

**REPORT 2
(12 15/52/IM)**

BETTER LOCAL GOVERNMENT: OPTIONS FOR REFORM OF LOCAL GOVERNMENT IN WELLINGTON

1. Purpose of Report

The purpose of this paper is to seek your agreement to:

- a) Release a discussion paper on possible reform of local government in Wellington
- b) Survey residents on their views about whether reform of Wellington's governance arrangements is needed and, if so, what changes are supported and why
- c) Provide advice on an invitation from Greater Wellington Regional Council to participate in its proposal independent panel process.

2. Executive Summary

This paper proposes to release a discussion paper centred on four options for possible reform to local governance structures in the Wellington region. It is proposed to consult with the public on its appetite for reform from 16 May to 30 June 2012.

Discussion of governance reform is timely. While the region, led by the Mayoral Forum, has been discussing the issue for some time now, and has agreed that a sharper focus on shared services provides the best opportunity at the moment, the Government's signalled reforms mean that engagement needs to occur now if the public is to have an early and genuine say on the future of local government in the region.

The Government has signalled that it is seeking to have legislation passed as early as September 2012 and it is likely that change proposals will be submitted to the Local Government Commission soon after the changes are enacted.

Three of the four options contained in the attached discussion document propose disestablishing the Regional Council, in recognition that the Government is proposing to instruct the Local Government Commission to favour reform proposals that 'streamline planning processes' – we interpret this

as preferring unitary authorities¹ over the current two-tier governance structure in the region.

It is not this Council's role to tell other parts of the region how they should be governed. However, while the people of Wellington City are the focus of this discussion paper, we have described how the rest of the region might look under each of our four options. This is because any changes to Wellington City – such as merging with Porirua City and Kapiti Coast into a unitary authority – will inevitably have an effect on local government in the rest of the region.

It is proposed that the discussion document does not state a preference on any of the four options, to ensure that consultation is as open ended as possible. This council has yet to debate a preferred reform option, instead indicating that it wishes to engage with the public before forming a view on the matter. Consistent with that intent, the discussion document outlines the four options at a relatively high level, and does not analyse the options for advantages and disadvantages – we are asking the public to do that for themselves at this stage.

Consultation will include four key elements – submissions on the discussion document, a regional survey of residents, targeted meetings, and an open day for the community and Councillors.

Officers are in discussion with other councils in the region about joining the survey process, as all of the reform options as they affect Wellington City residents will also have an impact on residents in other local authority areas. The survey will not only assist councillors in understanding the views of the public in different areas, but will also be useful in any future engagement on a reform proposal to the Local Government Commission.

Officers propose to report back to SPC in early August on the results of the engagement and research, and with further detailed assessment of the four options. Depending on the results of that process, the Council may either abandon work on governance reform, undertake further public engagement on a specific option, or move directly to submit a reform proposal to the Local Government Commission towards the end of 2012.

Greater Wellington Regional Council has invited the councils in the Wellington region to partner in the establishment of an Independent Review Panel to consider the future local government arrangements for the Wellington region. Officers recommend declining this invitation for the reasons outlined in the body of the report.

3. Recommendations

It is recommended that the Strategy and Policy Committee:

1. Receive the information.

¹ A Unitary Authority is a type of council that has a single tier and is responsible for all local government functions within its area – i.e. both regional council and local council roles are combined into one authority

2. *Agree to release the attached discussion document as the basis for public consultation on the question of governance reform in the region.*
3. *Agree to delegate to the Mayor and Chief Executive the authority to amend the draft discussion document to include any amendments agreed by the Committee and any associated minor consequential edits.*
4. *Decline Greater Wellington Regional Council's invitation to partner in the establishment of an Independent Review Panel to consider the future local government arrangements for the Wellington region.*
5. *Agree that officers report back in August 2012 on the results of the engagement process and with advice on the next steps in the process.*

4. Background

4.1 Review of Governance in the Wellington Region - Agreed Work Programme

At its 11 February 2010 meeting, SPC considered a paper entitled *Review of Governance in the Wellington Region: Draft Terms of Reference* following changes to Auckland's governance arrangements.

SPC agreed to a review of Wellington's governance based on draft terms of reference and work programme covering research; analysis; development of options; a preferred option; public engagement; and final decision phase. It was agreed that the Mayoral Forum would be the governing body for that review.

At its meeting of 17 February 2011, SPC considered a report commissioned from PriceWaterhouseCoopers (PWC) by the Mayoral Forum, and public submissions that had been sought on that report. Wellington City Council received feedback from 11 individuals and organisations, and there were only 155 submissions received by councils across the entire region. PWC outlined six potential options for the future governance arrangements for the Wellington region ranging from status quo; a strengthened regional council; logical clusters; two-tier government; sub-regional unitary authorities; to a single unitary authority

The PWC report received very low levels of public feedback, and consequently SPC agreed that the Mayor recommend to the Mayoral Forum that further work be done before proceeding to the development of options, focussing on those areas that present the best opportunities for improvement:

- *the three waters, regional amenities, transport, economic development, back-office services, climate change and waste.*

SPC also agreed that the Mayor recommends to the Mayoral Forum that any proposed amalgamation of Wellington City Council with any other local authority would have to involve genuine public consultation and receive majority public support through a local referendum to align with the next Local Government election.

The Mayoral Forum supported the recommendation to focus on shared services and the work programme for the Mayoral Forum has reflected that decision.

4.2 Shared Services

Progress has been made on shared services arrangements in the region. A proposal for new region-wide funding of key regional amenities is currently being consulted on each in each local council's draft 2012/22 Long Term Plan. A proposal for Upper Hutt and Porirua city councils to join Lower Hutt and Wellington city councils as public owners of the water networks management company Capacity is being considered at the moment.

Economic development continues to be funded, governed and managed regionally as a partnership between local authorities and the regional council. Civil Defence has recently moved to a regional structure, again as a partnership between local authorities and the regional council. A proposal for Wellington and Porirua cities to share waste services is currently being consulted on through each city's draft 2012/22 Long Term Plan.

The three councils in the Wairarapa have jointly commissioned work investigating the potential for shared services arrangements to work in their area as part of a review of possible future governance arrangements.

4.3 Better Local Government

On 19 March 2012, the Government released its outline for reform in the local government sector known as "Better Local Government". The outline proposes a two-stage implementation process that includes:

Stage One (2012)

- 1) A new purpose statement for local government.
- 2) Fiscal responsibility requirements.
- 3) Strengthened governance provisions.
- 4) Streamlined council reorganisation procedures.**

Stage Two (2013)

- 5) A new Government Efficiency Taskforce.
- 6) Development of a framework for central/local government regulatory roles.
- 7) Investigate the efficiency of local government infrastructure provision.
- 8) Review the use of development contributions.

In announcing its intention to clarify local government's role and seek improvements in the efficiency of delivering public services, the Government has made it clear that it wishes to see changes to the way that local government is organised, the types of services provided and how these services are delivered. This paper is focused on initiative four, how local government is organised and the proposed changes to reorganisation procedures.

The government has indicated that it wishes to move quickly in relation to Stage One of its 'Better Local Government' work programme, and that it is seeking to have legislation passed as early as September 2012. There are some key elements to the Government's reform intentions for 'streamlined council reorganisation procedures' that are of particular importance to this paper:

- The Local Government Commission is likely to be given new criteria upon which to determine whether a proposal should proceed, in addition to the current focus on whether the proposed change promotes better local government overall. Amongst these are a preference for streamlined planning processes (which may indicate a preference for unitary authorities over the current two-tier system of government in place in the Wellington region) and efficiencies (which may in some instances prefer larger authorities over smaller ones).
- A poll - such as that recently held in Nelson and Tasman which was unsuccessful because a majority of Tasman voters did not support the proposed merger of the two entities - will no longer be required for reform to be put in place. A poll is only required if 10% of affected residents across the entire affected area sign a petition requesting one be held
- Even if a poll is forced by petition, a reform proposal will no longer need majority support in *each* affected area – only a majority across the total proposed area. In the case of the Nelson-Tasman proposal, this would still have resulted in a failed proposal.

Collectively these reforms mean the barriers to governance or boundary changes will be significantly lower than under current local government legislation, and are designed to make changes more likely - in effect the 'burden of proof' is in many ways being shifted from proponents of change to opponents of change.

Greater Wellington Regional Council has signalled an intention to submit a reform proposal under the new legislation, and other entities or organisations may consider doing likewise. It is not clear at this stage how the Local Government Commission intends to deal multiple and/or conflicting proposals, however it is likely to assess all proposals against its new criteria and focus on the proposal/s that best match them.

5. Discussion

Councillors have indicated, both through an earlier SPC meeting in February 2011 and at a workshop on governance in February 2012, that any review of the region's governance must involve genuine public consultation, and that setting out a number of different options is the preferred means of public engagement for this stage.

On that basis officers propose that SPC agrees to:

- a) Release a public discussion document summarising the Government's proposed changes to council reorganisation procedures, and seeking

residents' views on whether they believe reform of Wellington's governance arrangements is needed and, if so, what changes they would support. The discussion document contains four options for the public to consider

- b) Receive a report back to SPC in early August 2012 on submissions received and the results of the independent survey, along with recommendations about next steps.

The four options are:

- **Option one** – 'shared services' or 'collaborative' model. No change to existing boundaries for councils, but we would agree to formally share or bring together the management of more services. This might be 'back office' services such as information technology and human resources, it might be expanding shared services such as water and waste, or sharing the management of our recreation, parks and library facilities. The focus would be on cost sharing and providing better services through economies of scale, and the services to be shared would depend to an extent on the feedback from the public.

- **Option two** – merger of all current councils into three unitary councils.

Wellington Capital and Coast Council – combining Wellington City, Porirua City, and Kapiti Coast District

Hutt Valley Council – combining Hutt and Upper Hutt cities

Wairarapa Council – combining South Wairarapa, Carterton and Masterton District Councils

The Regional Council would be removed, and its services would need to be absorbed and in some cases jointly managed by the three new councils which would become unitary authorities – which means they are responsible for both local and regional council services in their area.

- **Option three** – merger of all current councils into two unitary councils.

Wellington Council – combining all of the urban/metropolitan areas of Wellington City, Porirua, Kapiti, Hutt City and Upper Hutt

Wairarapa Council – combining all of the councils in the Wairarapa - South Wairarapa, Carterton and Masterton District Councils - into one Unitary council

Again, the Regional Council would be removed, and its services would need to be absorbed and in some cases jointly managed by the two new councils which would become unitary authorities.

- **Option four** – One council for the whole region, with 10 Local Boards sitting underneath that would look after 'local' services. As with the new

Auckland Council, this new single Council would be the only entity that can rate, and would make the major decisions for the entire region.

5.1 Assumptions

Four options for reform are included in the attached draft discussion document. There are of course many more options that could be included, however Councillors have indicated that in order to have a focussed public debate the options need to be limited and sufficiently distinct.

A number of assumptions are made in describing these four options in the draft discussion document:

No preference expressed

Officers recommend not including a preferred option in the proposed discussion document. This will protect the integrity of the consultation process, and reflects the fact that this council has consciously decided not to debate its preferences in terms of reform options until it has heard from the public.

Options are outlined only at a high level

Consistent with providing options and seeking to hear from as many people as possible, officers propose not to populate governance options with operational details. Many people find it difficult to understand how local government operates and will often only engage with parts of it at any one time. The options are described in a way that is intended to convey the main features of each option, without overwhelming people with detail.

If and when the Council reaches a decision to proceed with developing a preferred reform proposal, that would need to be populated with the level of detail and evidence to back the analysis that is required by the Local Government Commission.

Options not assessed for advantages and disadvantages

For much the same reasoning as not identifying a preferred option – the integrity of the engagement process – officers have not attempted to assess each option for advantages and disadvantages. At this stage we propose that Councillors invite the public to identify these themselves.

5.2 Public engagement

Consultation will have four main elements to it:

- Submissions on the discussion document
- A regional survey of residents, in conjunction with other councils in the Wellington region as agreed
- Targeted engagement with the community. For example we met with the Pacific Forum on Wednesday 2 May and sought their feedback on regional governance, and will shortly be meeting with the Ethnic Forum and will take the opportunity to discuss governance with this group

- An Open Day for the community to meet with Councillors and discuss views on governance reform.

To meet the Government's indicative timeframe for the passing of legislation in September 2012, it is recommended that submissions on the discussion document open on Wednesday 16 May and close on 30 June 2012. We therefore do not recommend holding oral hearings following submission because Council does not meet during July, and officers need to report to SPC by early August 2012 if the Council is to keep its options open while meeting the Government's reform timetable.

As it is important to engage face to face with the community as well as through the submissions process, officers also plan to arrange for some form of 'open day' for the community to meet and discuss the governance reform issues directly with Councillors. This is likely to be towards the end of June so that Wellingtonians have the best opportunity to have an informed discussion.

Officers propose to commission an independent survey of 2000 residents in the wider Wellington region which would seek to identify:

- Whether residents in the Wellington region wish to see reform to regional governance structures
- If they wish to see change, which of the proposed four options they prefer? If none, what other options would they prefer?
- What are the key drivers for any changes that resident prefer?

Importantly, this research would survey residents throughout the region, rather than just Wellington City residents, for two key reasons:

- Any possible changes, including a move to retain existing boundaries but to implement formal collaboration arrangements, are interrelated and will affect residents beyond Wellington City.

For example, Option 2 involves Wellington City Council merging with Porirua and Kapiti and forming a new unitary authority – in deciding whether this is supported or feasible, Councillors would need to know how the residents of Porirua and Kapiti respond to that idea, not just Wellington City residents. Also, given that the three councils would form a unitary authority, all of the other councils in the region would be affected by the removal of ratepayers from Wellington, Porirua and Kapiti from Greater Wellington Regional Council's responsibilities and rating base.

- Other councils may draw on this information to assist with their own decision-making.

We are discussing the proposed independent survey with other councils in the region with a view to encouraging them to participate in the survey process.

5.3 Next Steps

Depending on the feedback received from the public, and a more detailed analysis of the options, Councillors will have 3 options about what to do next, which will form the basis of our report back to SPC in early August. They are:

- Do nothing – if the feedback is clear that there is little appetite for structural change, Councillors could decide that no further action is required for now and instead focus efforts on Council's day to day business
- Identify a preferred option/s, develop that into a detailed proposal/s for changes to local government in Wellington, and consult once more with the public on that specific proposal/s
- Identify a preferred option and submit that to the Local Government Commission directly. We note that the Local Government Commission is required to carry out its own consultation with the public on any proposed changes before determining that new arrangements should be put in place.

The timing of any proposal to the Local Government Commission will depend on the strength of the public's views on governance reform and the government's timeframes for legislative change, signalled as September 2012 in time for the October 2013 local body elections. Should the Government move to rule out amalgamations being made for the 2013 local government elections under its new legislation, more time for further and more detailed public engagement would be available and recommended.

5.4 Greater Wellington Regional Council – Invitation to Partner in the establishment of an Independent Review Panel

Greater Wellington Regional Council has invited the councils in the Wellington region, including Wellington City Council, to partner in the establishment of an Independent Review Panel to consider the future local government arrangements for the Wellington region. In its invitation, Greater Wellington Regional Council notes that it would expect to reach agreement with participating councils on the terms of reference for the Panel and Panel membership. Mayor Wade-Brown has responded to the invitation stating that Wellington City Council will be discussing the governance issue at this meeting, and will provide a response following a discussion on the matter.

Officers recommend that the invitation from the Greater Wellington Regional Council is declined for the following reasons:

- a group of councillors from Greater Wellington Regional Council have already indicated a preference for a single unitary authority/super city to be formed (Option 4 in the attached discussion paper). In light of this, there remains a perception that the proposed Independent Review Panel process is compromised
- Councillors indicated at a workshop on governance reform, held in February 2012, that they wished to be directly involved in the discussion with their constituents on regional governance reform, as a core role for

elected members. Participating in Greater Wellington Regional Council's Independent Review Panel process is unlikely to provide councillors with the level of involvement that they are seeking in the review process

- Councillors also indicated that they wanted a community-led process that was open to different views and options
- There is already a statutory process that provides independence – the Local Government Commission. This is more appropriate in officer's view once residents appetite for reform and the shape of that reform is established.

At this stage we understand that Hutt City Council, Kapiti Coast District Council and South Wairarapa District Council have rejected the invitation to date.

5.5 Financial considerations

There are no immediate financial implications in this proposal.

5.6 Climate change impacts and considerations

There are climate change implications in this proposal.

5.7 Long-term plan considerations

There are no immediate Long Term Plan implications. If reform does occur, the new entities would be required to develop new plans for their new areas.

6. Conclusion

This paper proposes to release a discussion document on local government reform in the Wellington region, for consultation from 16 May to 30 June 2012.

Officers also propose to commission independent research of residents across the Wellington region based on the four options to ascertain the public mood for reform and the key reasons behind people's responses. We are in discussions with other councils in the region about participating in that research process.

Following the consultation and research processes, officers will report back to SPC Committee in early August with an analysis of the options, public feedback and the research project, with a view to informing the next steps.

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