



Local Government
Commission
Mana Kāwanatanga ā Rohe

Strengthening the Wellington Region

A stylized map of the Wellington Region, New Zealand, rendered in a dark red color. The map shows the coastline and several internal boundaries, likely representing local government districts. It is set against a lighter red background that occupies the lower half of the cover.

Progress
Update

JULY 2016

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Foreword

A year ago the Local Government Commission (the Commission) decided not to proceed with its proposal for a single region-wide unitary council in Wellington. We signalled that we would be adopting a new approach to working with the region's councils to explore opportunities for strengthening local government in the region. At that time, we committed to provide the public with an update on progress before the local government elections, scheduled for October this year. We are pleased to now be providing that update.

Over the past 12 months the Commission has been working collaboratively with the region's nine councils. We have been transparent and consultative about our work every step of the way. We have focused on options for good local government through the provision of important council services such as transport and water. We worked with the Wairarapa councils to develop options for their future local government arrangements, and then tested those options with the Wairarapa community.

Our new consultative approach has taken time and commitment from all parties. I would like to place on record my appreciation of the way the Wellington region's elected members have responded. They have been open to engaging positively in debate around ideas for how to strengthen local government and improve the delivery of local services for the benefit of residents, ratepayers and their communities. As this update details, our work has focused on a number of specific aspects of local government in the region that were identified after discussion with the Wellington Mayoral Forum.

Considerable progress has been achieved, in particular in considering options for future local government arrangements in the Wairarapa. That community's feedback has shown clear support for a combined district council for the Wairarapa, joining together the existing three district councils – South Wairarapa, Carterton and Masterton – and possibly strengthening the governance relationship between the Wairarapa and Greater Wellington Regional Council. We intend now to undertake a detailed assessment of this option, with a view to making a decision in early 2017 on whether to formally propose changes to local government in the Wairarapa as part of a draft reorganisation proposal. This would involve further public consultation.

Beyond the Wairarapa, our work with councils has focused on a group of key council functions: land transport, spatial planning, water services, and economic development. With input from councils, we have commissioned technical assessments of each of these functions. Each report includes either recommendations for councils on how to strengthen the delivery of these services, or areas for more specific investigation. These are summarised in this update.

To date, the work on council functions has been very much focused on working with councils. Following the upcoming local government elections we will be looking to take the discussion and debate wider to stakeholders and the public across the region. For transport, in particular, we are aiming to complete background work with councils in October 2016, and then intend to set out the process and timeframe for identifying a preferred option, including public consultation.

Our intention in providing this update now is to put information on our progress into the public domain so the people of the Wellington region are properly informed about the work the Commission and their councils have been undertaking, and to outline what will happen next.

A handwritten signature in black ink, appearing to read 'Wira Gardiner', written over a horizontal line.

Sir Wira Gardiner

Chair

Local Government Commission

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Introduction

Why the Commission is looking at local government in the Wellington region

In May and June 2013 the Local Government Commission (the Commission) received two applications for changes to the structure of Wellington local authorities. These were:

- An application from South Wairarapa, Carterton, and Masterton District Councils for a single unitary council for the whole of the Wairarapa (a unitary council being responsible for the roles and functions of both a territorial authority – the district councils in this case – and a regional council).
- An application from Greater Wellington Regional Council (GWRC) for a unitary council for the whole of the Wellington region, including the Wairarapa.

Both applications affected the whole of the Wellington region, and the Commission decided to consider them in a single process. We called for alternative applications from the public, as required by the legislation, and received 21 responses, including several from affected local authorities. These suggested a wide range of possible structures.

After undertaking a series of investigations and public consultation, the Commission in December 2014 publicly notified a draft proposal for a single region-wide unitary council and invited public submissions.

A total of 9142 submissions were received and hearings were held throughout the region. A large majority opposed the draft proposal, while more than 40% of submitters proposed some change in local government arrangements, including combinations of merging councils and more sharing of services among councils.

In June 2015, the Commission considered the outcomes of the consultation process and decided to withdraw the proposal for a single region-wide unitary council. However, in light of the number of submissions in favour of some change, the Commission decided to continue the reorganisation process with the aim of identifying a new preferred option which would be more likely to achieve widespread community support. The Commission has the ability to return to clause 11 of Schedule 3 of the Local Government Act 2002 to identify a new preferred option for local government reorganisation.

A new approach

Reflecting on the experience of the earlier process, the Commission decided that a different, more collaborative approach to working with the region's councils and their communities would be undertaken. We have been taking a more targeted approach to figuring out how local government in the region should respond to the challenges it faces. Together with councils, the Commission has been concentrating on the local government functions that matter most in supporting effective and dynamic communities and that can help them realise their potential. We are focusing less on changes to representative structures, unless they are strongly supported by communities.

The Commission has, for the past year, worked collaboratively with the region's nine councils to test the potential for improvements to local government in the region and identify options across five priority areas. This progress update reports on progress, expert advice, and decisions to date.

The Commission currently anticipates it will be in a position early in 2017 to make a decision on the release of a revised draft reorganisation proposal based on this work.

Five priorities for strengthening the region's local government arrangements

Five priority areas were identified in consultation with the councils as key to the region's future prosperity:

- governance in the Wairarapa
- transport, covering roading and public transport across the region
- water services for the three waters (drinking water, waste water and storm water)
- spatial planning in metropolitan Wellington, which includes Wellington City, Porirua, Upper Hutt, Lower Hutt and Kāpiti
- economic development across the region

Each of these priority areas had featured prominently as key issues in the debate around the 2013 reorganisation applications from some Wellington councils and the Commission's region-wide unitary council proposal, which was subsequently withdrawn.

For each of these priority areas, the progress update addresses:

- what the current situation is
- why the area is important to the Wellington region
- our work with councils in this priority area, including summarising the expert advice we have received
- any decisions taken by the Commission and our next steps.

Governance for the Wairarapa

The current situation

The last major reorganisation of local government in the Wellington region, in 1989:

- established three territorial authorities within the Wairarapa (the South Wairarapa, Carterton and Masterton Districts Councils)
- included the Wairarapa within the broader Wellington region under the Greater Wellington Regional Council (GWRC).

As a result, there are four local authorities with responsibilities in the Wairarapa.

The Wairarapa is physically separated from the rest of the region by the Rimutaka Range, but has significant social and economic linkages to western Wellington. While it contains around 75% of the land area of the current Wellington region, it has only around 9 per cent of the population (41,000), and is a predominantly rural area in a region that has a predominantly urban population. The South Wairarapa and Carterton Districts, each with a population of around 10,000, are among the smallest in the country. The three Wairarapa Districts have over the years been active in seeking to work together, and as a result have some significant shared services, including a shared District Plan under the Resource Management Act (the only such joint plan in the country).

Why is Wairarapa governance important to the Wellington region?

Debate about the best form of local government for the Wairarapa has been a live topic for some years and has been a major focus of the reorganisation process since the Commission became involved in 2013.

On the Wairarapa side of the Rimutaka Range, the question of changes to the structure of local government emerged from the consideration of the scope for further shared services among the three councils. At the same time a broader debate emerged about possible changes to the structure of local government across the Wellington region as a whole. This resulted in the two reorganisation applications made to the Commission in 2013.

There are two interconnected issues relating to the Wairarapa underlying this debate. The first is whether fewer and larger territorial authorities would provide more effective local government within the Wairarapa. The second is the nature of the relationship between the Wairarapa and metropolitan Wellington. This gives rise to the question of the most appropriate balance of local and regional input into decision-making affecting the Wairarapa, and the most appropriate local government structures to give effect to this.

Our work in this area

Since June 2015 the Commission has worked with the councils (South Wairarapa, Carterton, and Masterton, and the GWRC) and communities in the Wairarapa to clarify the issues and develop options to strengthen local government arrangements.

The Commission has met several times with these councils, individually and collectively, and has worked with a group representing all four of them to identify and develop the suite of options to be investigated. As part of the process, two rounds of public meetings were held in the Wairarapa, in February and June 2016.

The Commission has heard that there are a variety of outcomes Wairarapa people want to see from their future local government arrangements. Key themes have been:

- a stronger Wairarapa voice in the region and on the national stage
- a more effective, more resilient council now and in the future
- costs kept down
- more Wairarapa influence on regional council responsibilities
- environmental standards maintained
- local identity and representation maintained
- a connection kept with Wellington.

The result of this work with councils was that six options were identified for more detailed investigation and engagement with the people of the Wairarapa. These were:

Option A – no change

The four existing councils remain as they are (the South Wairarapa, Carterton and Masterton District Councils, and the GWRC) and continue with their present roles.

Option B – a single district council for the Wairarapa

The South Wairarapa, Carterton and Masterton District Councils combine to become a single Wairarapa District Council. The GWRC would retain its existing roles and responsibilities.

Option C – a single district council with a unitary plan committee with the regional council

A combined Wairarapa District Council, as under option B, but in addition there would be a new joint Unitary Plan Committee with the GWRC that would make recommendations to develop a single RMA plan (combining district and regional plans) for the Wairarapa.

Option D – a single district council with two formal committees with the regional council

A combined Wairarapa District Council, as under option B, but with two new committees of the GWRC with members from the Wairarapa, including both the new Wairarapa District Council and iwi. One committee would make recommendations to the GWRC on natural resources matters (regional RMA plans). The other, a Wairarapa Services Committee, would have a more general mandate to advise the GWRC on matters relating to its roles and services in the Wairarapa.

Option E – a single district council which takes on major regional council responsibilities

A combined Wairarapa District Council, as under option B, but in addition some major regional council responsibilities in the Wairarapa would be transferred from the GWRC to the new Wairarapa District Council. The responsibilities that would be transferred are those relating to land, river and catchment management (including flood control). The GWRC would continue to be responsible for a reduced range of responsibilities in the Wairarapa, including public transport, regional economic development and emergency management.

Option F – a unitary council

A Wairarapa Unitary Council, which would be a single council for the Wairarapa. It would have the roles of both a territorial authority and a regional council in the Wairarapa. The Wairarapa would be a region on its own and no longer be part of the Wellington region, and would be required to fund its own regional council activities.

All of the options, other than Option A (the status quo) would be highly likely to be decided by the public in a binding poll.¹

Māori representation for each of the options

Rangitāne o Wairarapa and Kahungunu ki Wairarapa are currently in Treaty of Waitangi settlement negotiations with the Crown. Local governance arrangements agreed through the settlement process and put into law have to be implemented by the Local Government Commission and councils in any new council arrangements.

The current Natural Resources Committee of the GWRC, Te Upoko Taiao, has a membership comprising 50 per cent councillors and 50 per cent representatives of iwi from across the region. The *Agreement in Principle* with the Crown for Kahungunu ki Wairarapa's Treaty Settlement includes agreement to make this form of joint regional council/iwi natural resources committee a permanent feature of the region's natural resources decision-making. As a result, any new Wairarapa natural resource management committee would have 50/50 elected councillor and iwi-nominated membership to reflect the current governance structure of Te Upoko Taiao and the settlement agreements.

¹ Under the current Local Government Act 2002, 10 per cent of electors from any affected territorial authority area can sign a petition requesting a poll. Under proposed new legislation currently before Parliament, a poll would be automatic with no prior requirement for a petition.

The implications of this for the various options under consideration are:

- For Option A status quo and Option B – a single district council for the Wairarapa:
Te Upoko Taiao would continue as a committee of GWRC, with 50/50 elected councillor and iwi-nominated membership

- For Option C – a single district council with a unitary plan committee with the regional council:

The committee would be made up of three members from the GWRC, three from Wairarapa District Council, three nominated by Rangitāne, and three nominated by Kahungunu ki Wairarapa (12 members in total).

- For Option D – a single district council with two formal committees with the GWRC:

A Wairarapa Natural Resources Committee for RMA planning functions with the same delegations as Te Upoko Taiao would include three members from the GWRC, three from the new Wairarapa District Council and three nominated by Rangitāne, and three nominated by Kahungunu ki Wairarapa (12 members in total).

- For Option E – a single district council which takes on major regional council responsibilities, and Option F – a unitary council

The Wairarapa District or Unitary Council's Natural Resources Committee would include half its members nominated by Rangitāne and Kahungunu ki Wairarapa.

The options include other proposals for Māori representation outside of natural resources committees. These are a Māori Advisory Committee for the combined district council in Options B, C, D and E; and one nominated member from each of Rangitāne o Wairarapa and Kahungunu ki Wairarapa for the Wairarapa Services Committee in Option D.

Analysis of the options

The Commission and the four councils agreed to a joint independent assessment of these six options. The aim was to provide the community with one authoritative source of information about the benefits, risks, and costs of each. The councils and the Commission agreed on the terms of reference for the assessment, agreed on the provider, agreed on all of the assumptions that the report would be based on, and checked the draft report for accuracy. The result was the Morrison Low report *Wairarapa local government: assessment of options June 2016*.

Methodology

The Morrison Low report considered both the likely financial impacts of the options, and their other less quantifiable advantages and disadvantages.

To do this they relied on the information contained in the four councils' current 2015-2025 Long Term Plans because these plans represented the best available information about what each council expects to spend and collect as revenue over the 10-year period. Bringing together financial information from the councils' Long Term Plans enabled Morrison Low to estimate the financial impacts of the different options.

Morrison Low also identified the expected transition and ongoing costs, and the efficiencies associated with each of the options. No attempt was made to anticipate future council decisions about projects, service levels, or rating policies not already contained in the Long Term Plans.

For Options A-D, the financial information from the three district councils' plans was added together. For Options E and F, it was necessary also to include an assessment of the GWRC's costs and activities in the Wairarapa, along with the revenue and rates it may gather from Wairarapa residents.

Allocating an appropriate proportion of GWRC's spending to the Wairarapa required some assumptions to be agreed on. This is because GWRC's Long Term Plan does not generally break expenditure down by geographic area. For some activities this was relatively simple; for instance, flood protection and control works costs could be allocated on the basis of location of the work concerned. For other activities this was less straightforward and other assumptions needed to be agreed on; for example, investment income was allocated on the basis of the proportion of GWRC's rates collected in the Wairarapa (10 per cent). The full set of these assumptions are set out in Appendix C of the Morrison Low report.

Another set of assumptions that needed to be agreed on concerned the potential costs to transition the councils to a single information technology system. The assessment assumed that the potential costs of this were in the order of \$10 million of capital expenditure.

Morrison Low noted that increased scale and capacity may provide additional benefits over and above those quantified in their assessment, but that these would require further study once a preferred option was identified.

Results of the assessment

The analysis suggests that the key matters for the community to consider were around the relative benefits of:

- a consolidated Wairarapa District Council (Options B, C and D), compared to the status quo (Option A)
- a consolidated Wairarapa District Council with enhanced input into regional decisions through committees (Options C and D), compared to a "traditional" consolidated district council (Option B)
- the greatest autonomy (Options E and F) compared to the consolidated Wairarapa District Council (Options B, C and D) and the status quo (Option A)

The report considered that advantages of a consolidated Wairarapa District Council would include:

- clarity of voice and purpose
- improved resilience and resources
- increased influence on regional activities
- development of one set of local plans, policies and standards
- efficiency and consistent service delivery

- integrated processes, systems and information
- standardised levels of service
- increased scale and capacity

But it noted that a consolidated Wairarapa District Council would result in lower representation by district councillors.

It also concluded that a larger organisation (Options B to D) would make the council more attractive as an employer and provide for increased:

- depth of resource (financial and staff)
- capability to undertake strategy and planning
- ability to attract and retain staff resources.

It identified that options E and F would have similar advantages to Options B to D but that they would also raise potential challenges in:

- strategic capability and skills retention for regional activities
- consistency of regional standards across the greater Wellington region
- the disaggregation and duplication of Greater Wellington Regional Council activities
- ability to participate nationally on regional government matters.

Morrison Low's financial analysis of the options identified that:

- there are only small differences between the financial implications of the status quo and the three options involving variations on the combined Wairarapa District Council (Options B to D)
- but for Options E (involving the transfer of responsibilities from the regional council) and F (the Wairarapa Unitary Authority) there would be a significant funding challenge that would have to be addressed by a new council in the Wairarapa.

Under the status quo, the current councils are forecast to produce a financial surplus of \$46.9 million over the 10 years of their Long Term Plans. Taking account of both the estimated efficiencies and the cost of transition, Option B produces a surplus of \$46.5 million, Option C \$44.2 million, and Option D \$44.3 million. These levels of difference over a 10-year period are relatively minor, and all of the change options would be expected to perform better than the status quo over a longer period (eg 20 or 30 years) because transition costs will have been met but the efficiencies would remain.

For Options E and F, these projected 10-year surpluses turn into substantial deficits: \$71.9 million over 10 years in the case of Option E, and \$100.1 million for Option F. This raises a question of the financial sustainability of Options E and F which would have to be addressed by the future council.

These shortfalls would represent the starting position that would confront any new council. There would then be a range of options available to the council to reduce the sizes of those shortfalls. These would include a mixture of changes to service levels, finding efficiencies in the way services are delivered, reconsideration of the need for or the timing of future projects, as well as rates increases. The extra total rates requirement from the community would be an average increase of roughly 1.8 per cent for every \$1 million of additional operational expenditure that remained after the council had exercised the other options.

Engagement programme

The Morrison Low assessment of options was used as the basis for a summary booklet, which was widely circulated within the Wairarapa as part of the Commission's engagement programme.

The purpose of the engagement was to promote a community-wide discussion about future local government organisation in the Wairarapa. This reflects the Commission's desire to identify options that the community will support before doing more detailed work and entering into formal consultation on a preferred option.

An extensive programme of community engagement was undertaken in June and early July 2016. Details of this are set out in a separate Summary of Community Feedback report.

A questionnaire asked people to indicate which of the six options they preferred and why. This was available both as hard copy and online. Some 1534 responses were received. Respondents indicated a clear preference for a combined Wairarapa District Council (option B), which was favoured by 42 per cent of all responses. The preference for a combined Wairarapa District Council of some sort (including options C and D) was 65 per cent of all responses.²

The status quo (option A) was preferred by 23 per cent of respondents. Some 5 per cent of respondents chose either option E or F.³

The Commission also arranged a telephone survey of 500 Wairarapa residents in the week of 4 July. This reached 230 residents in Masterton and 135 in each of Carterton and South Wairarapa. This survey provided the views of a demographically representative sample of the Wairarapa community to consider alongside the questionnaire responses.

Some 52 per cent of telephone survey respondents preferred combining the three district councils (Options B to E), 34 per cent preferred no change (Option A), 12 per cent supported a unitary council (Option F), while 2 per cent were unsure. Support was reasonably evenly split across the four sub-options for a combined Wairarapa District Council (option B to E).

² Options C and D are the options of a combined Wairarapa District Council with a formal committee relationship with the GWRC.

³ Option E is a combined district with regional council functions transferred to it, and Option F is a unitary council for the Wairarapa, combining both regional and district council functions in one council.

Both the questionnaire and survey appear to indicate a significant level of support for change to the structure of local government in the Wairarapa, with the greatest support being for some form of combined Wairarapa District Council.

The Commission's decisions and next steps

On the basis of this feedback, the Commission considers that Wairarapa community's preference is for a single combined Wairarapa District Council.

We intend now to undertake a detailed assessment of a combined Wairarapa District Council, with a view to making a decision in early 2017 on whether to formally propose changes to local government in the Wairarapa as part of a draft reorganisation proposal.

This work will include further consideration of the relationship between a combined Wairarapa District Council and the GWRC.

It will also include identifying:

- detailed representation arrangements, including ward boundaries, the number of elected representatives, and the establishment of any community boards and their delegations
- the appropriate treatment of debt and assets
- the location of head office and area offices
- the necessary transition arrangements
- the rating system (land value or capital value) and any rating measures the Commission considers that a new Wairarapa District Council would need to take to support a sensible rating transition.

We will continue to work with councils as we progress through this detailed work.

If the Commission issues a new draft proposal along these lines there will be a further round of public consultation on the detailed proposal. In addition, 10 per cent of the electors of any affected district may petition for a poll to be held on any final proposal. The outcome of any poll decides the fate of the proposal. If there is no poll, the proposal will proceed.

Land transport

The current situation

The Wellington region's land transport network provides access for people, goods and services to destinations within the Wellington region. It is also the region's link with the rest of New Zealand and international destinations. By land transport in this context we mean the roading networks and the commuter bus, rail, and ferry services that are part of the public transport system. This does not include the actual operation of CentrePort or Wellington International Airport.

Responsibilities for providing the land transport network are shared by the region's nine councils and New Zealand Transport Agency (NZTA):

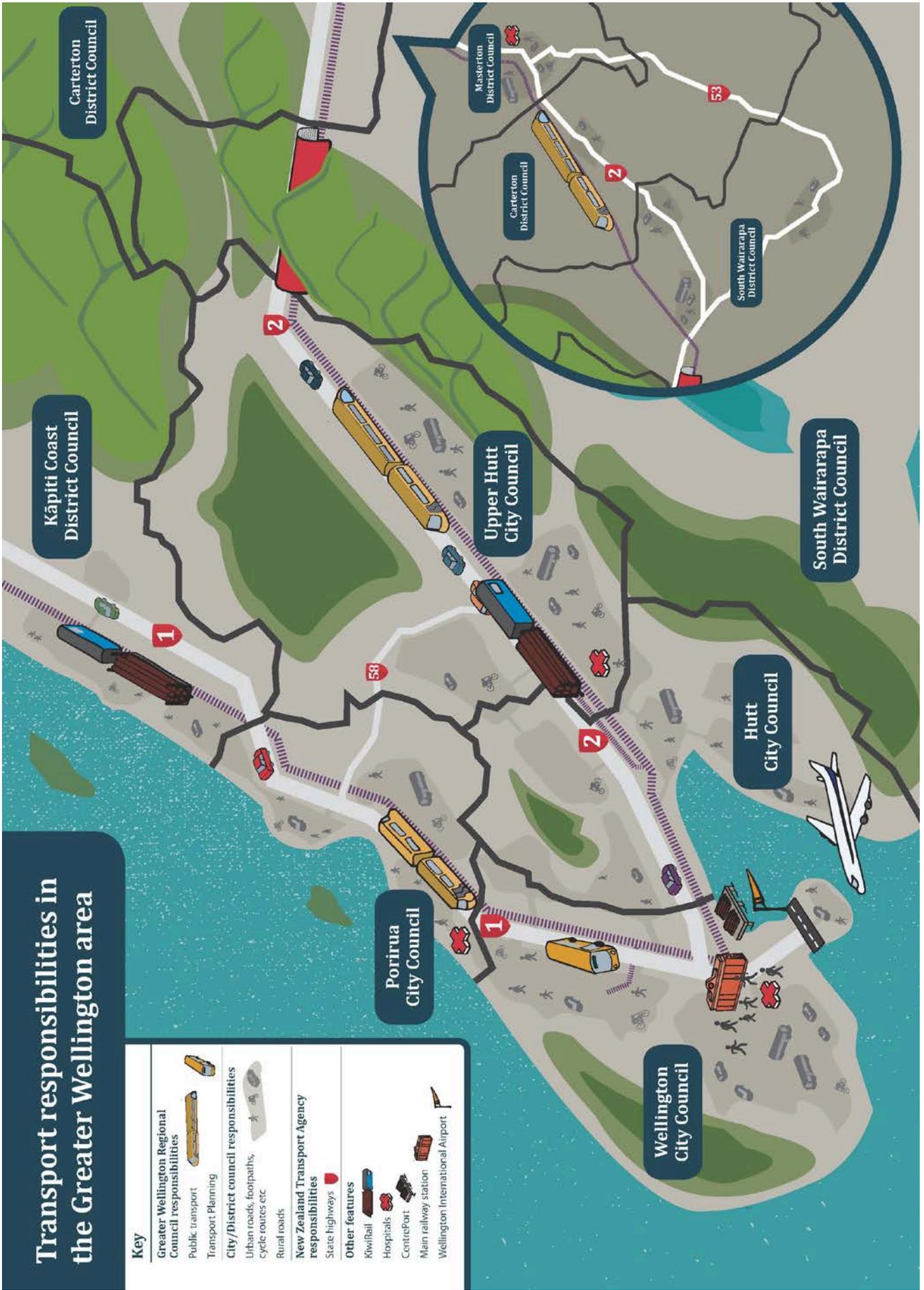
- roads in local areas are the responsibility of the region's eight city or district councils, with funding support from NZTA
- public transport (bus services, passenger rail services and harbour ferries) is the responsibility of the Greater Wellington Regional Council (GWRC), with funding support from NZTA
- state highways are the responsibility of NZTA.

The 10 organisations are jointly responsible for transport planning in the region. The transport strategy and spending priorities are set out in the Regional Land Transport Plan. The Regional Land Transport Plan is developed by the Regional Transport Committee, which is made up of representatives of each of the councils and NZTA. The Regional Land Transport Plan is considered by NZTA when it makes decisions on allocating funding from the National Land Transport Fund.

The following image provides a visual illustration of Wellington's land transport system.

Transport responsibilities in the Greater Wellington area

Key	
Greater Wellington Regional Council responsibilities	
Public transport	
Transport Planning	
City/District council responsibilities	
Urban roads, footpaths, cycle routes etc	
Rural roads	
New Zealand Transport Agency responsibilities	
State highways	
Other features	
KiwiRail	
Hospitals	
CentrePort	
Main railway station	
Wellington International Airport	



Why are land transport arrangements important to the Wellington region?

Transport planning and service delivery arrangements are more complex in Wellington than in other metropolitan centres because of the extent to which responsibilities are divided across the region's transport network. People and freight frequently cross these jurisdictional boundaries as they move to and from work, to and from the port or airport, and in and out of the region. It is, therefore, important for economic, social and environmental reasons that the transport system works efficiently and effectively as a network.

In 2014/15, transport-related spending by councils in the Wellington region was \$286 million, or about 25 per cent of all annual spending by councils. Given that scale, it is important it is efficiently and effectively deployed.

Transport investment is inherently long term in nature. Over the next 25 years, there will be significant drivers of change to transport in the region – demographic changes (growth, changing settlement patterns), technological advances (electric and possibly self-drive vehicles), changing model preferences (eg cycling) and environmental challenges (eg a drive to reduce transport carbon emissions).

It is important that arrangements for transport planning, investment, and delivery are able to cope not only with present challenges but future ones. Given the number of major transport projects in train, the region may be in a period of focusing on the delivery of major projects, but critical strategic choices will need to be made in the future.

Our work in this area

The Local Government Commission agreed with the Wellington Mayoral Forum and NZTA to look at transport in the region to investigate whether apparent fragmentation of transport responsibilities was causing any actual problems and inefficiencies and/or whether there were opportunities for improvement.

Working with the Wellington Mayoral Forum, councils and NZTA, we procured an initial report to explore the current institutional arrangements for transport to:

- consider what is working well and the challenges and opportunities impacting on transport's efficiency and effectiveness
- set out the range of options available to improve efficiency and effectiveness, and the potential positive and negative impacts of the options.

This work was based primarily on input from a working group of council staff from each of the region's councils. Its main findings were:

- while the current system is complex, it is functional
- there is room for improvement:

- the small scale of some councils has led to difficulties with workforce capacity, achieving economies of scale, and workforce capability and specialisation
- there are costs associated with a large number of transactions between multiple organisations
- planning is not always aligned and regional investment effectiveness is not always optimal
- there is a wide range of options available to address the issues. These are set out in the report: *Wellington Regional Transport: Options for Change, March 2016* available on our website

This work has now moved on to a second stage. An Indicative Business Case has been commissioned for a targeted set of five options, including the status quo. As with our earlier work, the terms of reference for the work were developed in consultation with councils and NZTA. The Indicative Business Case report is due to be completed in October 2016 and will refine the problem definition and set out the strategic and economic case for each of the options, providing a clearer picture of the potential costs and benefits.

In the course of work to date on the Indicative Business Case, we have met with councils and a range of groups with interests in transport. We held two workshops, to which the region's councils were invited, to help shape the options, the investment objectives, and critical success factors for the business case. We also held four workshops around the region and invited a variety of transport-related stakeholders and agencies. These included groups interested in disability access, public transport, cycling, sustainability, urban design, trucking, farming, and forestry. These sessions helped test and inform the problem definition and the five options.

Emerging from this engagement and our earlier work are the following two main reasons to consider changes to the way transport is planned, funded, and delivered in the region.

Problem 1: Poor alignment and integration between transport activities in the region

This covers a range of dimensions but includes poor alignment between:

- local and regional objectives
- local roads and state highways
- roads and public transport
- transport and other land uses and priorities.

The present arrangements tend to favour local priorities over regional ones where the two are in conflict. Poor alignment and integration matters, to the extent that investments can be less than ideal, take a long time to decide on and implement, or are done inefficiently. Even small gains in efficiency can be important, given the level of the region's transport expenditure.

Problem 2: Constraints on capability for strategic advice, planning and service delivery by agencies

In this context, 'capability' covers people, systems, structures, processes, and other technical assets needed by agencies to undertake their functions.

Retaining and attracting suitable senior staff is currently an issue for some councils and a potential risk for others. The extent of this issue varies considerably by each council and is generally more acute for the smaller territorial authorities. It is not noted as being a significant issue by the region's largest council – Wellington City Council.

Capability constraints can play out in a number of ways: constraints in transport planning at the territorial authority level; difficulty in meeting planning and funding obligations, which are becoming increasingly complex and onerous; and constraints on strategic advice to councils.

Options for transport in Wellington

The Indicative Business Case, which is due in October 2016, will provide greater detail on the four options described below:

- Option B: Coordination measures
- Option C: Pooled technical support
- Option D: Wellington Roads, Paths and Cycleways
- Option E: Wellington Transport.

The Indicative Business Case will evaluate each of the four options in relation to the status quo (Option A) in terms of its ability to address the two key problems identified and the five critical success factors developed and tested with councillors:

- local and regional voice
- effective governance
- achievability
- long-term value for money
- alignment with other council functions.

Option B: Coordination measures - non-structural measures to improve alignment

Option B would see a number of 'non-structural' changes to planning and coordination, to help organisations work together better. Examples are:

- Broadening the role of the Regional Transport Committee to include leading regional transport thinking and monitoring the implementation of regionally important projects. This may require amendments to the Land Transport Management Act 2003 (LTMA).
- A mechanism to ensure local and national transport planning would contribute to the objectives and policies of the Regional Land Transport Plan. This would require amendment to the LTMA.

- Developing an integrated regional spatial plan to identify requirements for future transport infrastructure development. This could be implemented by voluntary agreement between councils or through legislative means (as supported by the Productivity Commission in their report *Using land for housing*, September 2015).

These sorts of changes may strengthen the influence of regional priorities in local planning, and would likely result in modest incremental improvements with a small increase in long-term value for money.

This option would not assist with capacity and capability issues within local councils. Because several of the changes proposed under option B require legislative change, they would need to align with the Government’s policy objectives and priorities for legislation to be implemented. This option would have only minor impacts on current councils.

Option C: Pooled technical support for transport planning and traffic management functions and capabilities

Technical council specialists across a range of areas could be brought together to support better transport planning and delivery. Examples might include traffic modelling functions, standard setting, and procurement standards and processes. This could be set up as a shared-service arrangement hosted by one of the councils in the region, a small Council Controlled Organisation, or a contract-for-services arrangement. It is likely it would be owned and funded jointly by the region’s councils, and governed by a technical oversight committee appointed by them. The Regional Land Transport Plan would continue to be prepared by the Regional Transport Committee, and service delivery would stay with individual councils.

Option C could improve councils’ access to technical skills and assist with some capability issues for some councils. It would also provide common planning assumptions and technical standards across the region, leading to more consistent priorities and efficiencies in service delivery. It would support long-term value for money in various ways, although there would be costs associated with implementation.

There would be some impact on current councils because some staff would transfer to the new service, and councils would have relatively minor obligations to fund the operation of the shared service.

Option D: Wellington Roads, Paths and Cycleways

A Council Controlled Organisation - “Wellington Roads, Paths and Cycleways” - could be set up to plan, manage and deliver roads, paths and cycleways. Under this option, councils would jointly own and purchase services from it.

This option would only cover the councils in the mainly urban parts of the region, to the west of the Rimutakas. Roading in the Wairarapa is mostly rural, represents a higher proportion of local expenditure, and involves different considerations from the western part of the region.

It would also be possible to include state highways in this option should NZTA agree. The Regional Land Transport Plan would continue to be prepared by the Regional Transport Committee, with Wellington Roads, Paths and Cycleways providing input to that process.

Wellington Roads, Paths and Cycleways would be jointly owned by the participating councils and governed by an independent board of professional directors appointed by the shareholder councils. A joint committee of the councils would have voting rights on setting the direction for and monitoring the performance of the entity, with the basis for voting rights to be determined.

Proposed governance mechanisms would include a joint committee of shareholders, a constitution agreed by each of the councils, a statement of intent, and a shareholders' agreement about coordination between the councils. This would be a similar arrangement to that already in place for Wellington Water.

Benefits of this option include:

- a larger organisation would be an attractive employer, addressing capacity and capability (specialisation) issues
- commercial benefits and economies of scale in contracting for services across a large part of the region
- better capability to engage with NZTA and the GWRC, which may improve alignment between local roads, state highways and public transport
- better provision of regionally important roading projects, because bringing roading into one organisation would enable projects to be identified and prioritised from a regional perspective.

There may be a perception that local communities would have less opportunity for input into roading decisions because Wellington Roads, Paths and Cycleways would operate at arms-length from councils. However, in practice this would be largely unchanged from the current status. Councillors would continue to set the direction and strategy for transport after consultation with the public, as at present. The role of the board of Wellington Roads, Paths and Cycleways would be to make decisions to achieve the outcomes set by councils. Operational decisions, which are currently made by council officers, would be the responsibility of Wellington Roads, Paths and Cycleways staff. As at present, community influence on decision-making would be, in most cases, at the council planning stage rather than when operational decisions are made.

This option would involve a higher degree of change and establishment costs than the previous options. As Wellington Roads, Paths and Cycleways would take over council functions, some staff roles would transfer to it. There would be no change to funding arrangements or councils' ability to approve transport-related plans or budgets. For the GWRC, the change would mean there would only be one organisation to work with on most roading matters in the west of the region, compared to five councils at present.

Option E: Wellington Transport

A new Council Controlled Organisation – “Wellington Transport” – would be set up to provide most land and public transport functions and services in the region. The organisation would cover local roads, paths, cycleways, public transport (buses, trains, commuter ferries) and state highway operations and maintenance. Wellington Transport would be funded jointly by the participating councils and NZTA (funding for highway operation and maintenance).

The Regional Land Transport Plan would still be developed by the Regional Transport Committee, but the committee would be serviced by Wellington Transport rather than the GWRC. Wellington Transport would be responsible for the Regional Public Transport Plan, which is currently developed by the GWRC. Wellington Transport would exercise the powers that currently rest with local councils over roads, including the powers to open and close roads, and decisions about the use of the road corridor. It would also take over the role currently performed by the GWRC in contracting public transport services.

The Wairarapa councils could opt out of Wellington Transport for local roading provision, but public transport for the Wairarapa would need to remain with the new organisation.

Wellington Transport would be owned by the participating councils and NZTA, and governed by an independent board of professional directors appointed by the owners. A joint committee of participating councils (and NZTA) would hold voting rights and there would be a mixture of voting and non-voting shares, reflecting capital contributions. Governance and accountability mechanisms would be similar to those in Option D, alongside any additional dimensions required to take account of the involvement of NZTA.

The benefits of Option E, in bringing roading, public transport and state highways together, include:

- addressing capacity and capability issues, and providing wider employment opportunities than under Option D because of the addition of public transport and NZTA
- significant improvement in the capability to manage the planning and delivery of roading, cycleways and paths, and potential capability improvements for public transport and state highways services through pooling of transport and roading expertise
- reduced transaction costs in transport decision-making as separate organisations are integrated
- improved alignment between components of the transport network (for instance, coordination between roading and public transport decision-making)
- commercial benefits and economies of scale, because there would be more options in contracting for services and simpler prioritisation of the highest-value projects across the region and transport modes.

A key aim of Option E is to strengthen regional integration and prioritise regionally important transport issues. The trade-off under this option, in cases where local priorities are in tension with regional ones, is the potential for decisions to put greater emphasis on regional matters than would be the case under existing arrangements. Wellington Transport could be required to develop policies for community consultation and input into decision-making for the agreement of local councils to address potential concerns about how local preferences will be reflected in practice.

Option E would involve the highest degree of change and greatest establishment costs of the five options. The impacts on councils would be significant and include the transfer of public transport and roading staff roles to Wellington Transport and changes to funding arrangements.

The Commission's decisions and next steps

The Commission has not made any formal decisions about transport in the region. The work is still at an early stage and is a complex area, and we will be taking time to work through the detail with councils. Two key issues for further discussion with councils are how each option would work in practice and the governance arrangements for each.

We will continue working with councils to finalise the Indicative Business Case for these five options by the scheduled completion date of October 2016. The Commission will then look to set out the process and timeframe for identifying a preferred option, including public consultation.

Water services

The current situation

Local government water services are often referred to as the ‘three waters’ – potable (drinking) water, waste water, and storm water. The source of potable water – how it is collected and stored – is sometimes referred to as ‘bulk water’.

Water services are provided in two ways in the Wellington region:

- Water services for Hutt City Council, Upper Hutt City Council, Porirua City Council and Wellington City Council, and the bulk water supply to them provided by the Greater Wellington Regional Council, are delivered by Wellington Water (a jointly owned Council Controlled Organisation).
- Kāpiti Coast, Masterton, Carterton and South Wairarapa Districts Councils each deliver water services for residents and businesses within their own districts.

Wellington Water is a relatively recent development, having been established in its current form in 2014. It essentially acts as a ‘centre of excellence’ – a jointly owned expert planning and advisory service for its shareholding councils. It represents a pooling of capability and expertise, and is leading to more consistent and specialised asset management approaches than would be the case with each council ‘going it alone’. It differs from the full service model of water Council Controlled Organisation, such as Watercare in Auckland, which owns the water infrastructure, contracts works and bills households for water services directly.

Why are water services important to the Wellington region?

Water services are a core service essential to human life and the economy, and are generally the second largest area of council expenditure after transport. The region’s average planned capital investment in water services over the 10-year period from 2012 is about \$75 million per annum.

While the Local Government Commission (the Commission) was conscious of the significant changes already initiated by the councils involved in the establishment of Wellington Water, we considered it desirable to seek some assurance about the direction of the changes and their likely effectiveness. We also felt that the situation of those councils not currently part of Wellington Water warranted consideration.

Our work in this area

The Commission asked Mott MacDonald to undertake a scoping study on the three waters in Wellington. The aim of this was to provide advice on whether there are grounds for a detailed review of current three waters arrangements.

The terms of reference for the work were discussed and finalised with councils, and they and Wellington Water were given the opportunity to comment on the draft report.

Mott MacDonald considers that Wellington Water, though in its infancy, is showing signs of providing a more efficient and effective service than previous approaches. It is starting to provide the councils with improved asset information on which they can plan key investment on a more informed region-wide basis. The consultants concluded that recommending major change at this point in time would risk derailing the progress made to date, and that the current model needs stability and support to allow it to mature and develop.

Recommendations for Wellington Water and its council owners

Notwithstanding this conclusion, Mott MacDonald notes that the current arrangements are suboptimal and do not yet “provide best value for rate-paying customers”. Their report notes that the main limitation of the current Wellington Water model is its inability to fund and deliver long-term programmes of work because projects are prioritised on a council-by-council basis and its funding is agreed on an annual basis. The model also involves a layer of administrative complexity in terms of reporting, investment prioritisation, and procurement.

Mott MacDonald argues that the long-term solution for the three waters “needs to be a more collaborative and integrated approach”. Current work being led by Wellington Water on the investments needed to secure a more resilient water network is seen as the next “big test” of whether the current model can be effective in dealing with investment decisions at a more regional scale that impact across multiple districts.

The report makes eight recommendations to Wellington Water and its owners that the authors consider will assist to enhance the current model and provide better value for money for councils and ratepayers. Among the recommendations are:

- continuing to advance a more collaborative approach to procurement
- developing an overarching regional 10-year plan for water, and seeking multi-year (3-5 years) funding agreements with councils
- considering adding representatives of the non-member councils to the Wellington Water Committee as non-voting members
- continuing to work towards more unified levels of service
- developing a standardised asset management strategy and IT systems.

All the recommendations are within the power of the region’s councils and Wellington Water to implement – but will require agreement to do so. Encouragingly, some are matters which Wellington Water is already seeking to advance.

Recommendations for the wider region, including Kāpiti Coast, South Wairarapa, Carterton and Masterton District Councils

For councils outside the Wellington Water model, the Mott MacDonald report notes that some council water departments are too small to justify asset management propriety IT systems, and that some councils have different IT systems and asset standards. However, it also notes that the three Wairarapa councils are looking at how they can be more effective using a collaborative approach outside of Wellington Water, and that Kāpiti shares the same asset management IT system as Wellington Water, and is discussing common asset approaches with them.

The report suggests that all councils in the Wellington region would benefit from a more collaborative approach to delivering water services. It provides six recommendations for how councils could achieve this, including more collaborative procurement, standardising a single asset management strategy, developing a 'whole of region' 10-year water services plan to capture synergies and interdependencies, and sharing best practice more widely.

Medium- to long-term recommendations for Wellington Water's owner councils

Mott MacDonald notes that if they were designing water services from scratch in Wellington, they would not recommend the current Wellington Water model. They accept, however, that current arrangements are a considerable improvement on past practice, and are reluctant to put that at risk by recommending an immediate overhaul towards a new model. They do make recommendations that, in the medium to long term, the shareholding councils of Wellington Water should consider:

- Reviewing the ownership of assets within the Wellington Water model so a single organisation is responsible to its owners and customers for the planning, management and performance of the whole network.
- Reviewing the customer relationship with Wellington Water so it has a direct relationship with its customers rather than indirectly via councils. This enables consultation and customers' willingness to pay to become part of Wellington Water's considerations and recommendations on future investment decisions.

The Commission's decisions and next steps

The Commission broadly agrees with the Mott MacDonald findings. We consider that Wellington Water has delivered good gains in water services for its council owners and their residents. In the short term, water service delivery in the region could provide even better value for ratepayers if councils collaborate further and if Wellington Water's owners support it to deliver 3-5 year work programmes. We agree that Wellington Water should be given more time and support to develop and mature using the current delivery model before consideration is given to major changes such as asset ownership and having a direct relationship with its customers.

We have provided the Mott MacDonald report to the region's councils and to Wellington Water, asking them to consider the detailed recommendations and to take appropriate action. We will be monitoring their responses, and the Commission remains open to considering changes to water services in a draft proposal in 2017.

Spatial planning

There are several definitions and interpretations of what spatial planning is. A definition with currency in New Zealand describes it as:

“A 20 – 30 year strategy that sets the strategic direction for a community to form the basis for the co-ordination of decision-making, infrastructure, services and investment. It is a means of aligning other council plans, as well as providing a visual illustration of the intended future location, form and mix of residential, rural and business areas, along with the critical transport and infrastructure required to service those areas and any relevant environmental constraints (for example, natural hazards). (Ministry for the Environment, 2010)”

The key features of a spatial plan are that it is:

- multi-party (ie a range of stakeholders)
- focused on the long-term development of cities and improving investment certainty
- a guide to the future location of infrastructure and services
- evidence-based
- integrated across sectors
- strategic.

At present there is no legislative framework for spatial planning by New Zealand local authorities outside of Auckland. The Auckland Plan was developed under Auckland-specific legislation following the creation of Auckland Council in 2009. There are, however, several examples of voluntary spatial planning in other parts of the country, some involving a single council, and some involving more than one – such as the Smart Growth plan for Tauranga and Western Bay of Plenty.

The current situation

Councils throughout the country are required to develop a range of different plans under several pieces of legislation. Plans are made by both regional councils and territorial authorities under the Resource Management Act 1989. Regional council plans deal with natural resources issues, while territorial authority plans provide the framework for decisions about land use, including where growth can occur.

Each council also develops its own long-term plan under the Local Government Act 2002 about what the council itself will do over the coming 10 years. This includes what infrastructure the council will provide, such as local roads, water, waste water, storm water, public transport infrastructure, and community facilities.

There is also a Regional Land Transport Plan that is developed by a committee of all the regions' councils and approved by the regional council. This pulls together the land transport (roads and public transport) programmes and projects across the region that will receive central government funding.

Most councils also have a range of other plans dealing with things such as urban growth and development and, in many cases, local economic development.

Why is spatial planning important to the Wellington region?

In the context of metropolitan Wellington, a spatial plan may be a useful response to the way planning is currently fragmented between both different subject matters, and geographically between council districts on the western side of the Rimutaka Range.

Spatial planning was one of the areas of focus that the Local Government Commission (the Commission) and the Wellington Mayoral Forum agreed should be investigated after the reorganisation process was restarted in June 2015. This reflects several things:

- Arguments about the need for a regional spatial plan had featured strongly in earlier debate around the applications for council reorganisation and the proposal for a Wellington “super city”. Several councils that opposed the “super city” suggested alternatives that involved some form of spatial planning.
- The Mayoral Forum had already started investigating the desirability of spatial planning.
- With large-scale amalgamation of councils off the table, the question of how to achieve a degree of coordination among multiple councils in the metropolitan area becomes relevant again, particularly for infrastructure and economic development planning.

Our work in this area

The Commission asked Boffa Miskell to investigate the possible role of spatial planning in Wellington. Boffa Miskell was asked to outline its advantages and disadvantages, the challenges and opportunities, and options for preparing and implementing a spatial plan, or other ways of achieving more integrated planning. They were not asked to recommend a single best solution but to identify options that could be considered further.

The terms of reference for the work were discussed and agreed with councils. The three Wairarapa district councils asked to not be part of this work stream. Therefore, the focus was on the metropolitan area – the mainly urban part of the region west of the Rimutakas. Boffa Miskell interviewed the chairs, mayors and chief executives of Wellington’s metropolitan councils to understand their views. Councils were also given the opportunity to comment on the draft of Boffa Miskell’s report.

There were two important limitations to this exercise. The first is that there is no general statutory framework to require spatial planning or to require councils to implement such a plan. Secondly, there are limitations on the Commission’s powers in this area – it can establish decision-making processes – such as joint committees – for the voluntary development of such a plan, but cannot require it to be implemented.

Boffa Miskell identified 23 existing plans in the Wellington region that appeared to involve elements of spatial planning, mainly within individual districts. It found that though there was a high level of interest in spatial planning among councils, there were differing views as to how important it was, whether or not it should be seen as a priority at this time, and whether the benefits would be sufficient to justify the costs in the Wellington context.

A particular issue raised was that spatial planning is generally seen as focused on how councils should respond to growth – where growth should happen and how the necessary infrastructure would be provided – but, overall, the Wellington region is not currently experiencing high levels of growth. Some councils thought the key issue for Wellington was how to get more growth, rather than how to respond to it, and did not see a spatial plan contributing to this. Others agreed the issue was to get more growth for Wellington but considered that spatial planning could facilitate that growth.

The major impediments to spatial planning identified included the lack of an agreed mechanism for multiple councils to make decisions on the content of a plan, and how to fund the work involved.

Boffa Miskell stated that a spatial plan for Wellington would:

“provide an overarching strategic plan that clearly lays out how and where metropolitan Wellington is expected to grow over the medium-term, the location and form of future development (including within existing urban areas), the transportation networks, infrastructure and community facilities needed to facilitate such growth. Such a plan would be based on integrated regional modelling and forecasting, with input from a range of government agencies, stakeholders and the wider community”.

Boffa Miskell identified four options for further consideration. These were:

- The status quo.
- Compiling a “stocktake” spatial plan drawing on the existing 23 growth-related strategies, frameworks, policies and plans within the region, so as to reveal any gaps and overlaps. This would help make it clear if developing a full metropolitan spatial plan would represent value for money.
- Preparing a “composite growth plan” drawing on a stocktake of the existing strategies, frameworks, policies and plans within the region. Councils could then negotiate around any areas of duplication and inefficiencies, and how to make any necessary trade-offs. Each council would remain responsible for implementing plans for its own area, although the plans of the various councils would be better integrated.
- Preparing a “Wellington metropolitan spatial plan”, through an agency or organisation. There could be either a formal agreement among councils to implement the plan, or changes to legislation could be sought to require this.

The Commission asked each council to provide a statement of its position in relation to these options. A majority of councils considered that a stocktake would be a sensible next step. Only one council was strongly in support of a full metropolitan spatial plan. There was no clear consensus among the other councils on the value of spatial planning. Several were confident that existing plans could easily cater for predicted growth and considered there was no evidence that the lack of a spatial plan had inhibited progress. Others supported spatial planning in principle but had reservations about the costs and difficulties with developing and implementing a spatial plan under current legislative and governance settings.

The Commission's decisions and next steps

The Commission recognises the divergent views of councils and considers that at this stage the case for a comprehensive spatial plan has not been conclusively made. Councils state they have plans to meet forecast growth and there is a lack of hard evidence of the problems that spatial planning would address. The costs of developing a spatial plan for the region are not insignificant, including the opportunity costs, and there are governance and legislative barriers to implementing a spatial plan.

We are conscious that our work on this issue has focused mainly on the perspectives of councils, and there has been limited opportunity for input from others. The issue of spatial planning is also potentially important in the context of options for improved transport arrangements in the region. Some councillors considered that spatial planning was vital to consideration of improved transport arrangements for the region. Further, the majority of councils considered that a stocktake would be a sensible next step.

The Commission has decided to obtain a focused stocktake, or gap analysis, to look for evidence of any meaningful gaps, overlaps and inefficiencies with respect to the 23 growth plans and strategies currently in place in metropolitan Wellington. As part of this assessment, a wider range of perspectives will be sought, including central government, iwi, and groups with an interest in urban development.

A focused gap analysis will provide the Commission with further evidence before it decides on whether spatial planning should be a feature of local government arrangements in the region.

Regional economic development

The current situation

The development and delivery of Wellington's regional economic development strategy has been contentious throughout its history. The region's nine councils first developed the Wellington Regional Strategy between 2004 and 2007. The strategy was overseen by the Wellington Regional Strategy Committee, comprising an independent chair, six mayors, the chair of the regional council and several independent members. Grow Wellington was established as the delivery vehicle for the strategy.

A 2011 review of the strategy confirmed that the benefits of a regional approach to economic development significantly outweighed the costs, but found that the governance arrangements had inhibited progress and there were few mechanisms for reporting on progress and performance. Following the review, the Wellington Regional Strategy was refreshed.

In 2014, all councils in the region agreed on the formation of Wellington Regional Economic Development Agency (WREDA), addressing issues that included resources being thinly spread, duplication, high agency costs and lack of scale.

WREDA was set up in October 2014, bringing together the Greater Wellington Regional Council's Grow Wellington and Wellington City Council's Positively Wellington Tourism, Destination Wellington, and Positively Wellington Venues and Major Events. WREDA is jointly owned by the Wellington City Council (80 per cent) and the Greater Wellington Regional Council (20 per cent). WREDA has complex governance, funding, and management arrangements in place. Wellington City provides nearly 90 per cent of WREDA's annual funding and Greater Wellington the remainder.

Councils in the region planned to collectively spend about \$55 million on economic development in 2015/16.⁴ About 65 per cent (\$35.7 million) of this was through WREDA. The other 35 per cent was spent by councils directly for a wide range of activities, including economic strategy development, international relations, skills and talent initiatives, investment attraction, and visitor marketing and promotion.

Wellington City allocates the most to economic development of all the councils – by absolute value and by number of businesses and per head of population. Most of Wellington City's planned economic development expenditure of \$37.2 million for 2015/16 was delivered by WREDA (\$31.6 million). Greater Wellington planned to spend \$4.7 million, \$4.1 million through WREDA. The other councils combined planned to spend about \$13.1 million in 2015/16.

⁴ Based on Long Terms Plan economic development operating expenditure forecasts for 2015/16.

Why is regional economic development important to Wellington?

While not one of the largest areas of council spending, the Local Government Commission chose economic development as one of the five work streams for a number of reasons. In any area where there are many councils in one regional economy, there is the potential for intra-regional rivalry to waste resources that could be better spent growing the region's economy as a whole. The Wellington region's councils have long recognised the region's economy has interdependencies beyond council boundaries and the potential for duplication of effort. The councils have made progress to reduce this risk and enhance the economy over the years. The Commission wanted to understand better the progress made and consider whether there was a need to seek or support further change.

Our work in this area

The Commission asked MartinJenkins to examine the economic development arrangements in the region, with a view to understanding whether there was value in considering opportunities for improvement at this time. We requested a largely desktop methodology, with limited interviews with key council stakeholders, given the scoping nature and modest scale of the review. We acknowledged at the start of this work that, given WREDA has only been recently set up, it may be preferable to allow it to establish and develop before determining whether further change is required.

The terms of reference for the work were discussed and finalised with councils, and councils were given the opportunity to comment on the draft report.

MartinJenkins identified a number of key themes and issues, drawn from the interviews and analysis of relevant economic development documents:

- there are areas of potential duplication, or areas that could be better coordinated, across the region
- the momentum of WREDA establishment is perceived by some to be drawn out
- there is a perceived lack of strategy or vision for WREDA and associated measurable key performance indicators
- there are concerns about the sustainability of the current arrangements, given unequal shareholdings
- there are concerns about the effectiveness of current monitoring arrangements and support for the Wellington Regional Strategy Committee.

Overall, MartinJenkins concluded that more time is required for the current economic development arrangements in the Wellington region to bed in and for the governance relationships to mature before recommending an external in-depth review. It is likely that a review at this time would risk distracting the focus of WREDA from its core purpose.

However, given the potential for tensions in the current model, MartinJenkins consider a review in 12-18 months' time would be warranted. The Wellington Regional Strategy Committee may wish to initiate a review itself within this timeframe. The MartinJenkins report contains suggestions regarding the scope of such a review.

The Commission's decisions and next steps

Economic development arrangements in the Wellington region have been a periodic source of frustration for, and tension between, councils for several years. This is reflected in the number of times councils have changed their economic development structures and funding over the past decade or more. WREDA represents the most recent attempt by councils to get economic development structures fit for purpose.

The key question for the Commission is whether it considers there are changes it can and should seek to make to current arrangements, the benefits of which would clearly outweigh the short-term costs of further change and the resulting impact on economic momentum.

On balance, the Commission supports MartinJenkins' key recommendation that now is not the time to make further changes to the region's economic development arrangements.

We also consider that the councils themselves, most likely via the Wellington Regional Strategy Committee, are better placed than the Commission to determine the timing and implementation of any review. We recommend that councils consider undertaking a review by late 2017 if the issues raised in the MartinJenkins' report have not been resolved.

Summary of progress

Governance for the Wairarapa

In response to the community's feedback, the Local Government Commission (the Commission) intends now to undertake a detailed assessment of a new combined Wairarapa District Council, with a view to making a decision in early 2017 on whether to formally propose changes to local government in the Wairarapa as part of a draft reorganisation proposal.

This work will include further consideration of the relationship between a combined Wairarapa District Council and the Greater Wellington Regional Council.

It will also include identifying:

- detailed representation arrangements, including ward boundaries, the number of elected representatives, and the establishment of any community boards and their delegations
- the appropriate treatment of debt and assets
- the location of head office and service centres
- the necessary transition arrangements
- the rating systems (land value or capital value) and any rating measures the Commission considers a new Wairarapa District Council would need to take to support a sensible rating transition.

The Commission will continue to work with councils as we progress through this detailed work.

If we issue a new draft proposal along these lines, then there will be a further round of public submissions on the detailed proposal. In addition, 10 per cent of the electors of any districts may petition for a poll to be held on the proposal. The outcome of any poll decides the fate of the proposal.

Land transport

The Commission has not made any formal decisions about transport in the region. The work is still at an early stage and is a complex area, and we will be taking time to work through the detail with councils. Two key issues for further discussion with councils are how each option would work in practice and the governance arrangements for each.

The Commission will continue working with councils to finalise the Indicative Business Case for the five identified options, which is scheduled for completion by October 2016. We will then set out the process and timeframe for identifying a preferred option, including public consultation.

Water services

The Commission broadly agrees with the Mott MacDonald report's findings. We consider that Wellington Water has delivered good gains in water services for its council owners and their residents. In the short term, water service delivery in the region could provide even better value for ratepayers if councils collaborate further and Wellington Water's owner councils support it to deliver 3-5 year work programmes. We agree that Wellington Water should be given more time and support to develop and mature, using the current delivery model, before consideration is given to major changes such as asset ownership and having a direct relationship with its customers.

We have provided the report to the region's councils and to Wellington Water, asking them to consider the detailed recommendations for improving the region's water services and take appropriate action. We will be monitoring the councils' responses to the report, and the Commission remains open to considering changes to water services in a draft proposal in 2017.

Spatial planning

The Commission recognises the divergent views of councils and considers that at this stage the case for a comprehensive spatial plan has not been conclusively made. However, we are conscious that our work on this issue has focused mainly on the perspectives of councils, and there has been limited opportunity for input from others. Spatial planning also is potentially important in the context of options for improved transport arrangements in the region. While there was not support for a full metropolitan spatial plan, a majority of councils considered that a stocktake would be a sensible next step.

We are conscious that our work on this issue has focused mainly on the perspectives of councils, and there has been limited opportunity for input from others. The issue of spatial planning is also potentially important in the context of options for improved transport arrangements in the region. Some councillors considered that spatial planning was vital to consideration of improved transport arrangements for the region. Further, the majority of councils considered that a stocktake would be a sensible next step.

The Commission has decided to obtain a focused stocktake, or gap analysis, to look for evidence of any meaningful gaps, overlaps and inefficiencies with respect to the 23 growth plans and strategies currently in place in metropolitan Wellington. As part of this assessment, a wider range of perspectives will be sought, including central government, iwi, and groups with an interest in urban development.

A focused gap analysis will provide the Commission with further evidence before it decides if spatial planning should be a feature of local government arrangements in the region.

Economic development

On balance, the Commission supports the technical expert's key recommendation that now is not the time to make further changes to the region's economic development arrangements. We also consider that the councils themselves, most likely via the Wellington Regional Strategy Committee, are better placed than the Commission to determine the timing and implementation of any review. We suggest that councils consider undertaking a review by late 2017 if the issues raised in the report have not been resolved by then.

Next steps

The Local Government Commission will continue to work closely with the nine Wellington councils, the public, and other interested parties as we work towards making decisions on any formal draft proposal for reorganisation of local government in the Wellington region.

We are on track to make a decision about whether to propose a single Wairarapa District Council, with potentially a formalised relationship with the Greater Wellington Regional Council, in early 2017. Any final proposal on the formation of Wairarapa District Council is likely to go to a binding poll of Wairarapa electors later in 2017.

Depending on progress with work on options for transport, water and spatial planning, those areas may also feature in any draft proposal for consultation with the public in 2017.