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Committee Council
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Better Local Government reforms

1. Purpose

To outline the Government's proposed changes to local government and recommend a response to those changes.

2. The decision-making process and significance

The matters for decision in this report are procedural. The subject matter of this report is part of general process that, at a later date, may lead to the Council making a decision of high significance within the meaning of the Local Government Act 2002 (LGA).

3. Background

3.1 Government announcements – *Better Local Government*

On 19 March the Prime Minister announced the Government's intention to make significant changes to the legislative framework (the LGA) guiding how local government operates and manages its business.

An outline of the proposed changes is set out in the document *Better Local Government (Attachment 1)*. In summary this proposes an eight-step work programme to:

1. Refocus the purpose of local government to be about 'providing good quality local infrastructure, public service and regulatory functions at the least possible cost to households and business'.
2. Introduce fiscal responsibility requirements, including setting benchmarks for income and expenditure, and prudent debt levels.
3. Strengthen council governance provisions to empower councils to set employment and remuneration policy. Mayoral powers are proposed to be extended to appoint deputy mayors, establish committees and propose plans and budgets.

4. Streamline and provide greater flexibility for council reorganisation procedures. New proposals will need to consider the benefits to be gained from simplifying planning processes and efficiency improvements.
5. Establish a local government efficiency taskforce in consultation with Local Government New Zealand to review the planning, consultation and reporting requirements of the LGA (note: these will not extend to Chairs of regional councils).
6. Develop a non-statutory framework for central/local government regulatory roles, to be informed by a review on regulatory performance by the Productivity Commission.
7. Establish an advisory group to investigate how good quality infrastructure can be best delivered at least cost.
8. Review the use of development contributions.

The Government proposes introducing legislation on the first four steps in May this year to be passed by September 2012. As announced on Monday, this will enable the Local Government Commission to consider reorganisation proposals in time for the October 2013 local government elections. The subsequent steps are proposed to feed into a second Local Government Reform Bill proposed for 2013.

As well as responding to the Government's well-publicised concerns about affordability, the proposed reforms indicate a need for local government to consider structural change where this will result in greater efficiency and effectiveness.

The Government had recently signalled its intent to make these changes through the Minister of Local Government who referred to the ideal structure for local government as one that enabled "the big strategic decisions for a region around public transport, roading, water and major infrastructure to be handled on a region-wide basis"¹. Furthermore, under the *Better Local Government* proposal, the criteria to be used by the Local Government Commission in assessing proposals will require the Commission to consider the benefits in terms of simplifying planning processes. The paper noted that this change may mean there is more interest in unitary authority models because of their potential to simplify planning processes².

3.2 Wellington Mayoral Forum review of local government

The Wellington region, through the Wellington Mayoral Forum, began discussing local government efficiency and effectiveness issues in 2009. This included looking at structural options as well as opportunities for shared services. In February 2010 the Forum commissioned PricewaterhouseCoopers to produce a report that analysed the present arrangements. It suggested six possible scenarios for the future governance of the Wellington region.

¹ Feature article, Dompost, Friday March 2, 2012

² Page 10, *Better Local Government*, March 2012

The PricewaterhouseCoopers report was made available for public comment between April and June 2011 – the aim being to help inform the Wellington Mayoral Forum on the next steps for reviewing the way the region is governed. A total of 165 submissions from individuals and organisations were received. A summary of submissions was prepared independently by MartinJenkins Ltd and reported back to the Mayoral Forum on 9 September 2011.

The findings in both reports commissioned by the Mayoral Forum identified significant opportunities to improve the efficiency and effectiveness of local government in the Wellington region. Notwithstanding this, no further commitment was made at the time by the Mayoral Forum to progress the review of governance arrangements in the region. Instead it agreed to continue to progress its shared services programme.

4. Implications of the proposed changes for the Wellington region

The following section sets out the implications of the *Better Local Government* proposals.

4.1 New purpose statement for the LGA

The current ‘four wellbeings’ purpose statement is proposed to be refocused on ‘providing good quality local infrastructure, public service and regulatory functions at the least possible cost to households and business’.

The extent to which this constrains Greater Wellington’s current scope of activities is uncertain at this stage, as comments from the Prime Minister and the Minister of Local Government imply that the change is targeted at outlying activities such as Auckland Council’s “NCEA pass rates”, purchasing dairy farms and “goals for reducing rates of child abuse”.

4.2 New fiscal responsibility requirements

The reform package includes a proposal to include new fiscal responsibility requirements in the LGA. Broadly, the proposal covers the setting of benchmarks in respect of income and expenditure, and prudent debt levels.

The nature of these benchmarks is important but they have yet to be clearly defined. For example, the proposal suggests limiting expenditure growth to no more than inflation plus population growth plus extraordinary items. A narrow definition of extraordinary items that excluded items such as our rail investment would be problematic for our region, given the commitment we’ve made to the rail upgrade package. The Council will need to work with Local Government New Zealand (LGNZ) to ensure the Government understands the implications for such provisions.

4.3 Strengthening governance

The Government is proposing to amend the LGA to empower councillors to set policy on the number of staff to be employed and overall remuneration policy.

Councils' annual reports will be required to include information on staff employed by salary bands.

This will be relatively straightforward for Greater Wellington. The Chief Executive already shares information on Council staff numbers and Council is involved in setting direction for funding, which includes remuneration. Councils already publish chief executive salaries.

4.4 Reviews and investigations

The reform package includes a series of reviews and investigations on activities of direct interest to Greater Wellington.

These include:

- the establishment of a local government efficiency taskforce
- the Productivity Commission review to develop a framework for central/local government regulatory roles
- the investigation on the efficiency of local government provision.

Through LGNZ this Council will seek opportunities to feed into these reviews.

4.5 Review of Wellington local government arrangements

Taken in its entirety, the announcement by Government is a wake up call for the Wellington region.

The reform package provides a clear message that the Government is seeking to significantly improve the **efficiency and effectiveness of local government** in order to slow rates rises, control debt levels and increase productivity.

Work commissioned by the Wellington Mayoral Forum confirms that there are significant opportunities to respond to these challenges and streamline the way local government is structured and delivered in the Wellington region.

Attempts to establish regional shared services have taken significant effort with very limited success. All territorial authorities are required by law to carry out similar core activities. In some instances the councils in the region have worked together to combine resources (e.g. the combined Wairarapa District Plan and the two Hutt Valley TAs' combined approaches on various matters), but region wide even the flagship Wellington Regional Strategy has not been as effective as was originally envisaged. Region-wide gains are hard to achieve and there is still significant proliferation of activities within the region.

Key examples include:

Planning

- Under the RMA there are: the Regional Policy Statement; six District Plans; five regional plans and numerous district plan related guidelines

- Transport plans include: the Regional Land Transport Strategy; city/district transport plans and strategies, and numerous asset management plans for each council
- Other plans include: the Wellington Regional Strategy; nine Long Term Plans; and a multitude of district/city growth strategies and neighbourhood plans.
- Key issues: no integrated regional spatial planning framework; overlaps in some areas (e.g. coastal planning, natural hazards); duplicated processes; uncertainty for users; increased costs; delays; increased scope for litigation, including between the regional council and territorial authorities.

Water infrastructure

- Current situation: Greater Wellington delivers bulk water to some of the region; Masterton, Carterton, South Wairarapa and Kapiti run their own water supplies independently using in-house staff, outsourced contractors/consultants, or a combination of both; Wellington and Lower Hutt own a CCO (Capacity) that uses a combination of in-house staff and contractors/consultants to deliver their reticulated supply (i.e. to households and businesses); Capacity also delivers under contract to Upper Hutt.
- Key issues: duplication of services, different approaches for planning for long term supply (GW & Kapiti), poor quality water supply grading outside cities, duplication of consultants and poor economies of scale outsourcing consultants, different delivery models.

Economic development

- Current situation: the region's councils have been working together on the Wellington Regional Strategy since 2004, with mixed success. Several territorial authorities have their own economic development strategy for their city/district; all nine councils (elected members, chief executives, senior officers) are involved in decision-making; Greater Wellington is responsible for the regional rate to fund the regional economic development agency but has only one vote on a committee of twelve that decides how rates are spent.
- Key issues: duplication in some areas; it remains difficult to get agreement on a regional approach for key initiatives; challenges with relationships with Central Government agencies (e.g. Ministry of Economic Development, Ministry of Science and Innovation, Trade and Enterprise NZ) as, in addition to a WRS perspective, many councils also want to have a direct relationship on particular issues - this sometimes results in inconsistent and conflicting advice.

Having an efficient relationship with Central Government is becoming increasingly important. At the moment Central Government has multiple

partnership arrangements with various councils in the Wellington region, and not all councils have easy access to Central Government departments.

The new Auckland Council has a serious and unique ability to engage with Central Government and the private sector in a way that no other local body entity in the country can match. The effectiveness of the Wellington region could be significantly enhanced through a similar partnership model with Central Government.

It is increasingly clear that the current local government situation in the Wellington region is not as efficient and effective as it could be. The announcement by the Government provides a renewed incentive for the region to proactively look at options for reform and identify the best model for the Wellington region.

5. Reforming Wellington local government arrangements

The following section outlines a process to identify a more effective and efficient local government in the Wellington region.

5.1 Principles and outcomes for reform

Any process for reforming local government arrangements should address strategic issues and be guided by principles of good local governance. According to the MartinJenkins³ report prepared for the Wellington Mayoral Forum, good local governance should be:

- strategic
- make decisions at the right place
- integrated and coordinated
- resilient and adaptive
- representative and responsive
- transparent and accountable
- financially sustainable
- effective and efficient.

A new governance model for the Wellington region would also need to promote the following outcomes:

- ensure more efficient planning and delivery of services and infrastructure on an integrated regional and local basis
- preserve local democracy, where local people influence local decisions
- preserve and enhance the attractiveness of the region to business, people and investment
- preserve and enhance the quality of life it offers to residents
- respond to changing circumstances, including unexpected and high impact events
- enable the region to best manage natural resources, especially waterways

³ MartinJenkins Ltd, *Wellington Regional Governance - draft Consultation Material*, prepared for the Wellington Mayoral Forum, September 2011.

- position Wellington to effectively partner with Central Government in the way that Auckland does now
- recognise the distinctive characteristics of different neighbourhoods and “villages” around the region
- recognise the importance of Wellington as New Zealand’s capital and the importance of the Wellington City CBD as the economic hub of the region.

5.2 Proposed process

Better Local Government proposes to streamline the reorganisation process followed by the Local Government Commission when considering structural reform proposals. As part of this new process, the Government intends to amend the statutory criteria that will be used.

For a reform proposal to succeed it will need to:

- simplify planning processes
- demonstrate efficiency improvements
- be based on community support in each district.

Consequently, to ensure that we get the right model for the Wellington region supported by the wider community, the process will need to:

- provide the opportunity for all councils to participate, if they wish
- be independent of current elected representatives, but informed by their views
- demonstrate that it is supported by significant representative groups in the community
- be well informed and evidence-based
- be aligned with the views and changing expectations of Government.

5.3 Independent Review Panel

An Independent Review Panel is suggested as the most appropriate model for considering local government reform in the Wellington region. This is a well-established approach that has been used elsewhere in New Zealand to consider matters of considerable community interest.

The selection of the panel is an important first task, which would be carried out by participating organisations. *The Better Local Government* paper notes that a reform proposal can be presented by organisations other than councils. Under these circumstances it might also be helpful for other regionally representative entities to be included in the process.

To be effective, members of the Independent Review Panel would need to:

- understand Wellington regional and local issues
- understand governance and, in particular, local government.

It would also be useful if members of the panel between them had some understanding of:

- infrastructure issues
- resource management planning
- local government financial management
- Treaty settlement issues.

Reference Groups would provide a method for the panel to engage with key groups or sectors throughout the process. For example, it is envisaged that there would be a Political Reference Group, a Community Reference Group and a Business Reference Group. Others may be appropriate. In addition, there would need to be Technical Working Groups to assist with the compilation and analysis of data on specific issues, for example, funding options (including the management of debt).

The panel would need to be supported by an office staffed by seconded personnel from the participating organisations. The office would require a modest budget and would need access to existing research, reports and knowledge bases – including the Department of Internal Affairs' process database on the review of local government arrangements in Auckland and information from the Auckland Transition Authority.

5.4 Terms of reference for the panel

A Terms of Reference (TOR) would be prepared to guide the independent review panel. The TOR should include the following elements:

Delivery of a report to the participating organisations that:

- assesses up to four possible options for the Wellington region and identifies the best model for the Wellington region
- includes a sufficiently detailed description of the model, including funding arrangements
- outlines transition arrangements and the timeframe for change.

As well as understanding the views of Government and the impending legislative changes other key considerations would include:

- geographical boundaries
- the appropriate levels for the delivery of functions
- how the proposal achieves a simplified planning process
- integration between key functional aspects such as transport and land use planning, other infrastructure and economic development
- the implications for local democracy
- lessons from the Auckland governance changes
- costs

- the funding model
- current financial positions of councils (including liabilities and debt management)
- justification and criteria for any CCOs
- the approach to engagement (see next section).

5.5 Engagement

A review process needs to be informed by community views.

In addition to reference groups, engagement should provide opportunities for input from individual citizens and could include mechanisms such as:

- market surveys
- focus groups
- on-line discussion forums
- website – depository for ideas
- direct discussions with community groups.

5.6 Timelines

The Government has made it clear that it wants the first stage of legislative changes completed in time to enable the Local Government Commission to consider any reorganisation proposals in time for the 2013 local elections.

The announcement by Government provides an ideal opportunity for the Wellington region to build on the work carried out since the Wellington region first began discussing these issues in 2009.

The establishment of the Independent Review Panel by the end of April this year would ensure the review process was largely complete by the time legislation is passed in September/October 2012. This would enable the Local Government Commission to consider the proposal under the streamlined process and revised criteria in time for the local elections in October 2013.

Six months is a tight timeline, but not necessarily unrealistic, given the significant body of research and reports that already exist. This includes the work of the Auckland Royal Commission and the subsequent work undertaken by the Auckland Transition Authority, DIA and Auckland Council.

6. Communication

The proposals set out in this paper will be of considerable interest to territorial authorities and the wider regional community.

Media statements will be released in conjunction with the proposals set out in this paper.

A communications plan will be prepared as part of the overall project planning process.

7. Recommendations

That the Council:

1. ***Receives** the report*
2. ***Notes** the content of the report*
3. ***Agrees** to the establishment of an Independent Review Panel to consider the future local government arrangements for the Wellington region, as set out in section 5*
4. ***Agrees** to invite other councils and regionally representative organisations to participate*
5. ***Agrees** that the terms of reference and other detail for the Independent Review Panel be determined in conjunction with other participating organisations*
6. ***Delegates** to the Chair and Deputy Chair the responsibility to work with participating organisations to select and appoint members of the Independent Review Panel*
7. ***Directs** the Chief Executive to put in place administrative and funding arrangements (including panel member and seconded staff remuneration) to support the Independent Review Panel and associated process.*

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