



Governance Options

Coming to a position on governance options for the region

Feb 2016

What this presentation covers

Part one – Local Government Commission

- Recap of the issues
- Overview of the likely options to emerge
- Coming to a position on governance options using principles

Part two - Porirua

- key demographic data
- Key financial information

We know what the issues are...

We have had six+ years of review and debate

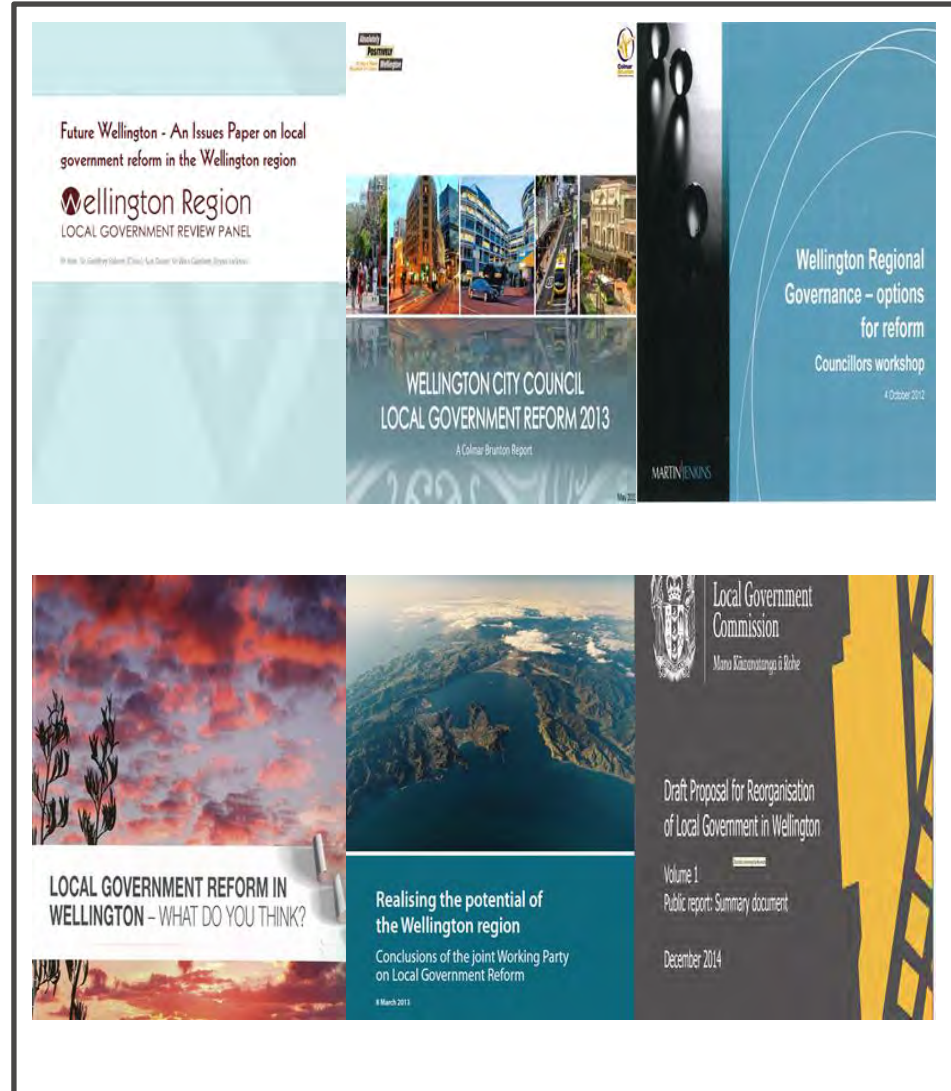
We know what the issues are

We know what the community thinks

A new process is underway to explore options

But current options look ‘undercooked’ will likely add complexity

Now is the opportunity put a ‘stake in the ground’ and influence the outcome



Recap of key issues from a WCC perspective

Highly interdependent city-region

Nine councils

Functions, decision-making and service delivery split over three layers of government

Many crucial decisions rest at the regional or central govt level
NZ has highly centralised form of government

Some poor governance arrangements set by legislation
eg. regional transport committee



Boundary between functions/areas of responsibility not clear

Decision-making slow and convoluted eg. BRT

Difficult to provide holistic and integrated solutions for the key services eg. transport

Duplication of effort

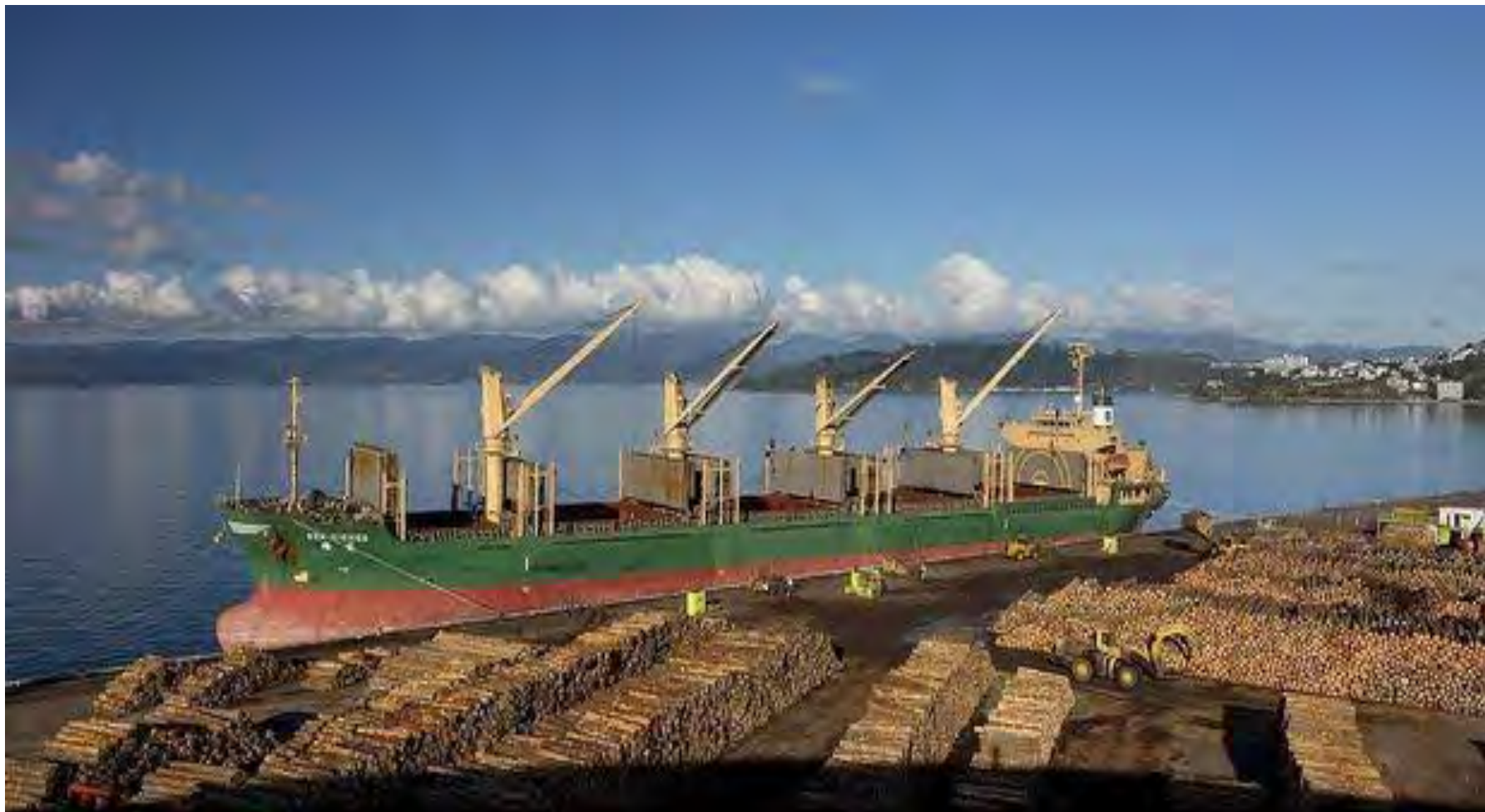
Accountability unclear

No single clear voice

We are not in full control of our city and how it develops eg.

- PT
- Port

Is this the best use of this land now, or in the future?



Absolutely Positively
Wellington City Council

Me Heke Ki Pōneke

We know what the community thinks

10%

Support for super-city

60%

Support for smaller mergers

70%

Support for regional CCOs eg. transport

The community does not, and has never liked the 'super-city' model


But a large section also doesn't like the status quo either

At a regional level, consultation results and polls show the community are open to change

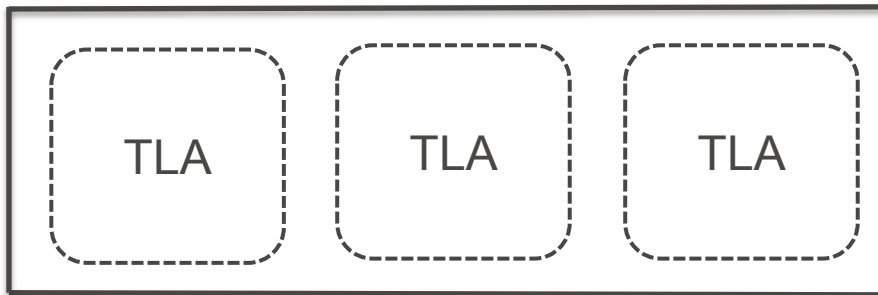
Wellington residents are also more open to change than any other resident in the region

A new process is underway...

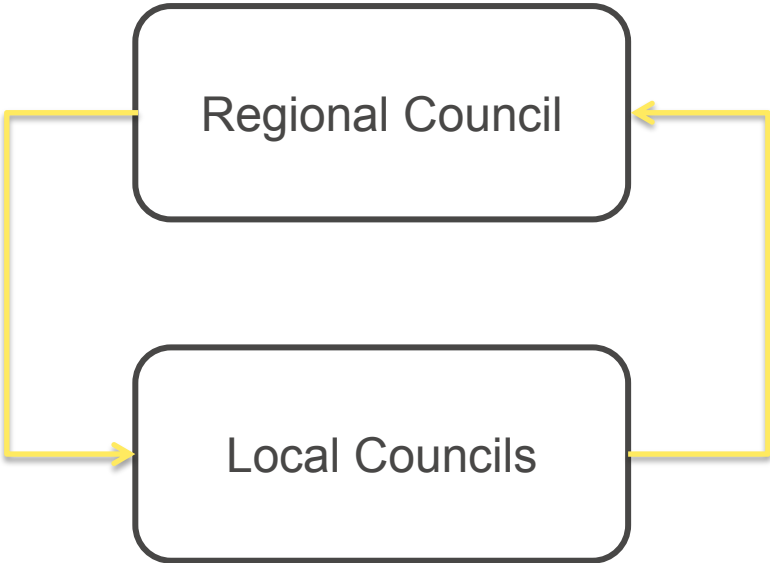
Focused on:

- Wairarapa mergers
 - Transport CCO
 - Spatial planning and consenting at a regional level
 - Three Waters
 - Economic development
- 
- *Officers are on working groups*
 - *Guided by the Mayoral Forum*
 - *Regular updates to Councils*

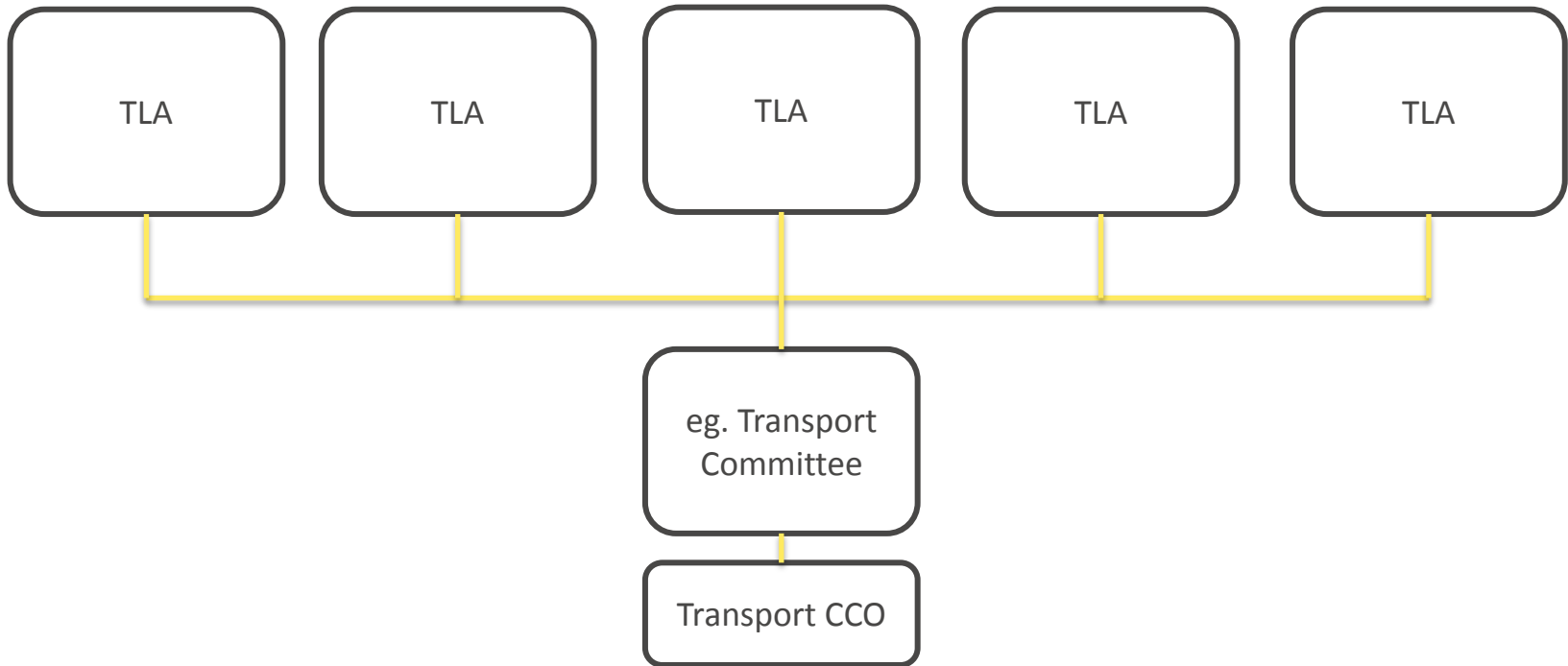
Smaller mergers eg. Wairarapa



Transfer of functions, power, decision-making and service delivery



Regional committees / CCOs



The most likely scenarios the LGC will consult on?

Likely consultation scenario

- Local councils remain
- Regional council remains
- Addition of up to three regional statutory CCOs
 - transport
 - spatial planning
 - three waters
- All councils (including GW) on regional CCOs

Possible outcome

- *No streamlining of governance functions in the metro sector*
 - move from 9 to 12 public bodies
- *Accountability will remain unclear*
- *No clear devolution of functions to TLAs*
eg. port will be governed from afar, no control over PT
- *Governance arrangements for regional entities not clear*
- *We could end up with less control over our city*
 - a transport agency controlled by GW
 - less control over spatial planning in the city

Two options

1.

Continue to participate in the process + make a submission when formal proposals are before the community

2.

Front foot the issue and come to a position now to influence the outcome .

Draft Principles



1. Subsidiarity

Principle:

Decision-making is best performed by the least centralised competent public authority to ensure local preferences are best reflected – and that decision-making should only be performed at a more centralised level if it could be shown to deliver a demonstrable advantage

What it means in practice:

- Transfer functions and powers from the regional to the local level
- More council control over crucial city issues
 - Public transport
 - Port activities + port development land
 - Regional parks
 - Other areas?
- Regional activities managed by TLAS through regional CCOs/committees

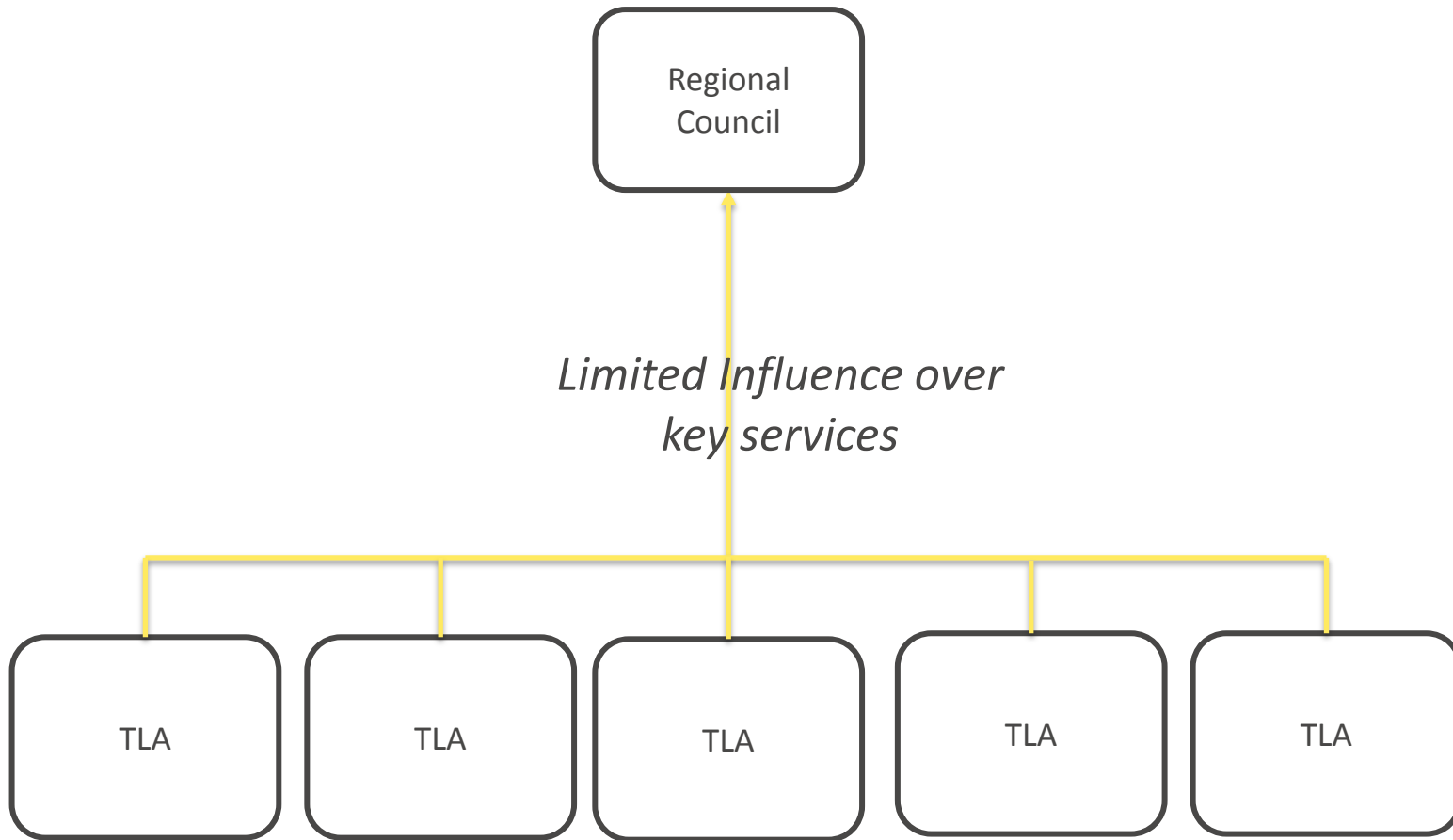
All the benefits of centralisation but decision-making is close to the people

Local Council
1:5k (on average)

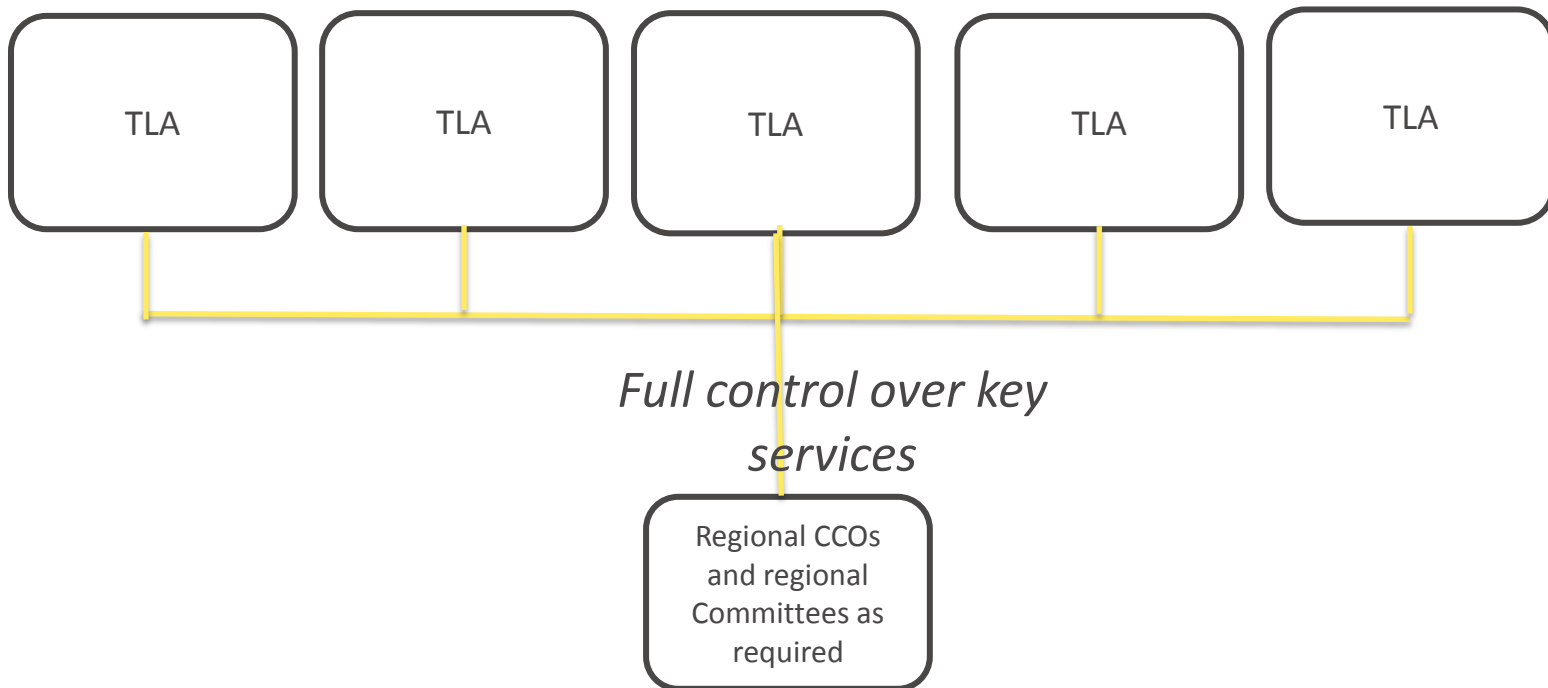
Regional Council
1:37k

Central government
1:63k

Current structure



A collaborative model

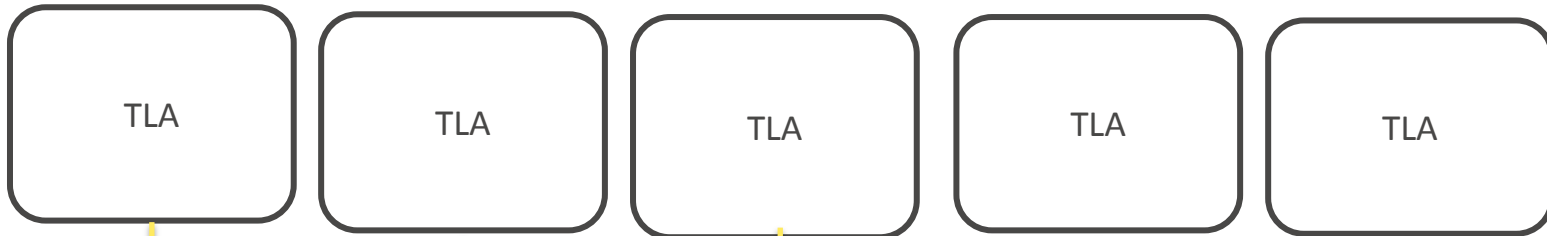


A collaborative model

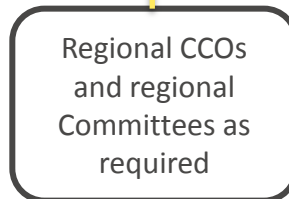


If you devolve water and transport do you keep a second governance structure in the region?

(Water + transport makes up 67% opex-77% capex of the GW budget)



Full control over key services



2. Proportionate

Principle:

Representation on regional decision-making bodies should be proportionate to the size of each local council

What it means in practice

- Representation arrangements on regional committees should be proportional to the size of the participating councils – based on the size of the population, rates base, or financial input

3. Resourced

Principle

Any devolution of powers, assets, functions and decision-making should be accompanied with the appropriate funding mechanisms to ensure their effective implementation

What it means in practice

- If there is going to a transfer of function, funding sources and subsidies should follow.
- For regional CCOS to be effective under the control of local TLAs, they must also be capable of owning assets

4. Most efficient and effective

Principle

We support options that provided economies of scale, streamline local government structures and allow better services to be delivered at reduced cost

What it means in practice

- We support exploring how economies of scale can deliver efficiencies and better services. This can be through shared services or mergers (see next principle)
- If the functions and powers of local TLAs expand, a corresponding contraction must be made at the regional level

5. Good neighbour

Principle

As a good neighbour, we will cooperate, and work with any neighbouring council that wants to explore a merger opportunities

What it means in practice

- One council is interested in exploring a merger – others may in time
- We will cooperate, share data and analysis, and help explore any merger with a neighbouring council should they request this from us
- Note that any final decision will always rest with both communities through a binding poll

6. Build with, not for

Principle

Any consultation process must achieve broad engagement, be transparent and open to feedback and new ideas

What it means in practice

- The last LGC consultation was not open to new ideas, disenfranchised people and was divisive
- The revitalised LGC is leading the new process in a new way that is both constructive and inclusive. It listens.
- We will continue to advocate for – and work with the LGC to ensure consultation is open and robust

7 . Broad support, not consensus

Principle

Aim for consensus but accept broad support to guide decision-making on governance options.

What it means in practice

- People have, and will continue to have varying views
- We will work hard to build support for any options we support, but acknowledge consensus is not an option
- We support final decisions on significant changes being made directly by the people through a poll

Summary of draft recommended position

1. Devolve functions from the regional council to local TLAs
 - This will provide local TLAs with control over how their cities are governed, operated and developed over time
 - This will streamline decision-making and make the accountability of a city's performance much clearer
2. Establish regional CCOs/committees where services are best delivered on a regional basis
 - Regional services can be run on a regional basis by TLAs for their communities (no additional governance layer required)
 - Representation on regional committees must be proportional and the CCOs must be able to own assets
3. Explore more shared service options, up to, and including full mergers
 - We will help explore any shared service and/or full merger option with a neighbour should they request this from us

Impact of position on LGC work-streams

Work stream	Position
Wairarapa mergers	Silent - to be determined by the people of the Wairarapa
More Regional CCOs	Support – but only if they are set up correctly (controlled by TLAs)
Regional Spatial Planning	Not a priority. Major infrastructure decisions already made. Unworkable with current political boundaries
Three waters	LGC developing options – needs to be able to own assets
Economic development	We now have a good strong structure in place - move shares/ to TLAs over time
Transfer services from regional to local level	Add to the list of work to do

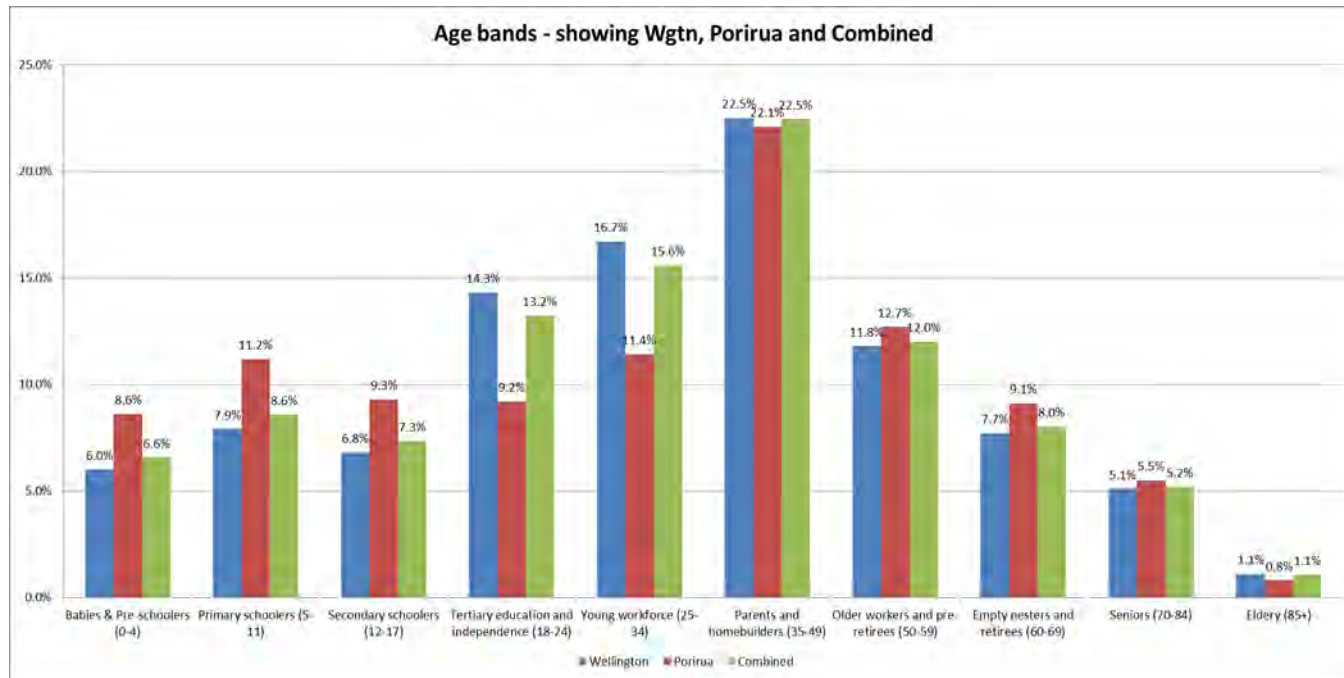


Merger with Porirua

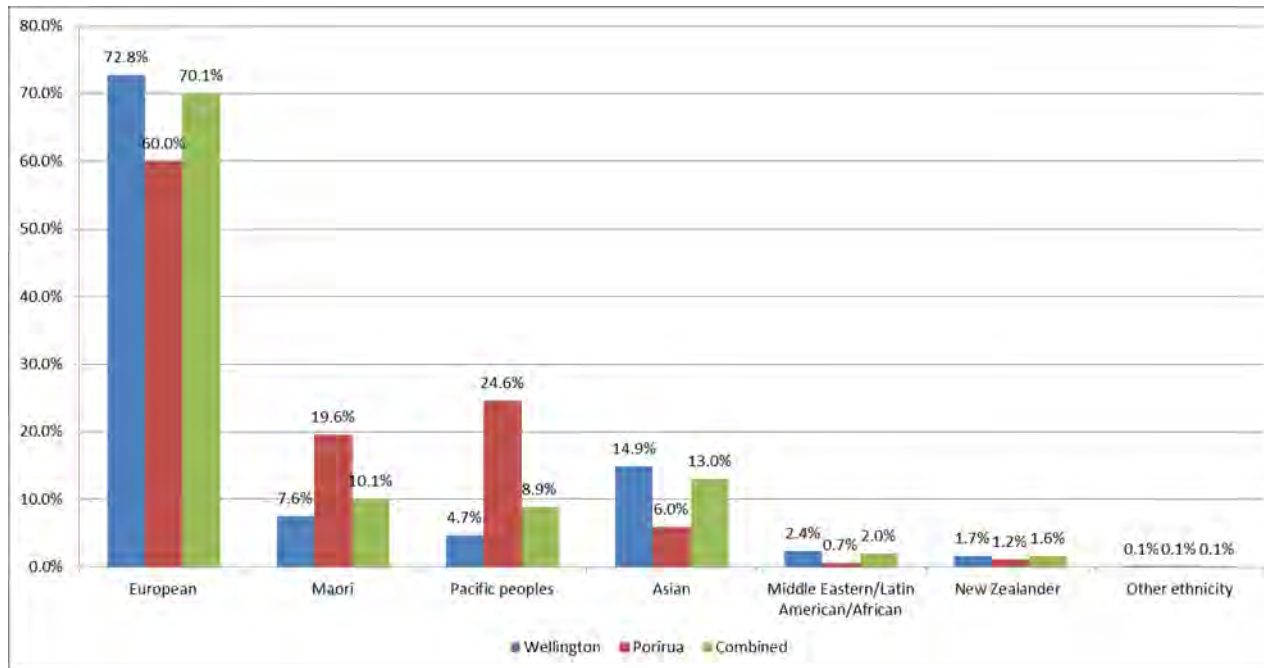
Why would we do this?

- Scale will bring efficiencies (circa 4-5%)
- Capture more of the future growth
 - population growth very high = demand for more housing
 - limited green-fields development left in Wellington
 - Medium density + high density (inner city) only attractive to some of the market
- Already share networks /assets (three waters, landfill, treatment plant)
- 40 percent of Porirua workforce already work in Wellington
- Ability to become a unitary Council
 - large enough with population of 250k
 - meet the legislative test (two defined water catchments)
- Our communities are very similar
- The rates impact is minimal

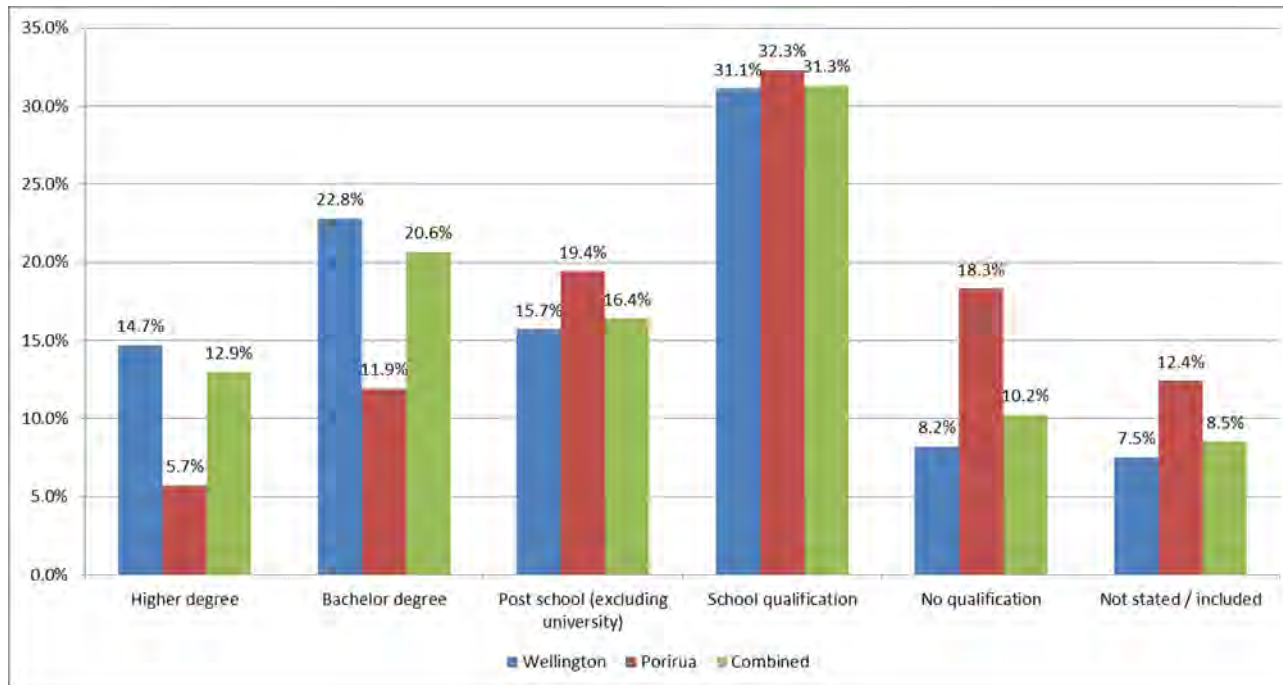
A merged city would be younger



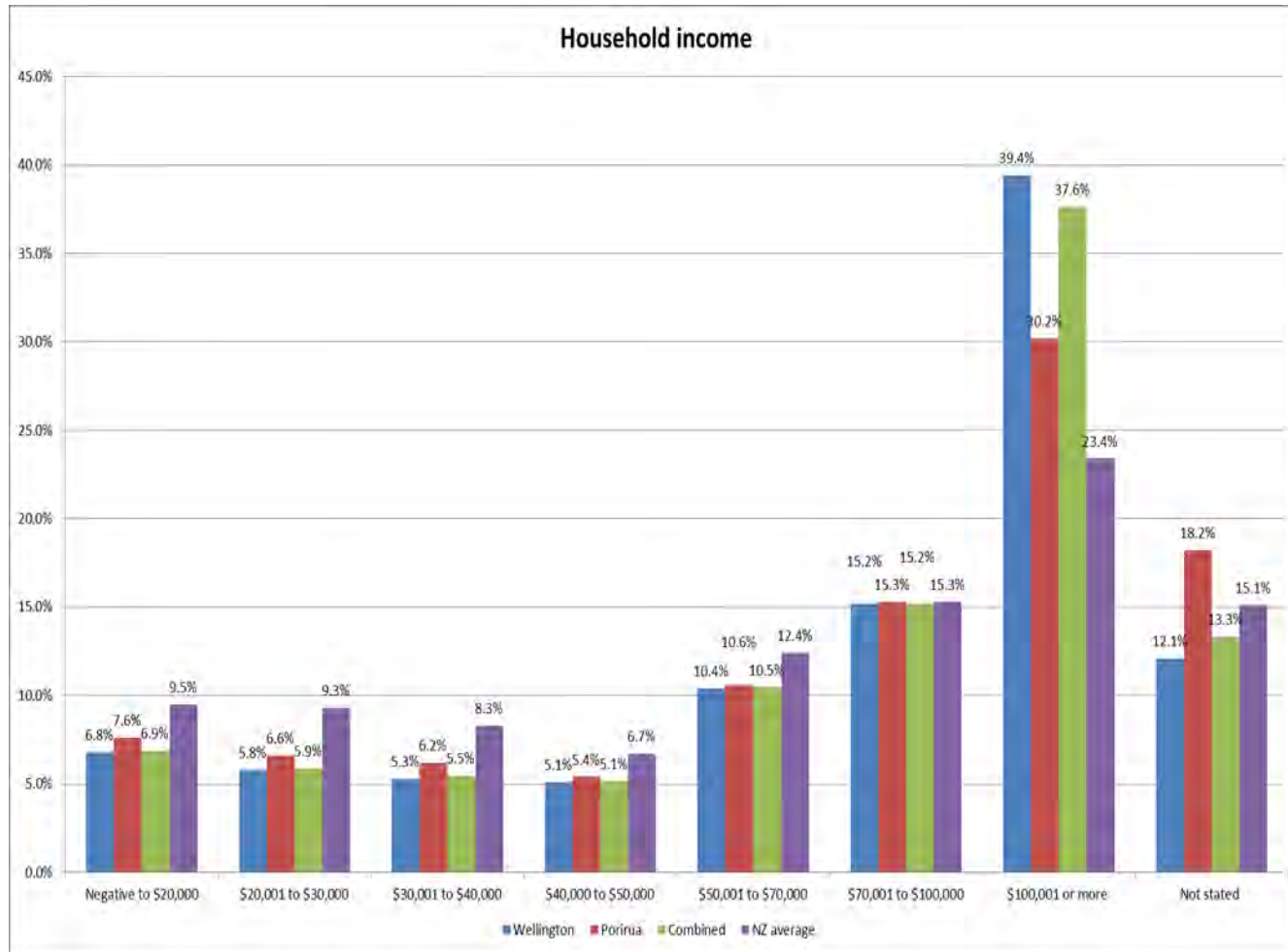
A merged city would be more diverse



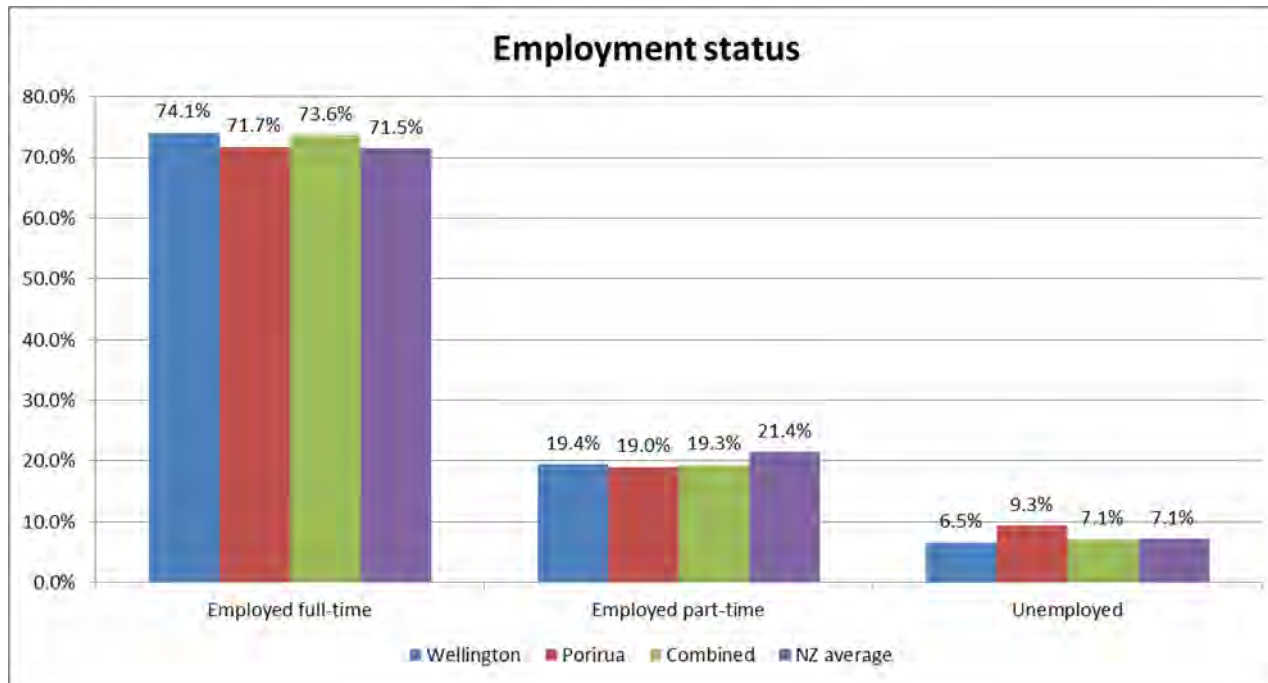
Remain the most educated city in NZ



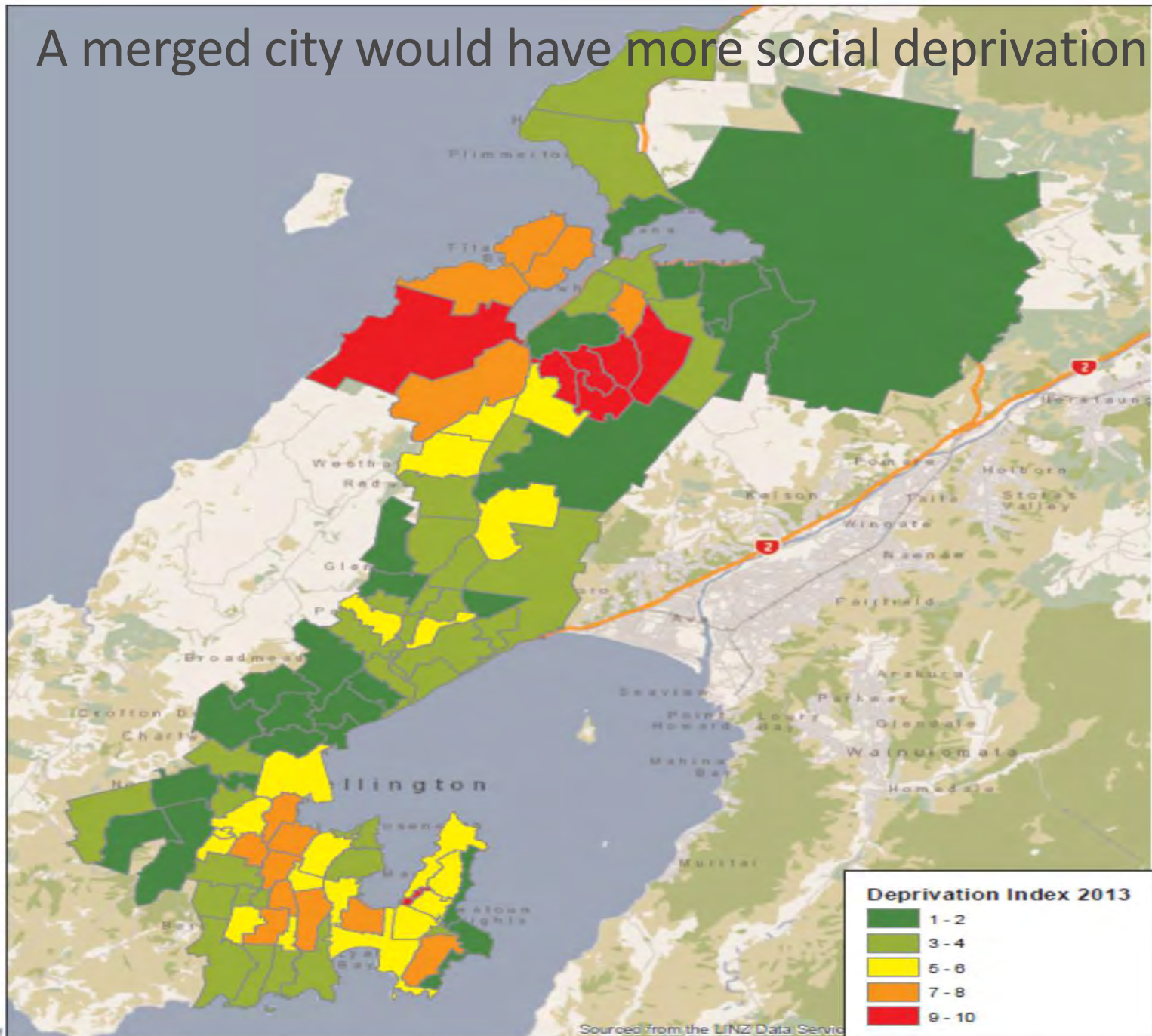
Retain the highest average household income



A merged city would have a higher than average level of employment



A merged city would have more social deprivation



Both cities have relatively low debt

WCCs net debt per \$m of capital value is lower (65% of PCC's)

2015/16 LTP	Gross Debt \$000's	Investments \$000's	Net Debt #'s	Residents #'s	CV \$m	Net Debt per \$m of CV
Wellington	\$416,263	\$227,792	\$188,471	203,800	\$ 48,996	\$ 3,847
Porirua	\$77,145	\$29,605	\$47,540	54,500	\$ 8,046	\$ 5,909
Total	\$493,408	\$257,397	\$236,011	258,300	\$57,042	\$ 4,137

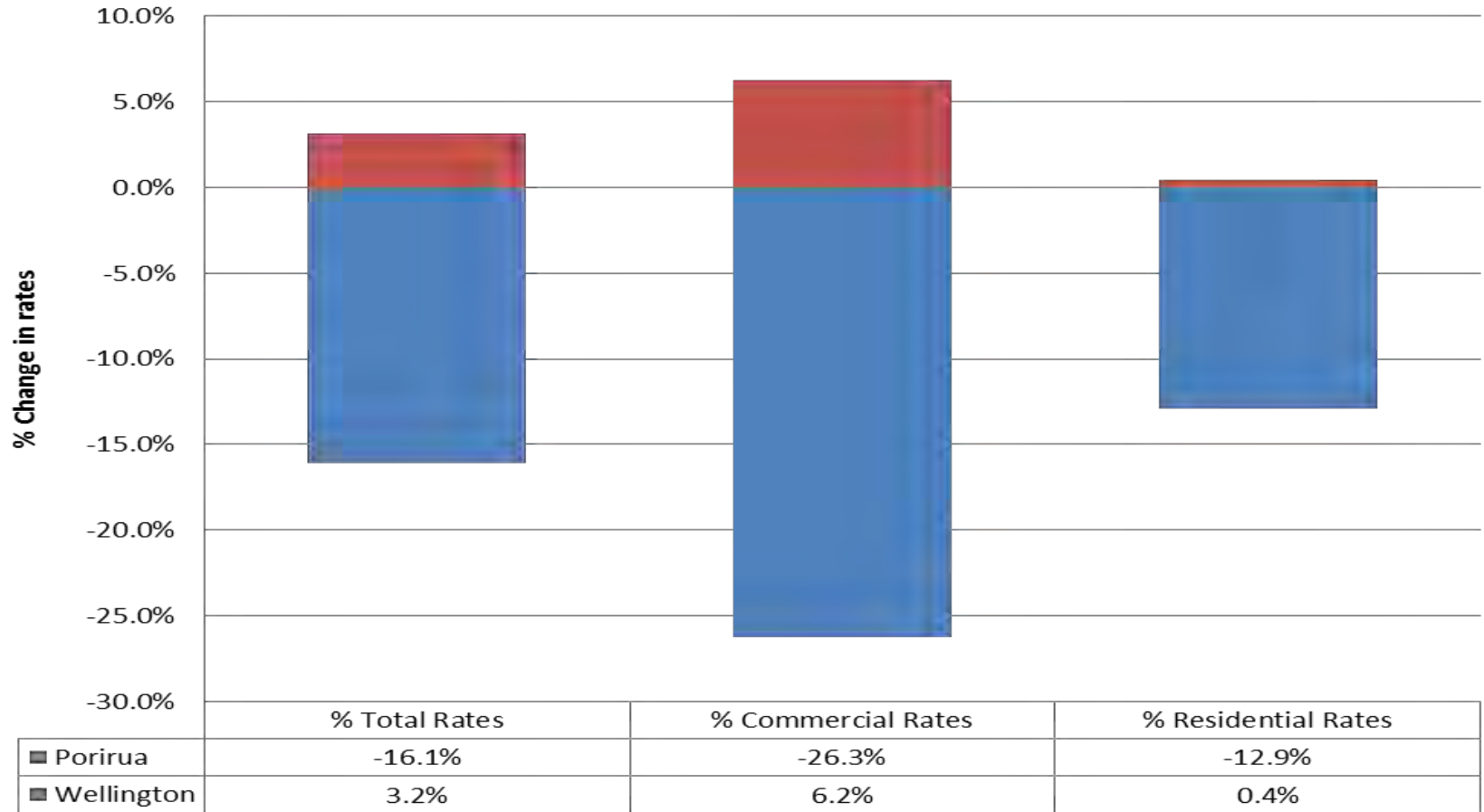
Debt to assets is also relatively low

	Total Assets \$000's	Gross Debt \$000's	Gross Debt to Assets	Net debt \$000's	Net Debt to Assets
Wellington	\$6,990,714	\$416,263	6.0%	\$188,471	2.7%
Porirua	\$1,309,201	\$77,145	5.9%	\$47,540	3.6%
Total	\$8,299,915	\$493,408	5.9%	\$236,011	2.8%

Porirua is moving towards full depreciation

- Funding depreciation has been an issue in the past in PCC
- 2015-25 LTP starts to address this issue
- Expect to have 84% depreciation funding by 2025
- Question mark over the quantity and quality of assets (asbestos cement pipes)

Indicative Rates Impact - WCC Policy



Recommendations

- Adopt the seven principles as a guide to the LGC for how we want governance options to be shaped for the region.
- Explore in more detail and report back to committee on the benefits and risks of a full merger with Porirua.

Next steps

LGC

- Update LGC on WCC principles and position

Porirua

- Review and report back in more detail on:
 - PCC asset condition
 - Service level variances between the two cities and impact on cost if any
 - Determine possible savings - currently estimated at circa 4-5%
 - Determine merger costs (and payback time from merger)

Questions

TA	Popn.	No. of elected reps	Ratio: elected reps to popn
Wellington City	204,000	15	1:13600
Lower Hutt City	102,900	13	1:7915
Porirua City	53,300	11	1:4845
Kapiti Coast District	50,000	11	1:4545
Upper Hutt City	41,700	11	1:3791
Masterton District	23,400	11	1:2127
South Wairarapa	9,430	10	1:943
Carterton District	7,820	9	1:869
Total for TAs	492,500	91	1:5,412
Greater Wellington	492,500	13	1:37,884
Central Govt	4,471,000	121	1:63,000