The extent to which a “reasonably practicable option” may enhance this ability is another important consideration.

- 6.70 The Greater Wellington Regional Council application addressed this issue in making a case for stronger and more effective regional leadership. Wellington City Council also addressed this issue. Both councils argued for a single, strong and empowered regional voice to advocate for the interests of the region with central government, to lead economic development and to lead the promotion of the general well-being of the regional community. Both councils quoted Auckland Mayor Len Brown in support of their application. Mayor Len Brown has said that the changes which occurred in his city have created a “*much stronger sense of cohesion*”, much less infighting and major benefits for planning and the pace of change.⁶⁷
- 6.71 Wellington City Council also referred to the view of Professor Graham Sansom (a visiting fellow at Victoria University and a former Director of the Australian Centre of Excellence for Local Government). Professor Sansom has stated that “*the governance implication for Wellington is the need to maximise the city’s potential as an economic force in its own right and to complement the growth of Auckland*”. Further, Professor Sansom has noted that he found it “*difficult for an outsider to understand the logic of having responsibility for key decisions about the future of the Wellington CBD split between the city and the regional council*”.⁶⁸
- 6.72 While good and effective leadership has been displayed by the region’s eight mayors and the chair of the regional council, they may naturally be inclined to reflect the views of their own councils and communities and may have varying priorities about what is important for the region as a whole.
- 6.73 In an increasingly competitive world, there is an unquestionable need for a strong voice with central government and the private sector when promoting the interests of the region. Greg Clark argues that leadership of city-regions is not just about managing a given set of responsibilities within local control (core services), but is also about agenda setting, coordination and influencing the decisions of others. In addition to ensuring that service delivery, representation and local regulation and environmental management are robust and effective, Greg Clark argues that councils have a broader and more outwardly focused role that includes:
- setting future vision and direction for the city as a whole
 - city branding and promotion
 - investment attraction
 - advocacy and negotiating change
 - coordination, partnerships and joint ventures
 - promoting catalytic projects
 - crisis management
 - building community.

⁶⁷ Wellington City Council, *Alternative Reorganisation Application: Response to the Local Government Commission’s Request for Alternative Applications to the Local Government Reorganisation Application for the Wellington Region*

⁶⁸ Sansom, (2012), *The Governance of Wellington: Revisiting the Basis for Change*

6.74 Leadership is the key to successfully delivering this broader role. Greg Clark argues that leadership of city-regions includes elected representatives and officials as well as the civic leadership of business and non-government organisations. Successful city-regions are led by teams, not individuals, but the team must have the scope to be effective. Important leadership success factors identified by Greg Clark include:

- the ability to cross national and global boundaries to establish a confident and inclusive position towards the outside world that is attractive to both investors and skilled workers
- the ability to achieve cut through in a crowded market about what the city-region does and its vision for the future
- far-sightedness, and the ability to engage people and partners (and especially with central government) in supporting the vision for what the city-region can become
- commitment to a single purposeful plan that integrates the different strategies and plans into one framework designed to achieve the city-region's vision for the future
- the ability to advocate for one plan for the city-region with one voice and one identity, ensuring alignment, coherence and cut through and impact.

6.75 The importance of establishing the ability to work effectively with other key partners was also a critical part of the Government's consideration of the Auckland local government reforms. The April 2009 Cabinet paper outlining Government's high level response to the report of the Royal Commission on Auckland Governance notes:

"The creation of an Auckland Council, with one mayor, and the means to integrate and fund a wide range of services should provide much simpler and stronger arrangements for Auckland with central government."

6.76 The "reasonably practicable options" that establish **One Wellington Council**, and to a lesser degree the **Stronger Regional Delivery** option, will increase the ability of one organisation and one leadership team to exercise the sort of leadership that Wellington will need if it is to compete more strongly on a national and international stage – in particular in relation to the strong and powerful voice of Auckland. Of the three options, **Stronger Regional Delivery** would result in the weaker regional voice. A directly elected mayor will always have a greater mandate for leadership than a council chair elected by their peers.

6.77 The "reasonably practicable options" that merge territorial authorities, the **Enhanced Local Efficiency** options, are all likely to deliver poorer regional leadership than the status quo. This is because under these options the competition for voice and leadership between a smaller number of larger authorities is likely to be more intense. Instead of improving the ability of the region to engage with central government and strongly advocate for their communities, these options are likely to result in more in-fighting and more difficult collaborative action.

- 6.78 At the same time as there is a need to ensure that Wellington has a strong and effective regional voice, there is also a need to ensure that the particular needs of communities are given a voice – whether this be a concern about ‘place-making plans’ in the Kilbirnie shopping centre, or the desire to establish a safe and efficient cycleway between Island Bay and the central business district or whatever the issue or desire may be.
- 6.79 The two **One Wellington Council** options approach local representation differently. Providing ward councillors is one way of achieving local representation and local voice. However, this model of representation requires the ward councillor to act as both the local advocate and as the regional decision-maker. Given the size of Wellington Region and the complexity of the regional decisions, this dual role is likely to either mean that local decisions are crowded out by regional pressures, or that regional decisions fall victim to the politics of coalition building by local members. The multiple ward councillor model also relies very heavily on the capability of the one individual representing each ward to be effective.
- 6.80 In contrast the option of providing local boards provides for a number of people to represent each locality, and make local decisions. While the local boards model does not put the local board members at the decision-making table of the governing body in relation to regional level decisions, it does provide a platform for advocacy at that level that is not dependent upon individual representatives.
- 6.81 The Commission has concluded that the option of a large number of ward councillors is unlikely to provide as effective a local voice as local boards. The option of **One Wellington Council with local boards** is most likely to result in both strong regional leadership and credible local leadership on matters that count.

Māori participation

- 6.82 The Commission engaged Morrie Love to provide assistance in understanding how the options under consideration might provide better or worse opportunities for Māori participation in Wellington local government decision-making. The following section draws on Mr Love’s work.⁶⁹
- 6.83 Mr Love has reported that kaumātua of the region believe that the existing partnership relationships between councils and mana whenua iwi in the region must be the starting point for any future arrangements. An enduring partnership approach between Māori and local government should be preserved through any reorganisation process, and the Commission has been told that it should continue to engage with Māori communities as it formulates any draft reorganisation proposal for the region.

⁶⁹ Love, M., (2014, August), *Report on Iwi Participation in Alternative Local Government Organisation in the Greater Wellington Region*

- 6.84 Iwi have an expectation that any future Wellington council would have a formal relationship with mana whenua and taura here at both the regional and local level. Current co-management arrangements should continue and other similar arrangements may need to be established and protected as a consequence of the particular detail in Treaty of Waitangi settlements.
- 6.85 In general terms, treaty settlements have mandated iwi to have a stronger say as part of local government decision-making. This has occurred by means of statutory acknowledgements and the return of significant land in fee simple to iwi including lakes, islands and reserves. These settlements drive a much stronger need for effective partnership arrangements to be established, not only with central government, but also at the operative level with councils.
- 6.86 The provisions of the *Local Government Act 2002* provide little guidance about who the relationships between Māori and local government should be with. The Commission notes that references tend to be to the more general term Māori rather than to mana whenua. With respect to resource management matters, however, it is clear that local government needs to deal with those having mana whenua status in the area.
- 6.87 The scope that the Commission has to specifically provide for mechanisms to enhance Māori participation in decision-making is limited. The Commission is unable to provide for Māori wards and constituencies through a local government reorganisation unless they are already provided for in the district or region concerned. Nor does the Commission have the authority to establish the equivalent of the Auckland Independent Māori Statutory Board.
- 6.88 The Commission could imbed within the committee structure of a new council a way of ensuring Māori participation in decision-making, however, such an approach could be undone at the end of the first three-year term of the new council by a simple resolution of the incoming council to change its committee structure.
- 6.89 Iwi Māori have long put forward the proposition that relationships should be on a rangatira to rangatira basis where the leaders of the respective iwi organisation meet with council leaders.
- 6.90 As well as regular council/iwi meetings, they have stated there is a clear need for a joint committee of council and iwi representatives with delegated powers of decision-making on matters such as environmental and resource management issues, regional planning, and treaty settlement matters, with regular meetings.
- 6.91 Consideration also needs to be given to establishing meaningful relationships with taura here groups and individuals, who make up a significant proportion of the regional Māori population, particularly in urban centres.

- 6.92 For those Māori who might be described as mātāwaka, taura here, or urban Māori organisations there are no clear treaty-based responsibilities on matters such as environmental, resource management or planning. That said, there are matters which the mana whenua iwi organisations may not be directly involved in including social housing, education, social welfare, non-tangata whenua marae and similar, where communities of Māori may wish to engage with council. Kaumātua are of the view these issues can be addressed on a case-by-case basis in the usual run of council business.
- 6.93 It was also suggested the non-mana whenua Māori community could seek the support of mana whenua groups on issues they may wish to raise at council. They propose that, at least twice a year, council should formally meet with mātāwaka groups with agenda matters raised by both Māori and council.
- 6.94 While the Commission cannot establish an equivalent to Auckland’s Independent Māori Statutory Board, Mr Love found that this approach is viewed by iwi as an option for consideration if the right model cannot be found under existing legislative provisions.
- 6.95 The involvement and manner of representation of marae groups, as part of mana whenua iwi, is viewed as a matter for each mandated iwi organisation to determine. Iwi have noted that the option of representation as part of the local board realm of local governance is one means of ensuring that most marae-based issues are addressed.
- 6.96 In his report Mr Love notes that mana whenua iwi leaders have stated that they do not have a clear consensus about what form of representation or influence might be preferred.
- 6.97 The Commission has been informed by iwi leaders that while some amongst them are of the view that Māori seats may be an appropriate mechanism to address Māori representation, others are of the view that the establishment of such seats reduces their influence as a local government partner in this relationship.
- 6.98 The impact of iwi takiwā or boundaries on the selection of a particular local government reorganisation option poses a challenge for most iwi. Iwi have overlapping interests in many places. This is particularly the case for Te Atiawa/Taranaki Whānui and Ngāti Toa rangatira in the Hutt Valley.
- 6.99 In general it appears the smaller the council area is, the more authorities each iwi will have to deal with. For example, Taranaki Whānui and Ngāti Toa noted they may be stretched to find the resources to participate with the three unitary authorities proposed as one of the options across their rohe. The Commission also noted that this would apply to the **Enhanced Local Efficiency** options. The option of a single unitary authority in the Wairarapa was viewed as being convenient for the Ngāti Kahungunu – Tamaki Nui ā Rua Trust.

- 6.100 The options of **One Wellington Council** point to the existing model of Māori representation currently used by the Greater Wellington Regional Council. This has two co-management committees, one being a formal standing committee of council to manage the overall relationship between iwi and the council, and the other a joint committee with responsibilities relating to resource management issues. Both committees have decision-making power delegated by council. This is viewed by Mr Love as being a successful model of representation for Māori at the regional level and an example of best practice for joint decision-making on environmental policy in New Zealand.
- 6.101 If **One Wellington Council with local boards** was the “preferred option”, Mr Love suggested that a governing body joint committee dealing with environment and resource management would be appropriate. For local boards it may be appropriate to have local level committees to deal with local matters including matters of importance to local marae such as local planning.
- 6.102 For the option of **One Wellington Council with no local boards** kaumātua have expressed no clear preference on how the matter of iwi Māori inclusion in decision-making would be achieved. The possibility of Māori wards was largely dismissed as impractical and likely to erode the influence of the partnership relationship.
- 6.103 The involvement of iwi Māori in decision-making is provided for in a variety of ways in the various local government reform options put forward for consideration to the Commission. In some options iwi Māori participation is not referenced at all. At the other end of the continuum, the model put forward by the Greater Wellington and Porirua Councils gives this subject detailed attention.
- 6.104 Any option involving the formation of a single unitary authority would need to make special provision for the kaitiaki role exercised by mana whenua particularly given the provisions included in recent treaty settlements and the particular importance to Māori of the matters which have traditionally been addressed by regional councils.
- 6.105 The Commission considers that the local government arrangement that best provides for Māori participation, while still enabling participation by local marae, is the **One Wellington Council with local boards** option. However, in any proposal the Commission needs to carefully consider how to continue the regional level relationships that have currently been established and are highly valued.

How the options compare regarding democratic decision-making

- 6.106 Safe and attractive local and regional living environments, a strong local and regional voice, the participation of iwi and hapū at regional, sub-regional and marae levels, and social and cultural cohesiveness will only be achieved and sustained by both regional and local scale democratic participation arrangements working together.

6.107 The importance of the local dimension means local government options that can improve decision-making and action, as well as providing for improving local identity and a sense of place, will be more effective than options that simply improve the ability to deliver regional scale decisions and activities. The converse also applies. Options which simply improve the volume of the local voice but do not provide for an effective regional voice, are likely to produce suboptimal democratic decisions and work against achieving the needs of the region.

6.108 Balancing the different dimensions of democratic decision-making, the Commission has concluded that overall the option of establishing **One Wellington Council with local boards** performs the best. Of the “reasonably practicable options” it is the only option that can improve both local and regional decision-making and action and at the same time, provide ways to align regional and local activity. The Commission considers that this option provides the best way of:

- strengthening the ability to address the significant future issues Wellington faces (those issues are predominantly regional in scale and require a regional response)
- aligning decision-making with the community that is most directly impacted by or interested in the decision, by providing for enhanced regional level decision-making while retaining local level democratic decision-making
- reducing dependence on collaboration between councils in order to be successful
- providing Wellington with the potential for strong leadership and advocacy and the share of voice nationally and internationally that will be important for it to be successful
- improving opportunities for Māori to participate in decision-making.

6.109 A comparison of the ability of each of the “reasonably practicable options” to meet the needs for democratic decision-making is shown in Table 32. This reflects the considerations discussed above and whilst it is to a degree arbitrary, it provides a clear indication of the relative merits of the “reasonably practicable options” that the Commission has considered.

Table 32: Comparison of the “reasonably practicable options” regarding democratic decision-making

“Reasonably practicable option”	Score
Status quo	0
One Wairarapa Territorial Authority	+1
One Hutt Valley Territorial Authority	0
One Western Territorial Authority	-1
One Wairarapa & One Hutt Valley Territorial Authority, plus WCC, PDC & KCDC	+1
Three Territorial Authorities	+2
Stronger Regional Delivery – transfer obligations to GWRC	+1
One Wellington Council without local boards	+3
One Wellington Council with local boards	+4

Improved provision of core services

- 6.110 Core local government services are defined in section 11A of the *Local Government Act 2002*. The following section presents a consideration of how the provision of these services could differ under each of the “reasonably practicable options” submitted for consideration to the Commission.
- 6.111 The Commission recognises that not everything that a council does is reflected in the statutory definition of core services but the identified core services do make up a very substantial part of the activities of each territorial authority. Attention is therefore directed toward: network infrastructure (roads, public transport, the ‘three waters’ and solid waste management), natural hazard management, community facilities and services (such as parks, recreation services, amenities and libraries), and regulatory services.

Network infrastructure – water, wastewater and stormwater

- 6.112 Many of the region’s water assets are in comparatively poor condition, and coming toward the end of their economic life (see Table 18). The scale of this challenge varies across different councils. Wellington City’s water and wastewater assets appear to be in better condition than others. Porirua and Upper Hutt have some challenges to face, with a particular concern about the high percentage of wastewater pipes which are in poor condition. At no location is the state of water assets a major risk – rather there is scope for improvement at all locations in how they operate and how they are managed.
- 6.113 The Commission has been informed⁷⁰ that, in general terms, the region’s water asset managers will need to position themselves to address current and future issues and challenges related to:
- capacity and security of supply
 - regulatory requirements
 - building resilience into water systems against the risk of natural hazard events
 - securing necessary staff expertise
 - managing water supply demand including the use (or not) of pricing
 - defining common and acceptable service levels
 - achieving seamless delivery of water, wastewater and stormwater services
 - accommodating the risk of infrastructure disruption as a consequence of the roll-out of ultra-fast broad band
 - establishing integrated quality information and management systems
 - securing sufficient funding for asset maintenance and capital improvement programmes
 - ensuring that adequate provision is made for the depreciation of water network assets and ensuring that the sum allocated to accommodate depreciation is spent in the designated year on any necessary capital works identified for that year.

⁷⁰ MWH, (2013, November), *Survey – Asset Management Activities Wellington Region Local Authorities*

- 6.114 The benefits for the metropolitan part of the region and each of the four councils located in this area, together with the regional council, from all sharing in a common network infrastructure provider, include:⁷¹
- a larger and more resourced entity with the ability to attract increased funds
 - better and more skilled staff
 - a general ability to meet the issues and challenges described in the paragraph above.
- 6.115 The Kapiti Coast and the Wairarapa District Councils have not been part of these initiatives. The case for Kapiti Coast becoming part of the arrangement was explored but declined. The case for the Wairarapa councils becoming part of the integrated approach is less substantial and, as a consequence, has not been advanced.
- 6.116 A further step forward from current arrangements would therefore be to reconsider a higher level of integration with Wairarapa services and those supplied in Kapiti Coast and/or to create a council-controlled organisation which not only manages the assets but also owns them.
- 6.117 The option of a single, regionally-focused water management arrangement, if it was to be embraced, would encompass 12 treatment plants and local schemes, two storage lakes, 150 reservoirs, 7 wastewater treatment plants, 7 local wastewater treatment plants and all of the staff and services associated with the provision of these facilities, as well as pumping stations and the many kilometres of pipe network.
- 6.118 Incremental progress has been made in integrating the management of water services across the major metropolitan areas of Wellington. Significant challenges remain to be addressed.
- 6.119 Having considered the applications and the advice that it has received, the Commission has reached the conclusion that with respect to water, wastewater and stormwater networks there is the opportunity to secure scale economies, economies of scope and improved, and lower cost delivery through managerial economies by integrating ownership, management and funding. All of the “reasonably practicable options” provide some scope for this. The scale of the opportunity is, however, directly related to the scale of the integration.
- 6.120 Despite the Wairarapa having a number of physically separate schemes it could benefit from the union of the three current councils, under the **Enhanced Local Efficiency** option, but also from union with a broader region-wide infrastructure delivery option. The benefits would be derived from the higher levels of management capability, and design, operation and purchasing expertise that would result from a region-wide approach. The physically separate nature of the Wairarapa’s networks and treatment plants mean that there are few other integration benefits.

⁷¹ MWH, (2013, November), *Survey – Asset Management Activities Wellington Region Local Authorities*

- 6.121 Working through the renewal and replacement of the region's ageing water networks will be one of the major financial challenges for Wellington communities. In all options, one of the principal benefits from increased scope and enhanced management capability will be the potential for improved delivery of a major capital works programme. Bringing enhanced design, procurement, construction and operational expertise to play will result in better outcomes. The other dimension of increased scope and management capability will be in being able to conceive of and deliver projects that would otherwise not be possible, and/or to avoid projects that are sub-optimal.
- 6.122 In addition to the benefits that can be delivered by jointly managing all of the water systems, there are further benefits that can be secured by managing water networks within a single regional authority that enables water investments to be aligned with spatial planning and regional development objectives. The ability to ensure that all infrastructure investment is planned and delivered in the right place and at the right time to support multiple council objectives, would provide meaningful benefits. For this reason the **One Wellington Council** and **Stronger Regional Delivery** options offer more benefits than the **Enhanced Local Efficiency** options.

Network infrastructure – roads

- 6.123 The Commission engaged CityScope Consultants⁷² to provide assistance to enable it to understand how the options under consideration might provide better or worse opportunities for the provision of transport services in the region. The following section draws on CityScope's work to first set the context for this discussion by describing the general nature of the delivery of transport services in the region and then to provide particular details about roads. A subsequent section addresses passenger transport.
- 6.124 CityScope also evaluated the viability from a transport perspective of a Wairarapa unitary authority as part of their work.
- 6.125 The research and interviews undertaken by CityScope suggest that Wellington is not moving ahead as fast as it could be or as fast as it needs to, and that in general terms improved decision-making on regional matters is necessary.
- 6.126 This was supported by examples of regionally important transport projects that were said to be progressing only slowly because of a lack of regional unity. The major transport projects which were raised as not progressing as fast and as smoothly as they could be were:
- Petone-Grenada Link
 - Cross Valley Link
 - Central Wellington public transport spine.

⁷² CityScope Consultants, (2014, August), *Transport Governance in Wellington: An assessment of the transport implications for local government reorganisation proposals*

6.127 The following themes were recorded in a variety of sources⁷³ as being opportunities deserving of being further explored in relation to transport, the need for a:

- a **single regional view** on the priority of major transport projects, more positive engagement with New Zealand Transport Agency, and the adoption of a ‘one network’ approach and faster delivery of key transport projects. While the current regional land transport strategy and the corridor plans provide guidance, it was felt agreements reached were not being maintained and it was suggested that some councils did not fully support some projects. There was a call for a clearer mandate, more partnership, more collaboration and stronger accountability for decisions on transport planning, funding and delivery.
- a **regional land use plan** (often referred to as a spatial plan) to be agreed and adhered to, to provide a degree of certainty over how land will be developed and how this will work in tandem with road investments. It was suggested this would negate the need for continuous re-litigation of critical decisions and provide for a more strategic approach to the integration of transport and land use decisions.
- **improved delivery of transport services.** It was felt that a regional delivery agency would provide improved efficiencies and greater resources and skills, enhanced capacity and capability, encourage more efficient use of resources and achieve better value for money investments.

6.128 Differences in priority accorded to the projects between regional and territorial authorities were identified. An example is the central Wellington public transport spine, where Wellington City Council has responsibility for enhanced bus priority measures to support the services that are to be provided by Greater Wellington Regional Council.

6.129 CityScope was informed that differences have arisen between the two organisations over the implementation and timing of bus priorities. In a vertically integrated organisation these differences would work themselves out, but with separate organisations they can take time to resolve, with high transaction costs.

6.130 Another difficulty that has been identified is the potential for there to be differences between the position advocated through the Wellington Regional Transport Committee by the representative of a territorial authority and the position formally adopted by that council. This was recently evident with respect to Wellington City Council’s approach to the Basin Reserve.

6.131 The following criteria were applied by CityScope to help it evaluate the transport governance options emerging from the Wellington proposals and submissions. These drew from governance principles identified in the literature, the review of transport governance in Auckland, and the input of stakeholders in Wellington Region (in particular, the principles identified by the New Zealand Transport Agency):

- **Efficiency and effectiveness** – Does the option enable the efficient and effective use of available resources, ensuring value for money?

⁷³ TDB Advisory, (2013, August), *Governance Options for the Wellington and Wairarapa Regions: An Economic and Financial Assessment*

- **Geographic coherence** – Does the option provide a coherent framework for transport decision-making that reflects the geographic nature of transport networks and demand patterns, enables clear roles and accountabilities, and minimises the potential for overlaps or disputes?
- **Capacity and capability** – Will the organisation(s) responsible for transport activities have sufficient financial and staff capacity and capability to undertake the required work?
- **Integration** – Does the option provide the opportunity for improved vertical integration (between strategy and delivery), horizontal integration (between transport and land use) and alignment between different transport modes?
- **Responsiveness** – How effectively will the organisation(s) be able to respond to community and stakeholder interests?
- **Mandate** – Does the option provide the organisation(s) with a clear mandate and the statutory authority to take the necessary actions to implement current and future transport plans?
- **Accountability** – Does the option provide mechanisms to ensure good decision-making (and identify and sanction poor decision-making) with respect to national, regional and community objectives, fiscal responsibility, and efficient and effective use of resources?
- **Financial performance** – Will the option enhance financial performance and improve fiscal responsibility?

6.132 The net conclusion which may be drawn from application of the criteria identified by CityScope is that, in general terms, larger and more integrated local government arrangements are better able to deliver road services than smaller units.

6.133 There appears to be acceptance in many of the alternatives received by the Commission that some form of consolidation of road services will lead to more effective decision-making, administrative savings and savings in implementation.

6.134 From a regional perspective, there is also an expectation that larger units will provide a stronger degree of regional unity, a more effective voice for Wellington in its advocacy with central government and the New Zealand Transport Agency and stronger integration between transport and land use planning.

6.135 The information provided with the two original applications and with the alternative applications infers that the current measures are not achieving the coordination or the desired balance between regional and local interests that the proponents think is appropriate. The Commission notes this may actually reflect frustrations at the resource management planning process as much as the regional transport planning process (for example, those experienced with the Basin Reserve and Transmission Gully projects).

- 6.136 From the advice provided by CityScope and the other applications and analysis undertaken for it, the Commission has concluded that there are potential scale economies, economies of scope and opportunities for managerial economies in the delivery of council roading activities. There will be limits on the ability to realise these benefits in the short term because of the way in which road maintenance and construction activity is contracted out. Other factors, like the size and geographic spread of the local road network and the availability of aggregate will also limit the ability to secure major savings.
- 6.137 The conclusion for Wairarapa is that the full integrated delivery of road services across the three adjacent territorial authorities under the **Enhanced Local Efficiency** option, would be advantageous. These advantages would be heightened, but not to a large degree, by linkage to other councils in Wellington Region.
- 6.138 Options involving the formation of groupings of territorial local authorities in the western part of Wellington Region, under the **Enhanced Local Efficiency** options, are viewed as being better than the status quo. The disadvantage of these options is they may create challenges in terms of regional strategic and integrated passenger transport governance, planning and delivery (see below). More specifically, with larger more autonomous territorial authorities, plan alignment, communications, negotiation and achieving satisfactory funding outcomes across borders and agencies may become more difficult than the status quo.
- 6.139 CityScope considered that the challenge associated with achieving regional integration for road services may be able to be overcome in part with the formation of a regional transport planning committee with clear accountability and/or a joint regional council-controlled organisation for service delivery. As discussed in Part 5, the Commission notes that there are fundamental limitations to these models because they embody a critical disconnect between planning for roads and the financial responsibility for roads. These partial solutions would not be as efficient as options involving the creation of **One Wellington Council** over the entire region.
- 6.140 Whilst there are clear opportunities for scale and scope benefits from a regional approach, there is also potential for there to be conflict between regional level objectives and local level priorities. This is perhaps best captured in the tension within local shopping areas between the relative priority of providing parking with catering for through traffic. From a local perspective there is high value in businesses being accessible and a main street having amenity planting of trees, and shared pedestrian and vehicle spaces. The regional perspective is more likely to value increased road space for through traffic and seek to remove parking. Any reorganisation that affects the provision of road management must preserve a connection to local issues. Maintenance regimes must be responsive to local information about a pothole, or a street sign that has been removed. The option that offers the best scope to reconcile and manage the tension and potential conflict between regional and local objectives is the **One Wellington Council with local boards** option.

Public transport services

- 6.141 CityScope Consultants' report on transport governance also provided the Commission with assistance to understand how the options under consideration might perform with respect to the provision of passenger transport services in the region.
- 6.142 Overall the status quo arrangements for the planning, funding and delivery of the region's passenger transport services are, of necessity, a regional undertaking. Wellington public transport services run through and between the territorial authorities. On balance CityScope concluded that the current arrangements appear to work reasonably well.
- 6.143 Despite the progress made under current arrangements, the collaborative implementation of a seamless 'one network' and multi-modal approach can sometimes be a challenging experience and there are opportunities for more synergies.
- 6.144 There is a better set of arrangements. Combining responsibility for land use planning, roads and public transport at a regional level would achieve a more integrated approach and more streamlined decision-making. It would also allow the resolution of the sorts of conflicts between local place-making priorities and the broader regional priorities relating to the movement of people and goods. The opportunity here is not of scale, but of the scope that would be provided by integration.
- 6.145 CityScope addressed the issues of providing regional public transport services and how to manage funding if a unitary authority made up of the current three Wairarapa councils was to be established. That matter is dealt with in Part 5.
- 6.146 The options that provide the greatest scope for improvement are the **One Wellington Council** and the **Stronger Regional Delivery** options. There is little to differentiate the other options from the status quo, other than that larger, better resourced territorial authorities would invariably want to have a larger say in the operation of the public transport system that supports their community. This is quite simply a consequence of scale and the expectations of sovereignty of decision-making that would inevitably follow. The recent debate between the Greater Wellington Regional Council and the Wellington City Council over bus priority measures within the central business district is a reflection of this issue.
- 6.147 Accordingly, the **Enhanced Local Efficiency** options have the potential to deliver slightly worse public transport outcomes than the status quo.
- 6.148 A **One Wellington Council with local boards** model has certain advantages because it would enable the views of individual communities to be expressed about the provision of local public passenger services. To avoid undermining the benefits of the regional perspective, the role of the local boards would, however, need to be as an advocate rather than as a decision-maker.

Solid waste

- 6.149 Solid waste management includes the collection and disposal of refuse, the operation of refuse transfer stations and landfills, and the management of closed landfills. It also covers waste minimisation. This last aspect encompasses programmes which encourage re-use and recycling.
- 6.150 There are five operating landfills in the Hutt Valley, Wellington City, Porirua and Kapiti Coast areas. All are within 45 minutes of their neighbouring landfill. The ownership of Porirua’s Spicer landfill is shared with Wellington City Council. Masterton has two landfills. The Wairarapa has recycling centres and waste transfer stations with most of the waste from these stations being transferred to a large-scale landfill near Marton.
- 6.151 State of the art technology enables the efficient automated sorting of materials recovered from kerbside recycling. This technology requires large capital investment and requires large volumes of material to achieve economies of scale and to replace labour intensive manual sorting methods.
- 6.152 Resource consents for landfills demand the application of sophisticated technical and environmental standards. Some current councils may not have these skills at the level demanded by current standards. However, given the remaining life of the existing landfills, acquiring consent for a new landfill will not be necessary for quite some time.
- 6.153 The region’s waste management/landfill services are not at a state of risk. Rather there is scope for improvement in how they operate and how they are managed. Any local government reform option which has a regional scale would provide some advantages in terms of:
- improved strategic capacity and coordinated long-term planning
 - greater cost effectiveness through economies of scale
 - better use of regional expertise
 - increased scope to better use state of the art technology such as that applied for the sorting of kerbside recycle materials.
- 6.154 The above opportunities imply that a regional approach to the delivery of landfill/waste management services, under the **Stronger Regional Delivery** or **One Wellington Council** options, would be better than either the status quo or arrangements involving the formation of multiple unitary or amalgamated territorial authorities under the **Enhanced Local Efficiency** option. However, this is not a significant factor in distinguishing between the “reasonably practicable options”.

Avoidance or mitigation of natural hazards

- 6.155 As noted in Part 2 of this report, Wellington Region is particularly susceptible to the risks posed by natural hazards. These need to be reduced, responded to, recovered from and made ready for (known as the ‘4 Rs’ approach to emergency management).

- 6.156 The major likely natural hazard events in Wellington are most likely to cross the boundaries of the existing councils. Even if a major event only delivers major direct impacts in one or two council areas, the nature and vulnerability of the region's transport system means that other councils will be affected. Managing a response to a major hazard event will require the effective co-ordination and deployment of the resources of all of the councils in the region.
- 6.157 What the Wellington Region Emergency Management Office does not do and cannot achieve is a full commitment to the necessary suite of interventions required to reduce the risks associated with natural hazard events. This applies in particular to the management of flood risks, the construction of buildings and infrastructure to withstand earthquakes, the management of land uses which may be affected by sea level rise, and the management of land uses to withstand the higher frequency and magnitude of climate-change-induced extreme weather events. Addressing these things requires alignment across land use planning and infrastructure provision.
- 6.158 Flood management infrastructure and skills aside, many of the tools for achieving risk reduction gains reside in the district planning and infrastructure supply hands of individual territorial authorities. Any of the local government reform options that increase the scale of the territorial authorities, the **Enhanced Local Efficiency** options, would enhance their ability to address the natural hazard related infrastructure and regulatory issues they face and as a consequence, build resilience and reduce risk.
- 6.159 Getting communities' active agreement on the need for change, whether it is agreeing on building control standards within the area covered by a coastal hazard map or signing up to necessary earthquake proof building standards, will always be challenging. Among other things, the cost implications are very significant.
- 6.160 Status quo arrangements for the management of natural hazards appear to work reasonably well in the region but there is always capacity for further improvement. In particular, options for reorganisation that enhance the ability for separate authorities to further collaborate would deliver a better ability to reduce, get ready for, respond to and recover from significant hazard events than an option which has them either working alone or working in groupings smaller than those currently applied to the management of natural hazards.
- 6.161 There is a risk that the **Enhanced Local Efficiency** options that establish large territorial authorities within the region would increase the rivalry between councils and result in a noticeable reduction in the ability to effectively collaborate over emergency response and recovery efforts. This was certainly one of the consequences of the establishment of the four large city councils in Auckland in 1989. Indeed, the adoption of the first Auckland Group Civil Defence and Emergency Management Plan was delayed for quite some time due to disputes over who should pay for the operation of the group and the group plan.

- 6.162 The current overlap of responsibilities between territorial authorities and regional councils for the management of land use aspects of natural hazards may mean there is a hesitancy to drive through necessary land use changes. Any option that combines district and regional responsibilities would help to overcome this challenge by achieving vertical integration between planning, regulation and infrastructure provision.
- 6.163 In general terms, the reorganisation option which would best manage natural hazards is the formation of **One Wellington Council with local boards**. The benefits of consistent delivery, at a regional scale, of risk reduction, response and recovery capabilities, in combination with a local board approach to enhanced local readiness, means Wellington would be well positioned to manage future hazard events.

Community facilities and services

- 6.164 The Commission engaged NZIER to provide advice about the provision of community facilities and services and to describe how this may differ between the “reasonably practicable options”. The following section builds on the advice that NZIER provided. The first section below focuses on parks, recreation facilities and amenities, and reserve management. The second section examines the provision of library services.

Parks, recreation facilities and amenities, and reserves

- 6.165 Sport, cultural and other major event amenities each contribute to council provision of community services but also each pose quite different operational and capital spending challenges for territorial authorities or a regional group of councils alike.
- 6.166 In particular, venues for large events such as stadia require a catchment area large enough to attract major events to generate frequent use of the facility. Although individual communities may aspire to building these facilities, the cost of constructing these venues tends to limit their duplication.
- 6.167 In an ideal world, a perfect pyramid of supply of services and facilities, and demand for those services and facilities, would be created. Under this model, there would be a single provider of facilities for large sporting/cultural events and a large base of facilities for sporting/cultural facilities to meet the needs of Saturday morning sport etc.
- 6.168 Assessing and meeting local demand for sporting and recreational amenities and making reliable judgements about the benefits of delivering these through different local government arrangements, is challenging. This is particularly the case when the amenity may serve a larger area than each of the eight current territorial authorities alone. This is because:
- community preferences for sport and recreation can change quickly as can the types of games offered within codes and the playing surfaces required, meaning the vagaries of sports fashion can leave councils with stranded or underutilised facilities

- people playing sport are often affiliated to regional or national organisations that set requirements for the quality of facilities, have varying willingness and ability to pay for the development and maintenance of facilities, and tend to have fixed views about how they want sports facilities to be used
- the capital intensity and life of the facilities varies between sports
- sport and recreation facilities share a common problem of low utilisation during school hours.

6.169 The suggested solution to the last of the above challenges is to make the facilities more convenient for schools to use (preferably by locating them closer to or within schools), thereby resolving one problem but potentially creating others, including competing priorities and multiple layers of decision-makers.

6.170 The above comments suggest that:

- it is difficult to identify worthwhile opportunities for more efficient or effective service simply by counting the number of facilities in each area or comparing utilisation rates
- demand for large event venues, large sport and cultural amenities, are all likely to have a regional as well as a local dimension. For those facilities where the regional demand is material it would be sensible to make decisions about future provision as if they were part of a regional portfolio.

6.171 The absence of a fully integrated regional approach to community facilities and services means that some facilities are over-supplied and some are under-supplied (for example, artificial turf provision). Some of this provision needs to reflect national priorities. Sport New Zealand and the availability of gaming funds may influence these decisions. Other provision issues relate to the interface between local and regional suppliers.

6.172 One solution to the need to adopt a fully-integrated approach representing the interests of all communities and all providers, is to prepare a binding regional strategy to define and achieve the optimal number and location of facilities, levels of service and to clearly prioritise necessary investment in upgrades. This implies reaching agreement about baseline region-wide service standards, with agreed variance only to reflect particular demographics and local willingness to pay.

6.173 An alternative option is to build consideration of these matters into a comprehensive spatial plan.⁷⁴ This would, of necessity, need to accommodate opportunities associated with alignment with schools and major sporting code providers.

6.174 Experiences to date, such as the failure of councils to fully engage with the regional amenities fund and the positioning of the Wellington Region sports field strategy as a guide to management rather than a regional strategy, suggest Wellington territorial authorities are reluctant to fully consider amenities outside their boundaries in making investment decisions.

⁷⁴ The need for such an instrument is addressed further in this report under the heading “Achieving the objectives of other legislation”

- 6.175 Anecdotal evidence suggests that there is some duplication of both operational and capital spending on sport and cultural amenities by councils in Wellington Region.
- 6.176 Analysis of the long-term plans of some of the councils reveals differences in the balance between user pays and community pays for a given activity across councils, but does not provide evidence of the need to seek out further economies of scale within the region.
- 6.177 Mergers of councils may be necessary to encourage decision-makers to take a broader geographical view of the portfolio of assets they are managing. The effect of any option involving the joining together of councils on how these services might be delivered in future would depend on:
- how the thinking of decision-makers about rationalising current and future provision would be changed by considering broader portfolios of diverse sporting or cultural facilities geographically
 - how successful decision-makers were in persuading local communities of the merits of rationalisation of facilities or the adoption of common service standards.

Library services

- 6.178 Public libraries provide connections to knowledge and ideas of the imagination. They enable individuals to turn knowledge into value, to connect and understand each other as citizens, and to strengthen communities. Although some commentators have questioned the place of libraries in a world of digital content, the use of public libraries through New Zealand is growing rather than declining.
- 6.179 Libraries are increasingly moving more of their services toward on-line mechanisms. Jane Hill⁷⁵, the Wellington City Council Community Networks Manager, has noted an 11.3% decline in the number of people visiting the city’s libraries but a 65% increase in the number of e-books being downloaded.
- 6.180 Jane Hill⁷⁶ has also noted that libraries are increasingly becoming places for people to connect with others – to create, share and learn about new ideas. Particularly in suburban centres, they are also being co-located with community centres, offices with community policy etc. and are used as a place to partner with community providers.
- 6.181 Transitioning libraries to enable them to become these multi-functional community spaces is said by Ms Hill to be necessary but not easy. There may need to be divestment, rationalisation, redesign and new partnerships. These are decisions which need to be made by community leaders at a number of scales/levels.
- 6.182 Most current libraries and community facilities are not set up to deliver a future focused, cost effective, multi-use and customer tailored service. Most require new IT software and hardware. Communication and community involvement is the key to achieving this change. Staff skills may need to broaden beyond current levels to meet these new demands.

⁷⁵ Hill, J., (2014, August), Comments to the Dominion Post Newspaper

⁷⁶ Personal communication

- 6.183 Cultural facilities such as libraries, museums and community halls are essentially purpose-built facilities that vary widely in scale and use according to the needs of the community in which they are located. Their attraction to people living outside the community in which they are located will depend on their uniqueness in the region.
- 6.184 Much as is the case with sporting facilities, efficiencies in the delivery of library services will be achieved by establishing a clear hierarchy of facilities and services starting at a central/regional scale and flowing through to sub-regional, town and district centres and scales. Economies of scale could also be achieved in the delivery of IT and staff support systems and in the ability to share this overhead cost over a larger network of library users.

Summary and conclusion - delivery of community facilities and services

- 6.185 The amalgamation of councils under the **Enhanced Local Efficiency** option is likely to allow them to:
- adopt a consistent approach to the balancing of community and user pays approaches to funding for sports fields, libraries and other community services
 - improve the services and increase the level of investment in new or replacement assets by re-configuring the portfolio of facilities and services to remove duplication and better meet the needs of communities
 - diversify the range of facilities or the range of services offered by individual facilities, and thereby better manage the risk of a change in the fortunes and attractiveness of individual sporting codes and their utilisation of facilities
 - co-ordinate more effectively with national funders such as Sport New Zealand, Outdoor New Zealand (who can also assist councils to manage community expectations about the quality of sports facilities and provide advice on effective facility ownership models) and the Ministry of Education to ensure sport facilities are aligned with school requirements.
- 6.186 The Commission is not in a position to quantify the value of these benefits based on the information it has reviewed. The current differences in council approaches to providing sport and cultural services suggest that the potential benefits of any amalgamation would be delivered gradually and would be the product of an activity-by-activity review, as services or amenities are scheduled for major upgrades or new investment, as opposed to any instantaneous efficiency gain.
- 6.187 Local discretion needs to be exercised to enable the needs of particular communities to be clearly reflected in the service levels provided for the provision of parks, recreation and library services.
- 6.188 A strong regional spatial and strategic planning approach would assist to achieve a perfect pyramid (matching supply and demand) of service and facility provision, and reduce the risk of either over- or under-supply.

- 6.189 A higher level of collaboration between all providers is likely to achieve efficiencies and improve the effectiveness of service provision, however it is likely to be politically difficult for a merged council to de-commission functioning sports or cultural amenities. Any investment efficiencies may need to be achieved gradually as facilities fall due for upgrade or renewal rather than being something that is achievable with immediate effect.
- 6.190 **One Wellington Council with local boards** combining regional and district recreation, parks and library services may in the long-run provide the best option for the provision of community facilities and services but this area is not one crying out for immediate change.

Regulatory activity

- 6.191 The following section examines the current approach and challenges faced in delivering regulatory services to Wellington communities. The discussion does not cover Resource Management Act services. These are addressed below as part of the consideration of whether different local government arrangements may improve economic performance by simplifying planning processes.

Building

- 6.192 A critical mass of staff is required to enable a full complement of building consent authority services to be delivered within a district. Smaller territorial authorities sometimes find this challenging to achieve. In addition, they may not be able to put in place ongoing training and other specialist support services and to thereby cover all risks. Quality management systems are a critical component of service delivery. External consultants are engaged by some councils to help bridge the gap.
- 6.193 The shortage of qualified and competent staff in Wellington Region causes staff poaching between councils. Incremental salary increases are a consequence of these staff movements.
- 6.194 It is expensive to maintain accreditation as a building consent authority. Each building consent authority must maintain a complete and documented process for dealing with all aspects of building control, including staff training and certification. Currently each of the Wellington territorial authorities bears these costs. Opportunities exist to share this cost by adopting higher levels of collaboration.
- 6.195 The prescriptive nature of the *Building Act 2004* means there is wide ranging opportunity for integrated service delivery across Wellington Region. Implementation of the current law means that any liability associated with a building consent decision remains with the council in the area the building consent is issued. Accordingly there are real impediments to contracting out or rationalising core building consent authority functions.

6.196 It is important to note that even if there is some centralisation of both processing and high level building regulation functions, a local service centre capacity would still be required for efficiency of access to building sites for inspection purposes and to assist applicants with their processing requirements.

Prostitution

6.197 The location of premises used for prostitution is a matter which may be addressed under the Resource Management Act. Questions about the capacity of an integrated approach are therefore the same as those which apply to the implementation of other aspects of the Resource Management Act.

6.198 The touchstones for concerns over prostitution are inherently local. Any framework of local government would need to be able to engage with concerned neighbours and local community interests over the location of a brothel and/or street prostitution activities.

Liquor licencing

6.199 The task of developing comprehensive liquor licensing policies is complex and challenging. It also requires the application of the results of good local research. This implies the use of highly skilled policy analysts and demands a careful balancing of the views of the community, police, health officials and the hospitality industry.

6.200 There may be a case for bringing together the liquor licensing policies of all Wellington territorial authorities within a single frame and/or the incremental harmonisation of policies. There will always need to be scope to express local preferences at the neighbourhood level, but this will need to be balanced against the potential to simply shift problems into neighbouring areas.

6.201 As with prostitution and to a degree gambling, the touchstones to concerns over liquor licensing are very local. Any framework of local government would need to be able to engage with concerned neighbours and local community interests over the location of a bar or off-licence premises, noise, opening hours, public drunkenness, and specific local safety issues.

6.202 The other important dimension with respect to liquor licensing is the need to have adequate monitoring and enforcement capability. The need for this capability to be on the ground and able to respond to issues at particular places, may limit the ability to generate scale efficiencies. However, scale may allow a council to adopt a risk-based monitoring and enforcement framework that is very cost effective.

Gambling

6.203 Wellington territorial authorities have adopted a reasonably consistent approach to the application of policies to control the location and density of gaming machines and TABs. These vary to reflect the vulnerability of those communities located close to the site where the gaming machines are located. The same requirement for local responsiveness as is evident with prostitution and liquor licensing, are at play with respect to gambling.

Environmental and public health/food hygiene

6.204 A number of local government managers⁷⁷ have said there is little reason for any variation to be exercised between territorial authorities in the policies and standards expected from premises used for the preparation and sale of food. There is scope, therefore, to prepare a regional food bylaw, although capacity would need to be retained to reflect local preferences; particularly those related to where food may be sold and possibly the extent of cost recovery.

6.205 The environmental/public health/food hygiene regime ultimately requires a significant on-the-ground monitoring and compliance capability. The need for this capability to be on the ground and able to respond to issues at particular places may limit the ability to generate scale efficiencies. However, scale may allow a council to push more firmly the risk-based approach inherent in new legislation and move to a monitoring and enforcement framework that is more cost effective.

Other regulatory matters

6.206 All Wellington councils have an active suite of local bylaws. There is a consistency to the base of these but local variation to reflect local circumstance. There is little collaboration between councils over aspects of compliance and implementation.

Conclusion – regulatory services

6.207 Generally, those regulatory responsibilities with a high degree of central government policy determination are more likely to lend themselves to implementation through an integrated council approach where scale and managerial economies are possible. Conversely, those with a high degree of local policy discretion lend themselves to ongoing arrangements which enable communities to clearly express their preferences – with the option of delivery/implementation then being able to be carried out at scale through integrated council arrangements if the affected councils so wish.

6.208 Table 33 shows the indicative scope for an integrated approach to the delivery of regulatory responsibilities although, no matter what the adopted arrangement, there will always be a need to retain access to local service centres etc. to enable the businesses and residents affected by these regulations to meet requirements.

⁷⁷ For example, personal comment by Alison Curtis, Manager, Wellington City Council

Table 33: Scope for integration of regulatory responsibilities

Regulatory responsibility	Capacity for an integrated council approach to	
	policy determination	compliance and other aspects of implementation
Building	Zero (centrally determined)	High
Prostitution	Moderate	Moderate
Liquor licensing	Moderate	Moderate
Gambling	Moderate	Moderate
Environmental/public health/ food hygiene	Limited	High
Dogs	Moderate	High
Other bylaw matters	Moderate	Moderate

6.209 All of the “reasonably practicable options” provide scope for scale and managerial economies in the delivery of regulatory activities. The extent of the possible benefits vary from being quite moderate for the **merger of the Wairarapa territorial authorities** through to the greatest scope with the **One Wellington Council** options and the **Stronger Regional Delivery** option. Potential for scale benefits would be limited by the need for local on-the-ground monitoring and compliance capability.

6.210 Overall the **One Wellington Council with local boards** option provides the greatest scope to retain a balance between the advantages of managerial economies and operational scale in the delivery of regulatory activities and the ability to reflect local community preferences in setting the policy guiding that regulation.

6.211 The challenge with this option is that the *Local Government Act 2002* allocates regulatory decisions to the governing body, and does not clearly empower the Commission to put in place delegations to local boards. Whilst the Commission can foreshadow such delegations by recommendations to the governing body of a new council, it cannot require such delegations to be put in place. In the absence of delegations with respect to regulatory decisions, local boards would still have an important advocacy role on behalf of their communities.

How the options compare regarding improved provision of core services

6.212 The above discussion has described the core services delivered by councils, established the challenges faced in delivering these services and drawn conclusions about the best local government arrangement for the delivery of each of them.

6.213 The opportunity to improve the provision of local government’s core services varies depending on the core service in question. In summary the Commission has drawn the following conclusions:

- **Network infrastructure** – the recent expansion of Capacity Infrastructure Ltd to include Porirua, Upper Hutt and Greater Wellington Regional Council water, wastewater and stormwater services positions the metropolitan part of the region well to take advantage of the benefits which come with scale and a single provider. These benefits could equally be applied to the Kapiti Coast District and, to a degree, to the Wairarapa councils.
- **Roads** – there are some benefits to the territorial authorities of the region seeking out additional opportunities to share in the economies of scale which would come from the adoption of a joined-up approach to the delivery of road services but these benefits are not likely to be substantial. Greater benefits are likely to arise from adoption of a more united approach to the development of transport policy, the setting of clear transport priorities, the development of a powerful spatial plan and the adoption of a ‘one network’ approach to the planning and delivery of transport projects.
- **Public transport** – amongst the “reasonably practicable options” considered by the Commission the greatest opportunity for improvement in public transport outcomes would be the integration of public transport planning and operation with the responsibility for roads and with broader spatial planning at the regional level. In this process there needs to be a way of balancing the regional interest with the specific local interests in place- shaping and amenity.
- **Solid waste** – current arrangements for the delivery of solid waste management services appear quite efficient. There is little to be gained from making any changes to the manner in which these services are delivered.
- **Avoidance or mitigation of natural hazards** – the Wellington Region Emergency Management Office has achieved some success in delivering an integrated response to natural hazard events. Further gains would be achieved by the region’s councils adopting a more integrated approach to hazard avoidance and reduction by establishing a more joined-up approach to such matters as sea level rise and earthquake risk reduction. This applies, in particular, to the need to better integrate land use and infrastructure management in so far as these may be affected by natural hazard events. It is also apparent that any arrangement which undoes the benefits Wairarapa receives as a consequence of regional rates being directed at works designed to reduce the risk of flooding in that area, would work against the interests of that community.
- **Community facilities and services** – in comparison to other core services assessed in this Part of the report, it is apparent that the benefits to be achieved from any change to current arrangements for the delivery of recreation facilities and amenities, and library and related services would be minor and challenging to achieve.
- **Regulatory services** – it is clear that there would be benefits in delivering regulatory services at a regional level. Where there is policy discretion for councils through local regulation, it is important that there is a way for the local voice and interest to be heard. Once that policy is set, there appears little reason why the implementation and delivery of regulatory services could not be achieved in a more integrated way than at present across the whole of the region.

- 6.214 The **Enhanced Local Efficiency** options all provide some scale advantage in terms of the delivery of core services. Of these, the **One Western Territorial Authority** and the **Three Territorial Authorities** options provide the greatest scope for benefits.
- 6.215 The scale of the **One Western Territorial Authority** option would enable it to address major issues on a sub-regional basis. This would be better than the **status quo** in some respects but in other respects could work to undermine the benefits associated with those services that are currently delivered regionally.
- 6.216 The **Stronger Regional Delivery** option would result in a reduced ability to deal with current local issues. This is primarily because it would provide less ability to deal with local place-shaping and related regulatory issues. This would be offset in part by the opportunity to deliver activities at a greater scale, but this too would be limited by the fact that regulatory activities other than for building and resource management would stay with the territorial authorities.
- 6.217 The **One Wellington Council with no local boards** option would not provide as effective a mechanism for considered local views to be expressed on matters such as local transport issues and on regulatory matters including dog control and liquor policy.
- 6.218 In the opinion of the Commission, the best option is **One Wellington Council with local boards** because it enables core services to be governed at the local level while still enabling the skills and capacity of a larger organisation to be tapped into. However, this depends on the extent to which delegations are put in place by the governing body of the new council.
- 6.219 A comparison of the ability of each of the “reasonably practicable options” to meet needs for the improved provision of core services is shown in Table 34. This reflects the considerations discussed above and whilst it is to a degree arbitrary, it provides a clear indication of the relative merits of the “reasonably practicable options” that the Commission has considered.

Table 34: Comparison of the “reasonably practicable options” regarding improved provision of core services

“Reasonably practicable option”	Score
Status quo	0
One Wairarapa Territorial Authority	+1
One Hutt Valley Territorial Authority	+2
One Western Territorial Authority	+3
One Wairarapa & One Hutt Valley Territorial Authority, plus WCC, PDC & KCDC	+3
Three Territorial Authorities	+3
Stronger Regional Delivery – transfer obligations to GWRC	+1
One Wellington Council with no local boards	+4
One Wellington Council with local boards	+5

Achieving the objectives of other legislation

- 6.220 As noted in Part 4, the Commission developed an evaluation framework to assess the “reasonably practicable options” against the legislative requirements for local government reorganisation. These requirements relate to the promotion of “good local government” as set out in clause 12 of Schedule 3 of the *Local Government Act 2002*. As also noted in Part 4, clause 12 is not seen as providing a complete or closed list of matters to be considered in relation to “good local government”. Given this, the Commission identified the performance of functions under other enactments, referred to in sections 11 (Role of local authority) and 13 (Performance of functions under other enactments) as further important tests in relation to local government reorganisation.
- 6.221 Accordingly the Commission considered how well the different local government options for Wellington would “achieve the objectives of other legislation” affecting local government (that is, legislation other than the *Local Government Act 2002*). Some comment has already been made on this issue in Section 6.4 under the heading ‘Improved Provision of Core Services’.
- 6.222 Wellington Region currently has just under half a million people. It has nine councils, nine long-term plans, nine annual plans, nine annual reports, eight district plans, five regional plans, 29 transport strategies and plans, 253 operational plans and policies and numerous other local area or place-specific plans, policies and bylaws.⁷⁸
- 6.223 Factors identified earlier in this report which were said to constrain councils from more effectively meeting the needs of their communities included the challenge of preparing and responding to the multiple and duplicated decision-making processes contained within different statutory instruments. The legislation driving this need includes the Resource Management Act, the *Land Transport Management Act 2003*, the *Local Government Act 2002* and the *Building Act 2004*, amongst others.
- 6.224 From the perspective of the businesses and communities who must respond to this wide array of statutory instruments, their first call is likely to be to keep the number of councils responsible for their preparation, and therefore the number of instruments requiring response, to a manageable size. Further comment on this issue is made below with respect to ‘Improved Economic Performance’.
- 6.225 That point aside, the Commission is of the view that the single most important mechanism for achieving the objectives of other legislation is spatial planning. To be successful, spatial planning must also be linked to a commitment to supply the finance and capability required to implement the decisions arising from that planning.
- 6.226 A second important domain requiring an integrated legislative approach is the delivery of environmental services. Not only is there a wide array of legislation affecting the delivery of environmental services, there is also a scarcity of necessary expertise to deliver it and important questions of cost sharing to address.

⁷⁸Greater Wellington Regional Council, (2013), *Application for Local Government Reorganisation: Proposal for a unitary authority with local boards for the Wellington Region*.

6.227 This section of the report is therefore divided into two parts. The first part examines the local government reorganisation options in terms of their ability to deliver the objectives of other legislation through effective spatial planning. The second part examines the local government reorganisation options in terms of their ability to deliver the objectives of the legislation underpinning environmental management services.

Spatial planning

6.228 The benefits of spatial plans have been explored by a number of commentators.⁷⁹ The benefits include the opportunity they provide for making progress across a range of issues requiring attention under a broad range of legislation including:

- reducing the risk of loss of valued **bio-diversity**
- preventing **unnecessary duplication and competition** over the provision of services and facilities
- **balancing** private provision with public need
- securing an **intergenerational** perspective (long-term rather than short-term perspective)
- giving greater long-term **certainty** to developers, businesses and investors
- generally improving resource use efficiency and effectiveness through adoption of an **inter-agency coordinated** approach
- **strategic land use** decisions such as urban growth limits, affordable and retirement housing, protection of land with food production potential, conservation, biodiversity and landscape and employment location centres, retail and industrial
- priority, location and funding of **major infrastructure** and networks: roads, rail, 'three waters', solid waste management, rural irrigation, flood protection, and other measures to protect people, utility networks and assets from natural hazards
- priority, location and funding of major **social infrastructure** including recreation and events facilities, hospitals, education facilities – all taking into account variations in the demography of different communities, improvements to access and prevention of duplication or poor timing, and optimising links to physical infrastructure
- improving resilience to **natural hazards** including climate change and sea level rise, flood protection and seismic events
- focused **environmental management** including surface and ground water quality protection, resource depletion and species loss, and catchment management.

⁷⁹ Including the Royal Commission on Auckland Governance (2009, March, Vol. 1 and Vol. 4), Palmer, G., Driver, S., Gardiner, W., and Jackson, B. (2012, October), *Future Wellington – Proud, Prosperous and Resilient*, p27

6.229 In Volume 1 of its report, the Royal Commission on Auckland Governance explored the benefits of an integrated regional approach to spatial planning and resource management, and noted:

“Having an integrated spatial plan and plans for strategic regional infrastructure prioritised by the Auckland Council (which would generally hold the regional purse strings) means that there would be a singular clarity of direction, with a wide range of methods by which to achieve strategic regional outcomes. This would also do away with the inevitable institutional friction created by separate units and levels of local government (regional and territorial).

This planning framework would provide for rational and evidence-based decision making in the interests of the entire region, without the difficulties that can arise from spatial decision making based on the region’s current, separate territorial authority boundaries. Elected representatives would face a wider range of considerations in their policy-making roles, along with a role and duty to consider the inevitable balancing of a broad range of environmental, social, cultural, and economic factors. This must lead to better decision-making.

This, in turn, will mean that development of the regional policy statement does not need to be slowed down by the current competing financial and “council patch protection” interests and timing misalignments. Rather, it can focus on the delivery of an outstanding regional policy statement consistent with the spatial and infrastructure plans. There will be much less delay related to RMA processes, with only one council having plan and policy-making duties and powers.”⁸⁰

6.230 While it is clear that Wellington does not face the same major growth pressures as Auckland, the same underlying challenges with respect to aligning public sector policy and investment as troubled Auckland, are inherent in the current framework for Wellington.

6.231 Only in Auckland is spatial planning provided with a strong statutory base. Everywhere else it is used to guide decision-making but without the power to impose directions about the decisions to be recorded in other statutory documents.

6.232 In the Auckland case, the complexity of the planning framework – particularly the absence of alignment between the Resource Management Act plans of the previous councils and the inability to fully integrate other legislation was such that the Royal Commission recommended adoption of a statutory spatial plan. A comprehensive document has now been completed. The overall vision underpinning this document is to make the city the ‘most liveable in the world’.

6.233 The drivers behind the Royal Commission’s decision to require a spatial plan to be prepared are equally relevant to Wellington. Auckland had a variety of forms of spatial planning before amalgamation and the Auckland Growth Strategy and the Auckland Growth Forum were both enshrined in legislation. Auckland also produced successive regional strategies for dealing with growth. The problem was that successful delivery of the strategies required individual, sovereign councils to devote scarce financial resources to achieving regional priorities and, understandably, local priorities were frequently funded at the expense of regional ones.

⁸⁰ Royal Commission on Auckland Governance Report Vol. 1, (March 2009), p536

- 6.234 There is no easy mechanism within the *Local Government Act 2002* to readily share the burden of equitably spreading regionally prioritised expenditure between councils. Consequently, Auckland found it very difficult to align the implementation of the strategy with the financial responsibility and capability of councils. Under-resourced strategies will always be difficult to implement.
- 6.235 A similar history is unfolding in Wellington. The Wellington Region Growth Strategy contains a strong spatial planning dimension. Some aspects of this growth strategy have been accommodated in the regional policy statement. For example, policy is outlined about such things as avoidance of natural hazards in quite directive terms. The expectation is that these aspects of the regional policy statement will be implemented by way of inclusion in reviewed district plans. However, there will always be question marks over the extent to which that happens and how quickly it may take place. There are far more serious questions as to whether the aspects of the Wellington Growth Strategy which are not aligned to the Resource Management Act will be implemented.
- 6.236 This is despite the fact that spatial planning was identified at a 2013 Wellington Mayoral Forum as one of four domains to be progressed as part of a shared services agenda (the others were IT, economic development and the ‘three waters’).
- 6.237 The Wairarapa councils have adopted a watching brief to involvement in Wellington’s regional spatial planning. The Commission believes that while it may be the case that most spatial planning pressure will be focused in the metropolitan areas of Wellington, the Wairarapa is not devoid of these pressures. There is, for example, a link across the Rimutaka Ranges to food production, transport, education, employment and leisure. Given the functional economic interrelationships, there is also a key linkage in terms of how to diversify the economy.
- 6.238 The other reason for contemplating a more formal and effective spatial planning approach for Wellington is the benefits that can come from a more single-minded approach to the development and delivery of the vision for Wellington. As is noted above, Greg Clark has identified a single purposeful plan as a critical ingredient for successful, globally competitive city-regions. Greg Clark argues for “One Plan, One Voice, and One Identity” that integrates strategies and plans into one framework that is underpinned by a core evidence base and expressed as a single narrative. His analysis suggests that it is the coherence and integration of combined plans and strategies that matters, providing the platform for engaging support from central government and other partners. For Wellington to realise its potential and enhance its global competitiveness, it will need to align its planning and investment in this way.

Challenges

- 6.239 The requirement on local government to prepare 30-year infrastructure strategies as part of the long-term planning process is and will be difficult in the absence of a robust spatial plan – with increased risk of poor infrastructure investment (or non-investment) decision-making. There will also be tensions between competing values – particularly environmental outcomes and economic returns.

- 6.240 Participants in bodies like the Wellington mayoral and chief executive officer forums are likely to be conscious that any obligation on any one of them to adhere to any findings of a joint spatial planning exercise will be voluntary. As a consequence, commitment to implementation may be partial and may reflect vested interests. A decision about the best location in the region for the development of affordable housing is a current salient example.
- 6.241 Conflicts and tensions may inevitably arise because spatial planning advocacy is likely to reflect a preference for development in selected locations – with advantage accruing to those places. This opportunity will bring competition and rivalry between councils to the fore.
- 6.242 In the end, under status quo arrangements, each council may make its own decisions. The risk that this poses to the adoption of best regional decisions may be overcome to a degree by adopting mechanisms to resolve competing values and vested interests such as a disputes resolution process. While the councils of the Western Bay of Plenty have found this successful, the previous Auckland councils found it very difficult.
- 6.243 Status quo arrangements, including the commitment of the region’s chair and mayors to work together on spatial planning are a step in the right direction but in the absence of any requirement to implement the plan’s findings, there are distinct risks that the benefits of spatial planning will not be fully realised.

Conclusions

- 6.244 The **One Wellington Council** options, with or without local boards, are likely to be best placed to deliver the objectives of other legislation via integrated spatial planning.
- 6.245 The **Enhanced Local Efficiency** options which result in a smaller number of larger territorial authorities will tend to work against good spatial planning because they are likely to increase the competition between the groupings in comparison to the **status quo** or in comparison to the **One Wellington Council** options.
- 6.246 On the surface, the **Stronger Regional Delivery** option would enhance spatial planning. However, this is unlikely to be as effective as the **One Wellington Council** options because under this option, the rights of the individual councils are still able to be exercised. In this instance the ability to initiate legal action in relation to decisions could be a significant impediment to timely and effective decision-making.

Environmental services

- 6.247 As mentioned above, the second area of particular concern with respect to the ability of local government arrangements to achieve the benefits of other legislation relates to the delivery of environmental services. Details follow about the context and nature of current and likely future demands for the delivery of environmental services in Wellington Region.
- 6.248 The challenges associated with the delivery of environmental services are many and varied. Comment is made below on the most substantial of these challenges.

- 6.249 Statutory documents such as a regional policy statement prepared under the *Resource Management Act 1991* provide the framework for the integrated management of significant environmental issues. They require a major commitment of resources to prepare and it can take many years to navigate through the multiple staff, public and legal steps which must be traversed as part of their preparation.
- 6.250 Soil conservation services, sustainable land management services, plant and pest management services are currently delivered by a specialist, but relatively scarce group of professionals employed by Greater Wellington Regional Council. The Commission has received advice from that council in relation to the challenges that it faces recruiting staff. Of the 311 unique roles that it identified, 87 (26%) were classified as being difficult to recruit for. The roles that it is difficult to recruit for include the core environmental services roles. This challenge is consistent with the experience of other regional councils and reflects a general shortage of skills.
- 6.251 Some commentators have argued that unitary authorities may risk focusing on short-term operational or economic development issues rather than longer-term environmental matters. This was a matter for detailed consideration by the Parliamentary Commissioner for the Environment and the Office of the Auditor General in 1999.⁸¹ That investigation concluded that there is no reason why an organisation with the responsibilities of both a regional council and a territorial authority should not be able to deliver environmental services effectively.
- 6.252 The water quality in rivers, lakes, inlets such as Pauahatanui, Wellington harbour and the sea are the product of the measures taken on land to manage the discharge of contaminants. Under current arrangements, most land use is controlled by territorial authorities and most water management is controlled by regional councils. Measures which provide for a fully integrated approach to the management of land and water may assist to achieve desired environmental outcomes.
- 6.253 The episodic nature of extreme weather events means that substantial resources are required to minimise loss to property and infrastructure, to build resilience and to assist in recovery when and if a significant flood event occurs. The skills and scarcity of these resources nation-wide means that they are likely to be best delivered at a regional scale or larger. Certainly a larger organisation will have the ability to create higher level specialist positions and pay the salaries necessary to attract and retain specialist staff.
- 6.254 There are a number of other current drivers which may have an influence on the quality of the delivery of regional environmental activities. These include:
- the current focus on fresh water management, including the new responsibilities reflected in the National Policy Statement for Freshwater Management and the requirement to work collaboratively with stakeholders
 - the current focus on non-point source pollution of waterways, and the increased expectations of New Zealanders and export markets about sustaining water quality.

⁸¹ Office of the Auditor General and the Parliamentary Commissioner for the Environment, (1999), *Local Government Environmental Management – A Study of Models and Outcomes*

- 6.255 In addition, a number of less certain drivers may become increasingly significant. These include:
- possible co-governance arrangements under Treaty of Waitangi settlements
 - increased risks of pest incursions, severe weather events, and coastal erosion arising from climate change.
- 6.256 Overall, environmental services delivered to Wellington Region are currently tailored and regionally delivered by the regional council to reflect the location and scale of the issue being addressed.
- 6.257 Delivery is currently supported by funding drawn from the whole region no matter where the issue is being faced. This means that communities like the Wairarapa benefit from rates revenue levied across the region including urban Wellington.
- 6.258 None of the “reasonably practicable options” being considered by the Commission would weaken the ability to continue to deliver this activity, except options that produce a smaller number of larger territorial authorities. These would have the potential to create stronger rivalry and competition between the units of local government and this could erode the regional council’s ability to deliver effectively.
- 6.259 Opportunities to improve the delivery of environmental services stem from the ability to better integrate across local government functions in some of the “reasonably practicable options”. Both of the **One Wellington Council** options, and the **Stronger Regional Delivery** option provide scope to integrate environmental management with other infrastructure and planning processes in a way that could be far more effective. However, this integration is not guaranteed.

How the options compare regarding meeting legislation’s objectives

- 6.260 The above discussion has identified three important matters which will influence the ability of different local government arrangements to deliver the objectives of other legislation. These are the need to:
- keep the number of councils, and therefore the number of statutory instruments which must be prepared and responded to, to a manageable size
 - confirm the merit of fully committing to the preparation of a spatial plan
 - recognise that the complex array of environmental services to be delivered by local government is more likely to meet requirements if they are delivered across a larger rather than a smaller area and if they are effectively integrated with other processes.
- 6.261 Table 35 summarises how each of the “reasonable practicable options” may deliver the objectives of other legislation.

Table 35: Comparison of the “reasonably practicable options” regarding achieving the objectives of other legislation

“Reasonably practicable option”	Score
Status quo	0
One Wairarapa Territorial Authority	+1
One Hutt Valley Territorial Authority	+2
One Western Territorial Authority	+3
One Wairarapa & One Hutt Valley Territorial Authority, plus WCC, PDC & KCDC	+3
Three Territorial Authorities	+3
Stronger Regional Delivery – transfer obligations to GWRC	+4
One Wellington Council with no local boards	+4
One Wellington Council with local boards	+5

- 6.262 The challenge posed by the status quo arrangements is the sheer volume of statutory instruments which must be prepared. Any option which reduces the number of these instruments is likely to contribute to the objectives of other legislation.
- 6.263 Status quo arrangements for the delivery of environmental services will need to be enhanced to meet the requirements of the National Policy Statement for Freshwater Management and other requirements.
- 6.264 The status quo arrangements for the delivery of spatial planning are sub-optimal. The preparation of a spatial plan by a metropolitan grouping of councils, or by any larger grouping of councils than the status quo, could capitalise on most of the benefits which may be provided by this plan to achieve the objectives of other legislation.
- 6.265 The **One Wellington Council** options provide the best opportunity to secure benefits from the integrated implementation of the objectives of the raft of legislation to be delivered by local government. They would reduce the number of statutory instruments to be prepared, maintain and potentially improve upon the current relatively good delivery of environmental services and provide a necessary base for the successful preparation and implementation of a spatial plan.

Improved economic performance

- 6.266 The Commission, as required by clause 12 of Schedule 3 of the *Local Government Act 2002*, considered how different local government arrangements may improve economic performance through efficiencies and savings arising from local government reorganisation, productivity improvements, and simplified planning processes. The Commission noted that the requirements of clause 12(1)(b) are not an exclusive list and it identified improved competitiveness as another important consideration in relation to improved economic performance.

Improved competitiveness

- 6.267 The Commission engaged NZIER to provide advice about the provision of economic development services in Wellington Region and to describe how these may differ between the “reasonably practicable options”. The following section builds on the advice that NZIER provided.
- 6.268 Prior to the formation of the Wellington Regional Economic Development Agency, business development spending by councils within their boundaries dominated and sometimes overrode the spending to implement the Wellington Regional Strategy. Council long-term plans indicate council operational economic development funding totalled about \$33 million per year. Of this total, about \$4m was spent by Grow Wellington on the regionally focused implementation of the Wellington Regional Strategy.
- 6.269 Wellington City Council is the main funder of economic development activity in the region with both an operational and capital budget for economic development. (In addition to operational spending, Wellington City Council has identified approximately \$16 million of capital funding over the next 10 years. The Commission has not identified capital expenditure allocations by the other councils although it notes the Hutt City Council listed a number of projects and funds for the 2012 financial year.) Other councils no doubt receive flow-on benefits from these investments.
- 6.270 The other councils support economic development primarily through operational spending on advisory staff and resources. Some of these councils also either offer some of this funding as grants or make separate budget arrangements for rates remissions for some types of business development.
- 6.271 The projected operational spending on economic development and the focus of that spending for each of the councils may be summarised as follows:
- spending on region-wide activities is less than one fifth of local council spending⁸²
 - the purpose of the business development spending is similar for all councils and usually includes tourism promotion and advice to local businesses and incentives to attract business
 - the spending is generally not directly linked to co-funding from either central government or private sector organisations.
- 6.272 The similarity of purpose of the funding for each council reflects a focus of the spending on local business initiatives, the duplication of spending to attract visitors or businesses from outside the region to different locations within the region, and intra-regional competition for business. This pattern of expenditure is at odds with the key success factors on successful city-regions identified by Greg Clark discussed above.

⁸² This proportion is difficult to estimate precisely because some of the Wellington City Council spending has spill-over benefits for the rest of the region. The point of the comment is that the focus of economic development spending is on council spending within its boundaries rather than on the delivery of the Wellington Regional Strategy.

6.273 A key issue for any reorganisation will be how to balance the preservation of local business development activity with ensuring efficient and effective delivery of the Wellington Regional Strategy, reducing intra-regional competition and driving global competitiveness.

6.274 For most councils, spending on the provision of advice to local businesses, attraction of investment and tourism promotion seems to be concentrated on local activities rather than supporting a regional approach. There is a considerable risk that this very locally focused expenditure is not effective. Worse, it may undermine potentially more effective regional approaches. This is particularly important where, as in tourism promotion, a place-related brand is important in marketing. The Commission considers that visitors are far more likely to engage with an effective regional proposition than a sub-regional brand.

6.275 Of individual council spending, Wellington City Council tourism and events promotion seems most likely to have regional spill-over benefits for other councils in the region, but recent spending seems to occur in parallel to, rather than be co-ordinated with, Grow Wellington spending on the focus areas of 'attracting business, investment and talent' and to a lesser extent 'investment mechanisms for growth'.

6.276 The development of the strategy was successful in creating a regional consensus on elements of a growth strategy and shared funding. Despite being a collaborative and voluntary effort between the councils, it appears that:

- councils still retain direct control of the bulk of the spending on economic development with a focus on the needs of their local area
- opportunities for co-ordination such as common approaches to spatial planning or infrastructure standards, were not resolved.

6.277 Based on the above discussion, the "reasonable practicable options" for the consolidation of business development spending collapse to:

- modified status quo – Wellington Regional Economic Development Agency is established and the existing councils continue to spend their economic development budgets independently
- modified status quo with clusters elsewhere – Wellington Regional Economic Development Agency is established and the existing councils co-ordinate the spending of their economic development budgets
- all of the economic development spending is co-ordinated through Wellington Regional Economic Development Agency under the options of One Wellington Council with or without local boards.

6.278 At face value the Wellington Regional Economic Development Agency proposal has the benefit of reallocating the bulk of Wellington City Council business development spending to an agency that has a regional focus and therefore greater capacity than individual councils have to partner with central government and large businesses. Also the proposed funding arrangement gives the Wellington Regional Economic Development Agency a longer-term funding commitment than was provided under the current long-term plan process (which councils can review annually). This increased certainty about funding levels should enable Wellington Regional Economic Development Agency to plan longer-term initiatives with more certainty than under the current funding arrangements.

6.279 One of the downsides of the Wellington Regional Economic Development Agency proposal is that it does not cover the following estimated \$12.6 million of council economic development spending:

- Wellington City Council business development spending of at least \$3.7 million
- business development spending by other councils of about \$8.9 million.

6.280 The primary in-principle benefits of the merger of business development spending into a regional fund potentially are:

- alignment of spending with one, cohesive vision for the future
- alignment with a ‘one Wellington value proposition’ that has greater cut through in crowded investment and skills markets
- increased capacity to obtain co-funding from central government and the private sector by being a credible regional partner
- avoidance of inefficiencies arising from attracting business from one territorial authority in the region to another, or duplicated spending on attempting to promote individual territorial authorities to communities and businesses outside the region such as sister city relationships, trade missions etc.

6.281 Secondary in-principle benefits include:

- improved capacity – a larger organisation would be expected to have more and better quality resources to apply to regional development projects
- simplification of governance structures and measures of success.

6.282 Consolidation of individual council business development initiatives into a single regional entity carries two main in-principle risks:

- reduced representation of local voice and reduced efficiency and effectiveness of business development initiatives that require local knowledge
- loss of contestable advice on approaches to business development due to the creation of a dominant single source of advice.

6.283 In respect of the loss of representation of local voice, the Commission suggests the risk can be managed by having the management of those elements which are not the business of the Wellington Regional Strategy undertaken by local boards. The Commission notes that it is able to make an allocation of decision-making responsibilities between the governing body and local boards in this area as part of a final reorganisation proposal.

6.284 In respect of the loss of contestable advice, the Commission suggests that the risk is mitigated by the following:

- the governance arrangements proposed for Wellington Regional Economic Development Agency and the involvement of external partners to deliver the Wellington Regional Strategy provide a cross-check on performance of the entity implementing the Wellington Regional Strategy
- council(s) can easily obtain independent reviews of the entity implementing the Wellington Regional Strategy or require it to out-source tasks to other providers, or reset its objectives or organisational structure.

6.285 In summary, the likely approval and implementation of the Wellington Regional Economic Development Agency proposal would achieve some of the efficiency and effectiveness benefits of the proposal to merge the Wellington councils into **One Wellington Council** with or without local boards.

6.286 Effectively the Wellington Regional Economic Development Agency proposal consolidates about two thirds of the economic development spending under a regionally-focused entity tasked with delivering the Wellington Regional Strategy.

6.287 The Wellington Regional Economic Development Agency proposal also creates a dominant regional partner that should be capable of efficiently and effectively obtaining co-funding for economic development from both central government and the private sector to achieve the objectives of the Wellington Regional Strategy.

6.288 Any regional entity will need to preserve some form of local community representation and channels for delivery of business advice to small and medium sized enterprises.

6.289 The additional benefits from the **Enhanced Local Efficiency** options compared to the modified status quo are most likely to be avoidance of some of the costs of competitive bidding for businesses between councils within the clusters and removing some of the duplication in tourism promotion spending. These savings, however, are likely to be a small.

Productivity improvements

6.290 Most productivity issues for businesses and households are driven by the availability and cost of capital, land and skills. Productivity is also affected by the speed with which transactions may take place, the availability of necessary information and the degree of certainty that surrounds investment opportunities. Local government regulatory activity has a particular impact on the cost of doing business and contributes to the level of uncertainty and the potential cost of transactions like building a new home, or expanding an office, or locating a factory.

6.291 The regulatory responsibilities of local government may have an effect on the productivity of others as a result of:

- poor quality regulatory settings, particularly those related to the Resource Management Act but also including those related, for instance, to urban development and air quality
- the comparative high cost and impact of local government rates and fees
- the slow speed and uncertainty which may be associated with the various transactions businesses and households make with councils.

6.292 Other local government decisions impact on the productivity of businesses and households within local districts and beyond. Decisions in relation to the provision of transport infrastructure, in particular, go directly to the ability of people and freight to move freely. Land use planning decisions and controls also have a significant impact on productivity and the costs of urban development.

6.293 While it is possible to see the impact of alternative investment decisions on the performance of the transport system and the productivity of the economy, it is altogether more difficult to capture the potential productivity impact of alternative local government arrangements.

6.294 Some of the “reasonably practicable options” under consideration by the Commission have the potential to provide productivity benefits by providing scope for better decision-making, better regulation, or more effective and efficient service delivery. Ultimately the extent to which any of these changes can translate into productivity benefits will depend on the quality of the decisions and actions made by any future council(s).

6.295 A report by the Productivity Commission⁸³ identified a capacity for local government to contribute to productivity improvements but by no means placed all of the blame for poor performance at the door of local government. The nature of the legislation that devolved responsibilities to local government was also singled out for attention.

6.296 One of the issues identified by the Productivity Commission as deserving of attention by both central and local government was the variation in the consistency of application and administration of regulatory standards without just cause. The Commission said that businesses perceived ‘unnecessary variation’ to be a common phenomenon experienced by them in their interactions within individual councils and between councils.

6.297 A solution to this challenge may be to encourage a higher level of collaboration between councils in setting regulations, more benchmarking of performance, the adoption of stronger management systems and the use of more specialist skills in the development of regulatory provisions. However, as discussed above, the incentives for effective collaboration between councils are weak. The benefits of standardisation in Wellington are more likely to accrue as a result of establishing fewer, larger councils.

⁸³ Productivity Commission, (2013, May), *Towards Better Local Government Regulation*

- 6.298 One direct consequence of merging Wellington councils, under either the **Enhanced Local Efficiency** or **One Wellington Council** options, would be a reduction in the number of regulatory instruments to be considered by a business operating in a number of places in the region. Standardising the provisions of the region's district plans would provide benefits.
- 6.299 The creation of larger units of local government has some downsides however. Local knowledge may be diffused and the costs of transitioning to these new units may give rise to a loss of corporate knowledge and may result in the introduction of new and more expensive tiers of management.
- 6.300 Efficient local government will contribute to improved productivity. Efficiency is not necessarily a product of the size of a unit of local government. If local government is too small it may not have the sophistication to address the complex issues which may come before it. If local government is too big, then local knowledge and the speed which comes from familiarity may be compromised.
- 6.301 The Commission is therefore reluctant to draw firm conclusions about which of the "reasonably practicable options" it has considered will contribute more to improved productivity than others. However, the Commission is comfortable that any of the options that provide for more effective regional decision-making with respect to planning, transport and infrastructure delivery have more potential to deliver long-term productivity improvements than "reasonably practicable options" that would compromise or weaken regional level decision-making.

Simplified planning processes

- 6.302 Planning processes of most importance to the achievement of improved economic performance and of most interest to non-council parties are centred in the Resource Management Act. The Commission has therefore focused the discussion which follows on how different local government arrangements may contribute to a simplified Resource Management Act planning process.
- 6.303 However, the Commission also notes the significant annual cost of the planning processes and public consultation required under the *Local Government Act 2002*. Other than the **status quo** and the **Stronger Regional Delivery** options, all of the "reasonably practicable options" reduce the number of councils. For each council that is combined the planning burden is reduced by: one long-term plan, one annual plan, one annual report, one set of audit fees, one set of asset management plans, one 30-year infrastructure strategy, one set of rating and financial policies, and one set of rating resolutions, to name but some of the requirements on councils under the Act.
- 6.304 Councils are currently facing a number of challenges, not the least of these being associated with coming to grips with a likely further round of proposals to amend the Resource Management Act. Some of these proposals are motivated by a desire to create more certainty and to reduce the costs associated with the planning process. Details follow about the planning process matters which may improve economic performance.

6.305 Amendment proposals have been developed by the Government (2013). These proposals are designed to achieve more clarity in policy, more speed in processing resource consents and reduced litigation. The emphasis is toward standardised systems and the development of integrated plans. The proposed changes include:

- a national planning template to standardise planning documents while still allowing local issues to be addressed through locally developed plan content
- a single resource management plan per district combining regional and district components
- publication of a council planning agreement in any region defining, among other things, the roles and responsibilities of the councils delivering Resource Management Act functions
- more weight to be given to the views of iwi
- changes to sections 6 and 7 of the Resource Management Act relating to matters of National importance.

6.306 Recent changes to the National Policy Statement for Freshwater Management require, among other things, limits to be set for various water quality parameters. This task will be challenging to implement at anything less than the current regional scale. The demands of the National Policy Statement require skills which are in scarce supply and imply the application of complex collaborative decision-making processes which again require specialist skills.

6.307 The availability of skilled resources (capacity) is a critical element for addressing the complexity of plan development challenges everywhere. A larger planning base may enable recruitment of more specialist expertise in-house rather than through consultants. It will also enable more advanced management systems to be applied with consequent improvements for businesses and households.

6.308 A more integrated approach between regional and district components of planning processes will benefit those who engage with councils. Some examples of these are as follows:

- There are instances of inconsistency in the terms (length) and rigor of conditions (monitoring) attached to the consents issued by regional councils and territorial authorities for single activities. A higher level of consistency/integration could be achieved, for example, in the setting of consent conditions covering land, air, the coast and water, if these were processed within a single organisation.
- Applicants would know that all aspects of an activity requiring resource consent would be processed in an integrated way.
- The objectives, policies and rules (activity categorisation) covering the land, water, air and coastal effects of an activity could be defined in a seamless (not confused or overlapping) way.
- Matters related to earthworks and similar activities where there may be little reason for local variance could be addressed in a common way using a common template applied across a range of councils.

- 6.309 It will take time for any benefits from scale delivery of Resource Management Act services to be achieved. The wholesale change process currently being progressed for the Auckland Unitary Plan is expensive and will take some years to complete. An alternative approach would be to achieve progressive integration of plans through plan review cycles.
- 6.310 Despite the advantages for users of an integrated and simplified approach to planning processes, there is a limit to the benefits which may be achieved. Intimate knowledge of a local area will, in many instances, assist with the making of quality consent decisions. Service centres will need to be established, no matter what local government arrangement is settled upon, to enable applicants to lodge applications and to maintain contact with consenting officers. Familiarity with local area risks and aspirations will increase the opportunity for these to be reflected in decision-making. The Wairarapa area, for example, has quite different planning pressures to those experienced in the metropolitan areas located to the west of the Rimutaka Ranges.
- 6.311 Full regional-scale district and regional planning is likely to better accommodate the results of comprehensive spatial planning than through the development of the current large number of separate plans. It is also likely to better accommodate the needs of major infrastructure providers and the transport planning requirements of the *Land Transport Management Act 2003*.
- 6.312 Proposed changes to the *Resource Management Act 1991* will go some way toward simplifying the planning process and thereby improving council services and, at the same time, the economic performance of the businesses who engage with councils. The preparation of fewer and clearer *Resource Management Act 1991* plans will also reduce the costs associated with their preparation for businesses and local government alike.
- 6.313 There will always be a need for local area input to *Resource Management Act 1991* policy settings to ensure sub-regional variations in communities, geography, values or types of use are accommodated. Current arrangements provide for this. If councils are amalgamated and larger scale plans are prepared, special consideration would need to be given to accommodate local variations in risk and community aspirations. This would be possible in nearly all of the “reasonable practicable options” but it is likely to be most fully provided for with the formation of a **One Wellington Council with local boards**. In this regard the local boards’ role is that of advocacy on behalf of their community not as decision-makers.
- 6.314 The formation of **One Wellington Council with local boards** also has the advantage of achieving a more integrated regional/district approach to planning, including spatial planning. It would also provide the council and businesses access to a wider range of more specialist staff.

How the options compare regarding improved economic performance

- 6.315 As discussed above, improvements to the economic performance of businesses and households in an area will be achieved by improving the comparative competitiveness of the district in which they operate, improving the productivity of the councils which serve them, and simplifying the planning processes they are required to work within.
- 6.316 Table 36 summarises how each of the “reasonable practicable options” may deliver the objectives of other legislation.

Table 36: Comparison of the “reasonably practicable options” regarding achieving the objectives of improved economic performance

“Reasonably practicable option”	Source
Status quo	0
One Wairarapa Territorial Authority	+1
One Hutt Valley Territorial Authority	+1
One Western Territorial Authority	+2
One Wairarapa & One Hutt Valley Territorial Authority, plus WCC, PDC & KCDC	+2
Three Territorial Authorities	+2
Stronger Regional Delivery – transfer obligations to GWRC	+3
One Wellington Council with no local boards	+3
One Wellington Council with local boards	+4

- 6.317 Good progress is being made in securing a joined-up approach to the provision of economic development services. The Wellington Regional Economic Development Agency proposal creates a dominant regional partner that should be capable of efficiently and effectively obtaining co-funding for economic development from both central government and the private sector to achieve the objectives of the Wellington Regional Strategy. In other words, it appears that change has already occurred with potential benefits in terms of economic development.
- 6.318 A merger of the Wellington territorial authorities under the **One Wellington Council** option would be expected to provide further efficiency and effectiveness benefits in the use of the remaining one third of council economic development spending. The benefits of such a move for the Wairarapa and Kapiti Coast, however, may be less than those which may be experienced by the four metropolitan areas.
- 6.319 Efficient local government will contribute to improved productivity in the services they provide to businesses and households, however efficiency is not necessarily solely a product of the size of a unit of local government. If local government is too small it may not have the sophistication to address the complex issues which may come before it. If local government is too big, then local knowledge and the speed which comes from familiarity may be compromised.

- 6.320 Similar conclusions may be drawn about *Resource Management Act 1991* planning. There are clear benefits to be achieved from scale. Some of these may be achieved as a result of the adoption of proposed changes to the *Resource Management Act 1991*. This will lessen the importance of local government amalgamation as the mechanism to drive simplified planning processes. In addition, there will always be a need for local area input to *Resource Management Act 1991* policy settings to ensure sub-regional variations in communities, geography, values or types of use are accommodated. If councils are amalgamated and larger scale plans are prepared, special attention would need to be paid to accommodating local variations in risk and community aspiration.
- 6.321 In summary, options that reduce the number of councils have the potential to simplify planning processes. The option that offers the greatest streamlining is **One Wellington Council with no local boards**. There are benefits for improved economic performance in Wellington Region from many of the “reasonable practicable options” considered by the Commission but these, in their own right, are not viewed as an overwhelming driver for change.

Overall savings and cost of transition

Considering the nature of benefits from reorganisation

- 6.322 Some of the papers that the Commission reviewed in considering possible reorganisation in Wellington sought to quantify the potential benefits of change. There was, understandably, a considerable focus on the potential savings from being able to deliver local government services at lower cost. The work focused on questions of scale. The advice principally addressed the question of the extent to which scale economies may exist with respect to local government and the extent to which they could translate into actual savings for the residents and businesses of the region.
- 6.323 Two pieces of work in particular sought to put potential savings into a broader context of the cost effectiveness of different scales of council. NZIER undertook work for Hutt City Council in 2012⁸⁴ which explored scale and cost effectiveness. TDB Advisory subsequently explored similar issues in work they undertook for the Hutt City Council the following year.⁸⁵
- 6.324 NZIER noted:

“Benefits from local government consolidation are usually thought to arise from the following:

(a) efficiency gains through economies of scale, increased bargaining power with suppliers or removal of overlap or duplication of effort

⁸⁴ NZIER, (2012 November), *Merger options for Wellington Councils, Economic analysis of options for merged governance of the Wellington region*

⁸⁵ TDB Advisory, (2013, August), *Governance options for the Wellington and Wairarapa regions: an economic and financial assessment*

(b) strategic capability improvement through economies of scope. Essentially larger organisations can pool knowledge and expertise and also have access to better quality resources

(c) service delivery improvements based on a range of factors including: innovation, capacity to improve reliability, ‘under-serviced’ groups reaching a critical mass that allows them to be served, etc.

Of these benefits, only efficiency gains can be objectively measured and quantified.

Improvements in strategic capacity are very difficult to measure in themselves – let alone link to savings. They may enable improvements in local government performance but it is difficult to attribute these gains to an improvement in efficiency. Similarly, service delivery improvements are difficult to value objectively for local government as services are usually provided at no direct charge and sometimes [sic] have public good elements that make it difficult to define the user group or assess users’ willingness to pay.

Accordingly, we focus our analysis on assessing broad relationships between the size of councils (population) and relative spending levels, to identify potential efficiency gains from amalgamation.” (p4)

6.325 It is helpful that NZIER recognised something of the breadth of factors that may contribute to the benefits of reorganisation. The Commission agrees with NZIER that many of the potential benefits are difficult to objectively measure. Despite the difficulties of measurement they are none the less real and need to be considered. This means that evaluation that the Commission must undertake will, of necessity, require a degree of judgement about the significance of potential efficiency savings in areas where objective measurement is not possible.

6.326 In considering the potential benefits from improvements to strategic capability and economies of scope it will be important to consider the extent to which increased scope, or better alignment of decision-making with the nature of the issues and potential solutions can result in more appropriate, or less expensive, or better solutions than would otherwise arise. A good example of this from the Auckland experience is that prior to amalgamation, North Shore City Council would not make its wastewater treatment plant available to Watercare for the disposal of wastewater from Waitakere City, despite this being a more cost effective solution for the region as a whole than providing additional capacity to transport the effluent to the Mangere plant. The increased scope of the new Auckland entities has meant that the most cost effective use of the North Shore plant can now be achieved. Savings through being able to avoid costly but less efficient capital works are only one of the potential savings from increased scope.

6.327 In considering the potential benefits that may stem from improved service delivery or managerial economies it is important to note the scale, complexity and sophistication of the approaches expected of councils continues to rise. In many areas councils compete for scarce professional skills in a tight labour market. The ability to attract, retain and effectively utilise highly skilled professionals and benefit from the best possible advice is an important benefit that comes from size and increased capability. A good example of this from the Auckland context is that prior to amalgamation few of the councils were able to complete more than around two-thirds of their planned and budgeted capital works in any one year. But now Auckland Transport has been able to significantly lift that through the combination of the ability to bring forward new projects as others fall behind (which comes from having a large ongoing capital works programme) and a dedicated and skilled management focus to deliver projects on time and on budget.

6.328 TDB Advisory's work for Hutt City Council included a discussion of potential savings and efficiencies. It quoted from work undertaken by Byrnes and Dollery reviewing literature that tested the existence of economies of scale in Australian local government.

"Overall, 29% of the research papers find evidence of U-shaped curves, 39% find no statistical relationship between per capita expenditure and size, 8% find evidence of economies of scale, and 24% find evidence of diseconomies of scale. From this evidence alone we can conclude that there is a great deal of uncertainty about whether economies of scale exist in local government service provision".⁸⁶

6.329 TDB Advisory's report noted the potential for cost savings through economies of scale, economies of scope and managerial economies before exploring further the potential for diseconomies of scale and possible U-shaped curve cost effectiveness. This hypothesis would suggest that unit or per capita costs of local government could decrease up to a certain size of council and then reach an inflection point where as the size of a council increases, so too do the unit or per capita costs of operation.

6.330 TDB Advisory's work noted a significant caution in international comparison because local government in New Zealand delivers a rather different range of services than in many other jurisdictions. Their work also explored expenditure by all New Zealand councils over the period 2006 to 2010 to test the extent of economies of scale. Their analysis concluded that the potential for savings varied by activity. They found that *"water supply, solid waste, roading, governance and emergency management are the council functions where improved cost-effectiveness may be achievable through amalgamation"*.⁸⁷ They also found that *"amalgamations up to around 50,000 people will likely lead to reasonable cost savings; and even for those six functions ... where there are economies of scale initially, the per capita spend is unlikely to change materially after an amalgamation for a council serving a population of 50,000 or more, although with water and roading supply there is sign of some efficiency gains from larger-scale amalgamations"*.⁸⁸

⁸⁶ Byrnes, J. and Dollery, B., (2002), *Do Economies of Scale Exist in Australian Local Government? A Review of the Research Evidence*, University of New England. Quoted from p17 of the TDB Advisory report

⁸⁷ TDB Advisory, (2013, August), *Governance options for the Wellington and Wairarapa regions: an economic and financial assessment*, p29

⁸⁸ TDB Advisory, (2013, August), *Governance options for the Wellington and Wairarapa regions: an economic and financial assessment*, p29 & 30

6.331 None of the data presented by TDB Advisory showed evidence of a U shaped curve for cost per capita. For councils serving populations of between 100,000 and 400,000 people, the data showed considerably more variability in per capita cost between councils of the same size than between councils of different sizes. The data used by TDB Advisory showed variations in per capita cost of councils serving populations of around 200,000 people ranging from between \$1,100 to \$1,200 per person at the low cost end to over \$2,000 per person at the high cost end. For councils serving 300,000 to 400,000 the variation in cost ranged from just over \$1,000 per person to just under \$1,500 per person. The average cost per person of the larger councils was generally lower than that of the smaller councils.

6.332 However, the data showed significant variation in the cost per capita for councils with similar populations. This suggested that there were a number of factors that materially affected the aggregate level of expenditure per person more directly than the size of the population served, these include:

- significant differences in the levels of service provided by the councils considered
- the size of the physical area that was administered
- differences in the nature of the districts served, and in particular in the relative mix of business and residential activity within each district
- differences in the size and character of the council’s roading network and the density of settlement that it supported
- the relative maturity of the districts and their infrastructure
- the extent to which the districts were dealing with major challenges, like rapid growth, or major structural changes in their economies
- the extent to which residents of some councils may be able to access services funded by neighbouring councils without themselves fully contributing to the costs.

6.333 The Commission notes that the establishment of the Auckland Council resulted in a council that serves a population of more than three times the size of the largest council that was included in the analysis undertaken by TDB Advisory. Interestingly, TDB Advisory notes that:

*“Although we do not yet know whether the benefits of reorganisation of the Auckland Councils will outweigh the costs in Auckland, we are confident there are some positive aspects of the amalgamation. In particular, we expect certain complex, capital intensive functions to be best suited to regional provision and we believe Wellington can follow in Auckland’s footsteps on these issues”.*⁸⁹

⁸⁹ TDB Advisory, (2013, August), *Governance options for the Wellington and Wairarapa regions: an economic and financial assessment*, p27

Other Benefits

- 6.334 It is easy to focus primarily on the financial costs and benefits of reorganisation. There are however a range of other potential benefits. In addition to the efficiency gains, NZIER noted strategic capability gains and service delivery improvements relating to innovation, capacity to improve reliability and groups reaching a critical mass that meant that they can be served, or served more effectively. Across all of the “reasonably practicable options” the Commission expects that there is considerable scope for these benefits to accrue, and they could be significant under some of the options.
- 6.335 However, the Commission considers that the scope of benefits that NZIER identified is not broad enough. Since the fundamental purpose of local government is to enable local decision-making and action by and on behalf of communities, there must be benefit associated with making the right decisions, with making timely decisions, and with undertaking actions that better meet the needs of communities. Applying the Fulcher⁹⁰ framework of communities of interest, it can be expected that local government arrangements that best align decision-making with functional, political and perceptual communities of interest will result in improved democratic decision-making.
- 6.336 Another critical dimension of decision-making is the ability to make decisions that do not place an undue burden on those who participate in the process. Local government arrangements that enable timely decisions to be made will provide significant benefits. Arrangements that limit the potential for re-litigation of decisions will also provide benefits and reduce the cost to participants.
- 6.337 In part, this is the value that sits behind spatial planning. The ability to align timely local government decision-making with the investment decisions of businesses, households and central government will provide considerable benefits beyond the economics of the council’s own operation. All of these benefits are hard to quantify, but are never the less real and important. The value of these potential benefits is captured in the Commission’s evaluation framework with respect to democratic decision-making.
- 6.338 Another significant element in better decision-making will be the value of expenditure that is avoided, or of infrastructure that is built to a more appropriate standard, or of the opportunity cost of delayed action that is avoided, or the value of private sector investment that is able to be made more rapidly and with greater certainty.
- 6.339 Across the “reasonably practicable options” under consideration here these wider benefits, that are difficult to quantify or express in monetary terms, are likely to be both more important and of higher value than direct monetary savings.

⁹⁰ Fulcher, H., (1989), South Australian Department of Local Government, *A Discussion Paper Which Explores the Concept of Community of Interest As It Applies to Local Government Boundaries*

Conclusion

6.340 From this, and other work that the Commission has reviewed in considering the applications for reorganisation, the Commission has concluded that:

- there is scope for economies of scale from local government reorganisation
- the opportunity to secure benefits from scale will vary by activity
- the opportunity to secure benefits from scale will also depend upon the way in which any new council is run, and the level of service that it chooses to provide
- there are opportunities for economies of scope and for managerial economies to result in improved service delivery
- there are a range of potential benefits from better aligning decision-making with perceptual, political and functional communities of interest
- there are a range of potential benefits from arrangements that enable more timely and better decision-making which is not subject to on-going re-litigation
- all potential benefits are difficult to objectively measure, but they are none the less real
- the consideration of potential benefits will require the exercise of judgement that is informed from a real world understanding of the practices of local government in New Zealand
- the factors that the Commission is required to consider in determining the option that “*will best promote ... the purpose of local government*” and “*will facilitate ... improved economic performance*” are broad and extend considerably beyond a narrow focus on potential financial savings.

6.341 The evaluation that follows seeks to identify the potential for these sorts of benefits within each aspect of the evaluation.

The Commission’s approach

6.342 The Commission’s evaluation framework is designed to explore all of the potential benefits that it is required to consider when dealing with reorganisation proposals. In addition to the benefits and costs considered above, the Commission has also sought to understand the hard financial costs of transition and the potential financial value of identifiable savings.

6.343 As is discussed in Part 3 and Part 5, a number of New Zealand’s most respected consulting firms provided advice to applicants in relation to the potential to achieve savings from local government reorganisation in Wellington. Morrison Low, Martin Jenkins and TDB Advisory, PWC, NZIER, Brian Smith Advisory Services, MWH, BERL, all undertook work on potential savings. Much of this work was focused on the adequacy of the resources likely to be available to a Wairarapa unitary authority, but work also considered potential savings for other options. As is noted earlier, this work did not generally address the cost of transition from the status quo to proposed new arrangements.

- 6.344 The Commission engaged the services of McGredy Winder & Co, Brian Smith Advisory Services, Stimpson & Co, and Deloitte to digest the analysis that was undertaken in support of the applications and to develop (and/or contribute to) a framework for estimating the costs of transition to new local government arrangements and the potential savings that may be achieved.
- 6.345 McGredy Winder & Co developed the framework, the definition of “reasonably practicable options” that was adopted for evaluation, and the timeline and approach to transition that was used. Brian Smith Advisory Services produced the estimates of the savings that could be achieved under each option. Stimpson & Co developed the estimates of the transition costs and co-ordinated the financial assumptions between the different pieces of work. Deloitte produced estimates of the IT related costs that would be associated with the transition to each of the options. Deloitte’s work was then integrated into the estimates of total transition cost reported by Stimpson & Co.
- 6.346 As NZIER noted,⁹¹ there are a number of potential economic gains from local government consolidation, but that only efficiency gains that may accrue through economies of scale, increased bargaining power with suppliers, and the removal of duplication of effort “*can be objectively measured and quantified.*”
- 6.347 The approach adopted has been to also seek to describe the benefits that may accrue due to other types of benefit in the sections above. This section focuses on what can be more objectively measured.
- 6.348 Despite NZIER’s optimism that savings can be objectively measured, estimating savings and transition costs is fundamentally challenging. Ultimately it will not be possible to accurately forecast costs or savings without:
- a detailed understanding of the current state of each council, its systems, processes, records, staffing, employment conditions and contractual obligations
 - a well-developed end-state design of the new organisation
 - an evaluation of the alternative ways of achieving the desired change.
- 6.349 Developing that was neither possible within the resources of the Commission, nor appropriate for this stage of the decision-making process. It is not until the transition to any new council occurs that a detailed end-state design of a new organisation will be possible.
- 6.350 In undertaking this work the Commission’s consultants have drawn heavily on the:
- current cost structure of each council
 - existing long-term plans and the forecast future capital expenditure of each council
 - estimates of savings and transition costs that were done for the Royal Commission on Auckland Governance and for the Auckland Transition Agency
 - actual costs of transition and initial savings reported by the Auckland Transition Agency

⁹¹ NZIER, (2012, November), *Merger Options for Wellington Councils: Economic Analysis of Options for Merged Governance of the Wellington Region*

- work done in support of the applications
- work undertaken by the Wellington councils on IT shared services
- general experience of reported transition cost benchmarks
- experience of the consultants in the New Zealand local government sector.

6.351 The analysis that is presented here is of necessity, high level and indicative. It does, however, provide consistent estimates for each “reasonably practicable option”. Therefore it provides a reasonable basis for comparing the options.

6.352 Some of the potential benefits will not accrue for some time. For instance, savings in road construction and maintenance contracts will generally not be able to be secured until the expiry of current contracts. Similar issues will arise with solid waste, and other activities that are contracted out.

6.353 With all of the options there will be considerable leeway for future councils to make policy decisions that may impact on both the potential savings and the costs of change. Examples of this sort of decision-making include: the future establishment, disestablishment or merger of council-controlled organisations, or decisions on the way to harmonise/standardise levels of services, and decisions on the balance between in-house delivery and what is contracted out.

6.354 One of the observations and criticisms that frequently emerges in relation to estimates of potential savings from amalgamation is that few if any have demonstrated reductions in rates as a consequence of the change. All of the councils in the “affected area” are forecasting ongoing rates increases. All face significant future capital works programmes to deal with the renewal of infrastructure. All face rising environmental standards and increasing service level expectations from residents. These factors mean that it is most unlikely that any potential savings from local government reform would be passed on to ratepayers through rates reductions. It is far more likely that savings provide the scope to address the many issues that current councils are unable to deal with, or to reduce the level of risk that the Wellington communities are exposed to, or to reduce debt, or to improve service standards. How any savings from reform might be used will be decisions of future elected representatives in consultation with their communities. The key point to consider here is whether the different options have the potential to deliver savings that could be re-directed to either lower rates, or to any one of the high priority areas for expenditure that Wellington communities have.

Key assumptions and approach

6.355 For the purposes of evaluating the “reasonably practicable options”, it has been assumed that:

- a rapid approach to transition will be adopted, seeking to do as much integration and set-up as possible during the transition period before the first election for a new council
- where possible the new council will adopt the ‘best of breed’ approach from within the merging councils rather than develop a new platform approach

- critical systems that support paying staff, paying suppliers, managing accounts receivable and accounts payable, financial planning and performance, and managing rates collection must be in place on day one of any new council
- to support critical systems, IT infrastructure will need to be consolidated by day one of operation
- the second priority for systems are those that provide customer facing systems, including complaints, customer contact and online channels, etc.
- a transition board will be in place and manage the process of appointing an interim chief executive so that transition decisions can be made in the most timely way possible.

6.356 In addition to these overall assumptions, specific assumptions with respect to both savings and transition costs have been made for each of the “reasonably practicable options”. These are described in the following sections.

6.357 The transition provisions of Schedule 3 of the *Local Government Act 2002* provide for:

- a two-stage Order in Council process that is required to complete a reorganisation scheme and a transition plan
- the appointment of a transition board with the majority of its members being elected representatives from affected councils
- the appointment of an interim chief executive by the transition board, who is then the only person who can make financial or contractual decisions that commit a new council prior to newly-elected representatives taking office.

6.358 The approach to estimating the potential for savings reflects assumptions made in relation to groups of activities for each council, for each option. Savings were identified in comparison with current expenditure. The assessment of savings was based on the experience with the establishment of the Auckland Council, management experience, expert assessments (that is, the Deloitte work on IT costs), and insights or investigations by others, including the applicants, consultants who did work to support the applications or alternative applications, and work that New Zealand Transport Agency has done on opportunities for savings in relation to roading, etc.

6.359 In estimating savings, the approach has been to work on the basis of a range of possible savings and to err on the side of underestimating savings. In estimating transition costs the approach is to err on the side of overestimating them.

6.360 For the purposes of evaluation, the Commission has assumed a timeline for reorganisation that has:

- a transition board for any reorganisation in place from September 2015
- an interim chief executive appointed by May 2016
- elections for the new council in October 2016
- the commencement day for the new council of 1 November 2016.

6.361 This timeline provides for a total of just 13 months from a decision to proceed to the commencement of a new council. This compares with the 17 months between enactment of the *Local Government (Tamaki Makaurau Reorganisation) Act 2009* on 23 May 2009 and the 1 November 2010 commencement date for the Auckland Council.

6.362 The timeline for reorganisation would be challenging. During the transition period, the only person who could make decisions that would commit a new council is the interim chief executive of that council. Under this timetable that person would have six months to ensure that everything that was required to ensure business continuity and the transfer to a new organisation was in place.

Potential savings

6.363 Potential savings will occur over a period of time. While any reduction in staffing levels could be reflected in lower costs from the commencement day of a new council, it will generally take some time for other savings to be realised. Potential savings were identified over a three-year period following commencement day.

6.364 The following key assumptions drive the estimates of potential savings:

- Regulatory savings will be gradually realised, but will not be fully realised until year 4 with the introduction of a new district (or unitary) plan.
- No savings will be made with respect to solid waste, property, harbour and coastal management, public transport services, flood protection, or economic development.
- Savings in operating and capital costs for water, wastewater and stormwater will be gradual and no more than 2% of current operating costs and 1% of forecast capital expenditure by year 4. These savings will arise from streamlined management, the removal of duplication, economies of scale in asset management, rationalised operating, management and construction contracts and better capital project planning and delivery.
- Savings in operating and capital costs for roading will be gradual and no more than 1% of current operating costs and 1% of forecast capital expenditure by year 4. These savings will arise from streamlined management, the removal of duplication, economies of scale in asset management, rationalised operating, management and construction contracts, and better capital project planning and delivery.
- Savings in community facilities expenditure will be gradual but no more than 1% of operating expenditure and capital works, and will arise from streamlined management, economies of scale, and rationalised operating, maintenance and construction contracts.
- Part of the reduction in staffing for corporate and support functions will take place on the establishment of the new council, but the balance will not be able to be achieved for a year or more as the transition is made to new business systems and operating practices.

- Governance and senior management costs for each new entity will reflect the current market for similar roles and the number of councillors will reflect the nature of the option.
- The potential costs of the operation of local boards in the **One Wellington Council with local boards** option, reflect the scale of support structure likely to be required to support the operation of local boards, drawing on the experience of Auckland Council in evolving these structures.

6.365 The estimated potential annual savings for each “reasonably practicable option” are shown in Table 37. They are modest and there is considerable risk that they would not be achieved. Clearly the potential for savings varies with the scale of the options under consideration. The options that deliver the greatest opportunity for savings are those with the greatest scale, the greatest transition cost and the greatest risks during the change process.

Table 37: Comparison of the “reasonably practicable options” regarding the costs of transition and potential savings

Source: Stimpson & Co (2014, September) Summary report combining work by Stimpson & Co, McGredy Winder & Co and Brian Smith Advisory Services.

	Enhanced Local Efficiency						Stronger Regional Delivery – transfer obligations to GWRC	One Wellington Council	
	One Wairarapa Territorial Authority	One Hutt Valley Territorial Authority	One Western Territorial Authority	One Wairarapa & One Hutt Valley Territorial Authority, plus WCC, PDC & KCDC	Three Territorial Authorities	without local boards		with local boards	
Annual savings by year 4 (\$m)	1.3	5.5	24.8	6.9	28.6	36.3	40.4	30.4	
Transition costs									
Transition board (\$m)	1.0	2.0	5.0	3.0	8.0	7.6	10.1	10.3	
New council start-up (\$m)	1.0	2.0	5.0	3.0	8.0	7.6	10.1	10.3	
IT system delivery costs (\$m)	25.5	40.0	67.5	65.5	133.0	79.0	105.0	105.0	
Business process change (\$m)	4.2	6.0	9.8	10.2	20.0	23.7	45.2	45.2	
Other (\$m)	0.2	0.4	1.0	0.6	1.6	1.5	2.0	2.0	
HR costs (\$m)	0.1	1.6	6.6	1.7	8.3	10.2	11.3	11.3	
Total estimated cost of transition (\$m)	32	52	95	84	179	129	184	184	
Net present value (\$m)	-13.7	8	148			199	175	79	
‘Payback’ period (years)	25	10	5	12	6	5	6	8	

- 6.366 However, the largest potential saving of around \$40 million per annum equates to 4% of total current local government operating expenditure in the region. Another way to put this into perspective is with each of the Wellington councils providing for cumulative rates increases over the first three years of the 2012-2022 long-term plans that compound to an average increase of 16% across the region, the maximum potential savings are slightly more than the average annual rates increase currently planned for.
- 6.367 In comparison the savings that were targeted in the first year of operation of the Auckland Council totalled \$95 million. The actual savings budgeted for by the Auckland Transition Agency in the planning document prepared for the Auckland Council totalled \$81 million.
- 6.368 It is also important to consider that any savings that are achieved should have a considerable life. Consistent with the Commission’s approach in looking for the structure of local government that will serve Wellington for the next 30 years, it expects the savings from reorganisation to last over that period.

Cost of transition

- 6.369 The estimated costs of transition for each of the “reasonably practicable options” are shown in Table 37. The estimated total costs of transition range between \$32 million and \$184 million. This compares with the \$36 million spent over 17 months to support the Auckland Transition Agency, the \$39 million of capital expenditure by the agency and the \$27 million of redundancy costs paid by the merging councils on the last day of their operation. These reported costs from the Auckland merger do not include the substantial costs that the merging councils bore in supporting the workstreams running the Auckland Transition Agency.
- 6.370 In Table 37 the estimated transition costs are broken down into costs associated with the transition board and implementation team (prior to the establishment of a new council), the ongoing change management costs after the commencement of a new council (called “New council start-up costs” in Table 37), set up of the delivery of the necessary IT system, changes to business processes and systems, other costs (including accommodation and signage), and human resources costs (including redundancy and costs associated with harmonising employment conditions). The most significant element of these in each instance relates to IT and business systems.
- 6.371 The estimated costs for the operation of a transition board include an implementation team that would be focused on delivering all of the work necessary for the successful transition to a new council. The scale of the required implementation team varies depending on the scale of the merger. The costs were estimated based on the experience of the Auckland Transition Agency and assumed a similar approach, with a core transition team supported by staff seconded from the affected councils, or engaged in transition work for a part of their time. The costs of an interim chief executive and implementation team prior to commencement day are also included.

- 6.372 The most significant transition cost under each option is the cost of delivering IT systems and infrastructure. These costs account for more than 80% of the estimated transition costs for each option other than the **Stronger Regional Delivery** option of transferring functions to the Greater Wellington Regional Council.
- 6.373 In comparison, potential redundancy costs and a provision for harmonising employment and remunerations conditions across merging councils accounts for between less than 1% (for the merger of the Wairarapa councils under the **Enhanced Local Efficiency** option) and 7% of transition costs for the larger amalgamation options under the **One Wellington Council** options.
- 6.374 There are significant challenges to estimating the IT costs associated with each option. The estimates that Deloitte made are significantly qualified. Despite the work that they have done on shared services they had a very limited knowledge of the systems used by the Wairarapa councils. Within the suite of systems used by the other Wellington councils their knowledge is variable.
- 6.375 There are a number of different possible approaches to the integration of IT systems and infrastructure during a merger. Deloitte's work was significantly influenced by the experience of merging the Auckland Councils. Within the Auckland Council transition there were a number of different approaches adopted. For instance, Auckland Transport adopted the Auckland Regional Council's business enterprise system and then made modest customisation and capability changes in order to become operational. This was a low cost approach made possible because of the currency of the Auckland Regional Council's system and the functional overlap between what was needed and what already existed.
- 6.376 In contrast, the approach to the establishment of Auckland Council itself involved developing a veneer that enabled the outputs from the eight legacy systems to be consolidated on day one so that the council could manage its finances. Since then there has been a progressive migration of systems into a common hardware platform and common core systems. The development of new core systems has gone hand in hand with the development of new standard operating procedures and business practices. This integration process is still underway and the whole process will cost well over \$100m.
- 6.377 Deloitte have endeavoured to follow the approach of assuming that merging councils would migrate to the best of breed solution in one of the current councils. However, given the state and scale of the Wellington City Council system there are significant integration issues in merging that with other operations. Deloitte produce a range of cost estimates for each of the "reasonably practicable options". The variation between the low point of the range and the high point of the range is in the order of +/-17% of the mid-point. Their midpoint cost estimates have been used here. The costs that Deloitte estimated for ICT systems design and delivery costs are shown in Table 38.

Table 38: Comparison of the estimated costs of ICT system design and delivery

	Enhanced Local Efficiency					Stronger Regional Delivery – transfer obligations to GWRC	One Wellington Council	
	One Wairarapa Territorial Authority	One Hutt Valley Territorial Authority	One Western Territorial Authority	One Wairarapa & One Hutt Valley Territorial Authority, plus WCC, PDC & KCDC	Three Territorial Authorities		without local boards	with local boards
Total Cost (low estimate) (\$m)	21	33	55	53	108	70	105	105
Total Cost (high estimate) (\$m)	30	47	80	77	157	90	150	150

6.378 Deloitte built up the total costs estimates by developing the programme of work that would be required prior to the go-live date for a new council and the ongoing work that would follow. Work required for day one of a new council includes the core systems that are required to ensure that staff and suppliers can be paid and that the council’s finances can be managed. Subsequent costs include the investment that will be required over a period of three to five years to complete the migration from separate systems to a common set of council-wide systems. This reflects the process that was followed in Auckland for the core Auckland Council. As discussed elsewhere the core Auckland Council systems are still in the midst of a substantial investment and redevelopment phase.

6.379 The Deloitte estimates of costs for changes to business processes were built up from a consideration of the broad business processes undertaken by councils. Importantly, the costs reflected an approach that reviews and changes business processes to secure benefits from a merger. It would be possible to deliver less costly transitions if the approach that was followed was to simply adopt the business processes and business systems of one of the merging councils and migrate all of the data and systems from the other councils to that approach. While this approach may result in a less costly transition, it will not necessarily deliver the quantum of benefits that have been assumed. It is also unlikely that one council has the best of breed approach across all of its activities. Adopting the systems of one of the merging councils could result in poorer performance where others already have better systems of performance.

- 6.380 This is an important consideration with respect to the estimated cost of the merger of the three Wairarapa councils. The Commission is concerned that the estimated IT related costs of \$25 million for this option are very high in relation to the scale of the three councils. As is noted earlier, this is considerably higher than costs that have been separately estimated for the Commission in relation to possible local government reorganisation in Hawke's Bay. However, even if the costs were only one-third of those shown here, it would still be very significant expenditure for Wairarapa residents in relation to the estimated savings.
- 6.381 The estimated human resources costs reflect estimated redundancy costs and costs associated with the harmonisation of employment conditions between merging councils. Based on the experience of the Auckland Transition Agency and a high level review of the employment conditions of staff across the nine councils redundancy costs have been estimated to be equivalent to one third of the estimated savings from staffing. All of the Wellington councils currently use the same supplier for market-based remuneration information. All councils report that they target the median of the benchmarks that they use. The Wairarapa councils use a rural and provincial comparator, not an urban comparator, to setting remuneration levels. Apart from this, the terms and conditions across the existing councils are fairly consistent. This means that potential costs from harmonising conditions are low.

Consideration

- 6.382 Table 37 presents the rather stark reality of the cost of change and the potential for payback. In comparison with the Auckland reorganisation, the numbers are understandably smaller.
- 6.383 In considering the transition costs and potential savings, it is important to bear in mind that these are the benefits and costs that are readily quantifiable. There are other benefits from reform. Where reform enables councils to make better, more timely decisions, there will be savings. Where reform removes the likelihood that a decision will be re-litigated, or provides a higher level of organisational capability that should identify different choices or better potential solutions, there will be savings. If reform means that it was possible to avoid major capital works, there would be savings. The scope of these potential benefits has not been estimated, but they are none the less real and additional to those that have been estimated and identified in this report. Indeed, they are likely to be both more important and of higher value than direct financial savings. They do form part of the Commission's consideration.
- 6.384 There is a marked difference between the savings that can be achieved by merging territorial authorities under the **Enhanced Local Efficiency** option, and the savings achievable by combining territorial authority and regional council functions under the **One Wellington Council** options. This is just as true for the non-quantifiable benefits as for the savings shown in Table 37. It is by merging territorial authority and regional council functions that the major benefits from any Wellington reorganisation will accrue.

- 6.385 The estimated cost of transition for the **Stronger Regional Delivery** option is lower than the estimated cost of transition for the **One Wellington Council** options. This reflects the significantly lower estimated costs for IT and business integration for this option. As was discussed above with respect to the costs of **merging the three Wairarapa councils**, it may be that there are ways of approaching the **One Wellington Council** option that are less costly than what has been presented here. However, the complete merger of all councils would be more complex than combining parts of several existing organisations into another existing one.
- 6.386 In comparing the two **One Wellington Council** options it is important to consider the qualitative difference between the two with respect to the nature of democratic decision-making. Local boards would be more costly to operate than a model with more councillors but no local level of decision-making. In all of the consideration above, the option of having local boards was considered preferable to having no local boards. These two options are different – with respect to both quantifiable and non-quantifiable benefits.

Impact on ratepayers

- 6.387 How the incidence of rates might be affected by a local government reorganisation is not directly included in Schedule 3 of the *Local Government Act 2002* as one of the factors that the Commission should consider in identifying “reasonably practicable options”, or its “preferred option”. Despite this, it is a matter of clear public interest and deserves attention.
- 6.388 The Wellington councils currently operate different rating policies. As Table 39 shows, two councils use land value as the basis for rating, the others use capital value. Most councils have a differential that applies to commercial properties. All councils use both a general rate and targeted rates. Table 39 also shows differences in the ways that councils charge for water. The proportion of income that comes from rates varies amongst the councils. Some have placed a greater focus on user charges than rates.
- 6.389 Any new council would need to develop and implement a new rating policy. It would need to apply the provisions of the *Local Government Rating Act 2002* to determine the basis of rating, and all of the factors that a council must consider when setting rates. Councils can amend their rating policy over time to reflect changing circumstances. The range of powers that a council has to set and change rating policy, and the differences between the rating practice of the current councils make it difficult to determine what the actual impact of any reorganisation of different ratepayers might be.

6.390 Few of the applicants explicitly considered the impact of their proposals on ratepayers. The only significant work for an applicant on this matter was in the report by TDB Advisory for Hutt City Council⁹² and by the Joint Working Party on Local Government Reform⁹³. The TDB analysis explored the allocation of total rating burden by establishing a regional average rate per thousand dollars of capital value, and applying that to the total capital value of each of the council areas. Their analysis explored the impact of amalgamating territorial authorities and of establishing a unitary authority.

Table 39: Cost per person per annum, operational expenditure in social infrastructure

Source: Palmer, G., Driver, S., Gardiner, W. & Jackson, B. (2012, October), *Future Wellington - Proud, Prosperous and Resilient*, p65.

Council	Rating valuation basis (general rate)	Maximum commercial differential on 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	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 Coast	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
Wellington Regional	Capital Value	-	30	70	0	90,258	41

⁹² TDB Advisory, (2013, August), *Governance Options for the Wellington and Wairarapa Regions: An Economic and Financial Assessment*

⁹³ Joint Working Party on Local Government Reform, (2013, March), *Realising the potential of the Wellington region, Conclusions of the Joint Working Party on Local Government Reform*

- 6.391 Unfortunately, the TDB Advisory work did not reflect some of the key elements of the current rating policies of the Wellington councils – most importantly the use of differentials that apply to the commercial use of properties. The impact of the differentials shown in Table 39 is that (except in the Kapiti Coast District) the territorial authority rates paid on a commercial property are at least twice the level of rates paid by a residential property of equivalent value. Given the prevalence of commercial differentials within the region, there is little reason to believe that a future council would remove them. The approach adopted by TDB Advisory in essence showed the combined impact of adopting a common rate across all councils and removing the commercial differentials. It was therefore a rather unlikely scenario of future rating impact.
- 6.392 A more balanced approach was adopted by the Joint Working Party on Local Government Reform.⁹⁴ Their report worked through the impacts of amalgamation on the distribution and impact of rates and considered the impact of a number of key rating policy choices. Importantly, the Joint Working Party recognised that a new council has a number of choices in relation to rating policy, that those choices can only be made once a new council is elected, and that around each set of choices there are a number of measures that could be taken to reduce or mitigate adverse impacts.
- 6.393 The Joint Working Party explored the rates issues with the establishment of a single council. They supported a uniform rating system based on capital value, noting that this may have an adverse impact on some Wairarapa properties where all (or some) of the rates are assessed on land value. The potential mitigations that the Joint Working Party noted were the adoption of a lower business differential in rural towns and a rates transition policy similar to Auckland’s that limited the maximum increase in rates over a three-year transition period.
- 6.394 The Joint Working Party also discussed the impact of harmonising business differentials across the region and, in addition to the possible mitigations noted above, also noted the potential for reducing the proportion of rates collected as a general rate and increasing the use of targeted rates.
- 6.395 There are differences in the extent to which current councils apply user charges for services like water and wastewater. Moving to a more uniform application of these charges will impact differently across the region, but would result in better alignment of costs with actual service provision.
- 6.396 Other possible mitigation measures could include the use of uniform annual general charges, and geographically targeted rates that can reflect genuine differences in the level of service that is provided, or assist with the transition to a new rates policy.

⁹⁴ Joint Working Party on Local Government Reform, (2013, March), *Realising the potential of the Wellington region, Conclusions of the Joint Working Party on Local Government Reform*

6.397 The Joint Working Party correctly noted that until “*the details of the rating system are determined it is difficult to accurately determine and predict the impact that this may have on individual ratepayers*”.⁹⁵ However, it is possible to identify the likely direction of pressure that would emerge as a result of local government reorganisation.

6.398 Overall, Wellington City has 51% of the total capital value of residential property in the region. The residents of Wellington City currently pay 43% of total residential rates. The residents of all other councils pay a greater proportion of total residential rates than their share of the capital value of residential properties. This is a reflection of the concentration of commercial property in Wellington City and the differential that Wellington City applies to non-residential property. In the absence of any mitigation policy, and maintaining across the region the share of rates paid by the business community, any option that combines the current Wellington City Council area with others is likely to result in rates increases for Wellington City residents and potential reductions in residential rates for others. Those that have the largest potential gain from amalgamation are those who currently pay a greater proportion of residential rates than their share of residential capital value – which is currently the case for the three Wairarapa councils. Given demographic trends and the distribution of economic activity within the region, these disparities in fiscal capacity among the current districts are likely to increase rather than decrease over time.

6.399 In determining rating policy there are a number of other factors that a council would need to consider. In particular a new council would need to consider how harmonisation of rates relates to any differences in level of service. The Commission cannot determine the future levels of service that a new council may provide, or how it may seek to harmonise service levels, or indeed maintain current differences. However, the broad conclusion that the Commission has reached with respect to the incidence of rates is that all of the “reasonably practicable options” considered would result in a different allocation of rates. Any “reasonably practicable option” that includes Wellington City would result in Wellington City residents facing increased rates as their share of total residential rates is at present disproportionately low.

Overall conclusion – the “preferred option”

6.400 Overall the Commission’s “preferred option” is the establishment of **One Wellington Council with local boards**. This option is the most expensive to implement, offers second largest level of potential financial savings, but most importantly, it provides the greatest scope to improve the performance of local government in the region. Across each of the criteria that are established in the *Local Government Act 2002* this option is either the best option, or the next best option of those considered.

⁹⁵ Joint Working Party on Local Government Reform, (2013, March), *Realising the potential of the Wellington region, Conclusions of the Joint Working Party on Local Government Reform*, p50

- 6.401 The options of **Enhanced Local Efficiency** by merging territorial authorities all have some merit and would, on most measures, provide better outcomes than the status quo. However, these options all have the potential (to some degree) to make regional level planning and action more difficult. This means that they are not as attractive as the **One Wellington Council** options.
- 6.402 The **Stronger Regional Delivery** option of transferring statutory obligations to the regional council would, for less cost and lower risks, secure many of the benefits of the **One Wellington Council** options. However, this option would leave residual territorial authorities as a mere shadow of their current organisations and require their communities to carry significant ongoing governance costs that would be out of proportion to the scale of activities that they would be undertaking. This option would not foster harmony between the resulting councils and this would make collaboration difficult.
- 6.403 Since the regional council has fewer effective mechanisms for local engagement than a territorial authority, there is a very real risk with this option that genuine local interests and differences would be overlooked in decision-making. The fact that the residual councils would all have the ability to take legal action against the regional council could mean that any tensions rapidly escalate to judicial review or other action. This sort of outcome has the potential to undermine the benefits that would come from regional-scale activity.
- 6.404 There is also some doubt as to the ability of the Commission to transfer all of the activities of nature that were considered to be part of this option. This is a significant question since the advantages of it lie to a significant degree in the ability to have a single decision-making body dealing with decision-making across this group of regionally significant activities as a whole (as opposed to their being fragmented among multiple bodies).
- 6.405 The **One Wellington Council option with no local boards** provides similar benefits to the inclusion of local boards on many of the criteria. Indeed the option presented by Wellington City Council addresses a number of the potential shortcomings of this approach by increasing the number of councillors and providing them with additional resources. This approach is less expensive to operate than a local boards option.
- 6.406 On balance, the Commission considers that local boards would provide a greater focus for community views and democratic decision-making. Explicitly recognising that there are two realms of democratic decision-making provides legitimacy to local interests and ensures that they will not be lost to a completely regional view. Providing for local boards reflects the principle of subsidiarity and a new balance between local decision-making and action and regional decision-making and action.
- 6.407 Providing for local boards also supports the potential for local leadership and local emergency management response which is important, particularly for the Wairarapa. Further, given the nature of differences that do exist within the region and between its constituent parts, it is important that there are voices for those differences and established advocates for the interests of each community. For these reasons the Commission considers that the unquantifiable benefits of including local boards outweigh the additional cost of having them.

6.408 In weighing the “reasonably practicable options” against the criteria for identifying its “preferred option” set down in the *Local Government Act 2002*, the Commission has placed particular significance on the need to meet the future needs of Wellington communities. The Commission has sought to identify the local government arrangements that best equip Wellington to meet the challenges of the next 25 to 30 years and to be successful. To be successful Wellington will need to work with more single-minded purpose to achieve its vision for the future and to constantly look for ways to lift its global competitiveness. A significant factor in whether or not Wellington is able to lift its competitiveness and attractiveness, will be the emergence of leadership that delivers a far-sighted approach, harnessing the collective efforts of Wellington residents and businesses and government, to implement a single plan for Wellington. The option that is most likely to foster this form of leadership and a broad, outwardly-focused approach to local government is the option of **One Wellington Council with local boards**.

6.409 Having weighed the “reasonably practicable options” against the criteria set down in the *Local Government Act 2002*, the Commission has concluded that **One Wellington Council with local boards** provides the:

- greatest scope to address the significant future issues facing the communities of Wellington relating to infrastructure, demographics, economic development, hazards and environmental management - these issues are regional in scale and impact and will require regional scale responses
- greatest scope to ensure that future councils can understand and engage with their community, both at a local level and at a regional level
- greatest scope to align decision-making with the communities that are directly interested in or affected by the decision, because it is able to maintain two realms of decision-making, one regional and one more local
- greatest potential for Māori to participate in decision-making because it best aligns with iwi and hapū levels of decision-making
- option that relies the least on collaboration between councils in order to be successful
- greatest opportunity for Wellington to enhance its representation, advocacy and share of voice at it seeks to compete nationally and internationally, while also providing an effective local voice in decision-making
- greatest scope to deliver the focus necessary to lift Wellington’s global and national competitiveness
- the greatest scope to develop the form of leadership that will be required to drive Wellington’s future success
- greatest scope for delivering better decisions as well as economies of scale, scope and management with respect to core local government services (network infrastructure, public transport, avoiding or mitigating hazards, and community facilities and services)
- greatest scope to secure benefits from improved regulatory activity through standardisation, scale and managerial economies

- greatest scope to deliver benefits from spatial planning, effectively integrating planning and aligning planning responsibility with financial responsibility across a range of key local government obligations
- greatest scope to improve economic performance (although there is not a major difference between some of the options in this respect)
- greatest scope to simplify planning, while at the same time ensuring that there is an effective local voice in decision-making.

6.410 On balance the case for change in Wellington is not as compelling as it was in Auckland. However, unless Wellington is able to build and sustain the ability to consider, plan and implement action at a regional level it will not successfully address the major future issues that the region faces. The major challenges of infrastructure, demographics, economic development, hazards and environmental management are regional in scale, nature and effect. Their impact crosses current council boundaries. Responses to them need to be regional in scale. Current regional decision-making relies on collaborative decision-making and action between multiple councils. This has not been sufficiently successful to date for Wellington to rely on it being effective in the future.

6.411 Wellington communities also face on-going local issues and demands that reflect the importance of place, of local shops and amenities, of local reserves and recreation opportunities, of safety and of identity. The ability to deal with these issues must not be lost in an attempt to deal with the bigger, region-wide issues.

6.412 One Wellington Council with local boards provides the best way of meeting both regional and local needs within a single administration with the greatest scope to meet the challenges of the future.

Part 7: Refinement of the “preferred option”

7.1 After adopting the **One Wellington Council with local boards** option as its “preferred option” pursuant to clause 12 of Schedule 3 of the *Local Government Act 2002*, the Commission then considered a number of matters in more detail as refinements of its “preferred option”. These matters were:

- the name of the district and council
- the boundary with Tararua District and Manawatu-Wanganui Region
- representation arrangements including the basis of election and number of councillors
- local board arrangements including the number of boards, boundaries, number of members, basis of election, and basis for electing the chairperson along with allocations and delegations of decision-making responsibility between the governing body and local boards
- Māori participation
- area offices and service centres
- council assets and debt
- council-controlled organisations
- transition arrangements.

7.2 These matters are addressed in this Part of the report.

The name of the district and council

7.3 The Commission considered a number of possible names for the proposed One Wellington Council with local boards. In order to signify that the proposed district covers the whole of the existing Wellington Region (not just the area of the existing Wellington City Council) the Commission decided to name the proposed new district Greater Wellington District and the council the Greater Wellington Council.

Boundary with Tararua District and Manawatu-Wanganui Region

7.4 The current territorial authority boundary between Masterton District and Tararua District is largely defined by the Mataikona River. The associated Mataikona River catchment covers an area of 206 km² with 123 km² in Masterton District and 83 km² in Tararua District (68 km² of which is in Wellington Region). The inclusion of the Tararua District part of the catchment in Wellington Region was decided by the Local Government Commission in 1989 to ensure effective catchment management.

7.5 Based on community of interest grounds at the district level, the Commission proposes that the current boundary between Masterton District and Tararua District be retained.

- 7.6 Clause 3(2) of Schedule 2 of the *Local Government Act 2002* provides that the boundaries of a district of a unitary authority are to be the same as those of the region over which the unitary authority has control. Given this requirement, the Commission proposes that the boundary of the proposed Wellington unitary authority be that of the current boundary between Masterton District and Tararua District.
- 7.7 In order to ensure effective catchment management, however, the Commission proposes that responsibility for the management of the Mataikona River catchment rests with just one local authority, the Greater Wellington Council. This entails transfer of responsibility for regional council statutory obligations in respect of the area of the Mataikona River catchment in Tararua District (and also in future in Manawatu-Wanganui Region), including catchment management obligations, to the proposed Greater Wellington Council.

Representation arrangements

- 7.8 Clause 18 of Schedule 3 of the *Local Government Act 2002* states that:

18 Representation

- (1) In determining the representation arrangements of a local authority for a draft proposal, or (if clause 14(4) applies) a reorganisation scheme, the Commission must:
- (a) have regard to the existing electoral and representation arrangements of the affected local authorities; and
 - (b) provide fair and effective representation for individuals and communities of the local authority; and
 - (c) comply with the requirements of the Local Electoral Act 2001, and
 - (d) take into account the responsibilities, duties and powers of the local authority.

- 7.9 As a territorial authority, the Greater Wellington Council may, under the *Local Electoral Act 2001*, be elected at large, by wards or a combination of both. Given the size and nature of the current Wellington Region and current representation arrangements (six of the eight current territorial authorities are divided into wards), the Commission considers a district divided into wards would be the most appropriate basis of election.
- 7.10 Fair representation is defined in section 19V(3) of the *Local Electoral Act 2001* in terms of the ratio of population per member in any ward being within +/-10 per cent of the ratio for the district as a whole (the ‘+/-10% rule’).

7.11 Effective representation is not defined in the *Local Electoral Act 2001* but it does apply to representation of communities of interest. Given the absence of a definition, the Commission, as noted in Part 2, uses a methodology identifying the following three dimensions of community of interest: perceptual, functional and political when considering effective representation of communities of interest. It applied these dimensions in relation to the proposed Greater Wellington District and an appropriate ward structure.

Wairarapa

7.12 Consideration of the perceptual, political and functional communities of interest and the interconnections between the Wairarapa and the western part of the current region is discussed at length in Part 2. The Commission concluded there that there were strong functional linkages and connections between the Wairarapa and the western part of Wellington Region that are of significance to the people and businesses of both areas. However at a more local level, there is evidence of a distinct community of interest reflected in:

- a stronger perception of separateness from Wellington than elsewhere in the region reinforced by the physical barrier of the Rimutaka Ranges
- evidence of sub-regional functional connections centred on Masterton as reflected in travel to work and bank card expenditure data
- the three Wairarapa territorial authorities combining for particular purposes, notably to develop and administer a combined district plan.

7.13 On the basis of the above factors, the Commission considers that the Wairarapa can be seen as a distinct community of interest for representation purposes, which should be reflected in a Wairarapa Ward for the proposed Greater Wellington Council.

Hutt Valley

7.14 The Hutt Valley, as the catchment of the Hutt River, can be seen to a degree to be physically separate from neighbouring areas in the region.

7.15 The Commission received feedback from its consultation that there tended to be a perception of separateness of Upper Hutt City from Lower Hutt City as distinct from a strong perception of a “whole of Hutt Valley” community of interest. In support of this position, the Commission noted that in 1989 the then Local Government Commission endorsed the view that there were two main communities of interest in the Hutt Valley by determining that there would be separate Upper Hutt and Lower Hutt City Councils.

7.16 On the other hand, travel to work and bank card expenditure data today suggests that in functional terms there are considerable links between Upper Hutt and Lower Hutt. For example more Upper Hutt workers travel to work in Lower Hutt (3,747) than travel to Wellington City (3,615) while 1,344 Lower Hutt workers travel to Upper Hutt for work. Similarly Upper Hutt residents spend significantly more in Lower Hutt than in Wellington City.

- 7.17 Upper Hutt City Council and Hutt City Council have a number of long-standing shared service arrangements indicating a common Hutt Valley community of interest from a functional perspective. These shared service arrangements also reflect the political dimension of community of interest, and include wastewater collection, treatment and disposal; a shared landfill and shared cemetery. In addition there is a Hutt Valley district health board.
- 7.18 In 2006, the Greater Wellington Regional Council (as part of its representation review) considered an option of combining the Upper Hutt and Lower Hutt regional council constituencies. It concluded, however, that based on communities of interest, separate constituencies should be retained.
- 7.19 In light of the above arguments, the Commission considers that separate wards for Upper Hutt and Lower Hutt would be appropriate for the proposed Greater Wellington Council.

Kapiti Coast

- 7.20 Kapiti Coast District was established in 1989 as a collection of four quite distinct communities (Otaki, Waikanae, Paraparumu-Raumati and Paekakariki). It is, to a degree, physically separated from neighbouring areas in the region, including Porirua to the south. Its coastal location and land use characteristics distinguish Kapiti Coast from the more urban focused Porirua and, coupled with its older age demographic, there is a clearly distinguishable perceived community of interest.
- 7.21 There are strong functional linkages to the south, such as travel to work and spending patterns, but these are more with Wellington City than with Porirua Kapiti Coast’s immediate neighbour.
- 7.22 Greater Wellington Regional Council did consider the option of combining the Kapiti Coast and Porirua constituencies as part of its 2006 representation review in order to comply with the ‘+/-10% rule’. It concluded, however, that there were insufficient commonalities in the respective communities of interest for the two constituencies to be combined. The then Commission endorsed the regional council’s representation review proposal and the Kapiti Coast and Porirua constituencies have remained separate.
- 7.23 On the basis of the above factors, the Commission considers a separate Kapiti Coast Ward for the proposed Greater Wellington Council would be appropriate.

Porirua

- 7.24 The Commission considers that it is not clear there is a strong perception of Wellington and Porirua Cities comprising one distinct community of interest.
- 7.25 In 1989 the then Commission considered the option, among others, of a combined territorial authority for the area but determined that separate authorities was more appropriate.
- 7.26 While there are strong functional connections between the two cities today, shown in travel to work and bank card expenditure data, the Commission considers that a separate Porirua Ward as part of a Wellington-wide council would be appropriate.

- 7.27 Porirua, however, is contiguous with the northern suburbs of Wellington City and increasingly linked by employment, retail, and recreational activities, although it clearly retains social and cultural differences. Increasing residential development has also brought into question the degree of separation between the northern suburbs of Wellington City, such as Tawa and Grenada North, and Porirua City.
- 7.28 From a functional community of interest perspective, the Tawa Basin is an area in which Wellington and Porirua City Councils have shared service arrangements, including for sewerage and landfills.
- 7.29 The Tawa Basin, including parts of Wellington City, is also combined with Porirua as a single constituency of the regional council.
- 7.30 Examination of material relating to the *Housing Accords and Special Housing Act 2013* and GIS data about recent subdivisions, indicates development across the region but with the greatest concentration in Porirua City and the northern suburbs of Wellington City.
- 7.31 In light of the above, the Commission considers there should be a separate ward for Porirua for the proposed Greater Wellington Council but that the boundary between the existing Porirua and Wellington Cities needs to be considered in closer detail.

Wellington City

- 7.32 With the exception of the boundary with Porirua, Wellington City is a clearly distinct geographic entity. It comprises a series of hill and valley floor suburbs with good transport connections into the centrally located central business district, which is also the centre of much of the regional urban, economic and social activity including for employment. The central business district is also an increasingly residential location in the form of inner city apartment living.
- 7.33 Wellington City has easily the largest population of the eight districts (197,500), followed by Lower Hutt (101,200).⁹⁶ The city is currently divided into five wards (Northern, Onslow-Western, Lambton, Eastern and Southern) and there are two community boards (Makara-Ohariu and Tawa).
- 7.34 Given both the geographical size and size of population, including in relation to the population of the other districts, the Commission considers that Wellington City should be divided for electoral purposes in a Wellington region-wide council.
- 7.35 The Greater Wellington Regional Council's original application proposed that Wellington City be divided into three wards. These were:
- a North Wellington ward from Churton Park and Grenada Village in the north (excluding Tawa) to Karori in the south
 - a Central Wellington ward from Wadestown in the north to Brooklyn and Kowhai Park in the south including the central business district
 - a South Wellington ward from Roseneath and Miramar Peninsula in the north to the south coast.

⁹⁶ Estimated resident population at 30 June 2013 – Statistics New Zealand

- 7.36 The Commission confirmed that it considers a division of Wellington City into three wards would be appropriate on the basis of effective representation and also equity with other areas in the region. However, as noted, the precise boundaries need to be considered closely both within the current Wellington City, including appropriate treatment of the Wellington central business district, and in relation to the boundary with Porirua.
- 7.37 Most areas of the current Wellington City have close links with the Wellington central business district given the geography of the city, the nature of transport links and the absence, apart from Tawa, of significant service centres outside of the city’s library network. While there is the option of splitting the central business district between say three wards (and potentially local boards), this is seen as undesirable.
- 7.38 There is a clear set of commonalities of interest shared by the central business district and communities on the fringe of the central business district, particularly Thorndon, Kelburn, Aro Valley, Mount Cook, Mount Victoria and Oriental Bay. Issues creating this commonality of interest include the impacts of living in more densely developed areas, parking, and an intermingling of central business district uses and residential use. This commonality has been increased by the growth in the population of the central business district through the development of apartments. Between 1996 and 2013, the population of the central business district increased from 4,650 to 13,370, an increase of 187%. This compares to an increase of 34% for Wellington City as a whole.
- 7.39 A decision by the Local Government Commission, in 1995, to divide the central area between three wards was met with a negative reaction and was in fact reversed by the Commission in 1997 when the current Lambton Ward was established. This is similar to the Central Wellington ward proposed in the Greater Wellington Regional Council’s application, broadly for the reasons outlined above.
- 7.40 As previously noted, the Wellington central business district is seen as having regional significance in terms of both the level of economic activity, including employment located in the central business district, and location of a number of amenities of regional significance such as Wellington Westpac Stadium, the Michael Fowler Centre and the waterfront.
- 7.41 Given the importance of the central business district to the economic and social well-being of the region as a whole, the Commission considers that a number of functions relating to the central business district may more appropriately be the responsibility of the governing body rather than the local board in which it is located. This would lessen, to some degree, the importance of which local board area the central business district was located in.
- 7.42 In light of the above factors, the Commission considers the central business district should be contained within one ward and that ward should cover the central area of Wellington City. It considers further that this ward should be called Lambton Ward with the northern ward named Ohariu Ward and the southern ward named Rongotai Ward.

Proposed ward structure

7.43 Based on the above analysis, the Commission proposes a representation structure for the proposed Greater Wellington Council, summarised in Table 40. It is designed to achieve effective representation of communities of interest and fair representation for electors, involving the following eight wards: Wairarapa, Upper Hutt, Lower Hutt, Kapiti Coast, Porirua-Tawa, Ohariu, Lambton and Rongotai.

Table 40: Proposed ward representation

Ward	Population (2013 estimates)	Councillors	Population per councillor	Deviation from district average population per councillor	% deviation from district average population per councillor
Wairarapa	42,390	2	21,195	-1,984	-8.56
Upper Hutt	41,300	2	20,650	-2,529	-10.91
Lower Hutt	101,200	4	25,300	+2,121	+9.15
Kapiti Coast	50,700	2	25,350	+2,171	+9.37
Porirua-Tawa	68,710	3	22,903	-276	-1.19
Ohariu	69,760	3	23,253	+74	+0.32
Lambton	47,440	2	23,720	+541	+2.33
Rongotai	65,250	3	21,750	-1,429	-6.16
Total	486,750	21	23,179		

7.44 In relation to the above proposal, it is noted that a recent amendment to section 19V(3) of the *Local Electoral Act 2001* provides more flexibility in applying the ‘+/- 10% fair representation rule’:

- (a) if the territorial authority or the Commission considers that 1 or more of the following apply, wards and sub-divisions of a local board area or a community may be defined and membership distributed between them in a way that does not comply with subsection (2):
 - (i) non-compliance is required for effective representation of communities of interest within island or isolated communities; or
 - (ii) compliance would limit effective representation of communities of interest by dividing communities between wards or subdivisions; or
 - (iii) compliance would limit effective representation of communities of interest by uniting within a ward or subdivision, two or more communities of interest with few commonalities.

- 7.45 On this basis the Commission considers the marginal variation, for the proposed Upper Hutt Ward, outside the ‘+/-10% rule’ is appropriate.

Local board arrangements

- 7.46 New clause 15(5) of Schedule 3 of the *Local Government Act 2002* requires:

- (5) ...the Commission must ensure that—
- (a) the boundaries of local board areas will—
 - (i) enable democratic local decision-making by, and on behalf of, communities throughout the district; and
 - (ii) enable equitable provision to be made for the current and future well-being of all communities within the affected area; and
 - (b) the boundaries of local board areas and any subdivisions of those areas coincide with meshblocks; and
 - (c) so far as practicable, local board area boundaries coincide with ward boundaries.

- 7.47 Given these requirements, the Commission considers there is a good case for establishing eight local boards to coincide with the eight wards it has identified for the proposed Greater Wellington District.

- 7.48 Before identifying detailed membership arrangements for each board, the Commission noted it was necessary to consider the nature and characteristics of the proposed boards, and the respective responsibilities of each board and the governing body.

Decision-making responsibilities of governing body and local boards

- 7.49 In relation to allocation of responsibility for non-regulatory decision-making, new clause 42A of Schedule 3 of the *Local Government Act 2002* provides that a reorganisation scheme in respect of a *final* proposal must make an initial allocation of decision-making responsibility for the non-regulatory activities of the unitary authority within each local board area between the governing body and the local board. While this allocation is only required in respect of a reorganisation scheme, the Commission considers a proposed allocation between the governing body and local boards should be included in the draft proposal for Wellington. This is seen as providing necessary and important information and guidance for the public when considering such a proposal.

- 7.50 Responsibility for regulatory decision-making, on the other hand, is allocated in the first instance by legislation to the governing body. However it is noted that provisions in a new Part 1A of Schedule 7 of the *Local Government Act 2002* give the governing body a broad power to delegate to local boards. New clause 36C is seen as having similar scope to the current power for councils to delegate to committees under clause 32. This is potentially applicable to both regulatory and non-regulatory decision-making of a unitary authority.

- 7.51 Unlike the allocation of responsibility for non-regulatory activities, the legislation does not provide clear guidance as to whether the Commission may make initial delegations (regulatory or non-regulatory) to local boards, in a reorganisation scheme or proposal.
- 7.52 The Commission sought legal advice on this matter, which confirmed a lack of clarity on the power for the Commission to propose initial delegations from the governing body to the local boards. On this basis the Commission proceeded to identify what it considered to be an appropriate set of delegations and include these in the draft proposal as recommendations to the governing body for the information and guidance of the public. Accordingly both proposed allocations and delegations of responsibility for decision-making to local boards are addressed here.
- 7.53 In short, the effective starting division of responsibilities between the governing body and local boards reflects the combined effect of the direct statutory allocations made by the *Local Government Act 2002*, decisions on non-regulatory roles made by the Commission in accordance with the principles in new section 48L, and delegations in accordance with the new clause 36C of Schedule 7 of the Act.

Criteria for allocation of responsibility for non-regulatory decision-making between governing body and local boards

- 7.54 New section 48J of the *Local Government Act 2002* provides that the governing body is responsible and democratically accountable for decision-making in relation to:
- (a) any regulatory responsibility, duty or power under any enactment including the Local Government Act 2002, the Resource Management Act 1991, the Heath Act 1956, the Building Act 2004 and the Civil Defence and Emergency Management Act 2002*
 - (b) ...*
 - (i) transport networks and infrastructure*
 - (ii) non-regulatory activities allocated to the governing body*
 - (c) the establishment and maintenance of capacity to provide or ensure provision of services and facilities (including local activities)*
 - (d) governance of council-controlled organisations*
 - (e) the financial management of the local authority*
 - (f) the agreement with each local board in respect of local activities in the local board area.*
- 7.55 New section 48K provides that each local board is responsible and democratically accountable for:
- (a) decision-making of the unitary authority in relation to non-regulatory activities allocated to it*
 - (b) identifying and communicating to the unitary authority the interests and preferences of the people of the local board area*
 - (c) identifying and developing bylaws specifically for the local board area*
 - (d) reaching agreement with the governing body (by a local board agreement) in respect of local activities for the local board area.*

7.56 Non-regulatory decision-making responsibilities are to be allocated in accordance with the principles set out in new section 48L. These principles reflect that responsibility for non-regulatory decision-making should be allocated to local boards unless decision-making on a district-wide basis will better promote the interests of the communities of the district because:

(b) ...

- (i) *the impact of the decision will extend beyond a single board area*
- (ii) *effective decision-making will require alignment or integration with other decisions that are the responsibility of the governing body*
- (iii) *the benefits of a consistent or co-ordinated approach outweigh the benefits of reflecting the diverse needs and preferences of the communities within each board area.*

7.57 In relation to the “area of impact of the decision”, this is seen as designed to deal with possible significant externalities (positive or negative) beyond any one local board area. Considering this criterion highlights a trade-off that needs to be considered in the design of any local board structure. This is that the extent to which this criterion may come into play is likely to be a function of the size of the board areas proposed. The smaller the area, the greater the likelihood that decisions will have impacts beyond a single local board area.

7.58 A further element to this trade-off is between the ‘localness’ of the proposed board structure and the breadth of the boards’ roles. A desire to allocate more significant responsibilities to local boards points towards them being relatively large, while a desire to have a structure that is ‘more local’ may result in a wider range of decisions needing to be allocated to the governing body. This is most obvious in considering cultural, recreational and community facilities. For instance facilities like the Dowse (Lower Hutt), Expressions (Upper Hutt) and Pataka (Porirua) could be local board responsibilities in a local board structure where the local boards largely correspond in scale to the existing territorial authorities. However in a structure of local boards which divided these districts into smaller areas, these responsibilities may be more appropriately allocated to the governing body.

7.59 In relation to “alignment or integration of effective decision-making”, part of the context for consideration of this criterion is that responsibility for decision-making under legislation like the *Resource Management Act 1991*, *Health Act*, *Building Act 2004* and the *Civil Defence and Emergency Management Act 2002* are allocated by the *Local Government Act 2002* to the governing body. Arguments for alignment and integration with *Resource Management Act 1991* planning, in particular, are likely to be a potential factor in relation to a variety of types of decision-making, most obviously land transport and urban infrastructure. The underlying idea here is about economies of scope/strategic capacity and putting the governing body in the position of being able to take a strategic approach across areas of activity.

- 7.60 In relation to the ‘benefits of a consistent or coordinated approach’, this is where arguments about the optimal scale of decision-making about activities sit. However in this context it is the scale of governance/decision-making that is the question under consideration rather than service delivery. An argument for scale in service delivery does not necessarily transfer to considering the scale of governance. The wording of the criterion makes it clear that this is not simply about there being potential economies of scale but that these must be sufficient to outweigh the benefits of allowing local preferences. The balance here is a matter of judgement.
- 7.61 The Commission has sought to learn from the experience to date of Auckland Council with local boards, since they were established and operate under similar legislative provisions (albeit in a different context). Considering the Auckland experience suggests some broad approaches to the allocation that have emerged as consistent with the legislative criteria for allocating responsibility for non-regulatory decision-making.
- 7.62 In relation to facilities of various types (cultural, recreational, community), the following distinctions can be made:
- **local boards** have responsibility for:
 - use of existing local facilities including charges for use consistent with any regional policies
 - specific location, design, build and fit-out of new local facilities within budget parameters agreed with the governing body
 - the **governing body** has responsibility for:
 - use of regional facilities including charges for use
 - any new facilities designed for a regional purpose
 - the number and general location of new facilities (both regional and local) and the prioritisation of major upgrades to existing facilities.
- 7.63 In summary, two distinctions are being drawn here:
- a delineation of facilities by whether they are regional or local in scale
 - a distinction between responsibility for the on-going operation of existing facilities and decision-making about the development of new facilities.
- 7.64 Another approach to allocations, based on Auckland Council experience, relates to responsibilities like plans, strategies, projects, events and programmes, and can be summarised as ‘local discretion within a regional framework’. Under this approach:
- **local boards** have responsibility for:
 - tailoring regional plans, strategies, events and programmes to the local area
 - local plans, strategies, events and programmes being consistent with regional ones

- the **governing body** has responsibility for:
 - developing region-wide plans and strategies
 - conducting regional scale events and programmes.

7.65 The Auckland Council has also adopted a cross-cutting approach to allocations identifying the following:

- fee setting:
 - the **governing body** can set region-wide fees for local activities within any regional policy
 - **local boards** are able to set fees for local activities not covered by the regional policy
- service specifications:
 - the **governing body** can set service specifications for its own activities and set minimum service levels for local activities where it decides to do so for policy reasons
 - **local boards** are able to set service levels for local activities subject to any minimum levels set by the governing body and would negotiate a mechanism for funding a higher level with the governing body (for example, a targeted rate)
- procurement:
 - the **governing body** is responsible for procurement for governing body activities, and for major service delivery (such as maintenance, cleaning and security) for Auckland-wide assets and facilities
 - **local boards** can undertake procurement outside these parameters
- asset renewal:
 - the **governing body** maintains regional assets and sets region-wide parameters and standards for asset management
 - **local boards** maintain local assets within parameters and standards set by the governing body.

7.66 In each case this generalises as the governing body being able to set regional standards and parameters within which local boards can make decisions, and be responsible for funding variations outside any such regional parameters.

7.67 Table 41, taken from the Auckland Council’s 2012-22 long-term plan, shows how that council sees the respective general governance and planning responsibilities of its governing body and local boards.

Table 41: Responsibilities of governing body and local boards of Auckland Council

Source: Auckland Council long-term plan 2012-222

Governing body	Local boards
<p>Regional planning, strategy and governance including:</p> <ul style="list-style-type: none"> the Auckland Plan and area spatial plan regional strategies, policies and plans region-wide place-shaping activities including regional leadership submissions to government on legislation including official submissions incorporating local board views regional civic duties, engagements and functions 	<p>Local planning, policy and governance including:</p> <ul style="list-style-type: none"> local place-shaping activities including local leadership to create local identity local strategic visioning, policy-making and planning within parameters set by regional strategies, policies and plans development of local policy positions such as determining areas in which activities may take place and local service specifications submissions from local board to government on legislation where it specifically relates to the local board area only civic duties, engagements and functions in the local area, including citizenship ceremonies and recognition of volunteers

Allocations and delegations of decision-making responsibility for Greater Wellington Council

- 7.68 In summary, the potential scope of the responsibilities of local boards is dependent on two crucial factors: the extent to which facilities, programmes and events are considered to be either regional or local in significance, and the extent of any delegations.
- 7.69 In the context of the proposed Greater Wellington District, the approach proposed is that a relatively small number of facilities, programmes and events be considered as having regional significance. Most of the facilities are located in and close to the Wellington central business district such as Westpac Stadium, Michael Fowler Centre, and Wellington waterfront. Other district-wide responsibilities would include, for example, any funding for national facilities and amenities such as for Te Papa. This approach results in some quite significant facilities such as Pataka, the Dowse, and Expressions being regarded as primarily local.
- 7.70 The second factor is the extent to which responsibilities might be delegated to local boards notwithstanding an initial allocation to the governing body. There is considerable scope for this in regulatory areas such dogs, stock, liquor, gambling and prostitution policy and bylaws. In addition, although section 48J directly allocates decision-making on transport networks and infrastructure to the governing body, there is a close connection between decision-making on the transport network and a variety of more local place-making activities. The Commission considers there is scope for delegations in relation to such activities as parking, and pedestrian crossings.

- 7.71 As noted, the Commission is only required to propose allocations of decision-making responsibility between the governing body and local boards for a Greater Wellington Council as part of a final proposal. However for the information and guidance of those who wish to make submissions on the draft proposal, the Commission has prepared a schedule of potential allocations and attached this as Schedule C to the draft proposal set out in Part 8. These potential allocations reflect the statutory requirements of the *Local Government Act 2002*, the experience of Auckland Council in relation to local boards and the Commission’s view that maximum possible allocations to local boards, consistent with effective decision-making, is desirable. However it also acknowledges that ultimately the governing body will be best placed to determine firstly those non-regulatory responsibilities which are best carried out district-wide and, consequently, those which should be carried out at the local level. The Commission encourages submitters to consider carefully the potential allocations to local boards and submit their views to the Commission.
- 7.72 The Commission has also prepared recommended delegations to local boards by the governing body of Greater Wellington Council and included these in Schedule C of the draft proposal in Part 8. Again the Commission seeks input from submitters on the matter of delegations to local boards.

Local board electoral arrangements

- 7.73 The Commission proposes an eight-ward structure electing a total of 21 councillors for the proposed Greater Wellington Council with eight local boards whose boundaries coincide with the eight ward boundaries. Such a structure is seen to meet the requirements of clause 15(5) of Schedule 3 of the *Local Government Act 2002* relating to enabling democratic local decision-making by, and on behalf of, communities throughout the district, and enabling equitable provision to be made for the current and future well-being of all communities within the “affected area”.
- 7.74 The Commission then considered electoral arrangements for the proposed eight board structure. It first considered whether any or all of the boards should be subdivided for electoral purposes. While board members would take an oath to act in the interests of the board area as a whole, subdivisions are seen as desirable where effective representation would be enhanced as a result of factors such as size, geography, the nature of settlement and the existence of separate distinct communities of interest.
- 7.75 Where subdivisions of local boards are seen as appropriate, current territorial authority wards were used as an appropriate starting point for consideration of possible subdivisions. This was on the basis that the new proposed wards/local boards reflect, at least in part, territorial authority boundaries and/or current electoral divisions, that is, wards. These wards reflect existing communities of interest.

Wairarapa

- 7.76 Masterton District is currently divided into an urban ward electing four councillors and a rural ward electing one councillor (a further five councillors are elected at large).
- 7.77 Carterton District now elects eight councillors at large, although prior to the last election it was divided into an urban ward electing five councillors and a rural ward electing three councillors.
- 7.78 South Wairarapa District is currently divided into three wards: Greytown, Featherston and Martinborough each electing three councillors.
- 7.79 The Wairarapa councils' application for a Wairarapa unitary authority proposed division of the combined area into seven wards involving:
- retention of the Masterton Urban, Greytown, Featherston and Martinborough Wards
 - replacement of the former Carterton Urban and Carterton Rural Wards, and of the Masterton Rural Ward with a proposed Carterton Ward and two rural wards.
- 7.80 The proposed Wairarapa local board area is a large area (5,867 sq. km.), primarily rural in nature though with small servicing urban areas, and is comparatively sparsely populated compared to the rest of Wellington Region. Given these factors and current divisions for electoral purposes, the Commission considers that a Wairarapa local board area should be subdivided for electoral purposes. The Commission used the divisions proposed by the Wairarapa councils as a starting point for subdivisions and then modified these with a view to achieving reasonable compliance with the requirements of the *Local Electoral Act 2001* for fair representation for electors. This resulted in proposals for Masterton and Carterton urban subdivisions and a combined Masterton-Carterton rural subdivision, along with Greytown, Featherston and Martinborough subdivisions.

Upper Hutt

- 7.81 Upper Hutt City Council comprises 10 councillors elected at large which has been the basis of election since 1992. Prior to this in 1989, the then Local Government Commission had determined that the city would be divided into four wards with three largely urban wards (Northern, Central and Southern) and a rural ward.
- 7.82 Upper Hutt City is the largest of the four metropolitan councils in the region (540 sq. km.) and includes a reasonably large rural area. However, the community has clearly accepted an at large basis of election for a number of years and on this basis the Commission does not propose reintroducing subdivisions for an Upper Hutt local board area.

Lower Hutt

- 7.83 Lower Hutt City (377 sq. km.) is currently divided into six wards being Northern, Eastern, Western, Central, Harbour (including Petone and Eastbourne) and Wainuiomata with each ward electing two councillors.

- 7.84 The city comprises a number of distinct communities both geographically, such as Wainuiomata and Stokes Valley, and also socio-economically such as Eastbourne and Taita/Pomare. The city has been divided into wards since the amalgamation of Eastbourne, Petone and Wainuiomata with the old Lower Hutt City, with these three added areas having had their own community boards since that time.
- 7.85 On the basis of the above information the Commission considered a Lower Hutt local board area should be subdivided for electoral purposes. The current wards provided a useful starting point with the Commission proposing combined Northern-Easter and Western-Central subdivisions, along with Harbour and Wainuiomata subdivisions.

Kapiti Coast

- 7.86 Kapiti Coast District is a reasonably sized district (731 sq. km.) currently divided into four wards being Otaki, Waikanae, Paraparaumu and Paekakariki-Raumati. These arrangements provide for the election of two members from the Paraparaumu Ward and one each from the other three wards, a total of five, with a further five members elected at large.
- 7.87 This was one district where strict compliance with the ‘+/-10% fair representation’ rule did cause concerns in terms of its impact on communities of interest. In particular, in order to comply with the ‘+/-10% rule’, the areas of Reikorangi and Peka Peka have in the past been excluded from Waikanae Ward while remaining in the Waikanae Community Board area, and instead included in the Otaki Ward.
- 7.88 The Commission considers a Kapiti Coast local board area should be subdivided for electoral purposes based on the current four wards, subject to an adjustment of the Waikanae/Otaki boundary to reflect communities of interest in these areas.

Porirua

- 7.89 Porirua City (175 sq. km.) is currently divided into three wards being Northern (electing four councillors), Eastern (electing four councillors) and Western (electing two councillors).
- 7.90 The three wards reflect quite distinct communities of interest with the Western and Eastern Wards divided by the motorway and main trunk rail line and the Eastern and Northern Wards also distinct geographically and socio-economically.
- 7.91 The Commission considers that the addition of the Tawa Basin to this area further supports an argument for subdivision of a Porirua-Tawa local board area for electoral purposes. Again the current wards provided a useful starting point with the Commission proposing four subdivisions for the four distinct communities.

Wellington

- 7.92 The Commission is proposing a model involving division of Wellington City into three wards (Ohariu, Lambton and Rongotai) along with a boundary adjustment in the north with Porirua.

7.93 The Commission considered carefully the nature of both current representation arrangements and functional linkages between individual areas/suburbs and the Wellington central business district including current council service centre arrangements. On balance it considers that the functional linkages with the central business district are more significant than a need to recognise, for electoral purposes, discrete communities of interest within each proposed ward/local board area. On this basis, the Commission proposes that none of the three Wellington local board areas be subdivided for electoral purposes.

Membership of local boards

7.94 New section 19EA of the *Local Electoral Act 2001* provides that a local board must comprise no fewer than five members and no more than 12 members including the chairperson. There must be at least five elected members along with any other members appointed by the governing body who would be councillors from the area in which the local board is located. Any appointed members must comprise less than half the total number of members.

7.95 The Commission considers that appointment by the governing body of members to the local boards is important for achieving effective communication and coordination between the governing body and local boards. It sees this as particularly important for a new council needing to establish good working relationships between the governing body and local boards.

7.96 A further issue, which needs to be addressed, is whether the chairpersons of the boards are to be elected at large or by the board itself. The Commission considers there are important arguments in favour of chairpersons being elected by the boards. These include each chairperson having the support of his or her board, which will be important for the boards to work collegially in what will be a new and challenging environment. Boards will then be able to develop a collective vision for their area and be collectively accountable to the area.

7.97 Table 42 sets out the proposed elected membership for the eight local boards based on the above decisions. The subdivisions and total number of members for each board reflect what the Commission considers to be appropriate in terms of the population and nature and size of the area. Some variations of current ward boundaries are proposed in order to achieve closer compliance with the '+/-10% fair representation' rule which applies to subdivisions of local board areas. However some variations outside the rule are still seen as necessary and acceptable in terms of the flexibility now provided for in the *Local Electoral Act 2001* in relation to effectiveness of representation for communities of interest.

7.98 Under this model total numbers of elected members compared to current numbers are:

- 1 mayor and 21 councillors (8 mayors and 96 councillors currently)
- 60 local board members (57 community board members currently).

7.99 In addition to the elected members, the Commission proposes that two members of the governing body be appointed to each board.

Table 42: Proposed local board elected member representation (excludes appointed members)

Local board/ subdivisions	Population	Number of members	Population per member	Deviation from board average	% deviation from board average
Wairarapa Local Board					
Masterton Urban	18,690	4	4,673	+434	+10.23
Masterton-Carterton Rural	9,080	2	4,540	+301	+7.10
Carterton Urban	4,810	1	4,810	+571	+13.47
Greytown	3,340	1	3,340	-899	-21.21
Featherston	3,070	1	3,070	-1,169	-27.58
Martinborough	3,400	1	3,400	-839	-19.79
Total	42,390	10	4,239		
Upper Hutt Local Board					
At large	41,300	6	6,883		
Lower Hutt Local Board					
Northern-Eastern	33,090	3	11,030	+910	+8.99
Western-Central	32,750	3	10,917	+797	+7.87
Harbour	17,680	2	8,840	-1,280	-12.65
Wainuiomata	17,680	2	8,840	-1,280	-12.65
Total	101,200	10	10,120		
Kapiti Coast Local Board					
Otaki	8,780	2	4,390	-1,243	-22.07
Waikanae	11,630	2	5,815	+182	+3.22
Paraparaumu	19,130	3	6,377	+743	+13.20
Paekakariki-Raumati	11,160	2	5,580	-53	-0.95
Total	50,700	9	5,633		
Porirua-Tawa Local Board					
Northern	21,400	2	10,700	+884	+9.01
Eastern	20,080	2	10,040	+224	+2.28
Western	10,510	1	10,510	+694	+7.07
Tawa	16,720	2	8,360	-1,456	-14.83
Total	68,710	7	9,816		
Ohariu Local Board					
At large	69,760	6	11,627		
Lambton Local Board					
At large	47,440	6	7,907		
Rongotai Local Board					
At large	65,250	6	10,875		

Māori participation

7.100 The Commission concluded in Part 6 that the local government arrangement that best provides for Māori participation is One Wellington Council with local boards. In the proposed structure for the new council, the Commission proposes a two-fold approach as follows:

- a Māori Board to assist Greater Wellington the Council meet its statutory responsibilities to Māori
- a committee called Te Upoko Taiao – Natural Resources Management Committee with responsibilities to promote the sustainable management of natural and physical resources.

7.101 Each body would include members of both Greater Wellington Council and nominees of iwi.

7.102 These arrangements are based on the structures established by the Greater Wellington Regional Council which the Commission's engagement with iwi suggests are seen as being a successful model for participation by Māori at the regional level of local government.

7.103 Beyond the formal proposal, the Commission sees the need for local boards to establish relationships with iwi and hapū as well as local taura here groups. The form of these relationships would be for individual local boards to develop in conjunction with iwi, hapū and other organisations according to the circumstances of each area. These arrangements could include, for example, establishment of Māori advisory groups; appointments to committees; direct meetings between boards, iwi and hapū; and memoranda of understandings. In some cases these would carry forward existing relationships and arrangements.

Area offices and service centres

7.104 In any reorganisation it is vital that members of the public continue to have access to the services and information provided by the council. It is also important to provide for the most economic use of existing council offices and property.

7.105 Ultimately decisions over how to best provide services to its residents and businesses will rest with the proposed Greater Wellington Council. However, in order to provide for effective transition to the new arrangements, the Commission made certain decisions. Firstly it proposes that the administrative headquarters of Greater Wellington Council be located in the former Wellington City. It also proposes that there be area offices in the former Wellington City, possibly in conjunction with the headquarters building, and in the five wards outside of Wellington City (that is, Porirua, Paraparaumu, Lower Hutt, Upper Hutt and Masterton). These area offices must be retained for at least five years and retain levels of service currently provided to the public for at least five years. This would not prevent the new council deciding to provide additional services to those currently provided.

7.106 In addition the Commission proposes that the Greater Wellington Council retain existing service centres in Carterton, Featherston, Greytown, Martinborough, Otaki and Waikanae again for not less than five years.

Council-controlled organisations

7.107 The current Wellington councils own a wide variety of council-controlled organisations of differing size and complexity. These entities own a variety of assets, deliver a range of activities, and have various funding arrangements. Some provide for effective partnerships with businesses while some are trusts and provide for more charitable purposes. The range of council-controlled organisations reflects historic decisions made by councils with respect to the way in which they deliver services.

7.108 Councils have the power to establish, review and change their council-controlled organisations. The provisions of section 17A of the *Local Government Act 2002* now require councils consider this matter as part of their regular review of service delivery. Following the implementation of a reorganisation scheme, the resulting council would have the ability to change or reorganise its council-controlled organisations to ensure that they deliver services in the most appropriate way.

7.109 Through a reorganisation scheme the Commission has the authority to reorganise council-controlled organisations, or direct the establishment of new ones. Accordingly, in developing this draft proposal, the Commission considered whether or not it should extend its proposal to address council-controlled organisations.

7.110 The Commission decided that it would focus its attention on the core reorganisation of councils and leave existing council-controlled organisations in place for the future council to address. This decision reflects:

- the variety and complexity of current council-controlled organisations
- the significance and scale of the transition to its “preferred option”
- a desire not to unnecessarily complicate the transition
- the establishment of a large and competent council to make decisions for Greater Wellington District under the “preferred option”
- the importance of the new Greater Wellington Council engaging with its communities over the best way for it to deliver services, including the appropriate structure and scale of activities delivered through council-controlled organisations.

Assets and debt

- 7.111 One of the issues that the Commission needs to address in relation to local government reorganisation in Wellington is equity between the ratepayers of councils that are proposed to merge. The Commission could consider some form of debt allocation or ring-fencing in order to limit the need for residents in some areas to pay for deferred maintenance and renewals, and under-investment or poor decision-making in other areas. The Commission has considered the potential for ring-fencing the debt associated with one or more councils in draft reorganisation proposals for both Hawke's Bay and Northland.
- 7.112 In principle there is an equity issue that the Commission should have regard to in considering the merger of councils. It may not be fair or equitable to expect the current residents of a neighbouring council to take on the burden of that debt through a merger of councils where one has a larger level of indebtedness that reflects either: the poor management of the council, or decisions to fund assets by borrowing rather than saving up for them first, or decisions to adopt a higher level of service.
- 7.113 Councils make differing decisions on when and how assets are paid for. Councils may fully fund the construction of infrastructure by borrowing and then paying off the debt using its future provision for depreciation. This approach means that those who benefit from the infrastructure pay for it over its useful life. Other councils may save up for an asset and then build it. This approach places the burden on current ratepayers who may not fully benefit from the investment. Both approaches are legitimate, but an issue arises when two differing approaches are combined.
- 7.114 Equally differences in the level of debt at any point in time may reflect a variety of factors such as differences in the cyclical renewal and replacement of major assets, or the presence or absence of growth in a district. A focus on current debt may obscure differences in asset condition and the differences in future financial liabilities that they might imply.
- 7.115 Councils often use internal borrowing to minimise external debt. This means that they will have used the cash associated with a particular reserve to fund another activity, but they will have recorded within their accounts both the financial value of the reserve and the internal loan. When the council decides to commit the funds from the reserve for the purpose for which they are held, it must then either repay the internal loan, or raise external debt to support the expenditure. Accordingly, simply looking at the external debt position of a council can be misleading.
- 7.116 Capital expenditure on major assets is frequently very lumpy. Large projects tend to be built in association with large developments, in particular with major subdivisions and new construction. Consequently, the total amount of debt and funding required will rise and fall depending on which part of the construction, renewal and maintenance lifecycle the council is at. Hutt City Council provides an example of this.⁹⁷ Over the next two decades Hutt City Council is projecting waves of debt that reflect its expenditure and future spending requirements. The current period coincides with the first low point in the cycle. The council expects debt to

⁹⁷ *Hutt City Council long-term plan 2012-2022*

- rise to a peak in 2018 and then fall to the second low point before rising steadily through to a second peak in 2029. Looking at the council’s debt position at any one point in time could result in a misleading understanding of its actual long-term position.
- 7.117 Each of the Wellington councils will be at a different stage of the cycle of major capital expenditure at any one point in time.
- 7.118 Councils also have differing accumulated financial assets and other income earning assets. The two most striking examples in Wellington are the Greater Wellington Regional Council shareholding in CentrePort and the Wellington City Council shareholding in Wellington airport. In contrast Upper Hutt City Council has no income earning assets.
- 7.119 Despite the qualifications noted above, it is far easier to focus on external debt than it is to focus on the future liabilities that a council may face with respect to its assets. Water and wastewater infrastructure is almost all below the ground. These are long-life assets that will need to be repaired and replaced at some point in time. In Part 3 the current condition of these assets is discussed. The condition of water and wastewater assets varies between the councils, but overall the need to progressively replace much of this infrastructure is one of the significant future challenges facing the region.
- 7.120 On a discounted future revenue and expenditure accounting basis, the net present value of a council with very good assets and high external debt could be much the same as one that has very low external debt but poorly maintained and aging infrastructure that will require significant future expenditure. Both of these could also have the same net worth as a council that has low external debt, good assets, but obligations with respect to special purpose reserves that it holds, that it cannot fulfil without external borrowing.
- 7.121 Part 3 sets out the current state of assets and the financial position of each of the Wellington councils. That analysis highlights the condition of water and wastewater assets, with a number of councils having between 60% and 80% of these assets rated in poor to very poor condition.
- 7.122 As assets age and deteriorate there is increasing risk of failure. For water assets this means that there is an increasing risk of pipe breakage, leaks and loss of service to customers. Major breaks on important water mains could result in significant outages for customers. When they reach condition grade 5 (very poor condition) there is significant risk of failure. The proportion of the water and wastewater networks that are in poor or very poor condition gives a good indication of the scale of major replacement investment that is required. The greater the proportion of the network that is in poor or very poor condition, the greater the risk of failure and the bigger the required expenditure will be once the council decides to replace the infrastructure. The estimated region-wide costs of replacing these assets is discussed in Part 3.

7.123 In the current long-term plans the councils are not necessarily budgeting to address the full challenge of asset renewal. The value of budgeted renewals in Porirua City equates to 13%⁹⁸ of the depreciated replacement value over the life of the long-term plan. It is likely that the overall condition of its assets will deteriorate over this ten-year period. Upper Hutt, Masterton and South Wairarapa are all planning to spend 15% or less of the depreciated replacement value of their assets on renewals and replacement over the ten years of their long-term plans.

7.124 Over the life of current long-term plans the region's public debt is planned to increase from \$948m to \$1,399m. There are marked differences between the councils in relation to their financial management:

- Porirua City Council is not planning any increase in borrowing, this means that it will continue to have a low level of debt but given the levels of expenditure on renewals over the life of the plan, it would appear that in 2022 it will have poorer quality assets than it has today.
- Hutt City Council is planning to repay debt over the life of its long-term plan, however, that repayment happens within a cyclical wave of debt as discussed above.
- The Wairarapa Councils all have planned increases in borrowing, with the most significant percentage increase being in South Wairarapa (a 60% increase from \$10m to \$16m).

Is there a case for ring-fencing debt?

7.125 All councils face increased future costs to deal with some quite significant age, quality and condition issues with the existing assets.

7.126 Wellington City Council has the highest level of debt in dollar terms (\$374m) and the third highest level of debt per resident. However, Wellington also has the highest level of investment (reflecting amongst other things its ownership interest in Wellington airport), and it has the best quality assets with only 13% of water assets and 42% of wastewater assets in poor or very poor condition. It is also likely that Wellington City's disproportionate share of existing debt relates in part to the regional infrastructure that it has traditionally developed, owned and funded.

7.127 Porirua City Council has only 7% of the debt and 11% of the water and wastewater network, but has 84% of its wastewater network and 61% of its water network rated as in poor or very poor condition. Thus Porirua's lower levels of visible external debt are to a degree matched by less visible debt in terms of its need to deal with infrastructure renewals and replacement.

⁹⁸ If the council's major assets had a life of 60 years and were evenly spread over an age and condition profile, the council should be replacing up to 17% of the value of its assets in each decade. Council assets have various lives, but the average life will be less than 60 years. Wellington councils' assets are not being spread evenly over an age and condition profile, large parts of the networks of each council were built at the same time and will come to the end of their economic life at the same time.

- 7.128 Upper Hutt City Council has a very low share of debt (3%) but it has no income earning investments so its share of net debt (debt less investments) is more in keeping with its share of population and properties. Seventy per cent of Upper Hutt’s wastewater network is recorded as in poor or very poor condition. Here too the absence of visible external debt is accompanied by a less visible future debt relating to infrastructure.
- 7.129 Hutt City Council has 21% of the region’s population and only 8% of the water and wastewater network. It currently has 11% of territorial authority net debt (debt less investments). Fifty-eight per cent of Hutt City Council’s water assets are rated as in poor or very poor condition. The council’s long term plan contains a discussion of the potential scale of capital expenditure likely to be required in the 10 years beyond the current plan, including the possible need to upgrade the main wastewater pipeline to Pencarrow. However, the city also has 17% of the capital value of the region which suggests that the current level of rates per person probably reflects a mix of a lower level of service provision than other parts of the region, and the use of facilities provided by other councils – in particular Wellington City.
- 7.130 Of the three Wairarapa Councils, Masterton has a level of current debt that represents a higher share of total debt than its share of population and water assets. Carterton and South Wairarapa have a share of debt that is lower than their share of the water network and of population. Carterton has 66% of its water assets rated as poor to very poor and this will present a longer-term challenge for that community.
- 7.131 Kapiti Coast is the exception to the trends across the rest of the region. Kapiti Coast District has 17% of the region’s territorial authority debt, 10% of the population, 13% of the water and wastewater network, and has 67% of its wastewater network and 53% of its water network rated as being in poor or very poor condition. As Kapiti Coast District Council deals with the renewal of these assets this council borrowing is likely to increase. Kapiti Coast District already has the highest level of debt per resident (\$2,546 in 2013) and their long-term plan would see this rise to \$3,192 per resident). There may be a case for considering that it would be unfair to impose this burden on other districts. However, if the Commission was to ring fence the debt for Kapiti Coast, a future council would come under significant pressure to similarly segment service levels and future investment. That would mean the residents of Kapiti Coast would not necessarily benefit from other initiatives that a future council would need to undertake to equalise rates, harmonise service standards, etc.
- 7.132 In addition to differences in debt, asset condition and investments, there are also differences in the level of service provided by each council to its community, and differences in the risk profile associated with each council’s operation. These differences will be material issues for any new council post-reorganisation. The proposed Greater Wellington Council will be required to move to harmonise rates across its district. It will also have to consider how to harmonise levels of service.

- 7.133 The current local government arrangement for Wellington means that the Wellington City Council provides and funds a number of significant regional assets. The cost of these facilities will be reflected in the levels of debt held by Wellington City. To a degree the residents of all of the other districts are able to free-ride on this expenditure by taking advantage of the facilities but avoiding the cost. This will need to be considered in the design of the future rating system.
- 7.134 It would be unfair to doubly penalise the residents of Wellington City by sharing the assets that they currently own but ring-fencing debt, exposing them to a share of the infrastructure challenges and risks of other councils, and providing further opportunities for the residents of other districts to utilise regional infrastructure in Wellington City without paying for it.
- 7.135 Harmonising levels of service will be a significant issue for any new council. Where predecessor councils have markedly different levels of service and different tolerances for risk, it would be difficult for a new council to maintain those differences – particularly for infrastructure. Where these differences result in an increase in level of service, or investment necessary to reduce risk in parts of the new council area, it will result in different future expenditure than is currently planned. This is difficult to estimate in advance, but is one of the real consequences of the merger of councils.
- 7.136 Harmonising rates is challenging because despite the apparent sophistication of the tools available under the *Local Government Rating Act 2002*, rates are in essence a blunt tool. In any harmonised rating system that a new council adopts there will be inequities. Debt is only one of the factors that drive the need for rates revenue. Ring-fencing debt is likely to constrain the options available to a future council to harmonise rates.
- 7.137 Across the country one of the significant trends in local government funding policy has been to move towards common district-wide charges for services. Whereas historically it was common for councils to allocate the costs of each discrete water or wastewater scheme to the community that directly benefited from that scheme, it is increasingly common for councils to charge all properties that benefit from the provision of potable water or wastewater disposal the same rate, that is to equalise and spread the costs of all such schemes across all users.
- 7.138 This approach is based on the district-wide application of an equity principle. Equity is achieved when each person in like circumstance is treated in a like manner. Adopting the view that each property that receives potable water supply is in a like circumstance leads to the equalisation of costs so that all people with that service pay on the same basis. Ring-fencing the debt associated with any one of the existing councils would effectively preclude a new council from adopting this approach to funding policy and equitability of charging.

Conclusion

- 7.139 On the basis of this analysis, the Commission has concluded that there is little case for ring-fencing debt in any of the possible Wellington amalgamation options considered by the Commission and certainly not under its “preferred option”.

- 7.140 The net debt per resident across the western councils (other than Kapiti Coast) varies between \$424 per resident and \$593 per resident. Considering the variability in the asset condition of the western local authorities, this would not support ring-fencing of debt from these councils.
- 7.141 The levels of current debt vary between the councils, but so too do the levels of investment assets and the condition and future investment requirements of the infrastructure owned by the Wellington councils. A consideration of debt allocation without considering the quality of council assets and investment assets is incomplete and is likely to be misleading.
- 7.142 Generally, where there are disproportionately low levels of current debt, they are matched by higher levels of less visible debt, in the nature of required future investment in major asset renewals and replacement. Those councils with a disproportionately high share of debt also tend to have both investment assets and infrastructure assets in better condition. Therefore these councils will place less burden on any new council for further borrowing to support asset renewals and replacement.
- 7.143 The exceptions are Kapiti Coast and Masterton. However, ring-fencing debt associated with these two councils would probably create other challenges to harmonisation of rating and levels of service delivery across any new larger council.
- 7.144 Any new council will need to address differences between the current councils in:
- rating systems and incidence of rates
 - asset condition and risk
 - levels of service
 - the size and nature of investment endowments
 - future development plans.
- 7.145 These matters are interrelated. The Commission can determine the basis of rates (capital or land value) and any initial allocation of debt, but it cannot determine rating policy, levels of service, long-term investment strategy or future development plans. Determining one of these matters in isolation from the others will constrain future decisions by a new council, and could also result in some quite perverse outcomes.
- 7.146 Normally the matters set out above would be considered as part of the ongoing engagement between a council and its community through the annual plan and long-term plan process. Given the significance of the issues and the interconnection of decisions about rating policy, debt, asset condition and risk, levels of service and historic asset endowments, it is considered that the best outcomes will come from any new council finding the right balance with its community through that process.
- 7.147 Ring-fencing debt in the Wellington context would also limit the ability of a future council to adopt an equity-based approach to charging for services that seeks to charge people in like circumstances in a like manner. Accordingly the Commission’s draft proposal makes no provision to ring-fence any debt or any investments.

Transition

7.148 The assumptions that the Commission used to estimate the costs of change are discussed in Part 6. They reflect the framework established by the *Local Government Act 2002* including:

- an Order in Council giving effect to a final reorganisation proposal and establishing a transition body
- a transition body comprising an implementation team and a transition board charged with working with the Commission to complete a reorganisation scheme
- an Order in Council confirming the reorganisation scheme
- preparing and implementing a change management plan
- the appointment of an interim chief executive
- the timelines that are required to conduct an election
- the need to have a new council operational, continue effective service delivery and make decisions relating to services and rates for the following year
- the requirement that a council normally serves for three-year term but which can be extended to a maximum of four years.

7.149 The requirements relating to the maximum length of an electoral cycle mean that irrespective of what may come before, and any delays that may take place, the first feasible window for the election of a newly formed council is October 2016.

7.150 Clearly the transition timeline will depend on whether or not the Commission decides to proceed to a final reorganisation proposal following submissions and hearings. It will also depend on whether a poll on a final proposal is called for. For the purposes of planning, the Commission adopted a timeline that reflects the receipt of submissions through the end of 2014 and early 2015, hearings in the first quarter of 2015 and (if required) a poll in mid-2015. This would be followed by:

- a transition board in place by September 2015
- an interim chief executive appointed by May 2016
- elections for the new council in October 2016
- commencement day for the new council of 1 November 2016.

7.151 This timeline provides for a total of just 13 months from a decision to proceed to the commencement of a new council. This compares with the 17 months between enactment of the Local Government (Tamaki Makaurau Reorganisation) Act 2009 on 23 May 2009, and the 1 November 2010 commencement of the Auckland Council. It is noted, however, that if there was no poll on a final proposal, a transition body could be in place earlier.

7.152 The Commission proposes to establish a transition body comprising:

- an implementation team
- a transition board.

- 7.153 It is proposed that the transition board is made up of an independent chairperson appointed by the Commission and one member nominated by each of the Wellington councils from amongst their elected members.
- 7.154 The implementation team, including a manager, will be appointed by the Commission from amongst the staff of the affected councils and consultants as required. It will provide advice and assistance to the transition board, give effect to decisions of the transition board and support the interim chief executive.
- 7.155 Consistent with clause 40 of Schedule 3 of the *Local Government Act 2002*, the costs of transition will be apportioned between the affected councils.

Part 8: The draft reorganisation proposal

Greater Wellington Council

1 Constitution

- (1) There will be:
 - (a) a Greater Wellington District comprising the area of the existing Wellington Region apart from the area of Tararua District currently within Wellington Region
 - (b) a unitary authority for the Greater Wellington District called Greater Wellington Council comprising a governing body and local boards
 - (c) a transfer of all regional council statutory obligations to Greater Wellington Council for the area of Tararua District currently within Wellington Region.
- (2) The constitution of Greater Wellington Council will require the dissolution of the following local authorities (referred to in this proposal as the “affected authorities”):
 - (a) Greater Wellington Regional Council
 - (b) Carterton District Council
 - (c) Hutt City Council
 - (d) Kapiti Coast District Council
 - (e) Masterton District Council
 - (f) Porirua City Council
 - (g) South Wairarapa District Council
 - (h) Upper Hutt City Council
 - (i) Wellington City Council.
- (3) The area of Tararua District currently within Wellington Region will be included in Manawatu-Wanganui Region.
- (4) Greater Wellington Council will come into existence on 1 November 2016.

2 Status of Greater Wellington Council

- (1) Greater Wellington Council will be:
 - (a) a territorial authority and
 - (b) a unitary authority, as defined in section 5 of the *Local Government Act 2002*, with the responsibilities, duties and powers of a regional council.
- (2) Greater Wellington Council will have the statutory obligations of a regional council in the area of Tararua District currently within Wellington Region.

3 First election

- (1) The first election of Greater Wellington Council will be held on 8 October 2016.
- (2) The first election of Greater Wellington Council will be held using the single transferrable vote (STV) electoral system.

4 Headquarters, area offices and service centres

- (1) The administrative headquarters of Greater Wellington Council will be located in the former Wellington City.
- (2) Greater Wellington Council must retain area offices in the former Wellington City and in Porirua, Paraparaumu, Lower Hutt, Upper Hutt and Masterton for not less than 5 years.
- (3) Greater Wellington Council must retain service centres in Carterton, Featherston, Greytown, Martinborough, Otaki and Waikanae for not less than 5 years.
- (4) The existing services to the public at the time Greater Wellington Council is established must continue to be provided in the locations identified in sub-clauses (2) and (3) for not less than 5 years.
- (5) Nothing in this proposal prevents Greater Wellington Council from providing additional services during the five-year period specified in sub-clause (4).

Representation

5 Wards

- (1) Greater Wellington District will be divided into eight wards as follows:
 - (a) Kapiti Coast Ward
 - (b) Porirua-Tawa Ward
 - (c) Ohariu Ward
 - (d) Lambton Ward
 - (e) Rongotai Ward
 - (f) Lower Hutt Ward
 - (g) Upper Hutt Ward
 - (h) Wairarapa Ward.
- (2) Maps defining the wards are contained in Schedule A to this proposal.

6 Membership

- (1) The governing body of Greater Wellington Council will comprise a mayor and 21 councillors.
- (2) The mayor will be elected at large and the councillors will be elected as follows:
 - (a) 2 councillors elected by Kapiti Coast Ward
 - (b) 3 councillors elected by Porirua-Tawa Ward
 - (c) 3 councillors elected by Ohariu Ward
 - (d) 2 councillors elected by Lambton Ward
 - (e) 3 councillors elected by Rongotai Ward
 - (f) 4 councillors elected by Lower Hutt Ward
 - (g) 2 councillors elected by Upper Hutt Ward
 - (h) 2 councillors elected by Wairarapa Ward.

Local boards

7 Local board areas and local boards

- (1) Each ward will comprise a local board area and for each local board area there will be a local board.
- (2) The membership of the local boards will be as follows, together with two members appointed to each board by the governing body being members of the governing body representing the ward in which the local board is located:
 - (a) Kapiti Coast Local Board – 9 elected members
 - (b) Porirua-Tawa Local Board – 7 elected members
 - (c) Ohariu Local Board – 6 elected members
 - (d) Lambton Local Board – 6 elected members
 - (e) Rongotai Local Board – 6 elected members
 - (f) Lower Hutt Local Board – 10 elected members
 - (g) Upper Hutt Local Board – 6 elected members
 - (h) Wairarapa Local Board – 10 elected members.
- (3) The elected members of the Upper Hutt, Ohariu, Lambton and Rongotai Local Boards will be elected at large.
- (4) The elected members of the Kapiti Coast, Porirua, Lower Hutt and Wairarapa Local Boards will be elected from subdivisions as defined in maps in Schedule A to this proposal.
- (5) Each local board will elect a chairperson from amongst its members.

8 Role of local boards

- (1) The role of each local board will be to share decision-making responsibility for Greater Wellington Council's non-regulatory activities with the governing body, and to perform the functions, duties and powers of a local board.⁹⁹
- (2) The local boards will be responsible and democratically accountable for the non-regulatory decision-making responsibilities allocated to them under the reorganisation scheme giving effect to a final reorganisation proposal for Greater Wellington Council.¹⁰⁰
- (3) The local boards will be responsible for any matters delegated to them by Greater Wellington Council.¹⁰¹

9 Responsibilities of the governing body

- (1) The governing body will be responsible and democratically accountable for those non-regulatory decision-making responsibilities not allocated to the local boards.

⁹⁹ The decision-making responsibilities and statutory functions, duties and powers of local boards are set out in Schedule C

¹⁰⁰ For the purposes of this draft reorganisation proposal, a potential set of allocations of responsibility to the local boards is included in Schedule C

¹⁰¹ The Local Government Commission is not able to propose delegations to local boards as part of a reorganisation proposal. However for information purposes a set of possible delegations is also included in Schedule C.

Māori participation

10 Māori Board

- (1) Greater Wellington Council must, at least until the 2019 triennial election, constitute and maintain a committee to be called the Māori Board.
- (2) The Māori Board will comprise:
 - (a) the mayor of Greater Wellington and two councillors appointed by the governing body
 - (b) one representative of each iwi having rohe and takiwā over part of Greater Wellington District
- (3) Iwi members of the Māori Board will be appointed by each iwi organisation through their own appointment processes.
- (4) The Māori Board will elect a chairperson from amongst its members.
- (5) The role of the Māori Board will be to help ensure that the views of Māori are taken into account in the exercise by the Greater Wellington Council of its responsibilities, duties and powers.
- (6) The responsibilities of the Māori Board will be to:
 - (a) assist and advise the governing body of Greater Wellington Council:
 - (i) to meet its obligations to provide opportunities for Māori to contribute to council decision-making processes
 - (ii) on the application of statutory functions referring to the Treaty of Waitangi
 - (iii) to foster the development of Māori capacity to contribute to council decision-making processes
 - (b) promote cultural, economic, environmental and social issues of significance for all Māori
 - (c) develop and maintain a schedule of issues of significance to Māori and give priority to each issue in order to guide the board in carrying out its responsibilities
 - (d) advise Greater Wellington Council generally on matters affecting Māori.
- (7) Until the 2019 triennial elections, the Māori Board may appoint one of its members to each of the committees of the governing body of Greater Wellington Council other than:
 - (a) Te Upoko Taiao – Natural Resources Management Committee established under clause 11
 - (b) any committee established principally to review the chief executive's performance or remuneration
 - (c) sub-committees of governing body committees
 - (d) joint committees of local authorities.

11 Te Upoko Taiao – Natural Resources Management Committee

- (1) Greater Wellington Council must, at least until the 2019 triennial election, establish a committee called the Te Upoko Taiao – Natural Resources Management Committee.

- (2) The committee will comprise:
 - (a) 7 members of Greater Wellington Council
 - (b) 7 members appointed by the iwi of Greater Wellington District.
- (3) The members of the committee appointed by iwi will be appointed by each iwi through their own appointment processes.
- (4) The committee will elect a chairperson from amongst its members.
- (5) The role of the committee will be to:
 - (a) promote the sustainable management of Greater Wellington District's natural and physical resources, in particular their use, development and protection
 - (b) oversee the council's regulatory responsibilities in relation to the *Resource Management Act 1991*
 - (c) contribute to the development and review of plans.
- (6) The specific responsibilities of the committee, and any delegations to the committee, will be determined by Greater Wellington Council in consultation with the iwi of Greater Wellington District.

12 Council's obligations to Māori

- (1) Greater Wellington Council must:
 - (a) provide the Māori Board with sufficient information to enable the board to identify business of Greater Wellington Council that relates to the board's purpose
 - (b) consult the board on matters materially affecting the iwi of Greater Wellington District
 - (c) take into account the board's advice and ensure that the input of the iwi of Greater Wellington District is reflected in the preparation and focus of the council's strategies, policies and plans
 - (d) take into account the board's advice on other matters
 - (e) make an agreement with the board each year to provide the board with funding and support appropriate for carrying out its purpose
 - (f) work with the board on the design and execution of documents and processes that relate to seeking the input of the iwi of Greater Wellington District.
- (2) The governing body of Greater Wellington Council and the Māori Board must meet at least two times in each financial year to discuss the council's performance of its duties.

13 Relationship with Māori

- (1) The existence of the Māori Board and Te Upoko Taiao – Natural Resources Management Committee do not affect or reduce Greater Wellington Council's responsibilities to have direct relationships with Greater Wellington District iwi and to meet any obligations under any Act in relation to Māori.

Financial matters

14 Rating

- (1) Until Greater Wellington Council adopts an integrated rating system, in accordance with sub-clause (2), the rating arrangements provided for in the affected authorities' revenue and financing policies and funding impact statements, included in the affected authorities' long-term plans, and as modified by any annual plans, continue to apply.
- (2) Greater Wellington Council will adopt a single integrated rating system to come into force on or by 1 July 2019.
- (3) Any general rating forming part of the integrated rating system will be levied on a capital value system.
- (4) In conjunction with adopting an integrated system, Greater Wellington Council will prepare and apply a rates transition management policy to moderate the impact of the integrated rating system on individual rating units.
- (5) Until a general revaluation of Greater Wellington District is completed in accordance with the *Rating Valuations Act 1998*, and all components of that valuation take effect on the same date, section 131 of the *Local Government (Rating) Act 2002* will apply to Greater Wellington Council.

15 Loans

- (1) Loans will in general form part of the pool of the wider financial assets and debt liability assumed by Greater Wellington Council.
- (2) However, repayment will continue to occur on the basis of the existing rating system until the development of an integrated rating system and its coming into force on or by 1 July 2019.
- (3) Notwithstanding sub-clause (1), the area over which any targeted rates are levied to repay loans may be varied prior to that occurring if it is determined that the area benefiting from a loan has changed.

16 Contributions

- (1) Greater Wellington Council must use any development contributions (under Part 8 of the *Local Government Act 2002*) or financial contributions (under the *Resource Management Act 1991*) held or owed to the affected authorities for the purposes for which they were required by the affected authorities.

17 Documents

- (1) The transition board established under clause 18 must prepare and consult on a draft annual plan for the period 1 November 2016 to 30 June 2017 and submit the plan for adoption by Greater Wellington Council as soon as possible after 1 November 2016.
- (2) The transition board must prepare and consult on an interim local boards funding policy for the period 1 November 2016 to 30 June 2017 and submit the policy for adoption by Greater Wellington Council as soon as possible after 1 November 2016.

- (3) The existing authorities must prepare annual plans for the period 1 July 2016 to 31 October 2016 and these plans may simply be adopted by resolution if they are consistent with the financial statements and funding impact statements included in the authorities' long-term plans.
- (4) Greater Wellington Council must prepare and adopt by 30 June 2017 its first annual plan and local boards funding policy for the year 1 July 2017 to 30 June 2018.
- (5) Greater Wellington Council must prepare a 30-year infrastructure strategy as part of the preparation of its long-term plan to be adopted by 30 June 2018.
- (6) The final annual reports for the existing local authorities must cover the period 1 July 2015 to 31 October 2016.
- (7) The first annual report for Greater Wellington Council will cover the period 1 November 2016 to 30 June 2017.

Transition body

18 Transition body

- (1) A transition body will be constituted to make arrangements for establishment of Greater Wellington Council.
- (2) The transition body will comprise:
 - (a) a transition board and
 - (b) an implementation team.
- (3) The purpose of the transition body will initially be to:
 - (a) work with the Local Government Commission on, and facilitate input into, the development of the reorganisation scheme to complete the final proposal on Greater Wellington Council
 - (b) provide advice to the Local Government Commission and affected authorities, as appropriate, on practical matters relating to the reorganisation scheme
 - (c) undertake any actions requested by the Local Government Commission in relation to the development and implementation of the reorganisation scheme.
- (4) The ongoing role and functions of the transition body will be to:
 - (a) undertake any roles and responsibilities specified by Order in Council
 - (b) prepare and implement a change management plan to guide transition to the new arrangements specified in the reorganisation scheme for Greater Wellington Council
 - (c) carry out any other actions that the Local Government Commission considers are necessary or desirable for the transition to the new arrangements.

19 Transition board

- (1) A transition board will be appointed to implement the final proposal to establish Greater Wellington Council.

- (2) The transition board will comprise 10 members as follows:
 - (a) an independent chair appointed by the Local Government Commission
 - (b) one member nominated by Kapiti Coast District Council from amongst its elected members
 - (c) one member nominated by Porirua City Council from amongst its elected members
 - (d) one member nominated by Wellington City Council from amongst its elected members
 - (e) one member nominated by Hutt City Council from amongst its elected members
 - (f) one member nominated by Upper Hutt City Council from amongst its elected members
 - (g) one member nominated by Carterton District Council from amongst its elected members
 - (h) one member nominated by Masterton District Council from amongst its elected members
 - (i) one member nominated by South Wairarapa District Council from amongst its elected members
 - (j) one member nominated by Greater Wellington Regional Council from amongst its elected members.
- (3) The role of the transition board will be to:
 - (a) make recommendations to the Local Government Commission on matters of policy
 - (b) provide advice to the Local Government Commission
 - (c) exercise any powers and responsibilities delegated to it by the Local Government Commission
 - (d) appoint an interim chief executive for Greater Wellington Council.
- (4) The transition board will review and make recommendations to Greater Wellington Council on:
 - (a) whether changes to the existing council-controlled organisations are desirable or if any council-controlled organisations should be established or disestablished
 - (b) a process for Greater Wellington Council to move to an integrated rating system by 1 July 2019.

20 Implementation team

- (1) The Local Government Commission will appoint an implementation team, including a manager, from amongst the staff of the affected authorities and consultants as required.
- (2) The role of the implementation team will be to:
 - (a) give effect to decisions made by the transition board, the Local Government Commission and the affected authorities
 - (b) provide advice on technical and operational matters to the transition board, the Local Government Commission and the affected authorities
 - (c) provide support to the interim chief executive.

Schedule A: Maps of proposed areas and boundaries

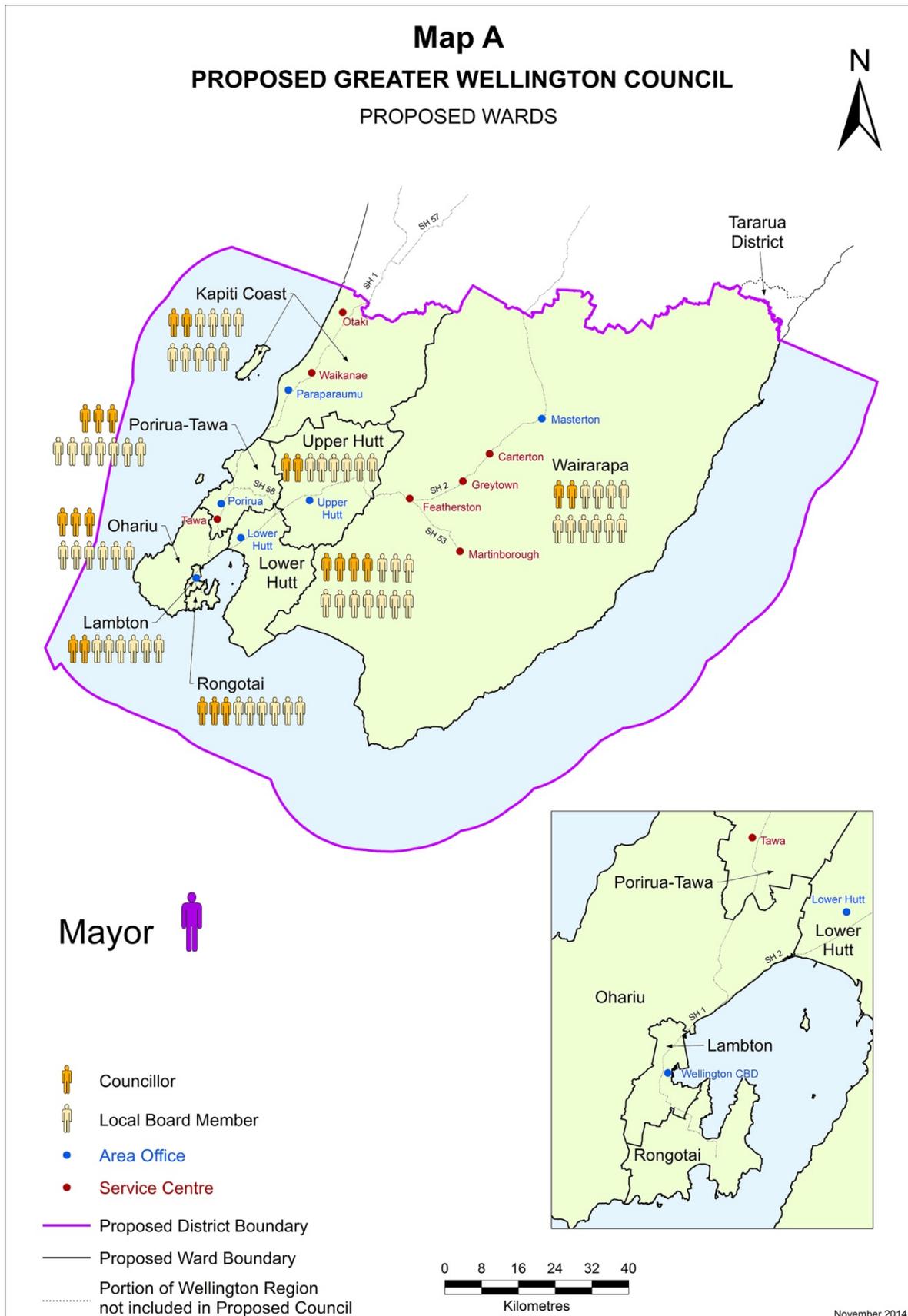


Figure 1: The proposed wards



Figure 2: The proposed local boards and subdivisions



Figure 3: An enlargement of the proposed local boards and subdivisions

Schedule B: Membership of local boards

Local boards and subdivisions	No. of members
Wairarapa Local Board	
Masterton Urban	4
Masterton-Carterton Rural	2
Carterton Urban	1
Greytown	1
Featherston	1
Martinborough	1
Total	10
Upper Hutt Local Board	
At large	6
Lower Hutt Local Board	
Northern-Eastern	3
Western-Central	3
Harbour	2
Wainuiomata	2
Total	10
Kapiti Coast Local Board	
Otaki	2
Waikanae	2
Paraparaumu	3
Paekakariki-Raumati	2
Total	9
Porirua-Tawa Local Board	
Northern	2
Eastern	2
Western	1
Tawa	2
Total	7
Ohariu Local Board	
At large	6
Lambton Local Board	
At large	6
Rongotai Local Board	
At large	6
Total local board members	60

Schedule C: Role of local boards

The local boards of Greater Wellington Council will be required to undertake the statutory functions, duties and powers of local boards set out in section 48H of the *Local Government Act 2002*. This section provides that a local board:

- must exercise the responsibilities conferred on it by section 48K(1)
- must monitor and report on the implementation of the local board agreement for its local board area
- must communicate with community organisations and special interest groups within its local board area
- must undertake any responsibilities or duties that are delegated to it by the governing body and may exercise any powers delegated to it
- may consider and report to the governing body on any matter of interest to the local board.

Under section 48K(1) each local board will be responsible and democratically accountable for:

- the decision-making of Greater Wellington Council in relation to the non-regulatory activities allocated to it
- identifying and communicating to the governing body of Greater Wellington Council the interests and preferences of the people of its local board area in relation to the strategies, policies, plans and bylaws of Greater Wellington Council
- identifying and developing bylaws specifically for its local board area and proposing them to the governing body
- reaching agreement with the governing body (as set out in a local board agreement) in respect of local activities in the local board area.

To assist it undertake its role, each local board must develop a local board plan that sets out the priorities and preferences of the communities in its local board area in respect of the level and nature of local activities to be provided over the next three years. This plan will inform the development of Greater Wellington Council's long-term plan (section 48N).

Each local board plan will be the basis for a three-year local board agreement with the governing body (section 48O). The local board agreement will set out the local activities to be provided in the local board area and the responsibilities and powers delegated to the local board.

The governing body will be required to adopt a local boards funding policy to provide certainty and predictability about the levels of funding for local boards (section 48M).

Governing body decision-making responsibilities

Section 48J of the *Local Government Act 2002* sets out the decision-making responsibilities of the governing body. These responsibilities are in respect of:

- regulatory responsibilities, duties and powers
- transport networks and infrastructure
- non-regulatory activities allocated to the governing body
- establishment and maintenance of the capacity of Greater Wellington Council to provide services
- the governance of council-controlled organisations
- the financial management of Greater Wellington Council
- reaching agreements with each local board on local activities.

For the purposes of section 48J, regulatory activities are seen as activities that Greater Wellington Council is required by legislation to undertake in order to achieve specific outcomes or avoid specified effects or consequences. These activities include such things as the use and development of land and other resources, preservation of the natural environment, protection of public health and safety and prevention or minimisation of public nuisance. Regulatory activities also include activities necessary to enforce prescribed standards or rules.

It follows that the Greater Wellington Council's non-regulatory activities are all the other activities and services provided by the council to the public.

Allocation of non-regulatory decision-making responsibilities

The *Local Government Act 2002* provides for the Local Government Commission, as part of a reorganisation scheme, to make initial allocations of responsibility for non-regulatory decision-making between the governing body and local boards. While this only applies to reorganisation schemes, the following schedule of potential allocations (Table 1) is provided with this draft reorganisation proposal in order to provide a picture of the likely scope of the role of local boards as part of Greater Wellington Council.

Section 48L of the Act sets out principles for allocation of non-regulatory decision-making responsibilities between the governing body and local boards. These principles provide that unless there are particular reasons for responsibility to be exercised by the governing body, responsibility for decision-making on non-regulatory matters should be exercised by local boards. The reasons why responsibility should be exercised by the governing body are:

- the impact of the decision will extend beyond the local board area
- effective decision-making requires alignment or integration with other decisions that are the responsibility of the governing body
- the benefits of a consistent or co-ordinated approach outweigh benefits of reflecting local preferences.

The Local Government Commission considers that generally it will be appropriate for Greater Wellington Council itself to determine and designate what are 'regional' services and facilities. Therefore, apart from some obvious cases such as Westpac Stadium which is identified in the schedule as a regional facility, the designation of regional services and facilities is shown as a governing body responsibility to be undertaken in consultation with particular local boards as appropriate.

For the purposes of providing maximum information to the public, the Local Government Commission is also identifying examples of criteria, in line with section 48L, which may result in the governing body determining particular services and facilities as being regional. These criteria include clear regional usage patterns, distinctive features or values which warrant regional level decision-making, and designation of a park as a regional park based on the fact it is part of a river catchment.

To fully understand the responsibilities of both the governing body and the local boards, the meaning of governance needs to be understood as distinct from management responsibilities. Governance for a local authority is closely related to the purpose of local government which is to enable democratic local decision-making and action by and on behalf of communities, and to meet the current and future needs of communities for good quality local infrastructure, local public services and performance of regulatory functions in a way that is cost effective for households and businesses (section 10 of the *Local Government Act 2002*).

In relation to local boards, governance involves being responsible for decision-making in respect of allocated activities and being democratically accountable for the resulting decisions. This responsibility and accountability will be in the context of the local boards funding policy, local board plans and local board agreements all required by the *Local Government Act 2002* to be prepared for the governing body and local boards of a unitary authority. Within the parameters of these documents, local board governance will involve responsibility and accountability for decision-making including such matters as approval of management plans, tenders, service levels and applications for use; the monitoring of service level performance and budgets; and promotional activities and funding initiatives.

Where governance is the responsibility of the governing body, the local boards may still be involved in terms of oversight of new developments approved under regional plans and budgets including detailed design and location of facilities, impacts on the local community, and also monitoring of local activities in major facilities located in the local board area (that is, facilities not designated as regional but of significance beyond one local board area).

Table 1: Schedule of potential allocations of non-regulatory decision-making responsibilities between the governing body and local boards of Greater Wellington Council

Governing body	Local boards
Parks and reserves	
Designation and governance of regional parks	Governance of local parks within agreed local boards funding policy, plans and agreements
General location of parks/acquisition of new parks/prioritisation of major upgrades	Oversight of development of new parks/major upgrades, including approval of detailed design and location, within regional policies and budgets
Coordination of sportsground usage as required on regional basis	Oversight of coordination of sportsground usage on local basis e.g. in Wairarapa and Kapiti Coast
Regional policies/any national standards	n/a
Recreational and community facilities	
Designation and governance of regional facilities e.g. Westpac Stadium	Governance of local facilities within agreed local boards funding policy, plans and agreements
Coordination of usage, promotion and overall budget responsibility for 'major facilities' e.g. Kilbirnie Indoor Stadium	Monitoring of usage and activities in major facilities in board area
General location of facilities/acquisition of new facilities/prioritisation of major upgrades	Oversight of development of new facilities/major upgrades, including approval of detailed design and location, within regional policies and budgets
Regional policies including charges	n/a
Arts and cultural facilities	
Designation and governance of regional facilities e.g. Michael Fowler Centre	Governance of local facilities within agreed local boards funding policy, plans and agreements includes Dowse (Lower Hutt LB), Expressions (Upper Hutt LB), Pataka (Porirua LB)
Coordination of usage and promotion of major facilities and overall budget responsibility	Monitoring of usage and activities in major facilities in board area
General location of facilities/acquisition of new facilities/prioritisation of major upgrades	Oversight of development of new facilities/major upgrades, including approval of detailed design and location, within regional policies and budgets
Regional policies including charges	n/a
Libraries	
Number and general location of libraries	Governance of local libraries within agreed local boards funding policy, plans and agreements
Prioritisation of major upgrades	Oversight of development of new facilities/major upgrades, including approval of detailed design and location, within regional policies and budgets
Regional policies on collections, acquisitions, charging	n/a

Governing body	Local boards
Cultural, recreational and community development programmes and events	
Designation and governance of regional programmes/events e.g. International Festival of the Arts	Governance of local programmes/events within agreed local boards funding policy, plans and agreements
Regional policies, prioritisation, coordination and consents	n/a
Environmental and heritage activities and projects	
Designation and governance of regional projects/sites	Governance of local projects/sites and identification of possible new sites/initiatives within agreed local boards funding policy, plans and agreements
Regional policies, prioritisation and coordination	n/a
Community place-shaping, public health and safety	
Regional policies, prioritisation and coordination	Governance of local public areas including town centres and street environments within agreed local boards funding policy, plans and agreements
Grants	
In relation to national/regional facilities, programmes and events e.g. Te Papa	In relation to local facilities, programmes and events

Delegations of decision-making responsibilities

The Local Government Commission does not have the power to set delegations of governing body decision-making responsibility (regulatory or non-regulatory) to local boards. However it believes such delegations should be considered and therefore recommends that the transition board identifies appropriate delegations and in turn recommends these to the governing body of Greater Wellington Council.

To complete the picture of the scope of the potential role of local boards as part of Greater Wellington Council, the Local Government Commission has identified possible delegations as set out in Table 2. Delegated responsibility to local boards involves ongoing monitoring of operations, service level performance and budgets. Delegations may also involve actions by local boards taken prior to the exercise of decision-making responsibility by the governing body.

Table 2: Recommended delegations by governing body to local boards of Greater Wellington Council

Governing body responsibility	Delegations to local boards
Infrastructure services	
Roading and transport	Responsibility in relation to agreed levels of service for non-regional infrastructure including rural roads, walking and cycling paths and tracks Approval of plans for local parking and signage
Solid waste	Responsibility in relation to local collection services, transfer facilities and recycling services
Regulatory services	
RMA regulatory	Input into notification decisions for resource consent applications
Environmental health and safety	Actions, within overarching regional frameworks, prior to adoption by the governing body of dog, stock, liquor, gambling, prostitution policies and bylaws
Emergency management	Appointment of local committee under regional plan Engagement/coordination of local volunteers Operation of local centres
Economic development	
Economic development	Governance in relation to local i-sites, events, initiatives, main street programmes and business advice including initiation, marketing, promotion and funding within regional policies.

Schedule D: Advantages & disadvantages of the proposal

Clause 14(5)(b) of Schedule 3 of the *Local Government Act 2002* requires that a draft proposal have attached to it, a full and detailed explanation of the advantages and disadvantages of the proposal and how it will promote “good local government”. The full and detailed explanation of the advantages and disadvantages of the proposed Greater Wellington Council are set out in Parts 5 to 7 of this report. This schedule provides a summary of the key advantages and disadvantages with the final section summarising the conclusions reached and set out in detail (in Parts 4 to 7) about how the proposal will promote “good local government”.

Advantages

The key advantages of the proposal are that it:

- (a) recognises that the people of the whole Wellington Region share a strong community of interest as well as recognising the distinct more local communities of interest within the region
- (b) offers the greatest scope to address the significant future issues facing the communities of Wellington relating to:
 - the provision and maintenance of infrastructure networks
 - the consequences of demographic trends
 - the desire for more effective economic development
 - the need to manage the risks of natural hazards and respond effectively to hazard events
 - the ongoing pressures for more effective and sophisticated and environmental management.

These issues are predominantly regional in scale and impact and will require regional scale responses.

- (c) offers the greatest scope to ensure that the new council can understand and engage with its communities, both at a local level and at a regional level, by providing for representation and decision-making at both regional and local levels
- (d) offers the greatest scope to align decision-making with the communities that are directly interested in or affected by particular decisions because it is able to maintain two realms of decision-making, one regional and one local
- (e) reflects the principle of subsidiarity and a new balance between local decision-making and action and regional decision-making and action
- (f) supports the potential for local leadership and local emergency management response that is important, particularly for the Wairarapa
- (g) offers the greatest potential for Māori to participate in decision-making because it best aligns with iwi and hapū levels of decision-making
- (h) is the option that relies the least on collaboration between councils in order to be successful

- (i) provides the greatest opportunity for Wellington to enhance its representation, advocacy and share of voice at it seeks to compete nationally and internationally, while also providing an effective local voice in decision-making
- (j) provides the greatest scope to deliver the focus necessary to lift Wellington's global and national competitiveness
- (k) affords the greatest scope to develop the form of leadership that will be required to drive Wellington's future success
- (l) offers the greatest scope for delivering better decisions
- (m) delivers economies of scale, scope and management with respect to core local government services (network infrastructure, public transport, avoiding or mitigating hazards, and community facilities and services)
- (n) provides the greatest scope to secure benefits from improved regulatory activity through standardisation, scale and managerial economies
- (o) provides the greatest scope to deliver benefits from spatial planning, effectively integrating planning and aligning planning responsibility with financial responsibility across a range of key local government obligations
- (p) affords significant scope to simplify planning, while at the same time ensuring that there is an effective local voice in decision-making
- (q) delivers scope to improve economic performance (although there is not a major difference between several options with this respect).

Disadvantages

The key disadvantages of the proposal are that it:

- (a) would be expensive to implement and would cause disruption during the change process
- (b) reduces the number of elected representatives and as a result provides fewer opportunities for community service by holding elected office
- (c) would be disruptive to council staff during the transition and establishment process and as a result would carry a considerable risk that key staff and intellectual property would be lost
- (d) carries the risk that a loss of institutional memory would result in both a loss of understanding of issues and require unnecessary expenditure to recapture and relearn key knowledge
- (e) carries other transition risks, including the risk that through the transition process, the interim chief executive and the in-coming council are unable to realise all the potential savings from the reorganisation
- (f) carries risks of service interruption and consequential economic loss or disadvantage during the transition process
- (g) may result in the loss of local government employment opportunities within particular communities
- (h) may result in the centralisation of council supply relationships, reducing opportunities for local businesses in parts of the region

- (i) may give rise to concerns about accessibility to decision-makers and remoteness on the part of the governing body
- (j) will result in changes in the incidence of rates and this will disadvantage some, and benefit others depending upon decision made by the members of the new council
- (k) may result in lost opportunities during the transition period due to a reduced ability to make timely decisions.

Promoting “good local government”

There is a complex set of factors that contribute to the consideration of the extent to which different local government arrangements might best promote “good local government”. The approach taken by the Commission to considering this and the results of that consideration are set out in detail in Parts 4 to 7 of this report.

Specifically, the Commission’s understanding of the requirements and intentions of the legislation and the framework developed by the Commission to enable it to give practical effect to these, are set out in Part 4.

This breaks down the assessment into the following key headings:

- Communities and issues
- Democratic decision-making
- Improved provision of core services
- Achieving the objectives of other legislation
- Improved economic performance
- Overall savings and cost of transition.

Part 5 describes the process followed and conclusions reached in relation to the identification of which options met the statutory requirements for consideration as “reasonably practicable options”.

Part 6 sets out the detailed consideration of these options against the Commission’s evaluation framework and the results of that process. This records that the option set out in the proposal was the option:

- most likely to be able to meet the current and future needs of communities
- likely to be the most effective in providing for effective democratic local decision making
- most likely to result in the effective and efficient delivery of core services
- likely to be the most effective in achieving the objectives of other legislation and
- likely to be the most effective in delivering improved economic performance.

This was the option assessed as likely to deliver the largest cost savings, and the option that rated best across the relevant criteria as a whole.

Schedule E: Iwi and hapū in Wellington Region

Introduction

Clause 14(3) of Schedule 3 of the *Local Government Act 2002* requires a draft reorganisation proposal to list the names and areas of interest of iwi and hapū in the reorganisation area, in this case, Wellington Region.

The Commission has used information on the website Te Kahui Mangai (www.tkm.govt.nz), based on advice from Te Puni Kokiri for this purpose. Larger maps of rohe and areas of interest are available at Te Kahui Mangai.

Iwi groups

- Rangitāne (North Island)
- Muaūpoko
- Ngāti Raukawa ki te Tonga
- Ngāti Toa Rangatira
- Te Atiawa ki Whakarongotai
- Te Atiawa (Wellington)
- Taranaki Whānui ki te Upoko o te Ika
- Ngāti Kahungunu
- Ngāti Kahungunu ki Wairarapa - Tāmaki Nui ā Rua

The hapū are listed on the following page.

<p>Rangitāne (North Island) <i>Rangitāne hapū are:</i> Ngāi Tahu Ngāti Hāmua Ngāti Matetapu Ngāti Mutuahi Ngāti Pakapaka Ngāti Parakioro Ngāti Rangitotohu Ngāti Ruatōtara Ngāti Te Koro Ngāti Te Rangiwhakaewa Ngāti Whakawehi Te Hika a Pāpāuma Te Kapuārangi Hineteororangi Ngāi Tamahau Ngāti Hāmua Ngāti Hinetauira Ngāti Mātangiuru Ngāti Meroiti Ngāti Moe Ngāti Taimahu Ngāti Tangatakau Ngāti Tauiao Ngāti Te Atawhā Ngāti Te Hina Ngāti Te Noti Ngāti Te Raetea Ngāti Te Whakamana Ngāti Te Whātui Ngāti Tūkoko Te Hika o Pāpāuma</p> <p>Te Atiawa ki Whakarongotai <i>Te Atiawa ki Whakarongotai does not have hapū.</i></p> <p>Ngāti Toa Rangatira <i>Ngāti Toa Rangatira does not have hapū.</i></p>	<p>Te Atiawa (Wellington) <i>Te Atiawa (Wellington) does not have hapū.</i></p> <p>Ngāti Raukawa ki te Tonga <i>Ngāti Raukawa ki te Tonga hapū are:</i> Ngāti Hikitanga Ngāti Huia Ngāti Kapumanawawhiti Ngāti Kauwhata Ngāti Kikopiri Ngāti Korokī Ngāti Maiotaki Ngāti Manomano Ngāti Matakore Ngāti Ngārongo Ngāti Pare Ngāti Pareraukawa Ngāti Parewahawaha Ngāti Pikiahuwaewae Ngāti Rākau Ngāti Rangatahi Ngāti Takihiku Ngāti Te Au Ngāti Tūkorehe Ngāti Tūranga Ngāti Wehi Wehi Ngāti Whakatere</p> <p>Ngāti Kahungunu ki Wairarapa - Tāmaki Nui ā Rua <i>Ngāti Kahungunu ki Wairarapa - Tāmaki Nui ā Rua hapū are:</i> Ngāti Hinewaka Papawai Marae Wairarapa Moana Hurunui o Rangī Marae Ngāi Tumapuhia a Rangī Te Hika o Papauma o Wairarapa Te Oreore Marae Akura Tamaki Nui a Rua</p>	<p>Taranaki Whānui ki te Upoko o te Ika <i>Taranaki Whānui ki te Upoko o te Ika does not have hapū.</i></p> <p>Ngāti Kahungunu <i>Ngāti Kahungunu hapū are: (Wairarapa)</i> Kahukuraawhitia Kahukuranui Ngāi Rangawhakairi Ngāi Tahu Ngāi Taneroroa Ngāi Tumapuhia-a-Rangī Ngāti Hikawera o Kahungunu Ngāti Hinewaka Ngāti Kahukuranui o Kahungunu Kaitiaki Ngāti Kaparuparu Ngāti Meroiti Ngāti Moe Ngāti Papauma o Kahungunu me Rangitāne Ngāti Parera Ngāti Rākairangi Ngāti Rangitaitia Ngāti Rangitehewa Ngāti Tatuki Ngāti Te Ahuahu Ngāti Te Hina Ngāti Te Tomo o Kahungunu Ngāti Tūkoko Tahu o Kahungunu Tamahau Whiunga <i>(Tamaki Nui a Rua)</i> Ngā Hau E Whā Ngāti Hāmua Ngāti Mutuahi Ngāti Pakapaka Ngāti Te Rangiwhakaewa Te Hika a Pāpāuma</p>
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Part 9: Next Steps – Public consultation

9.1 The release of this report and the Commission’s draft proposal for local government reorganisation in Wellington starts a process of public consultation. The Commission is now seeking submissions from the affected councils, from key stakeholders and from the public.

9.2 This report and relevant background information is available on the Commission’s web site www.lgc.govt.nz. The web site also provides a submission form that can be used to assist in writing a submission.

9.3 The closing date for submissions is **4.00pm on Monday 2 March 2015**.

Submissions can be lodged by email at:

submissions@lgc.govt.nz

Submissions can be mailed to:

Local Government Commission
PO Box 5362
WELLINGTON 6145

9.4 Once the Commission has received the submissions it will hold public hearings where submitters will have the opportunity to present their submissions. The hearing process also provides the Commission the opportunity to ask submitters questions. The Commission expects a large number of submitters and will conduct focused hearings in order to be fair to all and ensure timely progress.

9.5 Once the Commission has concluded the public hearings it will chose one of the following options:

- issue the draft proposal as a final proposal, or
- issue a modified draft proposal as a final proposal, or
- identify another “preferred option” as the basis for a new draft proposal, or
- decide not to issue a final proposal and give public reasons for that decision.

9.6 In the event that the Commission decides not to issue a final proposal, the status quo local government arrangements continue. In the event that it does issue a final proposal, that proposal must be publicly notified. This notification must include a detailed statement setting out how it will promote the purpose of local government and facilitate economic performance, and setting out the advantages and disadvantages of the final proposal.

9.7 Once the Commission has issued a final proposal the electors of the affected local authorities can call for a poll on the proposal. This is done by presenting the Commission with a petition that is signed by ten per cent or more of the electors of one of the affected local authorities within 60 working days of the release of the final decision.

- 9.8 If no poll is called for, the Commission must prepare and issue a reorganisation scheme that gives effect to the final proposal. The transition process to establish new councils would then commence.
- 9.9 If a petition calling for a poll meets the required tests, the Commission must proceed to hold a poll. If **more than fifty per cent** of the valid votes cast in a poll support the final proposal, then the Commission must proceed to prepare and issue a reorganisation scheme that gives effect to the final proposal. The transition process to establish new councils would then commence. If **fifty per cent or fewer** of the valid votes cast in a poll support the final proposal, then the proposal fails and the status quo local government arrangements will continue.

Appendix A: Background papers and reports

ASB/Main Report, (2014, June), *Regional Economic Scoreboard*

Aulich, Gibbs, Gooding, McKinlay, Pillora and Sansom, (2011, May), *Consolidation in Local Government: A Fresh Look*

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Brian Smith Advisory Services Limited, *Report on Potential Savings for Reorganisation of Nine Wellington Councils into One Unitary Council Without Boards*

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CentrePort, (2013), *Annual Report*

CityScope Consultants, (2014, August), *Transport Governance in Wellington – An Assessment of the Transport Implications of Local Government Reorganisation Proposals*

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DLA Phillips Fox and Grant Hewitson and Associates Ltd., (2013), *Legal Advice*. (Appendix 5 of the Greater Wellington Regional Council Application)

Dwyer G Limited, *Peer Review of TDB Draft Report on Options for the Wellington and Wairarapa Regions*. (Appendix to the Hutt City Council Alternative Application)

Fowler, R., *Advice on Application by Hutt City Council to Local Government Commission as to Alternative Re-Organisation*. (Appendix to the Hutt City Council Alternative Application)

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Hutt City Council, *Alternative Application to Reorganise the Wellington and Wairarapa Regions*

Hutt City Council, (2013), *Annual Report 2012/13*

Infometrics, (2013), *Wellington Annual Economic Profile 2012*. (Appendix 7 of the Greater Wellington Regional Council Application)

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Jackson, N., University of Waikato, (2012, August), *Greater Wellington – Socio-demographic Profile 1986-2031*. (Appendix 3 of the Greater Wellington Regional Council Application)

Jackson, N., (2014, February), *Greater Wellington and its TAs – Comparison of Key Demographic Trends with 2013 Census Data*

Joint Working Party on Local Government Reform, (2013, February), *Financial Considerations and Implications of Changes to Local Government in the Wellington Region*

Joint Working Party on Local Government Reform, (2013, March), *Realising the potential of the Wellington region, Conclusions of the Joint Working Party on Local Government Reform*

Joint Working Party on Local Government Reform, (2013, May), *Joint Working Party on Local Government Reform Feedback on Possible Models*

Kapiti Coast District Council, *Annual Report, 2012/13*

Love, M., (2014, August), *Report on Iwi Participation in Alternative Local Government Organisation in the Greater Wellington Region*

Market Economics, (2014, September), *Economic and Financial Interrelationships within the Wellington Region*

Martin Jenkins Ltd., (2012, February), *Economic Interdependence between the Western Area of the Wellington Region and Wairarapa*. (Appendix 4 of the Greater Wellington Regional Council Application)

Martin Jenkins Ltd., *Submissions Analysis of Wellington Region Governance Review*. (Appendix 8 of the Greater Wellington Regional Council Application)

Martin Jenkins Ltd. and Taylor Duigan Barry Ltd., (2013, April) *Assessment of the Viability of a Wairarapa Unitary Authority and Wellington Regional Council's Response to the Report*. (Appendix 11 of the Greater Wellington Regional Council Application)

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- NZIER, *Wellington Local Government Reorganisation Regional Recreation Sporting, Event and Cultural Facilities*
- New Zealand Transport Agency, (2013), *Letter from the New Zealand Transport Agency – Principles relating to transport for local government reorganisation in Wellington*. (Appendix 13 of the Greater Wellington Regional Council Application)
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- Office of the Auditor General and the Parliamentary Commissioner for the Environment, (1999) *Local Government Environmental Management – A Study of Models and Outcomes*
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- Royal Commission on Auckland Governance, (2009, March), *Appendices: Auckland Governance, Volume 1: Report*
- Upper Hutt City Council, *Alternative Application to the Local Government Commission*
- Upper Hutt City Council, (2013), *Annual Report 2012/13*
- Masterton District Council, Carterton District Council, South Wairarapa District Council, *Reorganisation Application for a Wairarapa Unitary Authority*
- Waugh, R., *Infrastructure Management – Forecasting the Changes to 2030*
- Wellington City Council, *Alternative Reorganisation Application: Response to the Local Government Commission's Request for Alternative Applications to the Local Government Reorganisation Application for the Wellington Region*
- Wellington City Council, (2013), *Annual Report 2012/13*
- Wellington City Council, (2014, September), *Going for Growth*, media release

Appendix B: Schedule of consultations and discussions

Date (2013)	Meeting with:	Attended by:
9 July	South Wairarapa District Council	Commissioners and staff
9 July	Carterton District Council	Commissioners and staff
9 July	Masterton District Council	Commissioners and staff
10 July	Wairarapa Governance Review Group	Commissioners and staff
10 July	Greater Wellington Regional Council	Commissioners and staff
11 July	Kapiti Coast District Council	Commissioners and staff
11 July	Porirua City Council	Commissioners and staff
12 July	Upper Hutt City Council	Commissioners and staff
12 July	Hutt City Council	Commissioners and staff
25 July	New Zealand Transport Agency	Staff
26 July	Karen Lyons – Auckland Council Local Boards	Staff
26 July	Fiona Johnston and Teresa Stratton – Office of the Mayor of Auckland	Staff
30 July	Chris Upton and Tamsin Sommerville – Upper Hutt City	Staff
1 August	Auckland Local Board Chairs	Commissioners and staff
1 August	Ian Maxwell – Acting Chief Operating Officer Auckland Council	Commissioners and staff
5 August	Wellington and Wairarapa Iwi	Commissioners and staff
5 August	Sir Geoffrey Palmer	Commissioners and staff
5 August	Wellington Federation of Progressive Associations	Commissioners and staff
6 August	New Zealand Federation of Multicultural Councils	Commissioners and staff
6 August	Wellington City Council	Commissioners and staff
7 August	Labour Party Wellington MPs	Commissioners and staff
7 August	Peter Dunne MP	Commissioners and staff
7 August	Stephen Sellwood NZCID (by telephone)	Commissioners and staff
8 August	Public Service Association	Commissioners and staff
8 August	David Hill, Chief Executive Capacity Infrastructure Services	Commissioners and staff
8 August	Civic Trust	Commissioners and staff
12 August	Hutt Valley Chambers of Commerce	Commissioners and staff
13 August	New Zealand Transport Agency	Commissioners and staff
13 August	Wellington Branch of New Zealand Property Council	Commissioners and staff

Date (2013)	Meeting with:	Attended by:
15 August	Mayor, Councillors and Chief Executive, Hutt City (delivering alternative application)	Staff
16 August	Wellington Regional Chief Executives	Staff
2 September	State Services Commission	Commissioners and staff
2 September	Wellington Branch of Hospitality New Zealand	Commissioners and staff
2 September	Roger Sowry and others (Whitireia Polytech and Weltec)	Commissioners and staff
3 September	Shape the Future – John Sherwin	Commissioners and staff
3 September	Chief Executive, Wellington Airport Company	Commissioners and staff
3 September	Business Central/Wellington Chamber of Commerce	Commissioners and staff
3 September	Hon Nathan Guy and John Hayes MP	Commissioners and staff
3 September	Teresa Homan - Like Upper Hutt Keep It Local	Commissioners and staff
3 September	Hutt Valley Community and Resident's Groups	Commissioners and staff
4 September	Wairarapa Federated Farmers (Jamie Falloon)	Commissioners and staff
4 September	Ngāti Kahungunu	Commissioners and staff
4 September	Better Wairarapa	Commissioners and staff
5 September	South Wairarapa District Council Community Boards	Commissioners and staff
5 September	Carterton Business Group	Commissioners and staff
6 September	Wellington Regional Chief Executives	Staff
9 September	Ministry for the Environment	Staff
9 September	Crown Irrigation Investments Ltd	Staff
17 September	Kiwi Rail	Commissioners and staff
17 September	Grow Wellington	Commissioners and staff
17 September	Wellington Community Groups – North and West	Commissioners and staff
18 September	CentrePort	Commissioners and staff
18 September	Better Hutt Valley	Commissioners and staff
18 September	National Council of Women	Commissioners and staff
18 September	Rural Women of New Zealand	Commissioners and staff
18 September	Porirua Community Groups	Commissioners and staff
19 September	Kapiti Disability Action Group	Commissioners and staff
19 September	Kapiti Grey Power	Commissioners and staff
19 September	Kapiti Chamber of Commerce	Commissioners and staff
19 September	Kapiti Community Groups	Commissioners and staff
20 September	Office of Treaty Settlements	Staff

Date (2013)	Meeting with:	Attended by:
20 September	Federated Farmers	Commissioners and staff
20 September	Better Hutt Valley	Commissioners and staff
26 September	Office of the Auditor General	Staff
3 October	Greater Wellington Regional Council re Māori/Iwi participation	Staff
11 October	Ngāti Kahungunu ki Wairarapa Tāmaki nui a rua Trust	Commissioners and staff
18 October	Wellington Regional Chief Executives	Staff
24 October	Wellington City public meeting Kilbirnie	Commissioners and staff
4 November	Kapiti Coast staff visit	Staff
4 November	Porirua staff visit	Staff
5 November	South Wairarapa staff visit	Staff
5 November	Masterton staff visit	Staff
6 November	Upper Hutt staff visit	Staff
6 November	Wellington City staff visit	Staff
7 November	Hutt City staff visit	Staff
8 November	Carterton staff visit	Staff
11 November	Greater Wellington Regional Council staff visit	Staff
13 November	A Foster – alternative applicant	Commissioners and staff
13 November	Hutt City public meetings (2)	Commissioners and staff
14 November	Porirua public meetings (2)	Commissioners and staff
15 November	Wellington City public meeting, central city	Commissioners and staff
15 November	D Ponter – alternative applicant	Commissioners and staff
15 November	D Baskerville – alternative applicant	Commissioners and staff
15 November	Wellington Regional Chief Executives	Commissioners and staff
18 November	Kapiti Coast public meetings (2)	Commissioners and staff
19 November	Masterton public meetings (2)	Commissioners and staff
19 November	W Davidson – alternative applicant	Commissioners and staff
20 November	Martinborough public meeting	Commissioners and staff
20 November	Wairarapa Regional Irrigation Trust	Commissioners and staff
20 November	Carterton public meeting	Commissioners and staff
21 November	B Caruthers – alternative applicant	Commissioners and staff
21 November	A Jefferies – alternative applicant	Commissioners and staff
21 November	Upper Hutt public meetings (2)	Commissioners and staff
27 November	Upper Hutt City Council	Commissioners and staff
27 November	Hutt City Council	Commissioners and staff
28 November	Wellington City Council (CE)	Commissioners and staff
25 February (2014)	Waiwhetu Marae	Commissioners and staff

Appendix C: Lists of tables and figures

Tables

Table 1: Proposed ward representation	17
Table 2: Proposed local board representation.....	18
Table 3: Resident population by territorial authority	35
Table 4: Projected local authority population changes (%) by age group 2011-2031	36
Table 5: Wellington intra-regional economic flows	46
Table 6: Place of usual residence and normal place of work by local authority 2006.....	48
Table 7: BNZ Cardholder spending by location of merchant and customer, Jan – Dec 2013.....	50
Table 8: Levels of cross-ownership of property between Wellington districts	52
Table 9: Forecast Operating Expenditure 2012/13 – 2021/22	58
Table 10: Major sources of funding for the region’s councils.....	60
Table 11: Forecast operating expenditure 2012/13 – 2021/22.....	61
Table 12: Proposed expenditure on renewals and replacement 2012-2022	61
Table 13: Proposed new capital expenditure 2012-2022	62
Table 14: Summary of the equity liability and assets of the region’s councils	63
Table 15: Actual and forecast borrowing of the region’s councils.....	63
Table 16: Actual and forecast borrowing of the region’s councils.....	64
Table 17: Asset values	67
Table 18: Condition assessment of water and wastewater assets	68
Table 19: Current land transport functions	70
Table 20: Road length	71
Table 21: Water supply reticulation summary.....	74
Table 22: Wastewater networks and treatment plants summary.....	75
Table 23: Stormwater systems summary.....	76
Table 24: Solid waste facilities	77
Table 25: Community facilities in Wellington Region by council	78
Table 26: Cost per person per annum for operational expenditure in social infrastructure.....	79
Table 27: Numbers of elected councillors across Wellington Region councils and representation ratios (population per councillor).....	87
Table 28: Community boards in territorial authorities	88
Table 29: The framework for evaluating the “reasonably practicable options”.....	111
Table 30: The meanings of the scores.....	148
Table 31: Comparison of the “reasonably practicable options” regarding current and future community needs and issues.....	156
Table 32: Comparison of the “reasonably practicable options” regarding democratic decision-making	169
Table 33: Scope for integration of regulatory responsibilities.....	186

Table 34: Comparison of the “reasonably practicable options” regarding improved provision of core services.....	188
Table 35: Comparison of the “reasonably practicable options” regarding achieving the objectives of other legislation	196
Table 36: Comparison of the “reasonably practicable options” regarding achieving the objectives of improved economic performance	205
Table 37: Comparison of the “reasonably practicable options” regarding the costs of transition and potential savings	216
Table 38: Comparison of the estimated costs of ICT system design and delivery	219
Table 39: Cost per person per annum, operational expenditure in social infrastructure.....	222
Table 40: Proposed ward representation.....	234
Table 41: Responsibilities of governing body and local boards of Auckland Council	240
Table 42: Proposed local board elected member representation (excludes appointed members).....	245

Figures

Figure 1: Wellington Region city and district council boundaries.....	24
Figure 2: Wellington Region active faults.....	25
Figure 3: Wellington Region major catchments.....	25
Figure 4: Wellington Region major transport linkages.....	26
Figure 5: Colmar Brunton opinion survey June/July 2012	99
Figure 6: Properties within the Mataikona Catchment.....	146

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