



Local Government
Commission
Mana Kāwanatanga ā Rohe



Wairarapa Local Government Assessment of Options

June 2016

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Executive Summary

The process of assessment of Local Government options for the Wairarapa was undertaken in collaboration with the Carterton District Council, Masterton District Council, South Wairarapa District Council, Greater Wellington Regional Council and the Local Government Commission.

Our project brief was to undertake an assessment of the identified Wairarapa Local Government Options based on robust information, namely the Long Term Plans 2015/2025, Infrastructure Strategies, Asset Management Plans and Annual Reports. At the outset project assumptions were agreed for the purposes of the assessment. The assumptions of Greater Wellington Regional Council on the expenditure for regional activities in the Wairarapa was critical to the assessment as is the assumptions around potential costs to transition the councils to a single information technology system.

The assessment involved bringing together the robust information as provided by the respective councils and identifying the anticipated transition and ongoing costs, and efficiencies associated with Options B to F. The value proposition of increased scale and capacity may provide additional benefits over and above those quantified in our assessment. These would require further study once a preferred option is identified.

Our assessment was based on the current councils' positions and was not about anticipating a future Council's decisions in regard to rating policy, service levels and projects.

The Qualitative Matters

The purpose of our assessment and resulting information was to facilitate an informed discussion in the community. Our analysis would suggest that there are a number of matters to discuss that are qualitative in nature, namely the benefits of:

- A consolidated Wairarapa District Council (Options B, C & D) over the Status Quo (Option A),
- A consolidated Wairarapa District Council with empowerment of committees (Options C & D) against a traditional consolidated District Council (Option B), and
- The greatest autonomy (Options E and F) against the consolidated Wairarapa District Council (Options B, C and D) and the Status Quo (Option A)

A consolidated District Council would provide:

- clarity of voice and purpose,
- improved resilience and resource,
- 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, and
- increased scale and capacity, but
- lower representation of district councillors

A larger organisation (Options B to D) makes the council more attractive as an employer and provides for increased:

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

Options E to F will display similar characteristics to Options B to D except for 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, and
- ability to participate nationally on regional government matters.

Option F also results in the redefinition of the greater Wellington region.

The Quantitative Matters

Our financial analysis of the options has identified that:

- Options A to D are similar based on the assumptions, and
- Options E and F indicate a funding challenge that would have to be addressed by the Wairarapa.

The financial results for Options A to E are dependent on the continuation of Greater Wellington Regional Council's rating policy and the estimate of future information technology costs.

The financial sustainability of Options E and F would have to be addressed by the future Council, potentially through a mixture of general rates increases, service level reviews and consideration of major projects. The extra total rates requirement from the community would be an average increase of 1.8% for every \$1 million of additional operational expenditure.

The assessment of options allows the community to consider the qualitative and quantitative benefits and disbenefits of Options A to F.

Glossary

AMP – Asset Management Plan

CDC – Carterton District Council

CWDP – Combined Wairarapa District Plan

GWRC – Greater Wellington Regional Council

LGA – Local Government Act

LGC – Local Government Commission

LTP – Long Term Plan

MDC – Masterton District Council

RLTS – Regional Land Transport Statement

RMA – Resource Management Act

RPS – Regional Policy Statement

SWDC – South Wairarapa District Council

WDC – Wairarapa District Council

WUC – Wairarapa Unitary Council

WWUP – Wairarapa Water Use Project

1 Introduction

1.1 Background

In May 2013 the Wairarapa Governance Review Working Party (representing South Wairarapa District Council, Carterton District Council and Masterton District Council) made an Application to the Local Government Commission (the Commission) for reorganisation of their respective councils, and the regional council activities over the corresponding area, into a single unitary authority for the Wairarapa region.

In June 2013 the Local Government Commission also received an application from the Greater Wellington Regional Council, for reorganisation of local government in Wellington Region. The application was for the constitution of a unitary authority, covering the area of the existing Wellington Region with the exception of a small area of Tararua District which would be transferred to Manawatu-Wanganui Region.

As a result of these two applications, the Commission proposed and further investigated a region-wide unitary authority. In June 2015, the Commission decided not to proceed with this proposal due to lack of public support. However because there was appetite for changes to the status quo, the Commission continued to work with councils and the community to identify possible alternative options.

To progress changes specific to the Wairarapa, Councillors from South Wairarapa District Council, Carterton District Council, Masterton District Council and Greater Wellington Regional Council held two workshops with the Local Government Commission in November and December 2015. This resulted in six potential governance options on which initial feedback was sought at three public meetings during February 2016.

1.2 Scope of work

To date, the Councils and the Commission have identified the challenges they wish to address and a range of options for addressing them. This report has now been commissioned by the Commission, in partnership with the four councils to independently assess the six identified options ('the Options'), with a view to carrying out full public consultation later in 2016.

The purpose of this is to identify the costs, benefits and risks (monetary and non-monetary) of each for each of the four councils and overall. Since the development of the Options, the councils, including Greater Wellington Regional Council, have refined the governance of Options C, D and E.

Table 1: Options for assessment¹

Option A	Status Quo
Option B	Wairarapa District Council (WDC)
Option C	Wairarapa District Council (WDC) and a joint Wairarapa Unitary Plan Committee
Option D	Wairarapa District Council (WDC) and two Committees with Greater Wellington Regional Council
Option E	Wairarapa District Council (WDC) takes on most regional council activities
Option F	Wairarapa Unitary Council (WUC)

¹ For full details of the Options as defined by the Local Government Commission, refer to Appendix E.

1.3 Methodology

The methodology is based on developing a combined Long Term Plan to assess the overall financial position of the council or councils under each Option. This is supported by a non-financial assessment of the benefits, drawbacks and risks of each Option, when considered against the status quo.

For the purpose of adding value to the assessment, a project control group (PCG) comprising the Chief Executives from all the councils and representatives from the Local Government Commission was established. The PCG met weekly with a focus to discuss project progress and to provide a vehicle for feedback and discussion on project work as it progressed. The PCG benefitted the assessment by providing clarification and assurance as matters arose.

We have used the following methodology, based on our experience of assessing proposed council mergers.

1.3.1 Data collection

The following data was provided by the four councils. In some cases, not all requested data was available and assumptions have been made, as described in Appendix A.

- LTPs and Annual Plans
- Asset Management Plans and asset registers
- Capital works programme
- Current contracts and any shared service arrangements
- Organisational structure

Financial information for activities currently undertaken by the Wairarapa District Councils is based on the Wairarapa Councils' 2015/25 LTPs. Financial information for activities undertaken by the GWRC is based on the revenue and expenditure of the GWRC within the Wairarapa District. As the GWRC do not specifically record expenditure for the Wairarapa, the total costs of the regional activities have been apportioned by GWRC staff as a percentage of the total GWRC expenditure as budgeted in the GWRC 2015/25 LTP. The apportionment approach and results have been discussed and agreed to by the four councils and the Local Government Commission in the Project Control Group.

The basis of apportionment is shown in Appendix C.

1.3.2 Analysis

Activities have been divided into two groups (local and regional) for the purposes of modelling a combined Long Term Plan (LTP). These activities are identified in Appendix B. A combined LTP has been created for each of the Options. The anticipated short, medium and long term savings and transition costs were estimated and tabled at the Project Control Group meetings for comment. These were added into the model to show the overall position of the merged council under each Option.

The Net Present Value of the net savings (savings less transition costs) for each Option has been calculated over the life of the current LTPs and the performance of each Option has been assessed against the Financial and Fit for the Future criteria. Financial results have been sense checked based on our experience of actual councils of a similar scale to the proposed merged entity.

In addition to the financial assessment, and in accordance with the terms of reference agreed to by the four councils, we have considered the impact of the Options on:

- Governance and representation

- The new council's planning framework
- Efficiency and effectiveness of delivery of local and regional services
- Strategic capability and capacity of the proposed organisation
- Customer responsiveness
- Any other key risks and opportunities that will need to be factored into any decision and transition process.

1.3.3 Reporting

Our analysis and commentary for the various Options is at the level of benefits and dis-benefits to the four councils rather than from the point of view of each individual council, however the model and indicators show the benefits and dis-benefits from each individual council's perspective.

The findings have been reported back to the Project Control Group on a regular basis, to incorporate feedback from the Chief Executives into the assessment.

1.3.4 Assumptions

In order to model and compare the various Options, a range of assumptions and standard indicators have been developed based on previous experience. These were agreed to by all four councils.

- The modelling undertaken for this study is based on the Wairarapa District councils' 2015/25 LTP budgets and assumes that the revenue forecast by the councils will be realised.
- The GWRC financial information is based on that revenue and expenditure within the Wairarapa region as contained in the LTP 2015/25. This information was provided by the GWRC and was independently reviewed by PWC.
- The modelling assumes that the levels of service specified in the current LTP across the three Wairarapa District Councils and GWRC will be maintained for the duration of the LTP unless otherwise stated in the respective councils' LTPs 2015/25.
- This assessment considers the future governance structure of the Masterton, Carterton and South Wairarapa districts and the Greater Wellington region. No other boundary changes are proposed for the purposes of the assessment.
- Provision has been made for the development of new regional/unitary plans and strategies for regional activities in years 1-3 for Options C, E and F.
- The full list of assumptions associated with the activity modelling is provided in Appendix A.

2 Options assessment

The Options can be clustered into three broad groups, with some variations in governance and service delivery between the Options in each group. The Options progressively result in increased autonomy for the Wairarapa region.

- Option A represents the status quo, with three district councils for the Wairarapa, plus the Greater Wellington Regional Council.
- Options B-D would create a new combined District Council for the Wairarapa. The Options provide progressively more influence over the governance of regional activities, however the responsibility for funding and delivering all regional activities remains with the Greater Wellington Regional Council for all these Options.
- Options E and F result in a partial or complete transfer of regional activities from Greater Wellington Regional Council to the new Wairarapa Council. This transfer includes the responsibility for governance, funding and delivery of these activities.

Sections 3 to 8 of this assessment look at each of the Options in turn. The introduction to each section is the description of the Option as developed by the Councils and the Commission. We then assess the impact of the Option on the council's:

- governance;
- representation;
- planning framework;
- local and regional activity delivery;
- strategic capacity;
- customer responsiveness; and
- financial performance.

Where appropriate we have also commented on the impact of the Option to the remainder of the Wellington Region.

2.1 Governance

The Local Government Act 2002 (the Act) sets out governance principles for local authorities. Amongst others these include ensuring:

- a clear understanding of the role of democratic governance by the community and elected members,
- governance structures and processes are effective, open and transparent,
- as far as practicable responsibility and decision making processes for regulatory and non-regulatory activities are separated.

The role of Community Boards is specified in the Act. For each board the role revolves around communicating with, representing and advocating for the interests of its community. This includes, with respect to each board's community, considering and reporting on matters referred to the board by the local authority, maintaining an overview of services, and preparing an annual submission for expenditure within the community.

In addition each board must undertake any other responsibilities that are delegated to it by the local authority. It is only through this process of delegations that community boards can actually make council decisions. All other decisions relate to engagement, advocacy or submissions.

The assessment of the Options needs to take these statutory provisions into account.

The Act also requires a local authority to:

- establish and maintain process to provide opportunities for Māori to contribute to the decision making processes of the local authority,
- consider ways in which it may foster the development of Māori capacity to contribute to the decision making processes, and
- provide relevant information to Māori for those purposes.

In addition changes to the Act recently proposed by the Minister of Local Government for better local services reforms will (if enacted) reinforce the obligation during reorganisations to protect the integrity of council–Iwi arrangements established by legislation, including Treaty settlement legislation.

The Deed of Settlement with Rangitāne o Wairarapa and Rangitāne o Tāmaki Nui-ā-Rua was initialled on 11 May 2016. An agreement in principle was signed by the Crown and Ngāti Kahungunu ki Wairarapa on 7 May 2016.

These create a Wairarapa Moana statutory board to be formed between Ngāti Kahungunu ki Wairarapa, Rangitāne o Wairarapa, Rangitāne Tāmaki Nui-ā-Rua, the Minister for Conservation, GWRC and SWDC. The purpose of the Board will be to act as a guardian of Wairarapa Moana and the Ruamahanga River catchment, for the benefit of present and future generations. In addition, a sub-committee of the statutory board will be established to prepare and recommend the natural resources document to the statutory board for approval. This sub-committee will be comprised of two Rangitāne and two Ngāti Kahungunu representatives and one representative each of GWRC, MDC, SWDC and CDC.

2.2 Representation

The following table summarises the level and type of representation for each Option.

Table 2: Representation summary

	Option A Status Quo	Options B to E WDC	Option F WUC
Mayor	3	1	1
District/Unitary Councillors			
• At Large	13	0	0
• By Wards	14	12	12
Elected Community Board Members	12	21	21
Regional Councillor	1	1	0
Total Elected Members	43	35	34
Population (2013)	41,112	41,112	41,112
Population per District Councillor (including the Mayor)	1,370	3,162	3,162

While Options B to E have 17 less District Councillors (including the Mayors) than Option A, there is an increase of 9 in the number of community board members. This will be of significance when considering the extent to which powers should be delegated to community boards and also when considering the management structure and resourcing model which best supports the governance decision making model.

A comparison of Options B to F with other district and unitary councils of a similar scale shows that the numbers proposed are comparable, and generally more favourable, than for those other councils. For the purposes of the following table, regional councillors are not included in the analysis.

Table 3: Comparison of representation across similar scale district and unitary councils

Council	Area (Square Kilometres)	Population (2013)	Mayor & Councillors	Community Board Members	Total Elected Members	Population per Mayor & Councillors	Population per total Elected Members
Wairarapa	5,936	41,112	13	21	34	3,162	1,209
Gisborne	8,386	43,653	14	0	14	3,118	3,118
Marlborough	10,458	43,416	14	0	14	3,101	3,101
Selwyn	6,381	44,595	12	9	21	3,716	2,124
Tasman	9,616	47,154	14	8	22	3,368	2,143
Timaru	2,733	43,929	10	16	26	4,393	1,690
Western Bays	1,951	43,692	12	20	32	3,641	1,365
Whanganui	2,373	42,150	13	7	20	3,242	2,107
Average						3,467	2,107

Under Options B to F, as well as a Mayor elected at large, the twelve Wairarapa councillors would be elected from seven wards – five from Masterton, two from Carterton, one each from Greytown, Featherston and Martinborough; plus two rural wards with one councillor each.

Current ward boundaries for Masterton urban, Martinborough, Greytown and Featherston would be retained. The existing Carterton urban, Carterton rural and Masterton rural wards would be replaced with one Carterton ward and two rural wards.

It is assumed that the ward and community board boundaries for Options B to F are those contained in the 2013 reorganisation application entitled “Wairarapa’s Future”. That report shows that none of the wards are outside the statutory variance threshold of 10 per cent either side of the average.

The numbers in “Wairarapa’s Future” were based on population numbers as at the 2010 elections. When applying numbers from the 2013 census data it appears that the Featherston Ward (whose population has remained static against an overall increase for Wairarapa) falls outside the 10 per cent variance threshold. However it is noted that the variance can be exceeded if the Local Government Commission is satisfied that effective representation for affected communities is best achieved by doing so.

The 2013 populations of the Masterton, Martinborough and Greytown wards all sit within the 10 percent variance. 2013 figures for the three proposed reconfigured wards, Carterton and the two rural wards, are not available.

No community boards are proposed for the rural wards but instead a Rural Advisory Committee is proposed.

A Māori ward is not proposed in any of the Options but various mechanisms are proposed for Māori involvement in decision making.

Elected Member Remuneration

The Remuneration Authority (the Authority) determines annual salaries, meeting allowances (generally restricted to district plan review meetings) and expense rules, particularly with respect travel costs. Salary levels vary as between councils to reflect the size and scope of each council, including community boards, and the governance structure (such as committees) adopted by each council.

The annual salary levels vary between the existing councils with Masterton having the highest and Carterton the lowest. The total of the annual salary levels determined by the Authority for the existing councils amounts to around \$900,000. This excludes meeting allowances and expenses because these costs will vary from year to year based on activity levels and mileages travelled by elected members.

While there would be fewer elected members under Options B to F the individual salary levels will be higher. Based on a review of the Authorities determinations for 2015/16 for district and unitary councils of a similar scale it is estimated the total annual salary levels for Options B to F (including for the community board members) would be in the region of \$750,000 to \$800,000. The actual numbers will depend on the Authority's evaluation and the governance structure adopted for the new council. Once again meeting allowances and expenses are ignored because there are too many variables including activity levels and where elected members reside in relation to where they meet.

While these numbers are of necessity an approximation they do indicate that Options B to F will result in total remuneration levels less than for Option A, but not to the extent that may have been expected.

2.3 Planning framework

From the Options assessed below Option F provides for the simplest planning framework as it provides the new WUC the ability to create a Unitary Plan for the Wairarapa covering all regional and district activities within one planning document and as an autonomous body. Option C also provides for a single Unitary Plan within one document, however the governance structure is not as simple with delegations to the Unitary Plan Committee. Option C could result in decisions being frustrated at the time of adoption by the respective councils as the Unitary Plan Committee does not have the delegation to adopt the plan. Also, decision making on resource consents is split between the region and the district requiring customers to go to the different entities for approval which is not as streamlined as Option F and may lead to confusion of functions.

Option B provides a traditional planning framework with the creation of a Wairarapa District Council. While the regional and district activities are split between GWRC and WDC, they are clear functional splits that are well understood. It also solidifies the combined plan approach for the Wairarapa. The other Options (C, D and E) have either governance arrangements or a split of activities that do not have the clarity of the other Options and will not result in an easy-to-understand or straightforward planning framework.

2.4 Local and regional activity delivery

The following table shows the activities that are managed and governed by WDC, GWRC and WUC under the proposed Options. Some of the Options entail a split of Governance and Management responsibility for regional activities.

Table 4: Allocation of Governance and Management Responsibility

		Local activities	Regional activities					
		Local Government activities ¹	Regional Governance ²	Regional Transport Planning	Public Transport	Resource Management	Flood Protection	Land Management ³
Option A		CDC, MDC and SWDC	GWRC					
Option B		WDC	GWRC					
Option C	Governance	WDC	GWRC	GWRC	GWRC	Joint Committee WDC/GWRC	GWRC	GWRC
	Management		GWRC					
Option D	Governance	WDC	GWRC	GWRC	GWRC	GWRC/WDC ⁴	GWRC/WDC ⁴	GWRC/WDC ⁴
	Management		GWRC					
Option E		WDC	GWRC	GWRC	GWRC	WDC	WDC	WDC
Option F		WUC	WUC					

1. Local Activities include Roothing, Utilities, Stormwater, Regulatory Services and Planning, Parks, Community Facilities and Activities, Social and Economic Development and Environment and Heritage
2. Regional governance includes Regional Economic Development, Regional Strategy, Regional Initiatives, Emergency Management and Climate Change Planning
3. Land Management includes Biodiversity Management and Pest Management
4. For Option D, Governance of these activities is by the Wairarapa Services Committee, a standing committee of the GWRC

This table excludes Regional Parks, Regional Water Supply and Harbor Management as these are not applicable to the Wairarapa. The Wairarapa Services Committee under Option D may also consider other matters in addition to those specified.

There are significant strategic benefits, as well as some disbenefits, in combining local activities into one Wairarapa Council under Options B-F.

Table 5: Impact of Options on local activities

	Status Quo (Option A)	Service Delivery Impact (Options B-F)
Corp/Governance	<ul style="list-style-type: none"> Shared GIS platform Offices located close to customer Knowledge of each district by staff 	<ul style="list-style-type: none"> Increased capability for financial planning No reduction in customer responsiveness as service centre numbers are retained Potential loss of staff and local knowledge through organisational restructure
Roothing	<ul style="list-style-type: none"> Jointly awarded Roothing Maintenance Contracts. Aim to produce a consistent standard and to reduce procurement costs CDC rooding professional services provided by MDC staff 	<ul style="list-style-type: none"> Potential for savings on annual operational expenditure through collaboration between NZTA and Council and establishment of Council-based business unit Increased specialisation of resources

	Status Quo (Option A)	Service Delivery Impact (Options B-F)
Three Waters	<ul style="list-style-type: none"> Different charging regimes and levels of service 	<ul style="list-style-type: none"> Rationalisation of services and upgrades Improved resilience Reduced procurement costs
Waste Management	<ul style="list-style-type: none"> Joint solid waste contract MDC has a waste minimisation officer serving the three communities 	<ul style="list-style-type: none"> No additional cost savings or service delivery efficiency gains
Community Facilities, Parks and Sports	<ul style="list-style-type: none"> Joint library service (CDC/SWDC) 	<ul style="list-style-type: none"> Potential for shared management of community facilities, resulting in increased specialisation of facilities and better prioritisation of upgrades Access to larger range of facilities Potential for rationalisation of animal management facilities
Regulatory and Planning	<ul style="list-style-type: none"> Combined District Plan, selected policies, district licensing committee Joint bylaws (MDC/SWDC) Pooled building control staff when required 	<ul style="list-style-type: none"> Integrated decision making on all plans, policies, bylaws and consents and greater consistency in interpretation of combined District Plan rules Reduction in Building Control Authority compliance costs and IT upgrade costs Little opportunity for strategic planning efficiencies as Councils already have combined District Plan

Options C, D, E and F provide incrementally more Wairarapa influence over Regional Council activities.

Table 6: Impact of Options on regional activities from a Wairarapa perspective

	Regional Leadership	Public Transport	Environment (includes Resource and Land Management)	Flood Protection
Options A and B	<ul style="list-style-type: none"> Status quo 	<ul style="list-style-type: none"> Status quo 	<ul style="list-style-type: none"> Status quo 	<ul style="list-style-type: none"> Status quo
Option C	<ul style="list-style-type: none"> Status quo 	<ul style="list-style-type: none"> Status quo 	<ul style="list-style-type: none"> Combined Unitary Plan provides single set of rules for Wairarapa Increased influence on Regional Plan given shared decision making Resource management policy delegated to a joint committee, although decision making remains with WDC/GWRC 	<ul style="list-style-type: none"> Status quo

	Regional Leadership	Public Transport	Environment (includes Resource and Land Management)	Flood Protection
Option D	<ul style="list-style-type: none"> Stronger Wairarapa influence over Wairarapa related matters No change to existing decision making responsibilities 	<ul style="list-style-type: none"> Wairarapa influence over transport decisions and investment 	<ul style="list-style-type: none"> Wairarapa influence over Regional Planning decisions Wairarapa influence over land management decisions and investment, within funding envelope set by GWRC 	<ul style="list-style-type: none"> Increased Wairarapa influence over flood protection decisions and investment , within funding envelope set by GWRC
Option E	<ul style="list-style-type: none"> GWRC retains regional leadership function Strong relationships required with GWRC due to split of regional activities 	<ul style="list-style-type: none"> Status quo 	<ul style="list-style-type: none"> Control over future investment decisions Risk of duplication of existing Regional Plan and strategies Significant cost to Wairarapa to take over this activity Diseconomies of scale through split in GWRC Environmental Management resources 	<ul style="list-style-type: none"> Direct management and control of assets within district Control over future investment decisions Significant cost to Wairarapa to take over this activity Split in GWRC Flood Protection resources
Option F	<ul style="list-style-type: none"> WUC responsible for leadership of Wairarapa Co-ordinated response to all Wairarapa regional issues Loss of wider Wellington regional perspective 	<ul style="list-style-type: none"> More influence over investment decisions Significant cost to Wairarapa to take over this activity Collaboration required to align fare levels and make operational/s erve level decisions 	<ul style="list-style-type: none"> Control over future investment decisions Risk of duplication of existing Regional Plan and strategies Significant cost to Wairarapa to take over this activity Split in GWRC Environmental Management resources 	<ul style="list-style-type: none"> Direct management and control of assets within district Control over future investment decisions Significant cost to Wairarapa to take over this activity Split in GWRC Flood Protection resources

2.5 Strategic capacity

A larger council would provide both financial and non-financial benefits, based on improved strategic capacity, changes to service delivery methods, standardisation of service levels and prioritisation of capital

works. These benefits would depend on decisions made by the new Council and cannot be quantified in the financial model, which is based on combined delivery of the four councils' current Long Term Plans.

Enhanced strategic capacity improves the potential for the new council to realise these additional benefits.

An increased scale of council is generally expected to improve strategic capacity, however the operating shortfall under Options E and F would reduce the council's capacity for discretionary spending and taking on additional activities and projects.

Future capability gains must also be balanced against the loss of existing institution knowledge both within the three district councils and GWRC, particularly through the split of GWRC resources in Options E and F.

These benefits and disbenefits are illustrated in the table below and expanded on in the analysis of each of the Options in sections 3 to 8.

Table 7: Key Elements of Strategic Capacity from Wairarapa Perspective

	A	B	C	D	E	F
More robust revenue base and increased discretionary spending						
<ul style="list-style-type: none"> Council has increased financial capacity from rates and charges to fund debt servicing costs associated with a capital works programme 	-	✓	✓	✓	x	x
<ul style="list-style-type: none"> Identified efficiencies delivering ongoing annual savings 	-	✓	✓	✓	x	x
<ul style="list-style-type: none"> Improved procurement capability and compliance with contract establishment and use of approved suppliers 	-	✓	✓	✓	✓	✓
Advanced strategic planning and policy development	-	✓	✓✓	✓	✓✓✓	✓✓✓
<ul style="list-style-type: none"> Provides for an integrated and simplified planning and reporting framework 						
Resource to undertake additional activities and projects						
<ul style="list-style-type: none"> Increased capacity through revenue, capability and partnerships to undertake increased activities and projects 	-	✓	✓	✓	x	x
<ul style="list-style-type: none"> Capability to cope with complex and unexpected change 	-	✓	✓	✓	x	x
Organisational knowledge, creativity and innovation						
<ul style="list-style-type: none"> Increased ability to attract and retain a skilled workforce 	-	✓	✓	✓	✓	✓
<ul style="list-style-type: none"> Retention of existing capacity and capability 	✓✓	✓	✓	✓	-	-

Options assessment

2.6 Financial performance

The net operating result for the new Wairarapa Council over years 1-10 is shown below. For Option A, the combined net operating result for MDC, CDC and SWDC is shown. Under Options B-F, a number of one-off and ongoing savings are estimated. In addition, there are one-off costs associated with each Option. The net effect of these is shown in the Net Efficiencies line below.

Over the initial ten year period, there is a similar financial result for Options A-D, with a \$44-47 million net operating surplus. Options E and F result in a shortfall over the same period of \$72 million and \$100 million respectively.

Refer to Appendix A for a list of the overall assumptions made and to the relevant Option for a description of the additional costs and savings associated with that Option.

Table 8: Net Operating result for Options A-F, Years 1-10²

\$M	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total 10 Year
Option A – Status Quo											
Revenue	72.8	75.0	77.5	79.0	81.8	84.4	86.9	89.3	91.5	94.6	833
Costs	70.6	73.0	74.0	75.5	78.1	79.0	80.6	83.2	84.5	87.3	786
Operating result	2.2	2.0	3.5	3.5	3.7	5.5	6.3	6.1	7.0	7.3	46.9
Option B – WDC											
Revenue	72.8	75.0	77.5	79.0	81.8	84.4	86.9	89.3	91.5	94.6	833
Costs	70.6	73.0	74.0	75.5	78.1	79.0	80.6	83.2	84.5	87.5	786
Net Efficiencies = saving (cost)	(2.4)	(0.3)	1.3	(0.3)	(0.1)	0.0	0.2	0.3	0.5	0.6	
Operating Result	(0.2)	1.7	4.8	3.2	3.6	5.5	6.5	6.4	7.5	7.7	46.6
Option C – WDC											
Revenue	72.8	75.0	77.5	79.0	81.8	84.4	86.9	89.3	91.5	94.6	833
Costs	71.0	73.4	74.5	76.0	78.2	79.1	80.7	83.4	84.6	87.6	788
Net Efficiencies = saving (cost)	(2.4)	(0.3)	1.3	(0.3)	(0.1)	0.0	0.2	0.3	0.5	0.6	
Operating Result	(0.6)	1.2	4.4	2.8	3.5	5.4	6.4	6.2	7.4	7.6	44.2
Option D – WDC											
Revenue	72.8	75.0	77.5	79.0	81.8	84.4	86.9	89.3	91.5	94.6	833
Costs	70.8	73.2	74.2	75.8	78.3	79.2	80.8	83.5	84.8	87.7	788
Net Efficiencies = saving (cost)	(2.4)	(0.3)	1.3	(0.3)	(0.1)	0.0	0.2	0.3	0.5	0.6	
Operating Result	(0.4)	1.5	4.6	3.0	3.4	5.2	6.3	6.1	7.2	7.5	44.3
Option E – WDC											
Revenue	86.3	89.3	92.2	95.6	97.1	100.2	103.2	106.1	108.9	112.6	992
Costs	93.3	97.2	99.7	102.2	105.3	107.1	109.8	112.6	115.1	119.1	1,061
Net Efficiencies = saving (cost)	(3.1)	(1.0)	0.7	(0.3)	(0.1)	0.0	0.2	0.3	0.5	0.6	
Operating Result	(10.0)	(8.8)	(6.8)	(6.9)	(8.3)	(6.9)	(6.4)	(6.2)	(5.7)	(5.9)	(71.9)
Option F – WUC											
Revenue	94.6	101.2	105.0	106.7	110.6	114.1	117.6	120.9	123.6	127.7	1,122
Costs	103.1	110.7	114.5	117.9	121.6	124.0	127.3	130.4	132.8	137.3	1,220
Net Efficiencies = saving (cost)	(3.1)	(1.0)	0.7	(0.3)	(0.1)	0.0	0.2	0.3	0.5	0.6	
Operating Result	(11.6)	(10.5)	(8.9)	(11.5)	(11.2)	(9.9)	(9.6)	(9.2)	(8.8)	(9.1)	(100.1)

Both Options E and F result in a structural deficit of around \$5-11 million per annum.

² The net operating result represents the annual increase or decrease in the net worth of the Council. This includes changes in cash and also changes in the value of assets owned and maintained on behalf of the ratepayers.

Figure 1: Net Operating result of Options A-F

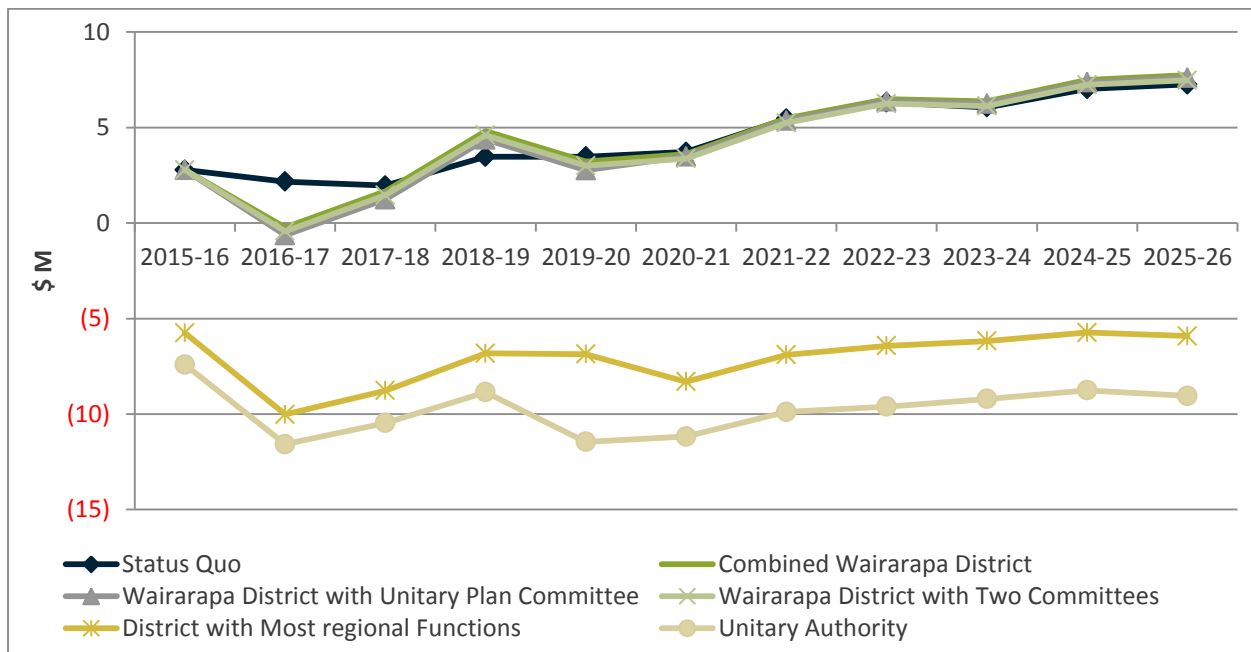


Table 11 below shows Net Present Value of the council’s operating results over a 10, 20 and 30 year period. The ten year Net Present Value differs from the ‘Total’ column in Table 10 above as it is a summation of the present value of each year’s operating result, taking into account the time value of money based on a discount rate of 7.0% p.a..

When compared over 30 years, Option B results in the largest operating surplus, with a Net Present Value of \$80.4 million. The shortfall for Option E and F, when looked at over 30 years, is even more significant at \$92.4 million and \$134.3 million respectively.

Table 9: Net Present Value of the operating result before revaluations³ (7% discount rate)

	10 years to 2025/26	20 years to 2035/36	30 Years 2045/46
Option A - Status Quo			
Revenue	606,470	979,264	1,219,941
Costs	575,384	919,587	1,141,804
Operating result	31,085	59,677	78,136
Option B - Combined Wairarapa District			
Revenue	606,469	979,222	1,219,831
Costs	575,448	925,814	1,151,736
Net Efficiencies = saving (cost)	(760)	7,351	12,354
Operating result	31,781	60,759	80,448
Option C - Wairarapa District with Unitary Plan Committee			
Revenue	606,469	979,222	1,219,831
Costs	577,231	928,120	1,154,381
Net Efficiencies = saving (cost)	(760)	7,351	12,354
Operating result	28,478	58,452	77,804
Option D - Wairarapa District with Two Committees			
Revenue	606,469	979,222	1,219,831
Costs	576,925	928,326	1,154,917
Net Efficiencies = saving (cost)	(760)	7,351	12,354
Operating result	28,784	58,247	77,268
Option E - District with Most Regional Functions			
Revenue	721,399	1,165,089	1,451,495
Costs	772,965	1,248,048	1,554,488
Net Efficiencies = saving (cost)	(2,460)	5,601	10,572
Operating result	(54,026)	(77,358)	(92,421)
Option F - Unitary Authority			
Revenue	809,481	1,312,683	1,667,625
Costs	880,485	1,427,422	1,812,507
Net Efficiencies = saving (cost)	(2,460)	5,601	10,572
Operating result	(73,464)	(109,138)	(134,311)

³ Costs from Years 11 to 30 have been extrapolated by using the year 10 Business and Economic Research Limited (BERL) inflation factor

2.7 Impacts on GWRC

Moving from the status quo, Options B - F have an impact on GWRC and the greater Wellington region. Table 10 summarises the impacts.

Table 10: Impacts on GWRC

Impacts	
Option A	<ul style="list-style-type: none"> Retention of a greater Wellington concept with full regional council responsibility and operation Risks, costs and the existing benefits of multiple constituent territorial local authorities and maintaining multiple relationships
Option B	<ul style="list-style-type: none"> Retention of a greater Wellington concept with full regional council responsibility and operation Simplified relationship with one, unified territorial local authority in the Wairarapa
Option C	<ul style="list-style-type: none"> Key governance impact is the joint Unitary Plan Committee and creation of the Wairarapa Unitary Plan, creating a “split” across the greater Wellington region and impact on duplication of work for GWRC A new relationship (the joint Unitary Plan Committee) to be developed and maintained with WDC and iwi Delegations to committee impacts GWRC decision making
Option D	<ul style="list-style-type: none"> Develops and expands shared governance with WDC and iwi Creates a level of duplication of activity for GWRC General power of standing committees still ensures agreement of GWRC is required and GWRC retains funding responsibility Duplication of committees for Wairarapa incurs additional costs
Option E	<ul style="list-style-type: none"> Removal of resource management, flood protection and land management responsibilities of GRWC to the Wairarapa Disaggregation and duplication of some GWRC activities Still holds key responsibilities for public transportation and regional governance which requires ongoing governance and involvement of GWRC in the Wairarapa Potential risk of stranded costs and maintenance of capability Potential for reduction in rates for remainder of GWRC region
Option F	<ul style="list-style-type: none"> Complete split of greater Wellington region into two regions including all regional responsibilities Disaggregation and duplication of GWRC activities Retains potential risk of stranded costs and maintenance of capability Potential for reduction in rates for remainder of GWRC region

2.8 Overall summary of Options

Table 11: Summary

Options	Representation	Governance	Strategic Benefits	Operating Result ⁴	Future Challenges	
Option A	Wairarapa Perspective	<ul style="list-style-type: none"> Highest representation by District Council 	<ul style="list-style-type: none"> Duplication of Governance No unified voice 	<ul style="list-style-type: none"> Status quo 	\$46.9M	<ul style="list-style-type: none"> Financial pressures on local government GWRC retains responsibility for rating policy, funding and decisions on regional activities
	Regional Perspective	<ul style="list-style-type: none"> Status Quo 	<ul style="list-style-type: none"> Need for ongoing relationship with three councils 	-		-
Option B	Wairarapa Perspective	<ul style="list-style-type: none"> Lower representation by District Council 	<ul style="list-style-type: none"> Stronger mandate and governance for Wairarapa 	<ul style="list-style-type: none"> Improved resilience and resource One set of local plans, policies and standards Service levels standardised Increased scale and capacity 	\$46.6M	<ul style="list-style-type: none"> Amalgamation risks Decisions on regional rating policy, funding and service levels are outside Wairarapa
	Regional Perspective	<ul style="list-style-type: none"> Status Quo 	<ul style="list-style-type: none"> Stronger mandate and governance from Wairarapa 	-		-

⁴ Nett operating result across Years 1-10

Options	Representation	Governance	Strategic Benefits	Operating Result ⁴	Future Challenges	
Option C	Wairarapa Perspective	<ul style="list-style-type: none"> Same as Option B Improved advocacy for RMA Plan 	<ul style="list-style-type: none"> Same as Option B Combined RMA Plan for Wairarapa 	\$44.2M	<ul style="list-style-type: none"> Same as Option B Increased cost for Wairarapa RMA Plan 	
	Regional Perspective	<ul style="list-style-type: none"> Status Quo 	<ul style="list-style-type: none"> Stronger mandate and governance from Wairarapa including on RMA 		<ul style="list-style-type: none"> Increased cost for Wairarapa RMA Plan 	
Option D	Wairarapa Perspective	<ul style="list-style-type: none"> Same as Option B 	<ul style="list-style-type: none"> Funding and governance is aligned and rests with GWRC for regional functions 	<ul style="list-style-type: none"> Same as Option B Increased Wairarapa influence on wider range of regional council activities in Wairarapa 	\$44.3M	<ul style="list-style-type: none"> Same as option B
	Regional Perspective	<ul style="list-style-type: none"> Status Quo 	<ul style="list-style-type: none"> Stronger mandate and governance from Wairarapa 	<ul style="list-style-type: none"> Increased input into regional activities from Wairarapa 		<ul style="list-style-type: none"> Additional standing committees for GWRC

Options	Representation	Governance	Strategic Benefits	Operating Result ⁴	Future Challenges
Option E	Wairarapa Perspective	<ul style="list-style-type: none"> Same as Option B 	<ul style="list-style-type: none"> Good transparency and accountability, some regional issues remain with GWRC 	<ul style="list-style-type: none"> Same as Option B Most regional activities specific to Wairarapa are managed in Wairarapa 	<ul style="list-style-type: none"> Financial pressure to 'bridge the funding gap' for regional activities Amalgamation risks Confusion regarding district/ regional roles Ability to retain regional resources and strategic capacity
	Regional Perspective	<ul style="list-style-type: none"> Status Quo 	<ul style="list-style-type: none"> Stronger mandate and governance from Wairarapa Loss of responsibility for rating policy, funding and decisions on some activities 	<ul style="list-style-type: none"> GWRC no longer fund environment, flood protection and some regional leadership Disaggregation and duplication of regional activity and capacity Stranded costs 	<ul style="list-style-type: none"> GWRC retains responsibility for rating policy, funding and decisions on balance of regional activities Some loss of greater Wellington regional perspective Inconsistency of regional standards across greater Wellington region
Option F	Wairarapa Perspective	<ul style="list-style-type: none"> Same as Option B 	<ul style="list-style-type: none"> Most autonomy and simple decision making Funding and rating policy decision making 	<ul style="list-style-type: none"> All Wairarapa regional activities are managed in the Wairarapa 	<ul style="list-style-type: none"> Financial pressure to 'bridge the funding gap' for regional activities Amalgamation risks Ability to retain regional resources and strategic capacity
	Regional Perspective	<ul style="list-style-type: none"> One less regional councillor 	<ul style="list-style-type: none"> Loss of greater Wellington regional perspective 	<ul style="list-style-type: none"> GWRC no longer finance regional activity in Wairarapa Disaggregation and duplication of regional activity and capacity Stranded costs 	<ul style="list-style-type: none"> Inconsistency of regional standards across greater Wellington region Loss of greater Wellington regional perspective

3 Option A – the Status Quo

3.1 Description

Under this Option there would be no structural change. The four councils in the Wairarapa would continue to look for opportunities to work together to increase the efficiency and effectiveness of local government services. Responsibility for the roles, activities and services provided by CDC, MDC, SWDC and GWRC would remain unchanged.

3.2 Governance

The relevant advantages, disadvantages and risks associated with this Option are:

3.2.1 Advantages

- No disruption to current structures or decision making processes is required but there is an ongoing opportunity to improve co-operation and cohesion between the councils.
- There is an established willingness amongst the councils to collaborate through joint committees and forums.
- Wairarapa has three members and votes on some regional committees, including the Regional Transport Committee.

3.2.2 Risks and Disadvantages

- “Wairarapa’s Future”, the 2013 reorganisation application jointly prepared by the three local councils, highlighted a distinct Wairarapa community of interest. However the status quo will perpetuate a duplication of decision making processes and structural inconsistencies between councils with respect to committees, task groups, working parties and community boards. This makes it difficult to understand the governance arrangements for Wairarapa as a whole.
- Joint committees and working groups are an essential part of the status quo, but they add a layer of complexity and are at risk because they rely on the ongoing commitment of the individual councils and must be re-established following each election.
- Each council must prepare statutory documents (e.g. LTP and annual plans) and undertake their own consultation processes.
- Various degrees of fragmentation will remain with respect to funding of regional facilities, planning, policy and regulatory decisions.
- There are inconsistent approaches to the involvement of Māori in decision making and Iwi whose role covers the whole of Wairarapa must engage with three territorial councils and a regional council.
- Groups and organisations whose interests span the whole of the Wairarapa must also engage with three territorial councils and sometimes also with GWRC. These groups are at risk of receiving quite different outcomes from the different councils.
- There remains a separation between the decision making by the regional council and territorial councils on matters affecting Wairarapa. The existing local representation and input into GWRC decision making will remain, including consultation on annual work programmes and participation in scheme meetings, particularly for activities where a targeted rate applies.

- In spite of the proven willingness of the three territorial councils to work together there remains the potential for Wairarapa not to speak with one voice in regional and national forums thus weakening the impact of any advocacy on behalf of Wairarapa.

3.3 Representation

Currently, Masterton has a Mayor plus ten District Councillors, with five elected at large and five elected by wards. Carterton has a Mayor plus eight District Councillors, all elected at large. South Wairarapa has a Mayor and nine District Councillors, all elected by wards. It also has three community boards in the townships of Greytown, Featherston and Martinborough. This results in an average ratio of one District Councillor (including the Mayor) for every 1,370 people.

The Wairarapa is represented by one Regional Councillor in the Greater Wellington Regional Council.



3.3.1 Advantages

- No reorganisation scheme is required.
- The existing councils retain the ability in the normal course of representation reviews to reconsider ward boundaries, the establishment of community boards, and at large versus ward based elections.
- Existing relationships with and appointments to external bodies can be retained.
- Higher levels of representation, compared with other Options, are retained.
- For rural wards the current at large system of voting (partial for Masterton) is likely to result in a higher number of elected members being elected from rural areas.

3.3.2 Risks and Disadvantages

- In light of the views previously expressed that Wairarapa has a distinct community of interest it could be argued that it is over represented under the status quo.
- There is an inconsistent approach to representation as between the existing councils with respect to voting at large, voting by ward and community boards.

3.4 Assessment of Planning Framework

The current planning framework consists of traditional model of regional and district council activities and plans split between the Greater Wellington Regional Council and the three Wairarapa District Councils. The key planning documents are:

- Operative Regional Policy Statement – Operative 24 April 2013
- Five Regional Plans:
 - Regional Air Quality Plan Operative 8 May 2000
 - Regional Freshwater Plan – Operative 17 December 1999

- Regional Discharges to Land Plan – Operative 17 December 1999
- Regional Soil Plan – Operative 9 October 2000
- Regional Coastal Plan – Operative 19 June 2000

- Proposed Natural Resources Plan – notified 21 July 2015 (Open to further submissions until 26 April to the Errors and Omissions Addendum as notified on 11 April 2016)
- Regional Land Transport Plan 2015
- Regional Pest Management Strategy 2002-2022
- Wairarapa Combined District Plan – Operative in part 25 May 2011

Bylaws

Masterton and South Wairarapa District Councils have a set of Consolidated Bylaws 2012 which came into force on 1 September 2013. While all 18 bylaws apply to Masterton District, only parts one to six, parts eight and nine and parts eleven to sixteen apply to South Wairarapa District. In addition, South Wairarapa has seven bylaws and a Water Race Code of Practice specific to its district only. Carterton District Council has ten of its own bylaws, and the Greater Wellington Regional Council has two local bylaws relating to Regional Navigation and Safety, and Parks, Forests and Reserves.

Policies

Each council has a range of policies that apply to their district, region or council, some of which are common, such as the Significance and Engagement and Remission of Rates Policies, while others are specific such as Stock Movements and Town Square use policies.

Activities and Committees

The current planning framework is a complete split between the Regional and District Activities. This means that the area covered by the three Wairarapa District Councils is represented in decision making by one Regional Councillor who represents the Wairarapa Constituency. There are 13 GWRC councillors in total.

Joint Committee - Wairarapa Planning Committee (Purpose is to “promulgate a District Plan to cover the three regions.”)

Relevant Planning and Policy Committees

Masterton

- Policy Committee and Hearings Committee

Carterton

- Hearings Committee to make decisions on resource consents

South Wairarapa

- Policy and Finance Committee
- Māori Standing Committee

Greater Wellington

- Environment Committee
- Sustainable Transport Committee
- Te Upoko Taiao – Natural Resource Management

Advantages

- One District Plan and Joint District Plan decision making committee
- Offices located close to customer
- Knowledge of each district by staff
- Ability to work together shown through development of the Wairarapa Combined District Plan (WCDP) provides opportunity for continual improvement in interpretation and implementation of the WCDP.

Disadvantages and Risks

- Potential inconsistent interpretation and implementation of WCDP
- Low ability to influence decisions on matters affecting the District at a regional level e.g. regional consents, policies and plans
- Duplication of committees
- Duplication of policies and bylaws and enforcement (recognising there is some consolidated bylaws between Masterton and South Wairarapa District Councils)
- Duplication of resources / staff required to undertake policy and operational activities

3.5 Assessment of Local Activities

3.5.1 Overview

Each council has its own unique structure with different tiers of positions across the various activities. Masterton has four Tier 2 positions covering Community Facilities and Activities, Finance, Assets and Operations, and Strategic Planning. Carterton has five Tier 2 positions covering Planning and Regulatory, Community Facilities, Operations, Community Development and Corporate Services. South Wairarapa has two Tier 2 positions covering Policy and Reporting and Infrastructure and Services, and two Tier 3 positions reporting to the CEO covering Planning and Environment, and Finance.

Each District Council has an office at their centre, i.e. in Masterton, Carterton and in Martinborough. The Greater Wellington Regional Council has a local office in Masterton.

Table 12: Number of staff at MDC, CDC and SWDC

	Masterton	Carterton	South Wairarapa
Number of FTE staff	82	48.5	39

The three district councils currently participate in a range of shared services, the most significant of which is the Wairarapa Combined District Plan. Some of the shared services are only provided across two of the three councils.

Table 13: Current participation in shared services

		Masterton	Carterton	South Wairarapa
Plans and Policy	Wairarapa Combined District Plan	✓	✓	✓
	Joint Provisional Local Alcohol Policy	✓	✓	✓
	Wairarapa Gambling venues and TAB venues policy	✓	✓	✓
	Participation in Wellington Regional Strategy Committee (with GWRC)	✓	✓	✓
	Shared District Licensing Committee members (excluding Chair)	✓	✓	✓
	Combined hearing for LTP submissions	✓	✓	✓
	Common bylaws	✓		✓
	Joint Local Approved Products Policy	✓	✓	
Contracts	Shared solid waste contract	✓	✓	✓
	Roading maintenance contract	✓	✓	✓
Community Services	Joint library service		✓	✓
Resourcing	Environmental and sustainability advisor	✓	✓	✓
	Pooled Building Control staff when required	✓	✓	✓
	Joint Roothing Professional Services team	✓	✓	
Other	Shared GIS platform	✓	✓	✓
	Go Shift project to align Building Control processes	✓	✓	✓
	Joint proposal for Ultra-Fast broadband	✓	✓	✓

Option A – the Status Quo

3.5.2 Three waters

Water supply activity

The water supply activity supplies treated water to urban townships for drinking water and firefighting. The service includes water conservation programmes and education. The water networks include water intakes, dams, treatment facilities, trunk mains, water reservoirs, pump stations, pipelines, hydrants, valves and water meters (not in all townships). The councils' water networks serve three SWDC townships, one CDC township, and two MDC townships (although Tinui is very small). There is also a number of water races for stock water as well as for rural drinking water supplies that are Council supported. The Waingawa industrial area in Carterton District is currently serviced with potable water by MDC under agreement.

Wastewater activity

The wastewater activity collects and disposes of wastewater from residential, commercial and industrial properties in the urban areas in an environmentally safe and cost effective manner. The wastewater networks include pipelines, manholes, treatment facilities, pump stations, irrigation areas and constructed wetlands. The councils' wastewater networks serve three urban and one rural SWDC townships, one CDC township, and one large and three small urban MDC townships. The Waingawa industrial area in Carterton District is currently serviced with public wastewater system by MDC under agreement.

Stormwater activity

The stormwater activity collects and disposes of stormwater from residential, commercial and industrial properties in the urban areas in an environmental and effective manner, and developing cost effective solution for known flood prone areas. The stormwater networks include pipelines, manholes, catchpits, culverts, soakpits, and retention dams. The stormwater activity also covers river stopbanks and water race systems for some areas. The councils' stormwater networks serve three urban SWDC townships, one CDC township, and one large and two small urban MDC townships.

Expenditure and shared services

The total combined operating expenditure (2015/16) for the water supply activity is \$7.5 million, wastewater activity is \$10.9 million, and stormwater activity is \$1.1 million. There are 16 FTEs employed for the three waters across three locations (at the three separate Council offices). Note that some positions are shared with the roading function.

Each council operates its own three waters networks, varying levels of service. Water and wastewater services for the Waingawa industrial area in Carterton District is currently provided by MDC under agreement. There is currently \$114k of water and \$60k of wastewater operational expenditure for outsourcing this service to MDC.

The councils have decided not to become shareholders of Wellington Water, a Council Controlled Organisation jointly owned by the Hutt, Porirua, Upper Hutt and Wellington city councils and Greater Wellington Regional Council.

Significant capital investment for three waters

The significant water supply capital investments planned in the next 30 years are summarised as follows:

- In addition to its reticulation renewals programme, MDC has forecast a large capital expenditure (capex) item of \$3.4million scheduled for 2019/20 for metering all urban properties as an effective way of reducing water demand.
- MDC has forecast a large capex item for a water storage dam of \$7.3million in 2026/30 to meet the water demand. It is likely that there will be more restrictive consent conditions for maximum water take from the Waingawa River with Greater Wellington Regional Council's (GWRC) Natural Resources Plan (which will replace the Regional Plan).
- The only significant water supply capital investments planned for both SWDC and CDC are renewals and are generally evenly spread over the 30 year period.

The significant wastewater capital investments planned in the next 30 years are summarised as follows:

- MDC has forecast a large capex item for the Homebush Treatment Plant Upgrade of \$1.6million in 2016/17, in addition to an investment of \$47 million on sewerage treatment and land disposal over the last 15 years. Further provision of \$63million (with inflation) from 2024/25 has been allowed to stop treated wastewater discharging into the river when the consent expires in 2034.
- MDC has also forecast a large capex item for the Riversdale sewerage scheme of \$2.8million in 2026/30 for upgrading and expanding the irrigation area with the expected growth.
- MDC also has an annual capital spend on sewer renewals designed to renew aging infrastructure and reduce stormwater infiltration into the sewer network.

- SWDC's key large capex items are in relation to its strategic move to land disposal as an alternative to river discharge. These alternative disposal systems are planned for the three main townships at a cost of \$3.2million from 2015/16 to 2024/25. Consents are in place for this to happen, and approximately 300 hectares of land has already been purchased.
- CDC's key large capex items are in relation to its draft wastewater strategy and the long term vision to remove effluent discharge to the Mangatarere Stream all year round (except in rare circumstances). Treated effluent will be irrigated to CDC's land known as Daleton Farm. The new works for this change in wastewater disposal approach is forecast at \$2million over the next ten years.

The significant stormwater capital investments planned in the next 30 years are summarised as follows:

- MDC has forecast a large capex item for the pipework upgrades at \$534k in 2017/18. These council upgrades are associated with GWRC's stopbank upgrades on the Waipoua River.
- No significant stormwater supply capital investments are planned for SWDC and there are minimal renewal requirements.
- CDC has no stormwater renewals or new works planned for the thirty year period.

Future challenges for three waters

- GWRC's Natural Resources Plan will likely be more restrictive in relation to consent conditions for maximum water take from rivers for water supplies. All three councils are planning more efficient water demand management programmes. In particular, MDC is planning to introduce universal metering for all urban properties to reduce water demand.
- The latest Ministry of Health grading for Carterton's water supply was E-c. A treatment plant grading of E is defined as unsatisfactory. A distribution zone grading of c is defined as marginally satisfactory. An investigation and study of options is planned to improve the grading assessment.
- Changes in legislation for rural drinking water suppliers will impact the three councils. The Ministry of Health has introduced higher national standards so that all must comply with potable drinking water standards. This may mean some rural supplies may close if the users do not wish to invest to meet the higher standards.
- Risk and resilience is being considered by the three councils to ensure that the three waters infrastructure is robust to recover and restore after an earthquake event. This includes considering different construction methods and pipeline materials when undertaking renewals.
- GWRC's Natural Resources Plan will also impact the wastewater activity with more restrictive consent conditions to reduce the treated wastewater discharged into rivers. SWDC and CDC have both taken a strategic, long term move to land disposal as an alternative to river discharge. MDC's Homebush Treatment Plant Upgrade is mainly about investigating options for reduced treated effluent discharged to river, following which it has made a provision for stopping the discharge of all treated effluent to the river when the existing consent expires in 2034.
- Stormwater asset management planning is generally less robust than wastewater and potable water asset management for the three councils and in some cases tends to be a mainly reactive service.
- It is expected that more frequent and heavier storms will impact the three councils in relation to required flood protection and the capacity of the existing urban stormwater systems. They are generally seeking information and guidance from GWRC in relation to flood control and the interface with each council's own stormwater systems.

3.5.3 Roothing

General

The provision and management of roads is a function of local authorities in the terms of the Local Government Act 2002 including the relevant provisions of the Local Government Act 1974 and the Land Transport Management Act 2003. These acts stipulate that Councils are the owner and road controlling authority of all roads other than state highways in the district.

The Roothing activity includes the construction, management, maintenance and operation of a safe and efficient roading and footpath network that serves the needs of the community. The assets comprise roads, bridges, traffic services, footpaths, culverts, parking, street lighting, other structures (e.g. retaining walls) and road signs.

A summary of the significant Roothing Assets relating to all three Wairarapa Councils is set out in the table below.

Table 14: Summary of the significant Roothing Assets

Asset	Masterton District Council	Carterton District Council	South Wairarapa District Council
Roads - sealed	523 kms	277 kms	382 kms
Roads – unsealed	280 kms	152 kms	271 kms
Bridges (No.)	243	52	96
Major Culverts (No.)	40kms of piped culverts	253 No.	38 No.
Streetlights (No.)	2487	526	722
Footpaths	202 kms	47.5 kms	49 kms

Roothing Activity Expenditure and Resources

The total combined operating expenditure (2015/16) for the roading activity for the three Wairarapa Councils is \$18.9 million.

Masterton have an established Roothing Team that comprises of a Roothing Manager, Roothing Project Engineer, Rural Roothing Engineer, Urban Roothing Engineer, Litter Control Officer, Engineering Assistant, Asset and Development and Support Officer and a Corridor Access and Assets Coordinator.

Carterton contracts Masterton to manage their roading programme.

South Wairarapa has one Roothing Manager who reports directly to the Group Manager Infrastructure and Services.

Funding Considerations

The operation and maintenance of the roading components of the network are eligible for financial assistance from the New Zealand Transport Agency (NZTA) at agreed Funding Assistance Rates (FAR). NZTA has revised its policies in regard to the FAR paid to Councils. The following Funding Assistance Rates came into effect in 2015:

- South Wairarapa District Council – Original 52% and New 52% (No change)
- Carterton District Council – Original 54% and New 53% (1% reduction)
- Masterton District Council – 57% and New 57% (No change)

Out of the three Councils, only Carterton is impacted by the revised FAR rate policy, with a reduction of 1%.

Expenditure and current shared services

The three Wairarapa Councils have worked together on retendering their road maintenance contracts. The three contracts have been awarded to Fulton Hogan Ltd following a competitive tender process. The contracts were prepared with the aim of producing a consistent standard of road maintenance throughout the Wairarapa, and to reduce the costs of engaging contractors.

The contracts comprise the maintenance of sealed and unsealed roads (excluding the State Highway), bridges, associated traffic facilities, drainage systems, structures, signs, guardrails and rural vegetation.

The three contracts, with a combined value of \$20 million, commenced on 1 July 2014 and are for an initial three-year term, but may be extended by a further two years at the Councils' discretion. The final award prices (over three years and excluding GST) were:

- Masterton District Council \$9,306,072.34
- Carterton District Council \$4,962,267.80
- South Wairarapa District Council \$5,695,847.61

The intention of these joint contracts is for the three Councils working to work closely together to maximise efficiency and reduce costs to ratepayers throughout the region.

Masterton

Masterton are planning to upgrade the street lighting in the urban area with LED technology at a cost of \$726,000 over two years, starting in 2016/17. Although LED installation is more expensive than replacing the current sodium lights, Masterton anticipate annual savings of \$35,000 due to the LED lights being cheaper to run and lasting longer, thus achieving a reduction in electricity and maintenance.

Masterton have also set aside \$3.86 million for road and streetscape upgrades as part of the CBD upgrade. The scope and timing of this redevelopment will be subject to consultation with the community.

Carterton

Capital works for Carterton Roding Activities over the next three financial years include half-arm barrier protection at the Belvedere Road rail crossing in conjunction with Kiwirail, and the introduction of LED lighting. These are budgeted to cost \$915,000 in minor improvements and \$246,100 in traffic management facilities.

South Wairarapa

South Wairarapa Projects for 2016/17 and beyond include:

- Complete annual seal extension, reseal and re-metaling programmes
- Develop works program for 2017/18 from the bridge inspection program results
- Renew and extend footpaths as per community board programme
- Implement cycle strategy

Some LED streetlights have been installed in South Wairarapa as part of an ongoing renewals programme, however a full replacement of streetlights is not a current SWDC project.

Infrastructure strategy / asset management outlook

NZTA in conjunction with Local Government New Zealand and the Road Efficiency Group have developed a national road classification (One Network Road Classification) and performance measures proposal that seeks to create a common level of service to road users throughout the country. The proposal will impact on Council's levels of service and possibly the funding it receives from NZTA. The extent of changes (if any) is not known at this stage, but is due to come into effect in the 2018–2021 National Land Transport Plan.

Future challenges

Masterton

The key issues and challenges facing roads, streets and footpaths activities include:

- Demographic change, such as the ageing population, which may increase demand for footpath provisions for mobility scooters;
- Changes to national roading priorities;
- Economic factors that influence harvesting of forests and the expansion of commercial and industrial activity;
- Social factors, such as increased promotion of physical activities like cycling and walking;
- Environmental factors, such as increased promotion of walking and cycling as alternatives to motor vehicle use, the promotion of public transport as an alternative to private vehicle use and the impact of coastal erosion on roading networks;
- Implementing the cycle strategy to address concerns about safety.

These issues and challenges may impact on roads, streets and footpaths services demand, capacity and levels of service.

Carterton

Forestry and agricultural development in the district will result in continuing use by heavy vehicles using district roads, and the relatively static population growth trend indicates that the number of light vehicles may not dramatically increase over the next ten years.

The New Zealand Transport Agency (NZTA) has revised its policies in regard to the Financial Assistance Rates (FAR) paid to Councils, which has resulted in Carterton receiving a slightly reduced subsidy rate for the forward years. In addition, there have been changes to the qualifying conditions for the works eligible for subsidy, and the procedures for accessing flood damage funding. These have been taken into account in Carterton's LTP.

A new classification has been introduced for High Performance Vehicles (HPMV), with increased limits on vehicle length and axle loads. An assessment has been completed of all bridges in the district, which identified those bridges that require upgrading to allow for the increased loading. No provision has been made in the LTP for any systematic upgrading. It is uncertain if NZTA will fund any upgrade work. Routes have been identified that allow the HPMV movements, and these will be extended as opportunity allows.

South Wairarapa

South Wairarapa is faced with increasing costs associated with managing coastal erosion for its roading network. This is particularly significant in the Cape Palliser area where there are major roading infrastructure risks.

3.5.4 Waste

This activity includes the management of solid waste services and operation of solid waste facilities. The service includes kerbside collection of refuse and recyclables, operation of transfer stations, transport and disposal of waste to landfill, and the monitoring and maintenance of closed landfills.

The three councils work together and share solid waste services. The councils have a joint solid waste contract, administered by MDC, covering kerbside collection of waste and recyclables, transfer station operation and waste transport. The solid waste service contractor is based at the MDC transfer station and utilises the purpose built recycling facility to sort, consolidate and store the recyclables collected from the region. Masterton District Council has on staff a waste minimisation officer to further the goals of waste reduction across the three communities. The three councils also participate in Greater Wellington regional waste management and minimisation initiatives, including the Greater Wellington Waste Management and Minimisation Plan.

The total operating expenditure (2015/16) for the Solid Waste activity is \$5.7 million. The joint solid waste contract has an annual value of \$1.81 million and expires in 2017.

Capital works are predominantly associated with transfer station improvements and the ongoing capping of closed landfills.

The councils have signalled a potential change in service delivery with the introduction of wheelie bins to replace recycling crates when new contracts are procured. A new expanded material recovery facility would be required to support the increased waste diversion. This would also be part of the new contract procurement.

3.5.5 Community Facilities, Parks and Sports

The total operating expenditure (2015/16) for the community facilities activity across the three Wairarapa councils is \$10.9 million, with a further \$5.6 million spent on parks and sports activities.

MDC has a Manager of Community Facilities and Activities, who is responsible for the library, parks, properties and community facilities team of 22.5 FTEs. SWDC's Amenities Manager is responsible for the amenities and libraries team of four FTEs, plus the library assistants across the three branch libraries. CDC has both a Community Facilities and a Community Development Manager.

All three Districts provide a similar range of community facilities, although Masterton also has a recreation centre and an airport, Carterton has an events centre and South Wairarapa has an airfield for gliders.

Community services provided

Table 15: Summary of community services provided

	Masterton District Council	Carterton District Council	South Wairarapa District Council
Libraries	✓	✓	✓
Cemeteries	✓	✓	✓
Parks	✓	✓	✓
Playgrounds	✓	✓	✓
Pools	✓	✓	✓
Sports Grounds	✓	✓	✓
Camping Ground/Area	✓	✓	✓
Housing for the Elderly	✓		✓
Recreation Centre	✓		
Aerodrome/Airport/ Gliding facilities	✓		✓
Events Centre		✓	

Expenditure and shared services

No significant direct capital expenditure is planned by MDC for community services; however it has made a provision for grants to support external organisations to provide community development, arts activities, environmental and economic development initiatives, and Marae development. MDC is currently undertaking a feasibility study of options for its rural halls with the possibility that some may be relocated or demolished. MDC will continue to upgrade sports facilities over the life of the Long Term Plan, with a particular focus on cricket and netball facilities and the outdoor pools at the recreation centre. A provision has been made to improve the capacity of the Masterton library has also been made. In terms of resourcing, MDC has also budgeted for a new Economic Development Programme Manager and Wairarapa Environmental and Sustainability Advisor.

SWDC owns a variety of amenities, with a range of renewals and upgrades programmed for 2015/16 and introduction of a RFID system for the library the key project for the remainder of the LTP. SWDC does not own any assets as part of its economic, cultural and community development activity. Expenditure primarily relates to supporting external groups to provide services to the community.

CDC owns a number of parks, the Carterton Events Centre, Holiday Park, swimming complex and a number of other properties. CDC's primary capital expenditure for this activity over the next ten years is the ongoing CBD revitalisation, with the most significant renewals expenditure forecast for the Carterton swimming complex. CDC also provides funding to community groups who provide community development services in the Carterton area.

All three councils have noted the impact of upgrading community facilities to meet the new earthquake building requirements.

The three councils have different approaches to provision of Housing for the Elderly. SWDC's 'Housing for the Elderly' policies state that this activity is self-funding without rates input. MDC's Housing for the Elderly has some rates input in the 2015/25 LTP as revenue from this activity is less than expenditure. Units in Masterton and South Wairarapa are offered at below market rents. CDC has recently gifted its Housing for the Elderly properties to the Carter Society, a local not-for-profit organisation. This has resulted in CDC having no ongoing provision of Housing for the Elderly.

CDC and SWDC operate a joint library service, with branches in Carterton, Martinborough, Greytown and Featherston.

Contracts

Swimming pool management is contracted out by all three councils. Community Leisure Management (CLM) currently is contracted to provide recreation/swimming pool centre management to MDC and SWDC, with the facilities management contract in Masterton due to expire in July 2016. Recreational Services Ltd are contracted to provide park maintenance to MDC, with the contract due to expire in July 2017. Citycare are contracted to provide parks and reserves maintenance to SWDC, with the contract currently under a two year extension that is due to end in June 2017.

3.5.6 Corporate Support

The total operating expenditure (2015/16) for the Corporate Support and Governance activities across the three Wairarapa councils is \$2.8 million.

This includes the cost of the elected members. MDC has a finance and IT team of 9.6 FTEs, an HR team of two FTEs, a Governance Support team of 2.7 FTEs and a Customer Support team of seven FTES. SWDC employs eight people in its Corporate Support team, in addition to the CEO's office with three employees.

The councils make use an existing shared service arrangement for shared GIS platform operated by MDC for holding and viewing GIS maps, aerial photography, asset and property information. MDC employs a GIS Co-ordinator to manage this shared service. All other Corporate Support services are provided individually by the respective councils.

The councils all use the same IT system for their regulatory and financial system. However this has not been commissioned jointly and the extent to which the configuration of the systems are the same across the councils is unknown. Other applications are not common across all the councils, although MDC and CDC are in the process of implementing the same document management and asset management systems.

Each council prepares its own Long Term Plan, and Annual Report, which must be independently audited. Audit fees for the three Councils in 2014/15 were approximately \$445,000. This was a Long Term Plan year, with additional audit costs associated with the audit of the councils' Long Term Plans, so it is expected that audit costs would be substantially lower in non-Long Term Plan years.

Utility costs for the three councils amount to \$1.25 million, with insurance costs of \$0.97 million and Plant and Vehicle running costs of \$0.37 million.

3.5.7 Regulatory and Planning

This includes the following activities:

- administration of the responsibilities imposed on the Council under Section 31 of the Resource Management Act 1991, the primary focus being the management of the effects of activities on the environment according to the rules set out in the District Plan
- environmental health
- licensing the sale and supply of alcohol
- civil defence and emergency management
- animal and dog control
- building control
- rural fire control
- enforcement of bylaws e.g. gambling and brothel bylaws

The total operating expenditure (2015/16) for the Regulatory and Planning activities across the three Wairarapa councils is \$6.4 million.

Masterton has a Planning and Regulatory team with 10.2 FTEs and a Building Control team with 6.6 FTEs. South Wairarapa has a Building Control team with six FTEs, an Environmental Health team with five FTEs and a Planning team with three FTEs. Carterton has two planners, two building officers, one environmental health officer and one animal control officer. The small size of the teams creates key person risk for the Councils, with only one specialist plumbing Building Control Officer in each of SWDC and MDC. This is mitigated by the current sharing of building control staff between the three councils.

All three councils have joined with the other Wellington councils to form the Wellington Region Emergency Management Office, responsible for providing an integrated Civil Defence Emergency Management service. The three Councils are also part of the Wairarapa Rural Fire District, which administers Rural Fire responsibilities on the councils' behalf.

CDC has allowed \$200,000 for a dog pound upgrade in year 1 of the LTP and MDC has allowed \$278,000 for a dog pound upgrade in year 5. MDC has noted that the Ministry for Primary Industries may introduce standards for pound facilities that require it to consider alternative arrangements for housing long-term impounded dogs. This could include merging this service with other councils. Future investment in information technology for Building Control is also noted by all three councils.

The Councils note that challenges facing this activity primarily relate to potential changes to legislation that could require councils to provide policy, operational or project responses.

An assessment of the Planning Framework for Option A is provided in the Section 3.4 above.

3.6 Assessment of Regional Activities

GWRC funds the Regional Activities through a combination of general and targeted rates, user fees and charges and subsidies from external bodies e.g. Ministry of Transport. Collection of rates from and allocation of expenditure to the Wairarapa is governed by GWRC's revenue and financing policy. Under Options A to E, any future change to this policy could result in an increase in GWRC rates paid by ratepayers in the Wairarapa, or increased user charges for some activities such as Farm Environment Plans.

3.6.1 Regional Leadership

This activity covers a range of functions, including:

- Relationships with mana whenua
- Wellington Regional Strategy
- Regional transport planning and programmes
- Climate change planning and activities
- Regional initiatives including the Wairarapa Water Use Project
- Emergency management
- Democratic services

There are 13 Regional Leadership employees in the Wairarapa office, plus two project management staff for the Wairarapa Water Use Project. In addition, there are 36 Wellington-based Regional Leadership employees who spend at least a moderate amount of time on Wairarapa-related activities and a further 108 Regional Leadership employees who spend at least some time on Wairarapa related activities. An estimated 10% of GWRC's Regional Leadership rates-funded expenditure is spent in the Wairarapa.

3.6.2 Public transport and transport planning

This activity includes planning and funding the public transport network for the Wellington Region. The train, bus and ferry services are funded by GWRC, but contracted out to private providers. GWRC owns and maintains part of the public transport network, including trains and railway stations. GWRC provides customer information about Metlink services and runs the Total Mobility scheme.

Overall, approximately 5-6% of GWRC's Public Transport budget is allocated to the Wairarapa, based on a mixture of location of cost, proportion of work programme and proportion of trip kilometres in the Wairarapa.

GWRC employs 33 people in its Public Transport Group, none of whom are based in its Wairarapa office. In total, there are over 100 employees in GWRC involved with Public Transport, including information technology, communications, marketing and finance staff.

The nine councils from the greater Wellington region are all represented on GWRC's Wellington Regional Transport Committee. The Committee promotes the objectives of the Land Transport Management Act, and develops the Regional Land Transport Plan that includes the Wellington Regional Land Transport Programme.

Over the next ten years, GWRC has planned to invest in ongoing renewal of the public transport fleet and assets in accordance with the 2014 Regional Public Transport Plan. Balancing the need to respond to customer demand for increased frequency and coverage of services with the expectation that reliance on public funding can be reduced is cited by GWRC as one of the key challenges for this activity. GWRC is aiming to increase levels of service for Public Transport, including by improving the frequency of train services to 15 minutes during peak times, introducing integrated fares and ticketing, providing additional bus shelters, providing additional park and ride space and extending CCTV coverage.

3.6.3 Flood Protection

Activities include understanding flood risk, developing floodplain management plans, improving flood security through building and maintaining flood protection and control works, maintaining and improving recreational opportunities and providing advice to Civil Defence during large floods.

GWRC employs 45 people in its Flood Protection Group. 12 of these are based in its Wairarapa office. It is estimated that, in addition to the Flood Protection employees in the Wairarapa office, over half of the remaining employees spend at least a moderate amount of their time on Wairarapa-related activities. Approximately 20% of GWRC's rates-funded expenditure on Flood Protection is spent in the Wairarapa.

GWRC is forecast to spend between \$3.6 million and \$8.4 million per annum on flood protection in the Wairarapa over the life of the current Long Term Plan. The capital programme is mainly to improve levels of service and therefore is quite lumpy and may be a challenge to deliver on as indicated by GWRC.

In its 2015 supplementary submission to the LGC, GWRC noted significant challenges for the flood protection activity:

"There are significant issues facing the region's flood protection schemes into the future. Most of the major schemes were established in the 1950s and 60s. While the schemes have been maintained at a base level, changes due to climate change and other slower geomorphological change will present major future challenges... Developing strategies for managing these changes will require significant technical input and likely result in a demand for further investment in physical works on the ground. Appropriately managing rivers and streams will place a very high burden on ratepayers."

The current key challenges for flood protection are:

- Effective land use management with development pressure in flood prone areas. Two tiers of local government currently need to coordinate any land use changes and this may be confusing to the affected local communities and Iwi as well as inefficient use of management planning and resources.
- Community education on resilience in relation to flood protection as not all flooding and climate change impacts can be resolved with built asset solutions. It is important that the Wairarapa communities are educated to increase their resilience to flooding impacts.
- The existing flood protection assets are vulnerable to climate change and natural hazards such as major storms and earthquakes. This is very important for the public safety of communities in the urban areas to minimise loss of life due to flood events.

3.6.4 Environment

The Environment activity comprises the activities of Resource Management, Land Management, Biodiversity Management and Pest Management.

There are 177 employees in this area, of which 57 are located in GWRC's Wairarapa office. Many of the non-Wairarapa based Environment employees are also involved in Wairarapa environmental activities.

Almost 50% of GWRC's rates-funded expenditure for this activity is spent in the Wairarapa.

Resource Management

The council is responsible for the preparation of Plans under the Resource Management Act including the Regional Policy Statement (RPS) and Regional Coastal Plan which are required under the Act and any other Regional Plans. The Council currently has a RPS (2013), Regional Coastal Plan (2000) and four other plans covering Freshwater (1999), Air Quality (2000), Soil (2000) and Discharge to Land (1999). In addition to the development of these plans the Council typically processes 600-800 resource consent applications across the region for activities requiring consent and also undertakes compliance monitoring and enforcement of those plans and consents granted as well as state of the environment monitoring. The Council also operates a 24hr pollution response service.

Resource management has mixed funding subject to the specific activity, and tends to be a mix of user charges and general rates, with the exception that planning advice, pollution prevention and control is funded 100% by general rates. One of the larger costs in the resource management activities area is for the GWRC review of its Regional Plan which has been notified and further submissions closed in April 2016.

Land Management

GWRC seeks to manage the environmental impacts of activities such as farming which can create or exacerbate soil erosion, impact on water quality and soil health. The Council has a range of programmes working with land owners and voluntary services to encourage good land management which also includes some financial incentives. The activity includes preparation of farm plans in priority catchments, implementation of long term farm plans, the operation of six catchment management schemes, soil conservation reserves, advisory services and the Akura Conservation Centre. Land management is typically undertaken by contractors who are supervised by operational staff.

Land management has mixed funding subject to the specific activity, and tends to be a mix of user charges and general rates. 30-40% of the cost of Farm Plans is subsidised by general rates, and Farm Environment Plans are contributed to equally by user charges and general rates. Wellington Regional Erosion Control Initiative Plans are contributed to 40% by users, 30% by the crown and 30% from general rates. Soil conservation reserves and advice is fully funded by general rates for inspections, promotion, monitoring and advice. Akura Conservation Centre is 100% funded by user charges

Biodiversity Management

GWRC biodiversity activities are guided by the RPS and Biodiversity Strategy (2011-2021). The Council works with land owners and on community initiatives to improve environmental outcomes and where possible, restore biodiversity through restoration programmes. As part of this activity the council protects the highest value biodiversity areas of the region, provides advice to a variety of audiences and supports the Enviroschools Foundation. The biodiversity activity receives 10% funding from participating city and district councils.

Pest Management

The pest management activity for GWRC aims to mitigate the impact of pest plants and animals not only on the environment, but also on the community and the economy through a regionally coordinated response and through the implementation of the Regional Pest Management Strategy (2002-2022). Pest management activities include regulation (rules), monitoring, direct pest management control, providing advice and education, supporting community initiatives and biological controls. The Council also runs a Regional Possum and Predator Control Programme. Pest management is generally 100% funded from general rates with the exception of regional possum control which is funded by a mix of works and services rates and general rates. A review of the Regional Pest Management Strategy, following the development of a National Policy Direction by the Ministry for Primary Industries, is scheduled to commence in 2016.

Table 16: GWRC Wairarapa rate requirement for Environment activities

\$000	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Land Management	2,910	3,325	3,618	3,730	3,833	3,948	4,064	4,192	4,333	4,418
Biodiversity management	945	969	990	1,016	1,042	1,071	1,101	1,132	1,167	1,195
Pest management	1,236	1,499	1,751	1,869	1,919	1,973	2,031	2,094	2,149	2,230
Resource management	6,458	5,942	6,355	6,593	6,637	6,729	6,808	6,932	7,154	7,347
Total Environment	11,549	11,735	12,714	13,208	13,431	13,720	14,005	14,351	14,803	15,190

3.7 Strategic capacity and cultural alignment

The scale of Masterton, Carterton and South Wairarapa districts places limits on the strategic capacity of their councils to deliver services to their communities. Carterton is the seventh, and South Wairarapa the twelfth smallest territorial authority in New Zealand. This limits opportunities for discretionary spending as operational processes and capital works required to meet regulations consume most of the councils' revenue. The small size of the councils' staff means that there is limited scope for advanced strategic planning and policy development, with increased dependence on contracted external expertise. Most staff must be able to cover a range of responsibilities and there is limited scope for specialists in any one field. Resourcing for complex or unexpected change, whether through natural disaster, regulatory change, personnel changes or outside events is difficult to forecast or manage, and there are a number of key officers within each council for whom there is no or limited back-up available.

The status quo sees the duplication of a number of documents including the LTP, annual plans and a range of other policies and plans.

This Option means that these challenges will continue for the Wairarapa councils and particularly for CDC and SWDC. However this Option is likely to result in the highest retention of current staff capacity and capability through council officers who are familiar with their district, its needs and challenges.

3.7.1 Cultural alignment

An assessment of the vision and community outcomes from each Council's Long Term Plan shows that Masterton, Carterton and South Wairarapa have a similar vision and aspirations for the Wairarapa.

	Masterton	Carterton	South Wairarapa
Vision	We want Masterton to be a great place to live, visit and do business and provide the best of rural provincial living.	Carterton District a welcoming and vibrant community where people enjoy living	To work with and for the South Wairarapa communities to affect the best possible social and economic outcomes which are based on valuing and respecting the people, the land and the resources
Community Outcomes	<ul style="list-style-type: none"> • A Strong, Resilient Economy • A Sustainable, Healthy Environment • An Active, Involved and Caring Community • A Knowledgeable, Learning Community • An Easy Place to Move Around • A Reliable and Well-Maintained Infrastructure 	<ul style="list-style-type: none"> • Strong and positive leadership • A vibrant and prosperous economy • A safe district • A healthy district • A district that enjoys creativity and recreation • A district that encourages lifelong learning • A district that values and protects its natural environment • A district that promotes sustainable infrastructure and services. 	<ul style="list-style-type: none"> • Health and economically secure people • Educated and knowledgeable people • Vibrant and strong communities • Sustainable South Wairarapa • A place that's accessible and easy to get around

There are differences in how the three councils operate and while it is recognised some activities are delivered jointly, there are further opportunities to operate collaboratively.

3.8 Customer Responsiveness

The status quo option provides council offices and services within each of the three districts.

3.9 Financial

The combined net operating result for MDC, CDC and SWDC is shown below.

Table 17: Net Operating result⁵

\$M	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue	72.8	75.0	77.5	79.0	81.8	84.4	86.9	89.3	91.5	94.6	833
Costs	70.6	73.0	74.0	75.5	78.1	79.0	80.6	83.2	84.5	87.3	786
Operating result	2.2	2.0	3.5	3.5	3.7	5.5	6.3	6.1	7.0	7.3	46.9

3.9.1 Rating

Rates are currently determined based on land values (SWDC), capital values (CDC), or a combination of both (MDC). CDC and SWDC both use three property categories to determine rates: residential, commercial, and rural. Masterton has no general rate and instead uses targeted rates and targeted uniform charges for each of the urban and rural rating wards to fund the costs of services allocated to those wards. In addition, Masterton applies targeted services charges to charge properties connected or able to receive a specific service. Commercial properties are charged a differential by all three councils.

The most significant risk with this Option is the financial sustainability of the three Councils. Increasing regulatory requirements as well as need to renew and replace infrastructure assets are putting more cost pressure on councils across New Zealand, particularly for councils with a small population base.

⁵ The net operating result represents the annual increase or decrease in the net worth of the Council. This includes changes in cash and also changes in the value of assets owned and maintained on behalf of the ratepayers. Note figures in tables are rounded.

The Productivity Commission noted, in its independent inquiry into regulatory performance in local government in 2013⁶, that:

“Local authorities undertake these complex regulatory roles in an increasingly challenging environment. Certainly, the task is getting harder, and will continue getting harder, for a number of reasons.

Some councils experiencing population growth face difficult trade-offs between different priorities for the use of resources. Other councils experiencing population decline face challenges in undertaking regulatory roles due to shortfalls in capability. Increasing diversity and greater community expectations present difficulties for local authorities in reconciling different community interests and making decisions.

Local government must navigate through a legislative environment that poses its own challenges. There has been a steady stream of new statutes over the last decade affecting local government regulatory activities to different degrees. Councils also face risk of exposure to legal challenge for losses where a duty of care is owed in undertaking regulatory responsibilities.”

The Wairarapa councils are faced with a relatively static overall population, with estimated population growth of just 0.6% per annum⁷ over the next 20 years. This includes an increase of ratepayers on fixed incomes. The proportion of the population over the age of 65 increased from 16.4% to 19.1%⁸ between the 2006 and 2013 censuses.

The small rating base of each council may well impact their ability to respond to unexpected events, both in terms of resourcing and financial capacity.

4 Option B – Wairarapa District Council

4.1 Description

This Option would create a new district council, combining South Wairarapa District Council, Carterton District Council, and Masterton District Council into one council called the Wairarapa District Council (WDC). In addition to the Council, there would be five Community Boards, a Rural Advisory Committee and a Māori Advisory Committee

The role, activities and services provided by Greater Wellington Regional Council (GWRC) in the Wairarapa would be unchanged.

Table 18: Relative scale – Wairarapa District Council

	Carterton District Council	Masterton District Council	South Wairarapa District Council	Wairarapa District Council
Geographic area (ha)	114,500	229,500	248,455	592,455
Population 2013	8,235	23,352	9,528	41,115
Annual population growth rate (2013-33)	1.3%	0.3%	0.6%	0.6%
Number of councillors (incl Mayor)	9	11	10	13

⁶ Productivity Commission, ‘Towards better local regulation’ May 2013

⁷ Statistics New Zealand, population estimates 2013-2033

⁸ Statistics New Zealand, Census data 2006 and 2013

4.2 Governance

The relevant advantages, disadvantages and risks associated with this Option are:

4.2.1 Advantages

- This Option should provide a stronger mandate for the mayor and councillors with respect to decisions and advocacy for Wairarapa.
- Wairarapa can speak with one voice.
- Wairarapa’s influence on the greater Wellington region will be enhanced through a unified mandate.
- The governance structure will be simplified and thus be more effective and more easily understood. There will be less committees, task groups and working parties.
- Joint committees, at a district level at least, will no longer be required.
- The amount of staff time and effort required to support political decision making will be reduced.
- The combination of a larger organisation and a simplified governance structure should enable stronger delegations to the chief executive and staff thus facilitating more efficient and responsive decision making.
- Planning, policy and regulatory decision making for the district will be integrated over time resulting in a consistent framework for the district.
- The establishment of one district council together with the Māori Advisory Committee will strengthen and simplify engagement with Māori, and for Māori, which should provide more meaningful input into council decisions, and will be mutually more resource efficient for the council and Iwi.
- Spending and funding decisions can be rationalised and prioritised across the district.
- Because this Option does not directly impact on the regional councils responsibilities or involve a transfer of activities to or from the regional council, it is the simplest of the non status quo Options to implement.
- There is a clear alignment between decision making and funding responsibilities for regional and district funding which assists transparency and accountability.

4.2.2 Risks and Disadvantages

- While this Option will strengthen district wide decision making, the election of councillors on a ward basis may generate a tension for them when making decisions where there is a conflict between district wide and individual ward interests. For example in the short to medium term communities will have expectations arising from the planning and prioritisation decisions made by existing councils. These may be overridden through district wide prioritisation and funding decisions.
- The reduction in the number of councillors should focus councillors more on district wide decision making. Consideration should therefore be given to providing greater delegations than currently exist to community boards for decisions local to their communities. Failure to do so could lead to less community empowerment on local decisions. Failure to support and resource the boards commensurate with the level of delegations could have a similar effect.
- The rural and Māori advisory boards are not decision making bodies. They will require a sufficient level of resourcing to ensure they make an effective contribution to the council’s decision making. Failure to provide the right level of support or to sufficiently taken into account their views will lead to frustration and a weakening of the model proposed under this Option.

- There remains a separation between the decision making by the regional council and territorial councils on matters affecting Wairarapa. The existing local representation and input into GWRC decision making will remain, including consultation on annual work programmes and participation in scheme meetings, particularly for activities where a targeted rate applies.
- Wairarapa on regional committees and forums, such as the Regional Transport Committee, is likely to reduce as there will only be one Wairarapa member, rather than the current three.

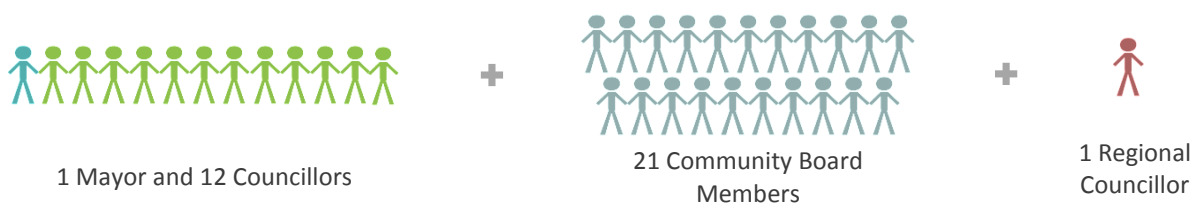
4.3 Representation

In addition to the Mayor elected at large, the twelve Wairarapa councillors would be elected from seven wards – five from Masterton, two from Carterton, one each from Greytown, Featherston and Martinborough; plus two rural wards with one councillor each.

Current ward boundaries for Masterton urban, Martinborough, Greytown and Featherston would be retained. The existing Carterton urban, Carterton rural and Masterton rural wards would be replaced with one Carterton ward and two rural wards.

The three existing community boards in Martinborough, Featherston and Greytown would be retained with five instead of six members. Community boards for Carterton and Masterton would be established with six and seven members respectively. There would also be a Rural Advisory Committee and the Māori Advisory Committee.

This results in a ratio of one District Councillor (including the Mayor) for every 3,162 people.



The following advantages, disadvantages and risks regarding representation are applicable to Options B to E.

4.3.1 Advantages

- There will be a consistent model of representation across the Wairarapa district.
- Although there are fewer elected members than for Option A the level of representation seems appropriate, and generally at a slightly higher level, when compared with other local authorities of a similar scale.
- The overall number of elected members only decreases by eight and there is a significant shift in the balance of representation from councillors to community board members. This results in decisions being made close to the community, provided the community boards receive sufficient delegations.

4.3.2 Risks and Disadvantages

- The significant shift in the balance of representation from councillors to community board members could pose a risk if community boards are insufficiently empowered, funded or resourced.
- Residents in rural wards may have less access to elected members. There will be one councillor for each of the two rural wards but, compared with Option A, the potential for greater rural representation will be diminished as a result of abolishing at large voting. It is noted however that even when elected by ward all councillors have an obligation to act in the best interests of the

district as whole, and that neither councillors nor community board members must reside within the ward they represent.

- There are no community boards proposed for rural wards. This will be mitigated by the establishment of a Rural Advisory Committee. While this has the potential to be very effective it will only be so if good appointments are made to the Board and there is a mutual commitment from the appointees and the council.

4.4 Assessment of Planning Framework

The planning framework would effectively remain the same in terms of RMA plans as the traditional model of a regional and district council activities and plans split between the Greater Wellington Regional Council and Wairarapa District Council; however there would be efficiencies gained over time in the rationalisation of bylaws and policies.

In preparing any district plan under the RMA, the WDC would need to recognise and provide for the content of the natural resources document prepared by the Wairarapa Moana Statutory Board as outlined in the Ngāti Kahungunu Ki Wairarapa Tāmaki Nui-ā-Rua Agreement in Principle to Settle Historical Claims.

Advantages / Opportunities

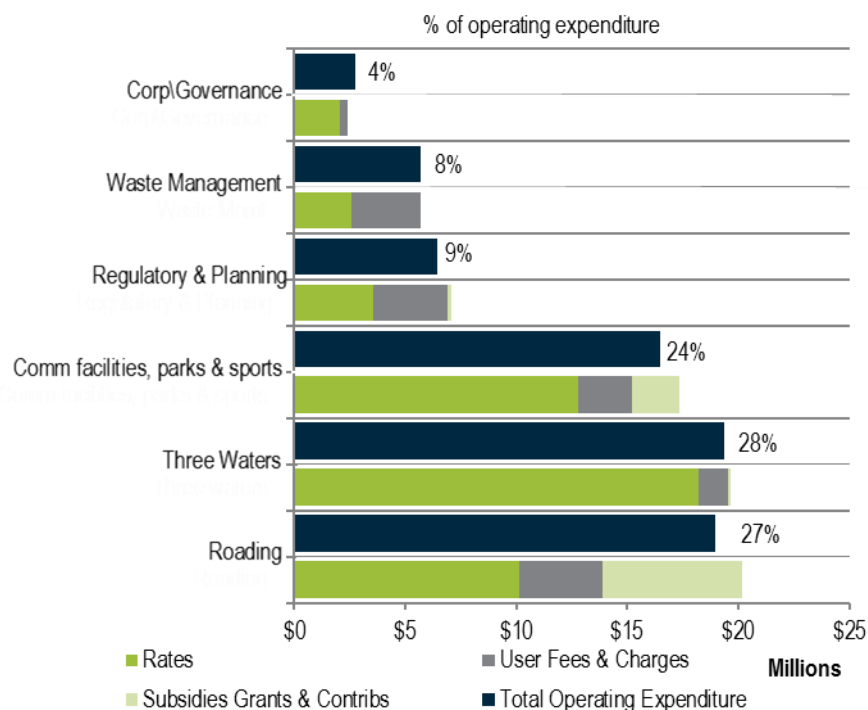
- Clear and simple structure between district and regional council roles and activities
- Removes duplication of plans, policies and bylaws (e.g. LTP, Annual Plans etc.) between the existing Wairarapa councils
- Integrated decision making on all plans, policies, bylaws and consents at the district level
- One source of determination of interpretation of combined District Plan rules leading to greater consistency
- One voice to advocate to the Regional Council
- Fewer committees dealing with policies, plans, resource consents and bylaws
- Economy of scale through bringing staff together in one location (assumption of one centralised head office in the longer term)
- Decision would need to be made on role/location of service centres or alternative service options and the functions provided

Disadvantages and Risks

- Efficiencies are limited to some policies and bylaws as Councils already have a Combined District Plan, shared GIS, a number of shared policies, and common bylaws between MDC and SWDC.
- Potential loss of existing technical staff and local knowledge through organisational restructure
- Potential conflict between regional and district council position on regional planning, strategy and resource management impacting on the Wairarapa remains

4.5 Assessment of local activities

Figure 2: Revenue and expenditure by Activity 2015/16



4.5.1 Three waters

Future delivery model

The current three separate Operations and Maintenance (O&M) contracts for water services would likely be combined for efficiencies and ease of administration. It is assumed that CDC also contracts out its water services O&M. The current contract value is approximately \$2.5 million per annum (with an estimated value for CDC based on population size). This combined contract is still relatively small so there is likely to be no market advantage and therefore no cost savings. However there are likely to be other benefits (mainly long term) including:

- More flexibility with larger work packages and the ability to prioritise works and target investment where required
- Standardisation of specialised equipment such as pumps and spares will enable improved resilience to outages and network management, and therefore improved customer service with less service interruptions
- Rationalisation of the water supply and wastewater sampling programmes with a single contract will allow the programme to be refined with less sampling to be compliant
- Improved resilience with greater resources to call upon for major water and wastewater service interruptions.

The SWDC O&M contract covers stormwater but it is excluded from the MDC O&M contract. It is assumed that it is managed reactively only with no dedicated budget. There may be additional costs for managing stormwater consistently within a combined organisation.

Internal staff resources

There will be benefits with combined internal infrastructure resources as there will be an ability to attract higher level of expertise with a larger district council. This will lead to effective management with more experienced personnel. This will result in improved asset management practices and enable the improvement of planning and delivery.

There is currently an infrastructure manager or three waters manager at each council. With a combined organisation, only one infrastructure manager would be required and supported with separate roading and three waters managers. Waste and asset management responsibilities could be under the three waters manager's responsibility as this is common in medium sized district councils. Based on this proposed management structure, the reduction from three to one infrastructure manager may yield cost savings of \$200k to \$240k per annum.

Practicalities of changing service provider

The O&M contracts for water services for SWDC and MDC are with the same provider and they both expire in 2017. Therefore there is no long lead in time to change to a combined O&M contract and this will need to occur anyway.

Cost efficiencies

There will be expected cost savings for procuring a single O&M contract for water services than for three separate contracts. Based on our procurement industry experience, there is an expected one off cost saving of \$30k to \$40k in 2016/17 (as the new contract is to start in July 2017).

The power costs for operating the water supply and wastewater plants and pump stations is typically Council's larger consumption area. A combined water service would enable greater bulk purchasing power for energy costs. We would suggest that minor saving of 2% might be reasonable for a medium sized district council.

Changing service level practicalities

All three councils have adopted the mandatory Department of Internal Affairs performance measures as their service performance levels for the three waters activities, as stated in their 2015/25 LTPs and Asset Management Plans. There are additional service levels (excluding general customer satisfaction measures) as follows:

- SWDC has additional service levels in relation to water resource consent compliance, firefighting provision, and wastewater network blockages.
- MDC has additional service levels in relation to water supply and wastewater alternative systems for extensive loss of service, environmental effects from wastewater network failures, treated effluent discharge performance, trade waste monitoring and enforcement.
- CDC has additional service levels in relation to water resource consent compliance and reduction in community water consumption.

Taking these additional service levels into account, there will be no significant barriers to aligning service levels as most will be the same with a combined council.

Changing tariff practicalities

There are practicalities with aligning the different tariffs currently used by the three councils for water services, particularly for the water supply activity. The water tariff is dependent on the provision of universal metering and therefore the ability to apply volumetric charging. There is universal metering for existing connections to the urban water supply system for the CDC and SWDC networks. There is limited metering to date in the MDC network and includes most commercial properties, generally properties outside the urban boundary and out of district such as the Waingawa area (of Carterton District). Note that MDC has forecast a large capex item for metering all urban properties of \$3.4million scheduled for 2019/20.

The key differences for the water tariffs that will need to be considered for a combined council are summarised as follows:

- **Water tariff** – Operations are funded by different tariff systems for each Council which is dependent on the metering of the property.

MDC started volume based charging for metered properties in 2015/16 using an increasing block tariff with three levels. A targeted rate is used for the non-metered properties split between a uniform charge and a rate based on each serviceable property's capital value. Non-residential properties are charged this value-based rate on a differential of two times.

SWDC use an increasing block tariff based on volume only. Water operations are funded by fees and charges, targeted rates, and contributions. Water capital is funded by fees and charges, targeted rates, contributions, surplus funds and loans.

CDC uses a combination tariff with fixed amount based on a volume allowance and volumetric for water usage over a set volume. New and renewal capital expenditure is funded by annual depreciation provision and/or loans. Stormwater operations are funded 10 per cent by general rates across all property owners in the district and the remaining 90 per cent from targeted rates.

- **Wastewater tariff** – All three councils uses rates and some use targeted rates for the wastewater activity.

MDC has different targeted services charges for wastewater based on location (i.e. urban, septic tank overflow piping, Castlepoint, Riversdale Beach and Tinui).

SWDC residents pay for sewage reticulation and treatment as an annual charge in their rates. Wastewater operations are funded by fees and charges, targeted rates, and contributions. Wastewater capital is funded by fees and charges, targeted rates, contributions, surplus funds and loans.

CDC wastewater operations are funded 10 per cent by general rates across all property owners in the district and the remaining 90 per cent from targeted rates. New and renewal capital expenditure is funded by annual depreciation provision and/or loans.

- **Stormwater tariff** – Operations is generally consistent for all three councils with using targeted rates and general rates based on the private / public benefit split. Only MDC use transfers of interest from reserve funds for operations (combined with rates). There are some differences for funding stormwater capital. All three councils use depreciation for renewals and loans for new works. SWDC uses a combination of funds (fees and charges, contributions, targeted rates, general rates, surplus funds and loans) for funding stormwater capital and is split further by collection or treatment.

4.5.2 Roothing

The roading group of activities would account for a significant proportion of expenditure for a combined Wairarapa District Council.

The table below summaries the combined assets that will fall under the responsibility of WDC.

Table 19: Summary of Combined Assets - WDC responsibility

Asset	Combined Wairarapa District Council
Roads - sealed	1182 kms
Roads – unsealed	703 kms
Bridges (No.)	391
Major Culverts	291 No. + 40kms of piped culverts
Streetlights (No.)	3735
Footpaths	298.5 kms

Future Delivery Models

For the delivery of physical works related to roading in the region, the current joint road maintenance contracts will continue until expiry on 1 July 2017. A service delivery review should be undertaken to determine the most appropriate delivery model for physical works. A potential option in the future could be an Alliance model, which has proven successful in other parts of the country (E.g. Southland Roothing Alliances).

For the professional services, an internal business unit could be formed within Council for the provision of Roothing Services. The business unit will include the Roothing Manager, Area Engineers and admin staff. The ‘smart buyer’ could be the General Manager (Infrastructure), who would have the relationship via a service level agreement with the Business Unit Manager (effectively the Roothing Manager). Council would still need to procure external professional advice as and when required.

The advantages of this model include:

- Enhanced control over data, process and institutional knowledge;
- Enhanced control over quality and turnaround time;
- Retention of NZTA subsidy and therefore net overall cost savings for Council;
- Enhanced Council smart buyer capacity.

Other models could also be investigated, including combining the Professional Services within the Alliance model.

Efficiency benchmarks and the resulting savings

The Road Efficiency Group (REG) identified that Councils can achieve a potential 6 – 13% cost savings by collaboration between NZTA and Council. This is mainly as a result of bringing asset management and decision making for the region’s local roads and state highways together in a co-managed Council-based business unit – close to the assets, customers and suppliers. The collaborative supply model provides smarter asset management, better decision making, regional efficiencies, cost savings at the professional services level and will generate significant savings through:

- Aggregating state highway and local road maintenance contracts, bundling of works contracts, and the inclusion of renewal & resurfacing works

- Insourcing the professional services functions of Council and the Transport Agency with additional support from the Transport Agency Network Outcomes group
- Utilising the NZTA Network Outcomes Contract model and longer contract durations.

Considering that there already is a Joint Roding Maintenance Contract model already in place, a conservative assumption of 6% has been adopted for a future combined Wairarapa District Council under Options B-F. This represents a saving of approximately \$0.5 million per annum starting in mid-2017. In modelling these savings, it has been acknowledged that the savings will be shared with NZTA and therefore the total savings will be reduced based on an assumed average FAR subsidy for WDC of 55%.

Other opportunities

The formation of a Wairarapa District Council is likely to also result in a level of resourcing and expertise that will improve Asset Management practices and enable the improvement of planning and delivery that will enable greater efficiency and effectiveness, and better address risk. This will require the alignment of service levels and the valuation of different parts of the network with regard to maintenance, renewals and operational expenditure. In the medium-term some efficiency gains could be expected as a direct consequence of improved asset information for the roading activity.

4.5.3 Waste

It is assumed that the existing shared service arrangements and associated contracts would continue. As a result there are no additional cost savings or service delivery efficiency gains identified as a consequence of this Option.

WDC would need to consider the impact of standardising its user fees and charges for this activity.

The combined solid waste budget would be unchanged at \$5.7 million under this Option.

4.5.4 Community Facilities, Parks and Sports

This Option creates a substantially larger community facilities team, with an increased range of facilities under management. Savings made through the merger efficiencies may allow for increased discretionary spending in this activity; however this would be dependent on the decisions made by the new Council.

The shared management of community facilities provides opportunities to increase the specialisation of facilities, although the scope for this will be limited by the geographical size of the Wairarapa and the need for facilities to be located close to the users.

Taking a portfolio approach to Wairarapa's community facilities will allow for better prioritisation of upgrades, particularly in response to the new earthquake strengthening requirements.

Users will have access to more facilities, particularly through the amalgamation of the MDC and CDC/SWDC libraries.

Based on the assumption that current service levels and spending commitments would continue, it is assumed that the councils would maintain their support for community groups who receive council grants as part of each council's community development activity, while also noting that these grants are discretionary and may vary from year to year.

WDC would need to consider the impact of standardising its user fees and charges for this activity, in conjunction with the development of a new rating policy.

It is assumed that over time, there would be one less Tier 3 manager required to operate the community facilities, parks and sports team. Other efficiencies include the reduction in AMPs and procurement of chemicals, books etc.

Separate contracts for parks maintenance and swimming pool management can be retendered as one larger package of works once the existing contracts end. There are likely to be more opportunities for cost saving through the combined tendering of parks maintenance, as MDC and SWDC already have a joint contract for swimming pool and recreation centre management.

4.5.5 Corporate Support

It is assumed that the existing shared service arrangement for shared GIS platform operated by MDC would continue. This includes holding and viewing GIS maps, aerial photography, asset and property information. As a result there are no additional cost savings or service delivery efficiency gains identified in relation to GIS system consolidation.

In merging the three existing district councils, consideration would need to be given to the rationalisation of existing IT systems and the consolidation of existing information and data into the single IT system. This would entail identifying a suitable IT system and the implementation of that system that would incorporate as example the development of business processes, standardisation of data standards, cleansing and transfer of information and data and development of business processes. Previously Deloitte had identified a cost of \$21M for this; based on the fact that the councils have similar IT systems and on recent experience in identifying an enterprise reporting system we have assumed a cost of \$10M.

The reduction from three to one Long Term Plans and Annual Reports will result in a significant reduction in external auditor fees. It is expected that the Auditor remuneration will reduce by approximately \$120,000 per annum.

There may also be savings in respect to procurement costs for utilities, insurance and plant and vehicle running costs due to the increased purchasing power of the new council. However these items are strongly influenced by activity in the market at the time of tendering and as such no efficiencies have been included in the model.

It is assumed that over time there will be some natural attrition in the Corporate Support function as staff leave and do not need to be replaced due to the efficiencies of scale with the larger organisation. Other than the Tier 1 and 2 positions, there are no Corporate Support redundancies anticipated as a result of creating the new council.

4.5.6 Regulatory

A reduction in internal Building Control Authority compliance costs would be achieved as WDC would only need one Building Control Authority accreditation through IANZ and would have shared processes and procedures. Any future changes in legislation would result in only one procedure having to be updated, rather than the current three.

Investment in building control information technology is planned by MDC and SWDC. A joint Building Control authority would have increased scale to invest in new technology. It is unlikely that there would be any reduction in resourcing for this activity as the overall workload would remain constant and there is currently a staff sharing scheme between the councils to accommodate fluctuations in workload and staff absences.

Similarly, there would not be a reduction in workload for the environmental health, bylaws and animal control teams. Standardisation of processes would result in common levels of service across the Wairarapa, with the potential for a wider pool of Officers and Inspectors to provide more responsive customer service.

Investigation of a shared pound facility could be considered in future, given the requirements for ongoing investment in these facilities and the potential for Central Government to introduce mandatory standards that may require an increase in service levels.

WDC would need to consider the impact of standardising its user fees and charges for this activity, in conjunction with the development of a new rating policy.

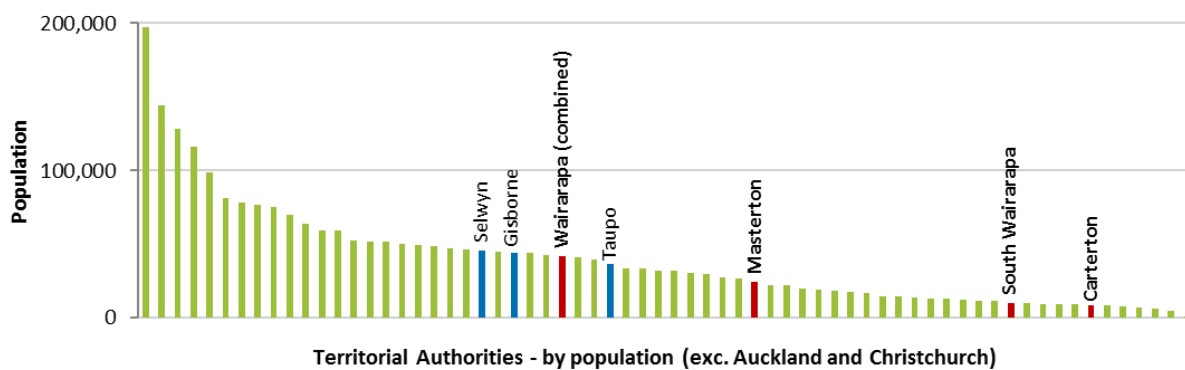
4.6 Assessment of Regional activities

There is no impact on regional activities under this Option.

4.7 Strategic capacity and cultural alignment

This Option will result in a combined WDC of substantially increased scale, as shown in the graph below.

Figure 3: Territorial authorities ranked by population



This will result in a more robust revenue base and increased discretionary spending. Council would have increased financial capacity from rates and charges to fund debt servicing costs associated with a wider capital works programme. Identified efficiencies would deliver ongoing annual savings, allowing for additional investment. The combined council would have more scope to improve its procurement capability and develop relationships with approved suppliers, enhancing contract compliance and performance.

The new council would have more capacity to undertake advanced strategic planning and policy development, providing for an integrated and simplified planning and reporting framework. The existing combined District Plan would be interpreted in the same way across the Wairarapa and other strategic planning documents would reflect the views and needs of the wider Wairarapa community.

The larger combined staff pool would provide increased resource to undertake additional activities and projects. This would provide enhanced capability to cope with complex or unexpected change.

Organisational knowledge, creativity and innovation would increase, along with the ability to attract and retain a skilled workforce.

There would be some loss of intellectual capacity and capability, particularly at the Tier 1 and 2 levels, as a result of forming one combined management team after the merger.

As a single entity there would be a single vision and aspiration for the Wairarapa. The operations of the new council would be integrated to provide a more efficient and productive entity.

4.8 Customer Responsiveness

A WDC would see the consolidation of council offices and chambers from three to one. This may impact on the ability of ratepayers to access council meetings, depending on the location of the Council's chambers and offices. There will be no further impact on customers as it has been assumed that there will be no changes to services levels and therefore service centres will still operate in each of the current districts.

4.9 Financial

Under Option B, a number of one-off and ongoing savings are estimated. In addition, there are one-off costs associated with this Option. These are shown below.

Transition costs

- Redundancies – this relates to Tier 1 (Chief Executive) and Tier 2 (General Manager) positions across the three councils (\$1.5 million)
- Harmonisation of salaries. It is assumed that average salary at the council with the lowest average salary will increase to the average salary across all three councils (\$8 million over 10 years)
- Transition to single IT systems (\$10 million). In its 2014 report to the Local Government Commission⁹, Deloitte estimated that the cost to transition the three Wairarapa Councils to a single IT system would be in the order of \$21-30 million. Currently the three Wairarapa Councils use the same regulatory and financial IT system (NCS MagiQ), GIS software and have shared services in a number of areas that are supported by shared IT systems. However some of the supporting systems used and the configuration of data within the systems is anticipated to be different. The Project Control Group proposed that a lower figure of \$10 million be used for the purposes of the financial modelling. IT costs have been capitalised and incurred evenly over the first three years. This cost has then been amortised over a seven year period (from years 4 to 10).
- Establish the Council, branding, systems and processes, HR costs. This primarily relates to a Transition Body over the first two years of the new council. (\$3.8 million)

Efficiencies

- Natural attrition (\$3.6 million over 10 years). It is assumed that there will be a compound attrition rate of 1.5% over the first three years, as staff leave and do not need to be replaced due to economies of scale within the larger merged council. These are predominantly associated with corporate support services.
- Efficiencies through reducing duplication. This primarily relates to Tier 1 (Chief Executive) and Tier 2 (General Manager) positions across the three councils (\$15.6 million over 10 years)
- Reduction in the number of elected members. This is the net figure after allowing for a significant reduction in the number of District Councillors (30 to 13), balanced by an increase in the number of community board members (12 to 21) (\$1 million over 10 years)
- Rationalisation of property (\$6.7 million over 10 years). Assume that 5% of the current book value of land and buildings (\$134m) will be surplus and realised over a 3 year period. It is assumed that a 5% premium will be realised (5% of value recorded in income statement as profit on sale)

⁹ Deloitte, Wellington Local Government Reorganisation Options, Transition Costs and Benefits for Technology Changes, September 2014

- Roothing and utility savings. As identified in the local activity assessment, this is primarily the savings associated with roading expenditure through collaboration between NZTA and Council. In assuming savings in roading costs the corresponding revenue from NZTA subsidies has also been reduced based on an assumed average subsidy rate of 55%. (\$4.8 million over 10 years)
- Auditor savings as a result of needing one, rather than three audits. (\$1.2 million over 10 years)

Operating Result

The net operating result for the combined WDC under Option B is shown below. The net efficiencies are the estimated savings less transition costs, over the first ten years of the merged council.

Table 20: Net Operating Results (\$M)¹⁰

\$M	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue	72.8	75.0	77.5	79.0	81.8	84.4	86.9	89.3	91.5	94.6	833
Costs	70.6	73.0	74.0	75.5	78.1	79.0	80.6	83.2	84.5	87.5	786
Net Efficiencies = saving (cost)	(2.4)	(0.3)	1.3	(0.3)	(0.1)	0.0	0.2	0.3	0.5	0.6	
Operating Result	(0.2)	1.7	4.8	3.2	3.6	5.5	6.5	6.4	7.5	7.7	46.6

4.9.1 Sensitivity analysis

The most significant transition cost is the \$10 million cost to transition the councils to a single IT system. A sensitivity analysis has been conducted for Option B, using the figures of \$5 million, \$15 million and \$21 million. The \$21 million figure has been chosen as this was Deloitte's 2014 estimate¹¹ of IT transition costs. The effect of the interest charge on the capitalised IT cost means that for a \$5 million difference in IT transition costs, there is approximately a \$6.7 million difference in the net operating result over the ten year period.

Table 21: Sensitivity analysis of IT transition costs (Net Operating Results ten year total (\$M))

IT transition cost	Option A	Option B
\$5 million	\$46.9 million	\$53.3 million
\$10 million (as per main model)	\$46.9 million	\$46.6 million
\$15 million	\$46.9 million	\$39.9 million
\$21 million	\$46.9 million	\$31.9 million

¹⁰ The net operating result represents the annual increase or decrease in the net worth of the Council. This includes changes in cash and also changes in the value of assets owned and maintained on behalf of the ratepayers. Note figures in tables are rounded.

¹¹ Deloitte, Wellington Local Government Reorganisation Options, Transition Costs and Benefits for Technology Changes, September 2014

4.9.2 Rating

The three councils have different rating policies, as described in section 3.8.1. These include rates based on land and capital values, along with targeted rates for a variety of different services. The Commission would require that the transition body, the entity that sets up the new council, harmonise the Wairarapa's rating systems over a set period (e.g. five years) and develop a policy to smooth the impact of any changes for individual ratepayers.

For the purposes of this assessment, it is assumed that the total rates would increase by the amount shown in each of the three councils' LTPs over the next ten years. However, after the transition period, the distribution of these rates would be different, resulting in some ratepayers experiencing higher than average rates increases, with others experiencing rates increases that were lower than the average.

5 Option C – Wairarapa District Council and a joint Wairarapa Unitary Plan Committee

In addition to the WDC described under Option B, a new joint Unitary Plan Committee of the WDC and GWRC would be established. The Wairarapa Unitary Plan Committee would comprise WDC, GWRC and Iwi members and would be responsible for developing a single resource management plan for the Wairarapa, combining both the regional council and district council RMA activities into a single ‘unitary’ plan. The committee would also have an on-going role in evaluating the implementation of the plan, ready for the next review of the plan. The Unitary Plan would go to the Wairarapa District Council and the Greater Wellington Regional Council for final approval and adoption.

All resource consent decisions and monitoring would remain with their respective district and regional council.

This committee would be made up of three members from GWRC, three from WDC, three nominated by Rangitāne o Wairarapa and three nominated by Kahungunu ki Wairarapa (twelve members in total). The proposed Iwi membership on this committee reflects the Agreement in Principle with the Crown for Kahungunu ki Wairarapa’s Treaty settlement.

The committee would be advised by officers from both councils. Arrangements for servicing of the committee would be as agreed by the councils.

Unitary Plan Committee – potential membership structure



5.1 Governance

The relevant advantages, disadvantages and risks associated with this Option are the same as for Option B except as articulated below.

5.1.1 Advantages

The advantages for this Option are:

- There is a process and structure for integrating regional and district resource planning with the aim of producing a single “Unitary Plan” for Wairarapa.
- There is equal representation on the joint committee as between GWRC and WDC, thus giving Wairarapa significant influence over the outcomes.
- There is an added level of Wairarapa Māori involvement in district council decision making through voting entitlements on the proposed joint committee.
- The committee would be legally mandated through the Local Government Commission’s statutory processes.

5.1.2 Risks and Disadvantages

The risks and disadvantages for this Option are:

- There is potential for conflicting positions between the regional Council and district Council which could delay and/or frustrate decision making as neither party has full control of the Unitary Plan decisions.
- Strong leadership will be required by or on behalf of the chief executives to help facilitate consensus between the two councils and ensure that conflicts are not caused or exacerbated by staff.
- The regional council will be required to duplicate committee structures, support, and planning effort in order to meet the requirements of the Wairarapa plan development and that for the rest of the region.
- Funding and resourcing will need to be agreed between the parties.

5.2 Impact on representation, local activities, strategic capacity and customer responsiveness

The impact on representation, local activities, strategic capacity and customer responsiveness will be the same as for Option B.

5.3 Assessment of Planning Framework

The key difference is that the planning framework would change to a combined Regional and District Plan – a single Unitary Plan. It is assumed that the Unitary Plan would include a Regional Policy Statement and coastal policy. There would still be a separate Regional Land Transport Strategy. A Wairarapa Unitary Plan committee would be responsible for developing the plan, but resource consent decisions and monitoring would be administered separately at the district and regional level.

The Unitary Plan Committee does not have the delegated powers to adopt the Plan (i.e. the plan must go to the full WDC and GWRC for adoption) and the committee continues to exist post adoption of the Plan to deal with future plan changes and reviews etc.

In preparing any regional policy statement, regional plan or district plan under the RMA, the Wairarapa Unitary Plan Committee will need to recognise and provide for the content of the natural resources document prepared by the Wairarapa Moana Statutory Board as outlined in the Ngāti Kahungunu Ki Wairarapa Tāmaki Nui-ā-Rua Agreement in Principle to Settle Historical Claims. This will apply to all Options being assessed subject to the matters each Option is addressing / including in the various planning documents to be prepared under the different Options.

It is assumed that Regional Policy Statement is incorporated into the Unitary Plan and is not a stand-alone document.

The advantages and disadvantages are as in Option B except:

Advantages / Opportunities

- Opportunity for integrated regional and local planning through a reduced number of RMA plans for the Wairarapa
- WDC has the same representation as GWRC in the development of the Unitary Plan i.e. for both regional and district provisions

Disadvantages /Risks

- Duplication in cost in developing the Unitary Plan when GWRC are currently in a Regional Plan review process and have notified a proposed Regional Plan and will be commencing hearings in 2016
- Potential for different rules and/or levels of service between Wairarapa and the rest of the greater Wellington region.
- Once operative, decision making lies with the respective district and regional councils aligned with their functions
- Potential conflict between regional and district councils at the adoption stage of the Plan and for decisions to be delayed as the Unitary Plan Committee does not have delegation to adopt the plan.

Staged Approach

One of the disadvantages with this Option is the duplication and cost involved in creating a Unitary Plan when the Regional Plan is currently under review and has been consulted on. Additionally, the Wairarapa Combined District Plan is operative in part and is not due for a full review for approximately five years. Staging the introduction would have benefits, as described below, however the benefits of a combined Unitary Plan would not be realised until it was operative.

There are Options for how and when to create the Unitary Plan document:

- It does not have to be commenced immediately at the creation of WDC
- It could be aligned with the time the Wairarapa Combined Plan is due for review. At that stage the proposed Regional Plan should be operative. The Council would have had experience with the objectives, policies and rules in the operative regional policy statement and plan and use that experience to determine the direction it would like to take in the Regional Policy Statement in the new Unitary Plan which then directs the rest of the regional and district provisions
- A staged approach could be given so that the RPS of the new Unitary Plan could be started to be developed in 2019, which would signal the commencement of the development of the Unitary Plan that would ultimately be notified in totality around the same time as the combined District Plan was due to be reviewed.
- Decisions on the Proposed Regional Plan could be deferred until the outcome of the assessment of options for Wairarapa has been completed or the document could be lifted into a new Unitary Plan – however in our view this does not absolve the council to consult on the document. (see comment on legal advice below)
- The degree to which current or proposed documents are carried over into a new Unitary Plan will have a direct impact on the time and cost to develop the new plan. If minimal work is required (most of the operative RPS, proposed Regional Plan and Combined District Plan remains unchanged) this would minimise the cost. However if significant changes to provisions or the approach of the new Unitary Plan are proposed, this will mean additional cost. Depending on the approach taken, it is anticipated costs could range between \$1.5-\$3M
- Regardless of the option / approach taken, a full Section 32 evaluation report under the RMA will be required to support the provisions. It should be noted that there have been changes to this section of the Act since the development of the Combined District Plan, and there are additional matters that need to be assessed, including s32(2) which requires

“(a) identify and assess the benefits and costs of the environmental, economic, social, and cultural effects that are anticipated from the implementation of the provisions, including the opportunities for—

- (i) economic growth that are anticipated to be provided or reduced; and
- (ii) employment that are anticipated to be provided or reduced; and
- (b) if practicable, quantify the benefits and costs referred to in paragraph (a); and
- (c) assess the risk of acting or not acting if there is uncertain or insufficient information about the subject matter of the provisions.”

- It is recommended that legal advice be obtained where the content of the Proposed (or operative) Regional Plan was proposed to be carried over into a new Unitary Plan in regard to consultation requirements. It is our understanding that you could not insert the provisions, even if recently consulted on, without further consultation. In addition, we would expect that there could be some changes to the provisions as it is highly likely that the new RPS will be different to that which is currently in place and directed the content of the plan. There may be risks of potential judicial review if the process is not carried out in accordance with the requirements of the RMA

These comments also apply to all Options that include the development of a Unitary Plan.

5.4 Assessment of Regional activities

There is equal representation on the joint committee as between GWRC and WDC, thus giving GWRC significant influence over the integration of district council and regional council planning. However, the GWRC would arguably have less influence over its own natural resources functions. The allocation of Governance and management responsibility for the local and regional activities under this Option is shown in the figure below.

Table 22: Allocation of governance and management responsibility

	Local Activities	Regional Activities						
	Local Government activities	Governance	Regional Transport Planning	Resource Management	Flood Protection	Land Management	Public Transport	Climate Change Planning
Governance	WDC	GWRC	GWRC	Joint WDC/GWRC	GWRC	GWRC	GWRC	GWRC
Management	WDC	GWRC	GWRC	GWRC	GWRC	GWRC	GWRC	GWRC

5.5 Financial

Under Option C, one-off savings and transition costs are estimated in addition to those in Option B. These are shown below.

Transition costs

As per Option B plus:

- New Unitary Plan (\$1.5M). This represents WDC’s 50% share of the cost of developing a new Unitary Plan for the Wairarapa. It is assumed that GWRC would contribute the other 50% of the cost.

Efficiencies

- As per Option B

Ongoing costs

- Costs to support the Joint Committee. This includes additional costs for elected members, costs associated with hosting the Joint Committee and costs associated with 0.5 FTE administration support and 0.5 FTE policy support (\$1.0 million over 10 years). This does not include the GWRC costs associated with the Joint Committee.

Operating Result

The net operating result for the combined WDC under Option C is shown below. The net efficiencies are the estimated savings less transition costs, over the first ten years of the merged council.

Table 23: Net Operating Results (\$M)¹²

\$M	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue	72.8	75.0	77.5	79.0	81.8	84.4	86.9	89.3	91.5	94.6	833
Costs	71.0	73.4	74.5	76.0	78.2	79.1	80.7	83.4	84.6	87.6	788
Net Efficiencies = saving (cost)	(2.4)	(0.3)	1.3	(0.3)	(0.1)	0.0	0.2	0.3	0.5	0.6	
Operating Result	(0.6)	1.2	4.4	2.8	3.5	5.4	6.4	6.2	7.4	7.6	44.2

5.5.1 Rating

The Commission would require that the transition body, the entity that sets up the new council, harmonise the Wairarapa's rating systems over a five year period and develop a policy to smooth the impact of any changes for individual ratepayers.

¹² The net operating result represents the annual increase or decrease in the net worth of the Council. This includes changes in cash and also changes in the value of assets owned and maintained on behalf of the ratepayers. Note figures in tables are rounded.

6 Option D – Wairarapa District Council and two committees with the regional council

Under this Option, the WDC would be formed as Option B above. Plus two new committees would be established – a Wairarapa Natural Resources Committee and a Wairarapa Services Committee.

Wairarapa Natural Resources Committee

A committee would be established for RMA planning functions with the same delegations as Te Upoko Taiao (see Appendix D for details of this delegation). Note:

- The terms of reference for Te Upoko Taiao gives the committee an oversight role for resource consenting (largely reporting on the activity) and the ability to appoint hearing commissioners. In practice this is a very limited role.
- The terms of reference also provide for delegated authority to an Appointments Group to appoint hearing commissioners. The Appointments Group consists of the co-chairs of the Committee, the chair of the Environment Committee, in consultation with the General Manager Environment.
- The regional council delegates the power to decide resource consents to the hearings commissioners appointed by the Appointments Group or the Committee. (Under the RMA only the Council can delegate this power.)
- All resource consents not decided by hearings commissioners (i.e. non-notified consents) are delegated to council officers.
- No resource consents are determined directly by Te Upoko Taiao.

This standing committee would include two members from GWRC, two from WDC and two nominated by Rangitāne and two nominated by Kahungunu ki Wairarapa (eight members in total). Alternatively, there could be three representatives from each party, resulting in twelve members in total.

Wairarapa Services Committee

This committee would be responsible for a number of activities and services for the Wairarapa that are currently delivered by GWRC, with the purpose of increasing the Wairarapa ‘lens’ over these activities and services. The committee would be set up as a standing committee of GWRC, like the existing Regional Land Transport Committee.

The Committee would make recommendations to GWRC for approval.

The Wairarapa Services Committee would have four GWRC members and four WDC members. This committee would also have a representative nominated by each of Rangitāne and Kahungunu ki Wairarapa with voting rights. This is consistent with MDC’s recent decision to give Iwi voting rights on its committees. The co-chairs would be a regional councillor and a Wairarapa District Councillor. This committee’s functions would include the following regional council activities in the Wairarapa:

- flood management
- land management (e.g. erosion control work)
- pest management
- biosecurity
- biodiversity

The committee would also be able to provide advice on any other Wairarapa issues it considered relevant to the regional council, such as public transport issues. The committee would make recommendations to the regional council for final approval. If the regional council does not approve the committee’s recommendation, it must send the issue back to the committee for further consideration. This is similar to the operation of several other regional council committees and in practice, decisions are rarely returned to the committee for further consideration.

GWRC would continue to rate for these activities and services and be responsible for service delivery.

Given the nature of the some of the activities involved Wairarapa District Council will need to ensure the Rural Advisory Committee has adequate input into the deliberations of the committees.

Wairarapa Natural Resources Committee



Wairarapa Services Committee



6.1 Governance

The relevant advantages, disadvantages and risks associated with this Option are the same as for Option B except as articulated below.

6.1.1 Advantages

The advantages for this Option are:

- In addition to their involvement in decision making through the Natural Resource Committee, Wairarapa District Council and Wairarapa Iwi would have a stronger involvement in the planning and provision of a range of activities and services currently provided by the regional council.
- Where the two councils have responsibility for different elements of a service or function, this Option would lead to better integration, better service for the community and customers, and greater efficiencies.
- Funding for these activities would be the responsibility of the regional council and, because the committee is proposed to be a committee of the regional council rather than a joint committee, there should be a more transparent alignment between decision making and funding responsibilities.
- The committees would be legally mandated through the Local Government Commission’s statutory processes so they can only be disestablished by the Local Government Commission.

6.1.2 Risks and Disadvantages

The risks and disadvantages for this Option are:

- The regional council will be required to have two Te Upoko Taiao (or look alike) committees, one for the Wairarapa and one for the rest of the region, and will face a higher demand for planning and administrative resource.

- Similarly the regional council is likely to require a duplication of committee responsibilities with respect to the other functions and services listed under this Option.

6.2 Impact on representation, local activities, strategic capacity and customer responsiveness

The impact on representation, local activities, strategic capacity and customer responsiveness will be the same as for Option B.

6.3 Assessment of Planning Framework

In addition to the establishment of WDC, two new committees would be established, a Wairarapa Services Committee and a Natural Resources Committee. The Wairarapa Services Committee would be a standing committee of the regional council with responsibilities for all planning and strategies relating to floodplain management plans for Wairarapa rivers and land management, biosecurity and biodiversity plans and strategies for the Wairarapa.

The Wairarapa Natural Resources Committee would be established as a standing committee for RMA functions with the same delegations as Te Upoko Taiao which is limited to regional matters (including but not limited to the review and development of regional plans, review operative regional plans, prepare plan changes to operative regional plans, prepare variations to proposed regional plans and recommend those plans proceed to public notification.) This committee would not see the creation of a single unitary plan and would not have any district planning responsibilities. No resource consents would be determined directly by this committee.

The advantages, disadvantages and risks are as in Option B except:

Advantages

- WDC would have an integral role as part of the Wairarapa Services Committee in decision making on key regional activities and services identified above
- WDC would have an integral role as part of the Wairarapa Natural Resources Committee on regional RMA planning functions

Disadvantages and Risks

- Potentially confusing for residents and ratepayers for functions and responsibility of the Councils and various committees
- Compared to Option C there is a loss of opportunity for a more integrated and streamlined planning framework through a single planning document as separate regional and district plans and policies remain in place

6.4 Assessment of Regional activities

This Option would result in stronger Wairarapa influence over Wairarapa related regional activities.

The allocation of Governance and management responsibility for the local and regional activities under this Option is shown in the table below.

Table 24: Allocation of governance and management responsibility

	Local Activities				Regional Activities			
	Local Government activities	Governance	Regional Transport Planning	Resource Management	Flood Protection	Land Management	Public Transport	Climate Change Planning
Governance	WDC	GWRC	GWRC	WDC/ GWRC	WDC/ GWRC	WDC/ GWRC	GWRC	GWRC
Management	WDC	GWRC	GWRC	GWRC	GWRC	GWRC	GWRC	GWRC

6.5 Financial

Under Option D, one-off savings and transition costs are estimated in addition to those in Option B. These are shown below.

Transition costs

- As per Option B

Efficiencies

- As per Option B

Ongoing costs

- Costs to support the committees. This includes additional costs for elected members, costs associated with hosting the committees and costs associated with one FTE administration support and one FTE policy support (\$2.0 million over 10 years). It is estimated that the two committees under this option will require twice the support of the one committee under Option C. This does not include the GWRC costs associated with the committees.

Operating Result

The net operating result for the combined WDC under Option D is shown below. The net efficiencies are the estimated savings less transition costs, over the first ten years of the merged council.

Table 25: Net Operating Results (\$M)¹³

\$M	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue	72.8	75.0	77.5	79.0	81.8	84.4	86.9	89.3	91.5	94.6	833
Costs	70.8	73.2	74.2	75.8	78.3	79.2	80.8	83.5	84.8	87.7	788
Net Efficiencies = saving (cost)	(2.4)	(0.3)	1.3	(0.3)	(0.1)	0.0	0.2	0.3	0.5	0.6	
Operating Result	(0.4)	1.5	4.6	3.0	3.4	5.2	6.3	6.1	7.2	7.5	44.3

6.5.1 Rating

The Commission would require that the transition body, the entity that sets up the new council, harmonise the Wairarapa's rating systems over a set period (e.g. five years) and develop a policy to smooth the impact of any changes for individual ratepayers.

¹³ The net operating result represents the annual increase or decrease in the net worth of the Council. This includes changes in cash and also changes in the value of assets owned and maintained on behalf of the ratepayers. Note figures in tables are rounded.

7 Option E – Wairarapa District Council takes on most regional council activities

This Option involves transferring all regional council activities to WDC except public transport, regional transport planning and sustainable transport promotion, emergency management, and regional economic development, regional parks, water supply, and climate change.

This would mean the WDC taking on the roles of flood management, land management, and environmental management under the RMA. The WDC's resource management committee would include half its members nominated by Rangitāne and Kahungunu ki Wairarapa. Iwi membership on committees reflects the likely Treaty settlements for Rangitāne o Wairarapa and Kahungunu ki Wairarapa.

WDC would rate its residents for its new activities.

7.1 Governance

The relevant advantages, disadvantages and risks associated with this Option are the same as for Option B except as articulated below.

7.1.1 Advantages

The advantages for this Option are:

- The transfer of activities places clear decision making and funding responsibility for the affected activities with Wairarapa District Council.
- It leaves the decision making and funding responsibility for the activities which have a stronger region wide focus with the regional council.
- This should provide for good transparency and accountability.

7.1.2 Risks and Disadvantages

The risks and disadvantages for this Option are:

- Wairarapa District councillors will have a higher level of decision making responsibility than would be the case for Options A to D, thus making the consideration of delegations to community boards more important for them to be effective and to maintain community empowerment.
- This Option will have a bigger impact on the regional council than Options A to D both in terms of political decision making and transfer of activities and staff. It will therefore have more implementation challenges than those Options.
- For effective decision making there will be an ongoing need for co-operation and coordination between the two councils with respect to some of the activities transferred to Wairarapa District Council. Depending on the function this could be in the form of shared decision making, sharing knowledge and expertise, contracting between the councils or joint procurement. For example, the transfer of the flood protection function without the climate change activity will require close liaison between the teams to make sure that the flood protection and climate change activities are aligned. Some of the Environment activities may not justify two expert teams in the Wellington and Wairarapa regions and the services may be delivered jointly or contracted to one or other of GWRC or WDC.

- There is potential for confusion as to the role of the regional council. For the activities transferred, the Wairarapa District Council will have the decision making responsibility with the regional council providing input where appropriate. For the rest of the region these roles are reversed.
- The links between the Wairarapa and Wellington will be weakened, but not to the extent that they are under Option F.

7.2 Impact on representation, local activities and customer responsiveness

The impact on representation, local activities and customer responsiveness will be the same as for Option B.

7.3 Assessment of Planning Framework

This Option sees WDC taking on most regional council activities (flood, land and environmental management under the RMA). While not specifically stated, it is assumed that this means the policy and plan development as well as administration of those regional activities. There is a lack of clarity in this Option as to how WDC taking on most regional activities would integrate with other regional documents such as the RPS and the GWRC Regional Plan. Climate change is tied in with land, flood and environmental management, and coastal policy but is not part of the activities to be transferred. The need for a separate RPS for the Wairarapa is not finalised.

This Option would create the most confusion for residents, ratepayers and plan users as there are components that they would need to also refer to the GWDC RPS and Regional Planning documents. It creates a unique planning framework whereby there could be multiple Regional Policy Statements, Regional Plans and Policies. This is not an efficient structure and will have governance and implementation risks.

The advantages, disadvantages and risks are as in Option B except:

Advantages

- Autonomous in decision making for regional activities of flood, land and environmental management
- Regional transport planning is delivered and paid for at a regional scale
- Reduced number of areas for regional and district council conflicts

Disadvantages and Risks

- It is unclear how this Option relates to the GWRC RPS and integrates with other Regional Plan documents. The GWRC Regional Plan would need to specifically exclude Wairarapa from the relevant chapters that the WDC has accountability for regional activities. It is questionable as to whether the WDC activities are required to give effect to the GWRC RPS or does it create its own mini RPS as it relates to these activities.
- Confusion for residents and ratepayers in the split of responsibility of regional activities
- Cost in development and implementation of the regional policy documents and activities
- Would require an additional Tier 2 management position as part of the structure to be responsible for regional and district policy and regulatory activities
- Cost to WDC to cover additional resources to undertake specific regional activities
- Duplication of staff on regional matters / expertise / specialist between the WDC and GWRC as GWRC still has to provide all regional activities and services to the rest of the Region
- There is the potential risk of an initial lack of capability of staff and decision-makers on regional matters – transitional arrangements would need consideration

7.4 Assessment of Regional activities

GWRC would retain the regional leadership function under this Option, with responsibility for public transport, regional transport planning and sustainable transport promotion, emergency management, regional economic development and climate change. There would be no impact to the GWRC on these activities under this Option.

Part of the Regional Leadership activity, including relationships with mana whenua and the Wairarapa Water Use Project would be transferred. The new WDC would need to consider whether it had the community support to continue to resource the Wairarapa Water Use Project.

There would be significant costs to Wairarapa to take over the Environment, Flood Protection and Control and parts of the Regional Leadership activities under this Option. However this Option results in increased autonomy for the Wairarapa region, when compared to the Status Quo and Options B, C and D.

Those regional activities transferred to the WDC would be based in the Wairarapa thus potentially improving customer access and responsiveness.

7.4.1 Flood Protection

The integration of the current regional council flood protection activities with the three district councils' stormwater management activities would allow a more holistic approach for stormwater (including floodwater) management in the Wairarapa region, particularly in the urban areas for capacity planning. The new council would operate as a hub for flood and stormwater management and work together as a seamless unit internally and more importantly to the communities that they serve.

Other advantages of one organisation responsible for the complete stormwater management are:

- It will be easier and lower risk with communication coming from one organisation to the local communities on stormwater management. This includes the careful management of sensitive information on flood affected properties. Education on flood protection resilience strategies for properties located in flood prone areas will also be more effective with a single organisation.
- Decisions about land use changes will be more efficient and effective long term, particularly with development pressure in flood prone areas. The impact on the local urban stormwater system will also be more readily understood with an integrated stormwater management unit.
- Planning long term for climate change and natural impacts would be easier with one stormwater management unit (recognising that climate change planning still rests with GWRC under this Option, although not with Option F). The same base information would be used for any long term planning and decision making would be seamless.
- Specialist stormwater staff resources can be better used across the four existing stormwater systems and knowledge shared. Cross pollination of the stormwater staff would allow upskilling in the stormwater management of the local system (currently inconsistently managed by the three district councils). The resourcing of the new flood protection team (or contracting arrangements if contracted out) would need to incorporate an allowance for providing assistance to the stormwater staff to maintain the current level of service that GWRC's flood protection team provide to the three Wairarapa territorial authorities.

It is recognised that flood protection is a highly specialised function including the development of flood management plans as a key planning tool. It is important that modelling and specialised systems such as rainfall databases and GIS are not duplicated unnecessarily as this could result in significant diseconomies of

scale. There are various options to mitigate this risk including a contract for service with GWRC as noted below.

An alternative option is the use of long term service provider contracts with the private sector with staff seconded into the council office to ensure seamless management and deliver programmes. This is used effectively in other three water organisations with the setup of Asset Data and Modelling Offices with professional service consultants through panel agreements or similar.

For the purposes of this assessment, it has been assumed that the full flood protection activity will be delivered by WDC. It is recommended that the new council investigates the most effective model aligned to its strategic objectives as an early task.

In its 2015 supplementary submission to the LGC14, GWRC noted the specialist nature of this function and that duplicating specialist resources in Wairarapa and Wellington would likely result in either higher costs or reduced access to expertise. GWRC proposed that if this activity was transferred to a Wairarapa council, the council could mitigate this by utilising a contract for service with GWRC.

“Flood protection is a highly specialist function requiring expertise and specific IT and other resources... GWRC is able to have the necessary specialists in the areas of asset management, hydraulic modelling, GIS, flood forecasting, flood warning, policy, statutory and environmental planning and river geomorphology.

In the area of hydraulic modelling, for example, GWRC employs one specialist modeller and a junior support person for the whole region... The specialist modeller is able to be the "smart purchaser" of core services such as developing new and updating existing hydraulic models from the commercial sector while keeping the necessary control of the models in house. It would not be cost effective to have one such specialist modeller in each of a number of smaller council units.”

Consideration would need to be taken of how best to deliver this function.

7.4.2 Environment

The transfer of most regional council activities will have an impact on the delivery of all of the activities in the environment portfolio as the activities tend to be science based and require technical specialists in areas that WDC does not have that expertise. Because GWDC will still have to undertake these activities for the remaining Wellington region, there will be a duplication of resources required and diseconomies of scale introduced, albeit at a different scale to that of the GWRC. While this Option enables the opportunity for improved integration between these regional and district activities and autonomous decision making in these areas, there may be difficulties in filling technical specialist positions covering the scope of activities in this area. A contract out model may need to be adopted by the WDC with the GWRC to continue to fulfil its obligations in this activity area.

The challenges with this Option are predominantly around the duplication of plans, the confusion of the planning framework, the limited pool of technical resources available and potential cost of contracting those activities out. The development of a multitude of strategies and plans would be an increased cost on WDC.

Close collaboration between the two entities would be required to enable this model to work given the split of activities and to deal with those activities that do not recognise functional boundaries such as pest management and biodiversity.

¹⁴ Greater Wellington Regional Council, ‘Further information for the LGC following presentation of GWRC submission’, 2015

There may be opportunities for joint development of some future plans with GWRC if WDC considered that the savings associated with this outweighed the benefits of having plans specifically developed for the Wairarapa.

Resource Management

This Option will impact on the current programme of work policy development as the WDC would create its own Regional Plans / provisions, while the GWDC would need to amend the management of its RPS, assuming that WDC has responsibility for a Wairarapa RPS, and Regional Plan programmes to reflect those areas that it no longer has functional control over.

Land Management

The WDC would need to decide on its approach to land management and whether they wanted to continue some of the key projects and programmes currently undertaken by the GWRC. This includes the expansion of the farm environment plans and the continuation of the supply of poplar and willow poles and eco-sourced native plans from the Akura Conservation Centre. Even if the council wishes to continue with these programmes, and continued catchment focus on erosion-prone land, they may not have the resource to deliver this activity but are likely to have the scale for a contract out model.

Biodiversity

WDC would take on the GWRC responsibilities to manage biodiversity. The WDC will need to develop a biodiversity management strategy that links with their RPS, NZ Biodiversity Strategy and is aware of the Proposed National Policy Statement on Biodiversity. In addition, in taking this function the WDC may end up with a number of high value biodiversity sites under active management. It may also be a challenge to ensure the continued management of these sites without contracting GWRC or an alternative contractor, otherwise there is a risk and potential loss of biodiversity within the region. GWRC would also need to rethink their biodiversity management strategy in the context of a revised boundary and the biodiversity challenges in a predominantly more urban area.

Pest Management

In taking on pest management the WDC would need to develop a Regional Pest Management Strategy (RPMS) that would need to be cognisant of the boundary treatment with GWRC and their RPMS which would need to be amended to reflect the significant area no longer required to be managed. It may be a challenge for the WDC to develop its own RPMS given the technical expertise required.

7.5 Strategic Capacity

While the population will remain the same as in Option B under this Option, the size and revenue base of Council will increase by approximately 12% because part of the existing regional rates from the Wairarapa being transferred to WDC.

However the operating shortfall associated with this Option would result in a less robust revenue base and reduced opportunities for discretionary spending. There would be fewer resources available to undertake additional activities and projects, reducing WDC's ability to cope with complex or unexpected change.

The integration of the local and regional planning activities will however result in more advanced strategic planning and policy development and an integrated and simplified planning and reporting framework.

7.6 Financial

Under Option E, one-off savings, efficiencies and transition costs are estimated in addition to those in Option B. These are shown below.

Transition costs

- As per Option B plus
- New Regional Plans including Pest Management (\$3.0M)

Efficiencies

- As per Option B, plus
- Corporate overhead savings. This represents 50% of the corporate overhead allocated from GWRC to the Wairarapa activities (\$2.7 million over 10 years)

Ongoing costs

- Additional Tier 2 manager (\$1.8 million over 10 years)

Operating Result

The net operating result for the combined WDC under Option E is shown below. The net efficiencies are the estimated savings less transition costs, over the first ten years of the merged council. The net operating result represents the annual increase or decrease in the net worth of the Council. This includes changes in cash and also changes in the value of assets owned and maintained on behalf of the ratepayers. In determining the Wairarapa funding requirement for regional activities (i.e. the amount to be collected from rates) a number of other factors are taken into account such as transfers to reserves, asset purchases and repayment of debt.

Table 26: Net Operating Results (\$M)¹⁵

\$M	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue	86.3	89.3	92.2	95.6	97.1	100.2	103.2	106.1	108.9	112.6	992
Costs	93.3	97.2	99.7	102.2	105.3	107.1	109.8	112.6	115.1	119.1	1,061
Net Efficiencies = saving (cost)	(3.1)	(1.0)	0.7	(0.3)	(0.1)	0.0	0.2	0.3	0.5	0.6	
Operating Result	(10.0)	(8.8)	(6.8)	(6.9)	(8.3)	(6.9)	(6.4)	(6.2)	(5.7)	(5.9)	(71.9)

This Option results in a revenue shortfall for the three Regional activities transferred to WDC. The most significant of these is the Environment activity, which includes land management, biodiversity management, pest management and resource management. This activity has an \$8.6 million shortfall, when comparing rating revenue from Wairarapa allocated to this area by GWRC to expenditure within the Wairarapa.

The other two activities, Regional Leadership and Flood Protection and Control, also have a shortfall, when comparing the rates collected to the expenditure in the Wairarapa. Regional Leadership encompasses

¹⁵ The net operating result represents the annual increase or decrease in the net worth of the Council. This includes changes in cash and also changes in the value of assets owned and maintained on behalf of the ratepayers. Note figures in tables are rounded.

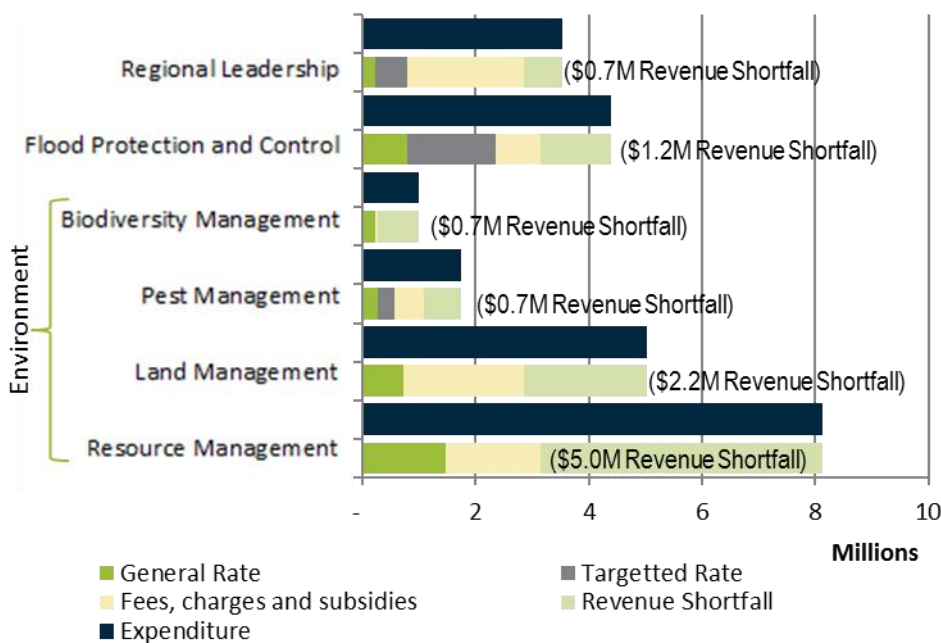
Regional Strategy, Regional Initiatives including the Wairarapa Water Use Project, Democratic Services and Relationships with Iwi.

WDC would need to determine with the community how the revenue shortfall would be overcome to achieve a financially sustainable WDC under this option. There are a number of options to address this, and a combination of all of the below may be required to achieve a balanced budget:

- Increase in general and/or targeted rates
- Increase in user fees and charges
- Reduction in levels of service
- Deferment of capital spending
- Increase in debt
- Organisational or procedural changes aimed at increasing efficiency of council

If levels of service are reduced, this may impact environmental outcomes for the Wairarapa and major projects such as the Wairarapa Water Use Project may be at risk.

Figure 4: Revenue and expenditure by Regional Activity 2015/16



7.6.1 Rating

The Commission would require that the transition body, the entity that sets up the new council, harmonise the Wairarapa’s rating systems over a set period (e.g. five years) and develop a policy to smooth the impact of any changes for individual ratepayers. WDC would rate Wairarapa residents for all transferred regional council activities.

8 Option F – Wairarapa Unitary Council

This would be a new unitary council, combining South Wairarapa District Council, Carterton District Council, Masterton District Council and the regional activities of the GWRC in the Wairarapa region into one council called the Wairarapa Unitary Council (WUC).

GWRC would not have jurisdiction over or carry out any activity in the Wairarapa.

WUC's resource management committee would include half its members nominated by Rangitane and Kahungunu ki Wairarapa. Iwi membership on committees reflects the likely Treaty settlements for Rangitāne o Wairarapa and Kahungunu ki Wairarapa.

WUC would employ or contract all council officers responsible for local and regional activities in the in the Wairarapa. WUC could still participate in shared arrangements with GWRC, for regional emergency management for example.

8.1 Governance

The relevant advantages, disadvantages and risks associated with this Option are the same as for Option B except as articulated below.

8.1.1 Advantages

The advantages for this Option are:

- Of all the Options this Option provides the most autonomy in decision making for Wairarapa District Council and the greatest alignment between decision making and funding responsibilities.
- There would be one less tier of local government for the Wairarapa thus removing regional vs district conflicts and removing confusion for constituents as to which council is responsible for what decision making and activity.
- Decision making should be simplified and therefore more responsive.
- This Option provides the highest level of involvement in decision making for Wairarapa Iwi, with half of the membership of the resource management committee being appointed by Iwi. This is in addition to the Māori Advisory Committee.

8.1.2 Risks and Disadvantages

The risks and disadvantages for this Option are:

- Some Wellington region and Wairarapa region decision making could be compromised (e.g. economic development) if there is insufficient recognition by the unitary council of the ongoing need for co-operation and collaboration within the Wellington region.
- This Option will have the highest impact on the Greater Wellington Regional Council. Disaggregation is often more complex and difficult than aggregation, particularly when working through the detail of asset and liability splits.
- The increased overall funding requirements resulting from Wairarapa Council assuming responsibility for all activities is likely to force decisions which will have a negative impact on the funding available for the services and activities being transferred as well as for those which the territorial councils are currently responsible for.

- This Option has the highest impact on the level and complexity of decisions required to be made by Wairarapa councillors. This will require a greater commitment by councillors to knowledge expansion, focusing on district wide rather than local issues, and making time available.
- This Option will provide a full split between Wellington and Wairarapa regions, which may be considered to split a community of interest. In the Local Government Commission’s 2014 Report *“Draft Proposal for Reorganisation of Local Government in Wellington”*, the Commission considered whether the Wairarapa constituted a distinct community of interest from the rest of the Wellington region. The Commission noted:

“the strong sense of perceived community of interest in the Wairarapa and that it was seen by many in the Wairarapa as separate from the rest of Wellington... this sense of a separate identity was stronger in the Wairarapa than elsewhere in the region. The sense of separate identity rested on the physical separation imposed by the Rimutaka Ranges and the predominately rural and small town character of the Wairarapa.

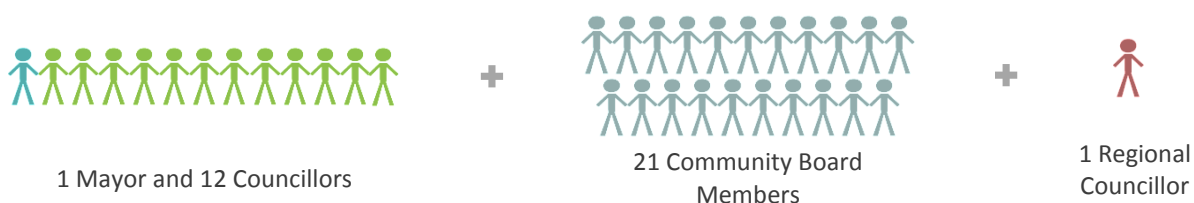
However... in addition to the perceived sense of community of interest, it must also recognise the strong functional links and interdependencies between the Wairarapa and Wellington sub-regions. Functionally, the Wairarapa is part of the Wellington economy and an integral part of the way that the people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

8.2 Representation

WUC would have wards and community boards the same as the WDC in Option B.

The impact on representation will be the same as for Options B to E, with the exception that there is one less elected member as there will no longer be a regional councillor.

There would be one Councillor for every 3,162 people.



8.3 Assessment of Planning Framework

This would result in the simplest planning framework, creating the opportunity for one Unitary Plan document for the Wairarapa and the WUC would have full control of the development and decision making in all planning documents and consent applications at both a regional and district level.

The advantages, disadvantages and risks are as in Option B except:

Advantages

- Reduced number of plans for customers to know about and work through resulting in a simplified planning process, assuming a Unitary Plan is developed.
- WUC has full control of the development and decision making around RMA and Regional Plans – i.e. fully autonomous and simplified decision making – no regional vs district council conflicts.
- Clear accountability for all decisions.
- Full representation on district and regional matters.

Disadvantages and Risks

- Cost to develop the Unitary Plan.
- Regional Transport Planning between Wellington region and the Wairarapa region is split between two entities.
- Cost to cover additional staff (technical and support staff) to undertake regional activities.
- Duplication of staff on regional matters / expertise / specialist between the WUC and GWRC as GWRC still has to provide these activities and services to the rest of the Region.
- Initial lack of capability of staff and decision-makers on regional matters – transitional arrangements would be needed.
- Additional resources required to undertake Regional Plans

Capability

- As before, as a unitary authority the Council would need to have the capacity and capability for delivery of regional council activities.
- At least two of the existing Wairarapa councils regularly rely on outsourcing of specialised technical services to provide necessary capacity and skills. The current level of outsourcing may be able to be reduced under a combined Council, because of the greater in-house resource capability and capacity available depending on the extent of specialist skills required.

8.4 Assessment of Local activities and customer responsiveness

The impact on local activities and customer responsiveness will be the same as for Option B.

8.5 Assessment of Regional activities and customer responsiveness

There would be significant costs to Wairarapa to take over the public transport, environment, flood protection and control and parts of the regional leadership activities under this Option. However this Option results in the highest autonomy for the Wairarapa region.

All regional activities would be the responsibility of WUC within the Wairarapa improving customer access and responsiveness.

8.5.1 Regional Leadership

In addition to the activities transferred under Option E, WUC would be responsible for regional leadership for the Wairarapa under this Option, with responsibility for emergency management, regional economic development and climate change. WUC would also be responsible for regional transport planning and public transport.

The new WUC would need to consider whether it had the community support to continue to resource the Wairarapa Water Use Project.

For the purposes of this assessment, it has been assumed that the full regional leadership activity will be delivered by WDC. The new council would be able to make decisions about alternative service delivery models, such as continued participation in joint greater Wellington region initiatives as described below.

In its 2015 supplementary submission to the LGC, GWRC proposed that the existing Wellington Regional Economic Development Agency arrangement could continue to be used as a regional approach to economic development if a Wairarapa Unitary Council was formed. A change in shareholding to reflect the increased scale and scope of the WUC would likely be required.

Similarly, the Wellington Region Emergency Management Office (WREMO) model could also still be of use as a wider regional approach to emergency management. This model would become more complicated by working across two regions, and any future agreements would need to be negotiated between WREMO and WUC. However WUC would still need to establish its own specialist knowledge, resources and expertise in emergency management.

8.5.2 Public transport and transport planning

The details of the ownership and operation of the rail network under this Option have not been agreed. This would need to be a collaborative process with GWRC and Kiwirail. The allocation of cost under this Option by GWRC is based on a number of assumptions regarding apportionment of costs. Future projects including the Public Transport Transformation Programme may also result in changes to the cost.

For the purposes of this assessment, it has been assumed that the full public transport activity in the Wairarapa will be delivered by WUC. This would require WUC to establish its own transport planning and public transport management team in the Wairarapa. Strong relationships with GWRC, Kiwirail and Transdev would be required to co-ordinate operations, manage contracts, set fares and progress any further development of the public transport network between the two regions.

In addition to the increased autonomy of planning and operating its own transport network, the transfer of this activity would have the benefit of allowing WUC to co-ordinate its local roading activities with the transport planning and public transport activities, resulting in one entity for transport in the Wairarapa. The same base information would be used for any roading and public transport long term planning, allowing seamless decision making. This would also allow the co-ordinated planning and delivery of transport projects with wider land use changes in the Wairarapa Region.

In its 2015 supplementary submission to the LGC, GWRC noted that transport planning was a specialist skill, particularly given the requirements set by NZTA. GWRC suggested that contracting this function back from a Wairarapa Unitary Council to GWRC would “address the issue of experts/skilled people and will assist in coordinating linked networks - both road (State Highway 2) and public transport (train)”.

However the presence of specialist transport planners within WUC would provide increased capability to the roading team, with the specialists able to be used across the Wairarapa to benefit both roading and public transport initiatives.

For public transport, GWRC noted transfer of public transport rail functions to an entity that owns the rolling stock may reduce the complexity associated with the ownership and operation of the Masterton-Wellington line, with the benefit of:

- “Effective use of small pool of experts/skilled people
- One integrated contract with providers across whole train network
- One decision maker on levels of service (e.g. timetabling) across whole network
- Ownership of assets by one entity
- Revenue issues relatively simple¹⁶”.

¹⁶ Greater Wellington Regional Council, ‘Further information for the LGC following presentation of GWRC submission’, 2015

WUC would need to enter into discussions with GWRC, Kiwirail and NZTA about possible transport planning and delivery collaboration.

Also to note is that the Local Government Commission is leading project work relating to transport options for the Wellington region. The outcome of this project is likely to impact on this activity.

8.6 Strategic Capacity

The impact on strategic capacity will be the same as for Option E, except that the larger operating shortfall under this Option would result in an even less robust revenue base and reduced opportunities for discretionary spending.

8.7 Financial

Under Option F, efficiencies, ongoing costs and transition costs are estimated in addition to those in Option B. These are shown below.

Transition costs

- As per Option B plus.
- New Regional Plans including Unitary Plan (\$3.0M)

Efficiencies

- As per Option B
- Corporate overhead savings. This represents 50% of the corporate overhead allocated from GWRC to the Wairarapa activities (\$2.7 million over 10 years)

Ongoing costs

- Additional Tier 2 manager (\$1.8 million over 10 years)

Operating Result

The net operating result for the combined WUC under Option F is shown below. The net efficiencies are the estimated savings less transition costs, over the first ten years of the merged council. The net operating result represents the annual increase or decrease in the net worth of the Council. This includes changes in cash and also changes in the value of assets owned and maintained on behalf of the ratepayers. In determining the Wairarapa funding requirement for regional activities (i.e. the amount to be collected from rates) a number of other factors are taken into account such as transfers to reserves, asset purchases and repayment of debt.

Table 27: Net Operating Results (\$M)¹⁷

\$M	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue	94.6	101.2	105.0	106.7	110.6	114.1	117.6	120.9	123.6	127.7	1,122
Costs	103.1	110.7	114.5	117.9	121.6	124.0	127.3	130.4	132.8	137.3	1,220
Net Efficiencies = saving (cost)	(3.1)	(1.0)	0.7	(0.3)	(0.1)	0.0	0.2	0.3	0.5	0.6	
Operating Result	(11.6)	(10.5)	(8.9)	(11.5)	(11.2)	(9.9)	(9.6)	(9.2)	(8.8)	(9.1)	(100.1)

This Option results in a revenue shortfall for the all four Regional activities transferred to WUC.

The most significant of these is the Environment activity, which includes land management, biodiversity management, pest management and resource management. This activity has an \$8.6 million shortfall, when comparing rating revenue from Wairarapa allocated to this area by GWRC to expenditure within the Wairarapa.

Table 28: Environment rating and expenditure

\$'000	General rate	Targeted rate	Expenditure	Shortfall
Land Management	723		2,910	2,187
Biodiversity management	215		945	730
Pest management	282	286	1,236	668
Resource management	1,471		6,458	4,987
Total Environment activity	2,690	286	11,549	8,572

In addition to the shortfall in revenue for Regional Leadership and Flood Protection and Control noted under Option E, there will also be a \$2.0 million revenue shortfall for Public Transport.

WDC would need to determine with the community how the revenue shortfall would be overcome to achieve a financially sustainable WUC under this option. There are a number of options to address this, and a combination of all of the below may be required to achieve a balanced budget:

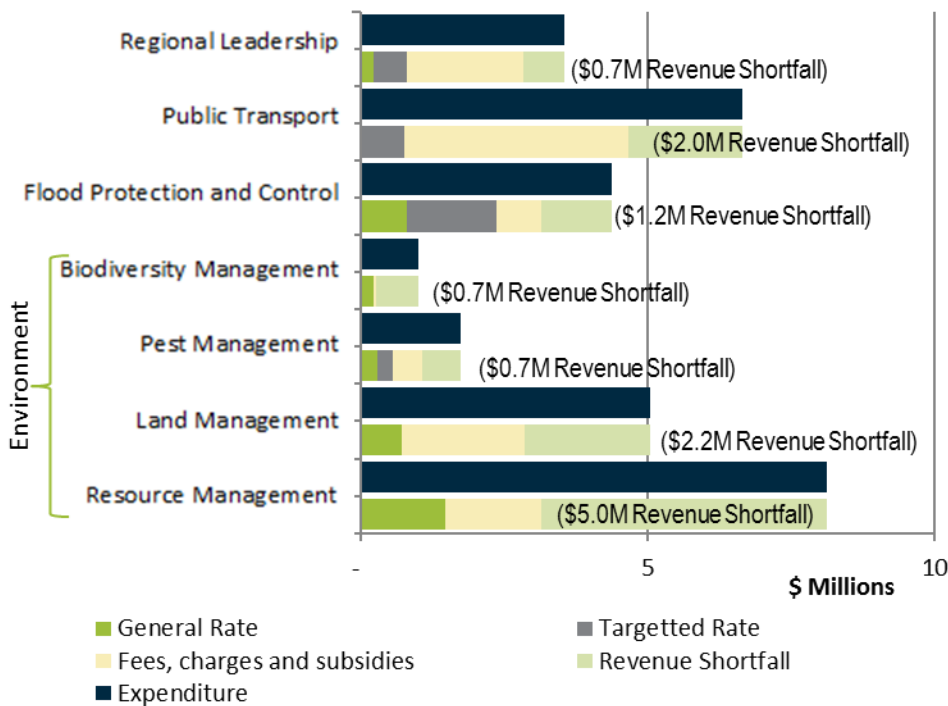
- Increase in general and/or targeted rates
- Increase in user fees and charges
- Reduction in levels of service
- Deferment of capital spending
- Increase in debt
- Organisational or procedural changes aimed at increasing efficiency of council

If levels of service are reduced, this may impact environmental outcomes for the Wairarapa and major projects such as the Wairarapa Water Use Project may be at risk.

¹⁷ The net operating result represents the annual increase or decrease in the net worth of the Council. This includes changes in cash and also changes in the value of assets owned and maintained on behalf of the ratepayers. Note figures in tables are rounded.

Based on the scale of WUC under this Option, an extra \$1 million expenditure would require a 2.9% increase on general rates less targeted rates or a 1.8% increase on general rates.

Figure 5: Revenue and expenditure by Regional Activity 2015/16



8.7.1 Rating

It is anticipated that there would be rates harmonisation similar to that for the Auckland Council, whereby the Wairarapa’s rating systems would be harmonised over a set period (e.g. five years) with the development of a policy to smooth the impact of any changes for individual ratepayers.

WUC would rate Wairarapa residents for all district council and regional council activities. WUC would need to determine with the community how the revenue shortfall would be overcome.

9 Fit for the Future Benchmarks

The financial performance of the WDC and WUC under each Option has been assessed against the New South Wales' Fit for the Future Benchmarks. While not all of these benchmarks are directly applicable to the New Zealand situation, they provide a picture of the financial sustainability of the various Options, based on the Councils' current LTPs.

As shown in the table below, WDC and WUC do not meet either of the two benchmarks that are not met by the existing three councils. Option F results in an increased operating expenditure per capita over the first ten years and therefore results in an additional benchmark not being met by the merged council.

This assessment does not take into account the capacity of a larger-scale entity to address some of the areas where they do not meet the benchmark.

Table 29: Assessment of Year 1-10 financial performance against Fit for the Future benchmarks

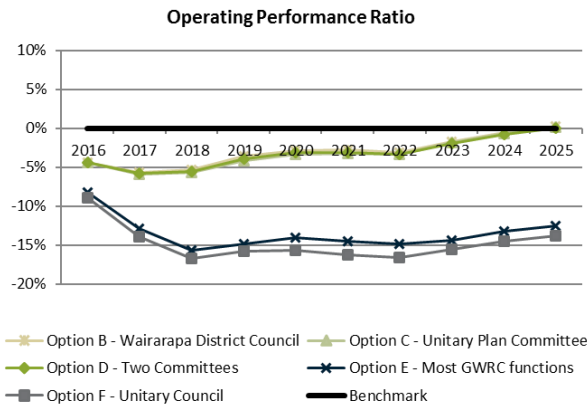
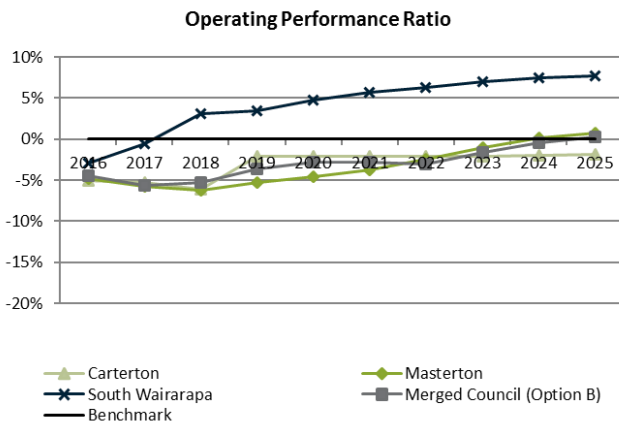
	Operating Performance Ratio	Own Source Revenue Ratio	Debt Service Ratio	Building and Infrastructure Renewal Ratio	Reduction in Real Operating Expenditure per capita
Masterton	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>	<i>Meets the benchmark</i>	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>
Carterton	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>	<i>Meets the benchmark</i>	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>
South Wairarapa	<i>Meets the benchmark</i>	<i>Meets the benchmark</i>	<i>Meets the benchmark</i>	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>
Option B	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>	<i>Meets the benchmark</i>	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>
Option C	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>	<i>Meets the benchmark</i>	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>
Option D	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>	<i>Meets the benchmark</i>	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>
Option E	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>	<i>Meets the benchmark</i>	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>
Option F	<i>Does not meet the benchmark</i>	<i>Meets the benchmark</i>	<i>Meets the benchmark</i>	<i>Does not meet the benchmark</i>	<i>Does not meet the benchmark</i>

A brief description of the benchmarks and assessment of each Option's performance against them is provided below.

9.1.1 Operating Performance Ratio

Total continuing operating revenue (exc. capital grants and contributions) less operating expenses

Total continuing operating revenue (exc. capital grants and contributions)

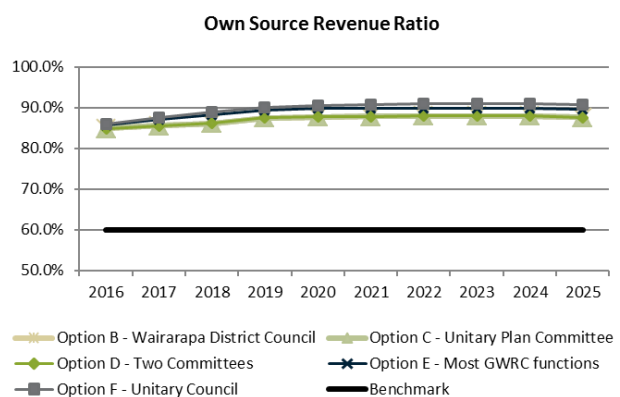
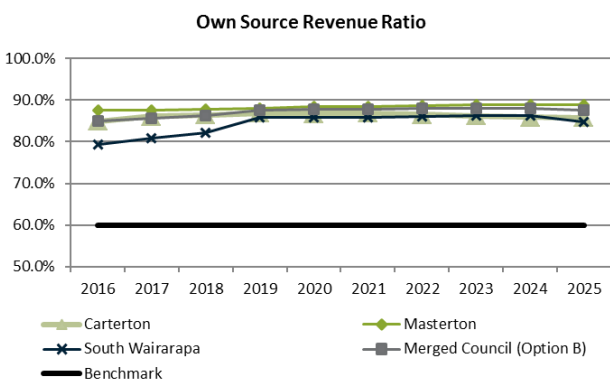


- New South Wales' TCorp recommended that all Councils should be at least break even operating position or better, as a key component of financial sustainability. The benchmark for this criteria is greater than or equal to break even over a 3 year period.
- Currently, only South Wairarapa District Council meets this benchmark. This is reflected through to the merged Council, with none of the combined District Council Options meeting the benchmark.
- Options B-D are just meeting the benchmark by the end of the ten year forecast period, with deficits of less than 5% in most years. However Options E and F result in deficits in the order of 15%, and remain well below the benchmark by the end of the forecast period.

9.1.2 Own Source Revenue Ratio

Total continuing operating revenue less all grants and contributions

Total continuing operating revenue inclusive of capital grants and contributions

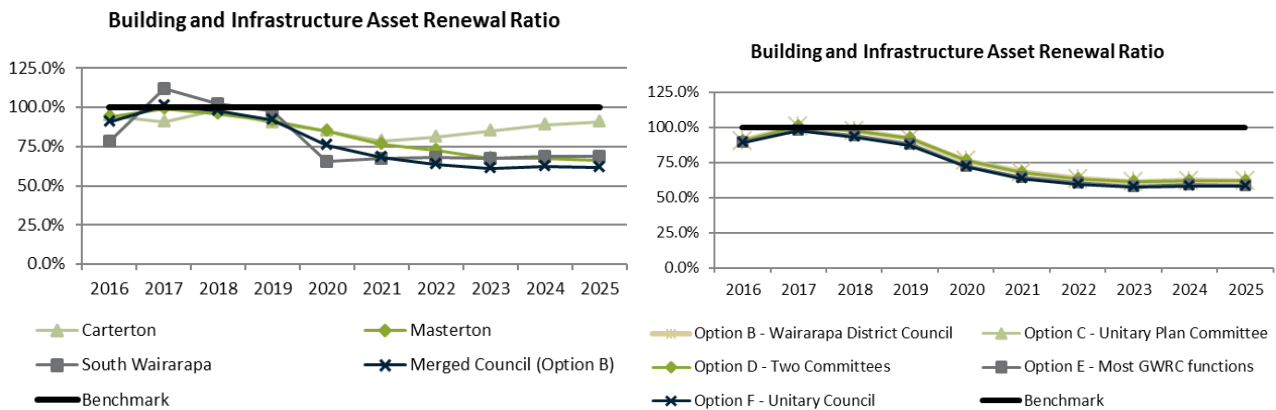


- New South Wales' TCorp has used a benchmark for own source revenue of greater than 60 per cent of total operating revenue. All Councils should aim to meet or exceed this benchmark over a three year period.
- While all the Options considered meet the benchmark, the funding structure of New Zealand councils results in significantly higher own sourced revenue than in NSW, so the benchmark is not a helpful indicator of financial sustainability.
- From 2019 onwards, all three councils have a similar proportion of own sourced revenue, which would continue under all the Options considered.

9.1.3 Building and Infrastructure Renewal Ratio

Asset renewals (building and infrastructure)

Depreciation, amortisation and impairment (building and infrastructure)

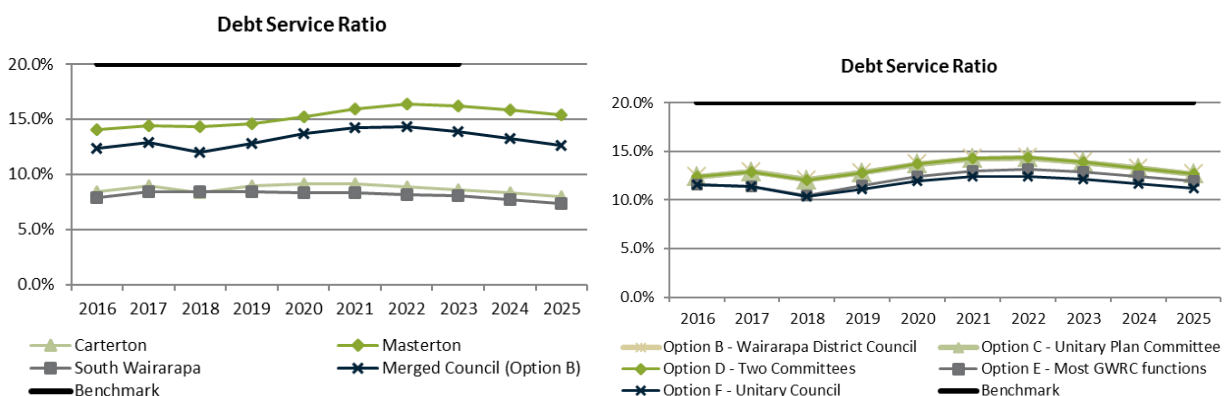


- The benchmark is that at least one hundred percent of depreciation, amortisation and impairment is spent on asset renewals
- None of the individual councils meet the benchmark, which is then reflected through in the benchmarks for the merged Council under Options B-F. The merged Council only meets the benchmark in one year (2017) over the 10 year forecast period. In the latter half of the LTP period, the average ratio is only approximately 60%, substantially below the benchmark.
- Performance of less than one hundred percent indicates that a Council’s existing assets are deteriorating faster than they are being renewed and that potentially council’s infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.
- Data has been taken from each council’s Funding Impact Statements. For Regional activities, the data is not split between new asset and asset renewal expenditure.

9.1.4 Debt Service Ratio

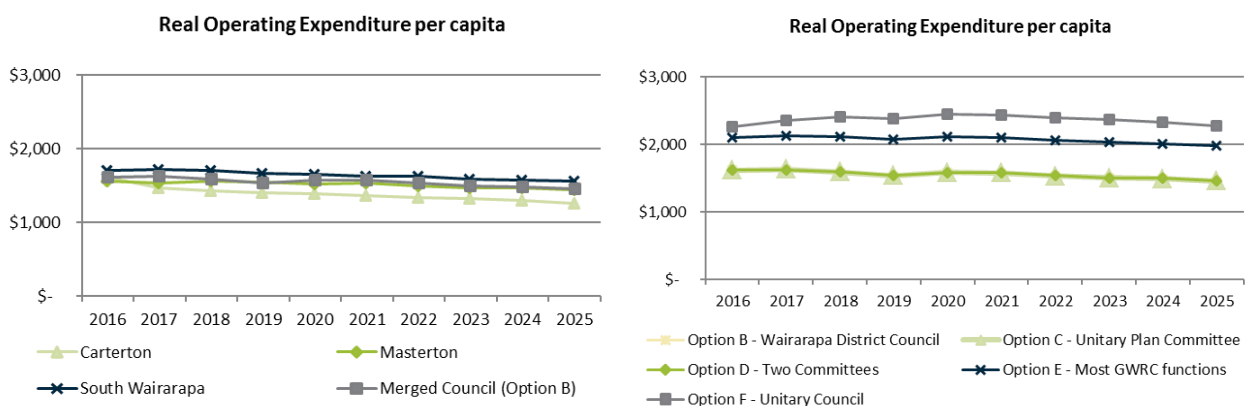
Cost of debt service (interest expense & principal repayments)

Total continuing operating revenue (exc. capital grants and contributions)



- It is appropriate for Councils to hold some level of debt given their role in the provision and maintenance of key infrastructure and services for their community. In New South Wales, it is considered reasonable for Councils to maintain a Debt Service Ratio of greater than 0 and less than or equal to 20 per cent.
- All three councils, plus the merged council under Options B-F, meet the benchmark. The majority of local authority debt is held by Masterton District Council.
- Once a proportion of GWRC’s debt is included in Options E and F, the debt service ratio falls by 0.7-2.0%.
- The debt service ratio, while it shows additional headroom for borrowing under all Options, does not take into account the operating shortfall under Options E and F, which is best illustrated by the Operating Performance Ratio.

9.1.5 Reduction in Real Operating Expenditure per Capita



- Assuming that service levels remain constant, decline in real expenditure per capita indicates efficiency improvements (i.e. the same level of output per capita is achieved with reduced expenditure).
- The three existing councils, plus the merged Council under Options B-E, all meet the benchmark.
- Option F does not meet the benchmark, with real operating expenditure per capita remaining static over time.
- The largest drop is for Option B (Wairarapa District Council), with a drop in real operating expenditure per capita of 10% over the ten year period.
- The calculation is based on the average forecast inflation rate across the councils

Appendix A Modelling Assumptions

Table 30: Modelling Assumptions

Assumption	Local Activities (component one)	Regional Activities (component two)
Levels of Service	<ul style="list-style-type: none"> In determining the cost of delivering local activities the model assumes that services will continue to be delivered as per the Service Levels proposed in the 2015/25 LTPs for each of the three Wairarapa District Councils 	<ul style="list-style-type: none"> In determining the cost of delivering regional activities, the model assumes that regional services will be delivered as per the Service Levels proposed in the 2015/25 LTP for Greater Wellington Regional Council (GWRC)
Operating Approach	<ul style="list-style-type: none"> The model assumes that local activities will continue to be delivered as per the existing operating approaches of each of the three Wairarapa District Councils (e.g. internal resource, contracted out) 	<ul style="list-style-type: none"> The model assumes that regional activities will continue to be delivered as per the existing operating approach of the GWRC (e.g. internal resource, contracted out)
Revenue (all sources)	<ul style="list-style-type: none"> Modelled revenue for local activities is based on the 2015/25 LTP financial policies and the 2015/16 budgets for each of the three Wairarapa District Councils (e.g. existing rating system for each council, existing fees and charges for each council) 	<p>Modelled revenue for regional activities is based on the:</p> <ul style="list-style-type: none"> financial policies and the 2015/16 budgets as set out in the GWRC 2015/25 LTP GWRC activity allocation for the Wairarapa
Staffing levels	<p>Management (Tiers 1 and 2)</p> <ul style="list-style-type: none"> Costs of current Tier 1 and 2 management have been identified. Depending on the Option existing Tier 1 and 2 management costs have been removed from the model and the Tier 1 and 2 management positions and salaries for the new Option determined and incorporated into the model 	<p>Management (Tiers 1 and 2)</p> <ul style="list-style-type: none"> Modelled for local activities, not modelled separately for regional activities This assumption is based on the premise that one additional Tier 2 manager would be needed to effectively manage a Wairarapa Unitary Authority or a Wairarapa District Council under Option E than would be needed to effectively manage an amalgamated Wairarapa District Council under the other Options
	<p>Governance and Corporate Services</p> <ul style="list-style-type: none"> Assume existing staffing levels across the three councils, however an allowance has been made for some attrition over the first three years of the new entity 	<p>Governance and Corporate Services</p> <ul style="list-style-type: none"> Modelled for local activities, not modelled separately for regional activities
	<p>Staff of all other groups of activities</p> <ul style="list-style-type: none"> Assume existing staffing levels for activities across the three councils, except where specifically stated under each Option 	<p>Staff of all other groups of activities</p> <ul style="list-style-type: none"> Staffing levels for regional activities determined based on GWRC apportionment of existing salary costs as budgeted in the GWRC 2015/25 LTP

Assumption	Local Activities (component one)	Regional Activities (component two)
Salary costs	Management (Tiers 1 and 2) <ul style="list-style-type: none"> Greenfield estimate, informed by Morrison Low expertise and industry benchmarks for similar roles 	Management (Tiers 1 and 2) <ul style="list-style-type: none"> Not modelled separately for regional activities Assumes an additional Tier 2 manager for Options E and F
	All other staff <ul style="list-style-type: none"> Based on existing salaries as budgeted for in the Wairarapa District Councils' 2015/25 LTPs except as harmonised as described below 	All other staff <ul style="list-style-type: none"> Staffing costs for regional activities determined based on GWRC apportionment of existing salary costs as budgeted for in the GWRC 2015/25 LTP
Overhead costs	<ul style="list-style-type: none"> Based on overhead costs as budgeted for in the Wairarapa District Councils' 2015/25 LTPs 	<ul style="list-style-type: none"> Based on an apportionment of GWRC department overheads (net of corporate overhead), as budgeted in the GWRC 2015/25 LTP
Other Operational Costs	<ul style="list-style-type: none"> Based on costs as budgeted in the Wairarapa District Councils' 2015/25 LTPs, except as noted in the activity assessments 	<ul style="list-style-type: none"> Based on the apportionment of costs for Wairarapa as stated in the GWRC 2015/25 LTP where possible Otherwise, based on the apportionment of costs by GWRC as shown in Appendix C and agreed to by the four Councils
Activity savings	<ul style="list-style-type: none"> As specified in the activity assessments for each Option The most sensitive assumption is the cost of converting to a standardised IT platform and system. A cost of \$10M has been assumed, refer to Section 4.9 for details and a sensitivity analysis 	<ul style="list-style-type: none"> As specified in the activity assessments for each Option
Inflation rates	<ul style="list-style-type: none"> For the first 10 years data has been loaded as per each council's 2015/25 LTP From years 11 to 30 costs and revenues have been inflated using an average of 3.3% inflation per annum 	<ul style="list-style-type: none"> For the first 10 years data has been loaded as per the GWRC analysis of the 2015/25 LTP Same percentage inflation for years 11 to 30 as for local activities
Financial Projections – years 11 to 30	<ul style="list-style-type: none"> Data from year 10 extrapolated using inflation factors (this includes assumed savings and cost which are considered to be ongoing adjustments to the base data) 	<ul style="list-style-type: none"> Same approach as applied to local activities

Appendix B – Summary of Local and Regional Activities

Table 31: Local and Regional Activities

	Local Activities	Regional Activities
Governance, Corporate and Strategic Planning	<ul style="list-style-type: none"> • Democracy Services • Strategic Planning • Accounting, HR, IT, Communications and Customer Services • Rural Fire, Civil Defence and Emergency Management 	<ul style="list-style-type: none"> • Relationships with Iwi • Wellington Regional Strategy • Regional Initiatives • Regional Transport Planning • Climate Change Planning • Emergency Management • Democratic Services
Transportation	<ul style="list-style-type: none"> • Roads, Footpaths, Parking • Rural Bus Services 	<ul style="list-style-type: none"> • Public Transport
Water Supply	<ul style="list-style-type: none"> • Urban and Rural Water Supply 	<ul style="list-style-type: none"> • Bulk Water Supply*
Wastewater	<ul style="list-style-type: none"> • Treatment and Disposal 	
Solid Waste	<ul style="list-style-type: none"> • Waste Minimisation and Management 	
Stormwater and Flood Protection	<ul style="list-style-type: none"> • Stormwater • Land Drainage 	<ul style="list-style-type: none"> • Understanding Flood Risk • Improving Flood Security • Maintaining Flood Protection and Control Works
Regulatory Services and Planning	<ul style="list-style-type: none"> • Resource Management • Building Control • Environmental Health, Liquor Licensing, Animal Control 	<ul style="list-style-type: none"> • Resource Management (policy, regulation & science)
Parks, Community Facilities and Activities	<ul style="list-style-type: none"> • Parks, Reserves, Sports fields • Swimming Pools, Recreation Centres • Community Facilities and Activities • Libraries and Archives 	<ul style="list-style-type: none"> • Parks*
Social and Economic Development	<ul style="list-style-type: none"> • Economic Development • Social Development 	
Environment and Heritage	<ul style="list-style-type: none"> • Natural and Cultural Heritage 	<ul style="list-style-type: none"> • Land Management • Biodiversity Management • Pest Management • Harbour Management*

* GWRC activities not applicable to the Wairarapa

Appendix C – GWRC allocation of costs

The following allocation of costs was proposed by GWRC and agreed to by the four councils.

Costs were allocated based on a mixture of criteria, as shown in the Table below.

Table 32: Principles of allocation of GWRC costs to the Wairarapa

Activity	Allocation Basis	
Regional Leadership	Wellington Regional Strategy	Rating allocation formula
	Emergency Management	Population proportion
	Democratic services	Representation proportion (1 of 13 Councillors)
	Relationships with Iwi	Iwi location proportion (2 of 6)
	Regional transport planning and programmes	Population proportion
	Regional initiatives (including WWUP)	Location of cost (Wairarapa Water Use Project fully allocated to Wairarapa)
	Climate change planning and activities	Population proportion
Flood protection	Understanding flood risk	Location of cost
	Maintaining flood protection and control works	Location of cost
	Improving flood security	Location of cost
Environment	Land Management	Location of cost and staff
	Biodiversity management	Location of cost and staff
	Pest management	Location of cost and staff. The predator control programme is weighted to reflect higher maintenance costs in the Western region
	<i>Resource Management - Policy</i>	Proportion of work programme
	<i>Resource Management - Regulation</i>	Proportion of work programme
	<i>Resource Management - Science</i>	Proportion of work programme
Public Transport	Mix of location of cost, Proportion of work programme, Proportion of trip kms	
Investments	General rates contribution	
Regional Stadium	Rating allocation formula	

Table 33: GWRC allocation of rates-funded costs to the Wairarapa

	2015/ 16	2016/ 17	2017/ 18	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25
Regional Leadership	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Flood Protection	23%	22%	21%	21%	20%	20%	20%	19%	19%	19%
Environment – total	48%	49%	49%	49%	49%	49%	49%	49%	49%	49%
Land management	95%	93%	93%	93%	93%	93%	93%	93%	93%	93%
Biodiversity management	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
Pest management	34%	37%	41%	43%	43%	43%	43%	43%	43%	43%
Resource management	49%	44%	44%	44%	44%	44%	43%	43%	43%	43%
Public Transport	5%	5%	5%	6%	6%	6%	6%	6%	6%	5%
Regional Parks	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Water supply	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Note: Regional Parks and Water Supply are not applicable in the Wairarapa.

Income from the Centreport shares was taken into account in our financial modelling as this was included in the allocation of investment incomes for Option F. 10% of investment incomes were allocated to the Wairarapa (based on the Wairarapa portion of the general rate).

For the purposes of our report the sale of Centreport shares has not been addressed as there are a number of options resulting from this that would need to be addressed, were an amalgamation to occur.

Appendix D – Te Upoko Taiao Terms of Reference¹⁸

1. Review and develop regional plans.
2. Review operative regional plans.
3. Prepare proposed regional plans.
4. Prepare any variations to proposed regional plans.
5. Prepare any plan changes in relation to operative regional plans.
6. Recommend to the Council that proposed plans, proposed variations and proposed plan changes proceed to public notification.
7. Review any provisions which the Council may refer back to the committee for further consideration.
8. Oversee consultation as required under the First Schedule of the Resource Management Act 1991.
9. Appoint hearing committees or hearings panels to hear and decide upon submissions on proposed regional plans, proposed variations and proposed plan changes. (Such hearings committees or panels may include members of the Committee and may include non-elected members chosen for their particular skills, attributes or knowledge relevant to the functions and powers of the hearings committee or panel.)
10. Oversee the Council's resource management consenting and monitoring responsibilities
11. Ensure that the Council effectively reports on the state of the region's environment and recommend a formal report on the State of the Environment for adoption by the Council every six years.
12. Consider and determine applications for resource consents in the region.
13. Appoint hearing panels, subcommittees and commissioners to hear and determine notified resource consents that require a hearing.
14. Ensure the Council adheres to national policy statements, environmental standards and other regulatory requirements.
15. Monitor the implementation of regional plans, compliance with the Resource Management Act and the Council's oversight of resource consents.

¹⁸ <http://www.gw.govt.nz/assets/General-uploads/TUTNRMP-Terms-of-Reference.pdf>

Appendix E – Potential Local Government Options for Wairarapa

9.1.5.1 Context

1. These options were developed in a workshop with Wairarapa and regional council councillors on the 23 November 2015 and a further workshop with a smaller group of councillors and officers on 21 December 2015. A further round of changes were made following additional workshops with councillors in February 2016 and May 2016.
2. Rangitāne o Wairarapa and Kahungunu ki Wairarapa are in Treaty of Waitangi settlement negotiations with the Crown. Local governance arrangements agreed through the settlement process will have to be implemented by the Local Government Commission and councils in any new council arrangements. The mandating of Te Upoko Taiao through the Kahungunu settlement in particular will impact on the governance of regional plans and regional policy statements under the RMA in the Wairarapa. Any new Wairarapa natural resource management committee will have to have 50/50 elected councillor and iwi nominated membership to reflect the current governance structure of Te Upoko Taiao and the settlement agreements.
3. Several options include the creation of new committees to formalise the relationship between territorial and regional government in the Wairarapa. While the Local Government Commission can recommend that particular committees are established as part of a reorganisation, currently the Commission cannot require that a committee exists beyond one council term. Legislative change is needed to make these committees enduring. Under legislative proposals announced by the Government in March, the Commission will be able make these committees enduring. It is expected that the legislation will be passed in late 2016 or early 2017.

9.1.5.2 Option A – the Status Quo

4. Under this option there would be no structural change. The four councils in the Wairarapa would continue to look for opportunities to work together to increase the efficiency and effectiveness of local government services.

9.1.5.3 Option B – Wairarapa District Council

5. This option would create a new district council, combining South Wairarapa District Council, Carterton District Council, and Masterton District Council into one council called the Wairarapa District Council (WDC).
6. The role, functions and services provided by Greater Wellington Regional Council (GWRC) in the Wairarapa would be unchanged.
7. Wairarapa councillors would be elected from seven wards – five from Masterton, two from Carterton, one each from Greytown, Featherston and Martinborough; plus two rural wards with one councillor each. Current ward boundaries for Masterton urban, Martinborough, Greytown and Featherston would be retained. The existing Carterton urban, Carterton rural and Masterton rural wards would be replaced with one Carterton ward and two rural wards. The three existing community boards in Martinborough, Featherston and Greytown would be retained with five instead of six members. Community boards for Carterton and Masterton would be established with six and seven members respectively. There would also be a rural advisory committee and a Māori Advisory Committee.¹⁹

¹⁹ <http://www.mstn.govt.nz/events/latest/Governance%20structureNov.pdf>

9.1.5.4 Option C – Wairarapa District Council and a joint Wairarapa Unitary Plan Committee

8. In addition to the WDC, a new joint Unitary Plan Committee of the WDC and GWRC would be established. The Wairarapa Unitary Plan Committee would comprise WDC, GWRC and iwi members.
9. The committee would be responsible for developing a single resource management plan for the Wairarapa, combining both the regional council and district council resource management plans into a single 'unitary' plan.
10. The committee would also have an on-going role in evaluating the implementation of the plan, ready for the next review of the plan.
11. The unitary plan would go to the Wairarapa District Council and the Greater Wellington Regional Council for final approval and adoption.
12. All resource consent decisions and monitoring would remain with their respective district and regional council.
13. The committee would be made up of three members from GWRC, three from WDC, three nominated by Rangitāne and three nominated by Kahungunu ki Wairarapa (twelve members in total). The proposed iwi membership on this committee reflects the Agreement in Principle with the Crown for Kahungunu ki Wairarapa's Treaty Settlement.
14. The committee would be advised by officers from both councils. Arrangements for servicing of the committee would be as agreed by the councils.

9.1.5.5 Option D – Wairarapa District Council and two committees with the regional council

15. Under this option, the WDC would be formed as Option B above. In addition, two new regional council committees would be established – a Wairarapa Services Committee and a Wairarapa Natural Resources Committee.
16. GWRC would continue to rate for these functions and services and be responsible for service delivery.
17. For resource management planning, there would continue to be a separate Wairarapa district plan and regional council natural resources plan. There would not be a unitary plan for the Wairarapa.
18. **Wairarapa Services Committee:** This committee would be responsible for a number of activities and services for the Wairarapa that are currently delivered by Greater Wellington Regional Council, with the purpose of increasing the Wairarapa/rural 'lens' over these activities and services. The committee would be set up as a standing committee of the regional council.
19. The Wairarapa Services Committee would have four RC members and four WDC members. This committee would also have a representative nominated by each of Rangitāne and Kahungunu ki Wairarapa with voting rights. Specialist or expert non-voting members could be co-opted on to the committee for particular issues.
20. The co-chairs would be a regional councillor and a Wairarapa district councillor.
21. This committee's functions would include the following regional council activities in the Wairarapa:
 - flood management
 - land management activities (e.g. erosion control work)
 - biosecurity
 - biodiversity

22. The committee would also be able to provide advice on any other Wairarapa issues it considered relevant to the regional council, such as public transport issues.
23. The committee would make recommendations to the regional council for final approval. If the regional council does not approve the committee's recommendation, it must send the issue back to the committee for further consideration. This is similar to the operation of several other regional council committees and, in practice, decisions are rarely returned to the committee for further consideration.
24. **Wairarapa Natural Resources Committee** A committee would be established for RMA planning functions with the same delegations as Te Upoko Taiao.
 - 24.1. The terms of reference for Te Upoko Taiao gives the committee an oversight role for resource consenting (largely reporting on the activity) and the ability to appoint hearing commissioners. In practice this is a very limited role.
 - 24.2. The terms of reference also provide for delegated authority to an Appointments Group to appoint hearing commissioners. The Appointments Group consists of the co-chairs of the Committee, the chair of the Environment Committee, in consultation with the General Manager Environment.
 - 24.3. The regional council delegates the power to decide resource consents to the hearings commissioners appointed by the Appointments Group or the Committee. (Under the RMA only the Council can delegate this power.)
 - 24.4. All resource consents not decided by hearings commissioners (i.e. non-notified consents) are delegated to council officers.
 - 24.5. No resource consents are determined directly by Te Upoko Taiao.
25. This standing committee would include three members from GWRC, three from WDC and three nominated by Rangitāne and three nominated by Kahungunu ki Wairarapa (twelve members in total).

9.1.5.6 Option E – Wairarapa District Council takes on most regional council functions

26. This option involves transferring all regional council functions to WDC except public transport, regional transport planning and sustainable transport promotion, emergency management, regional economic development, and climate change.
27. This would mean the WDC taking on the roles of flood management, land management, and environmental management under the RMA. The WDC's resource management committee would include half its members nominated by Rangitāne and Kahungunu ki Wairarapa.
28. WDC would rate its residents for its new functions.

9.1.5.7 Option F – Wairarapa Unitary Council

29. This would be a new unitary council, combining South Wairarapa District Council, Carterton District Council, Masterton District Council and the regional council in the Wairarapa into one council called the Wairarapa Unitary Council (WUC).
30. The Wairarapa would no longer be part of the Wellington region. GWRC would not have jurisdiction over or carry out any activity in the Wairarapa.
31. WUC would have wards and community boards the same as the WDC in Option B.
32. WUC's natural resource management committee would include half its members nominated by Rangitāne and Kahungunu ki Wairarapa, as per the Kahungunu ki Wairarapa Treaty settlement.

33. WUC would rate Wairarapa residents for all district council and regional council functions. It would employ or contract all council officers working in the Wairarapa. WUC could still participate in shared arrangements with other councils, for regional emergency management for example.