

Assessment of Wairarapa Local Government Options Summary Presentation

3 June 2016



Local Government
Commission

Mana Kāwanatanga ā Rohe



The approach

1. The assessment has been designed to provide robust information
2. It has been based on the 2015/25 Long Term Plans (including policies and strategy statements) of the four affected councils. These documents have been externally reviewed and publicly consulted on.
3. The assessment of the six options is both qualitative and quantitative
4. Where needed, the assumptions were agreed with the Project Control Group. The membership of this group was staff of the Local Government Commission and senior staff of the affected councils.

Document status			
Ref	Version	Approving director	Date
2165	FINAL for Local Government Commission	Bruce Nicholson	3 June 2016

This summary is based on the presentations Morrison Low made to all four councils and their elected members. Care has been taken for it to faithfully reflect our full findings detailed in our report to the Local Government Commission. However it is recognised that this presentation is necessarily summarised and it is recommended that a reader should refer the full report for our complete assessment of the options.

Option A is the status quo, the remaining options require some reform of governance and management responsibility for local and regional activities











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 Roading, Utilities, Stormwater, Regulatory Services and Planning, Parks, Community Facilities and Activities, Social and Economic Development and Environment and Heritage
2. Regional governance includes Relationships with Iwi, Regional Strategy, Regional Initiatives, Emergency Management, Democratic Services and Climate Change
3. Land Management includes Biodiversity Management and Pest Management
4. Governance of these activities under Option D is by a standing committee of GWRC

Note - Table excludes Regional Parks, Regional Water Supply and Harbor Management as these are not applicable to the Wairarapa

Representation under different options

	District		Regional	
Status Quo	MDC	 1 Mayor and 10 Councillors	One District Councillor per 2,123 people	 1 Regional Councillor
	CDC	 1 Mayor and 8 Councillors	One District Councillor per 915 people	
	SWDC	 +  1 Mayor and 9 Councillors 12 Community Board Members	One District Councillor per 952 people	
Options B to E	 1 Mayor and 12 Councillors	+  21 Community Board Members	One District Councillor per 3,162 people	 1 Regional Councillor
Option F	 1 Mayor and 12 Councillors	+  21 Community Board Members	One Councillor per 3,162 people	No Regional Councillor

There are strategic opportunities in combining local activities into one Wairarapa Council under Options B-F

	Corporate/ Governance	Roading	Three Waters	Waste Management	Community Facilities, Parks and Sports	Regulatory and Planning
Status Quo (Option A)	<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"> Jointly awarded Roothing Maintenance Contracts. Aim to produce a consistent standard and to reduce procurement costs CDC roading professional services provided by MDC staff 	<ul style="list-style-type: none"> Different charging regimes and levels of service 	<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"> Joint library service (CDC/SWDC) 	<ul style="list-style-type: none"> Combined District Plan, selected policies, district licensing committee Joint bylaws (MDC/SWDC) Pooled building control staff when required
Service Delivery opportunities (Options B-F)	<ul style="list-style-type: none"> Increased capability for financial planning No reduction in customer responsiveness as service centre numbers are retained Potential transitional loss of staff and local knowledge through organisational restructure 	<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 	<ul style="list-style-type: none"> Rationalisation of services and upgrades Improved resilience Reduced procurement costs 	<ul style="list-style-type: none"> No additional cost savings or service delivery efficiency gains 	<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 	<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

	Regional Leadership	Public Transport	Environment includes RMA and Land Management	Flood Protection and Control
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
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/service 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

Increased scale of the local council allows for strategic scale and capacity benefits from a Wairarapa perspective

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

There are Governance advantages and disadvantages with all options – the following reflect a Wairarapa perspective

Governance advantages and disadvantages	
Option A	<ul style="list-style-type: none"> No disruption to structures/ processes Established willingness to collaborate through Joint Committees Duplicated decision making processes, plans etc. Increased engagement costs for community No unified voice Reliance on Joint Committees Inconsistent engagement with Iwi
Option B	<ul style="list-style-type: none"> Stronger mandate and advocacy and simpler, consistent governance structure and framework for district Clear separation of regional, district responsibilities Normalised risk that community boards, rural and Maori advisory boards are not empowered to be effective Separation of decision making at regional, district level
Option C	<ul style="list-style-type: none"> Ability to integrate regional and district planning Strong Wairarapa and Iwi influence on planning for district Both WDC and GWRC only have minority interest on key resource management policy committee
Option D	<ul style="list-style-type: none"> Strong WDC and Iwi influence on regional council functions and services Potential for better integration of services between GWRC and WDC GWRC retains responsibility for funding and decision making
Option E	<ul style="list-style-type: none"> Clear decision making and funding responsibility for transferred functions lies with WDC Decision making and funding for activities with a region wide focus remains with GWRC Provides for good transparency and accountability Larger impact on GWRC decision making and staff – increased implementation challenges Ongoing need for co-operation on transferred functions with GWRC Confusion about role of regional council and district council Less involvement of Iwi in decision making than in Option D
Option F	<ul style="list-style-type: none"> Provides the most autonomy for decision making in Wairarapa Simpler decision making should be more responsive One tier of local government removes regional versus district conflicts Some regional decision making could be compromised if insufficient co-operation with GWRC

Bullet points in green are considered advantages, points in red are considered disadvantages or risks. This doesn't include disbenefits from a GWRC perspective such as stranded costs and loss of the traditional greater Wellington perspective

Greater Wellington Regional Council is also affected by each option

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 regional management and environmental responsibilities of GRWC to the Wairarapa 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 Retains potential risk of stranded costs and maintenance of capability Potential for reduction in rates for remainder of GWRC region

Note: in Options A-D, GWRC retains its size and scale regionally and nationally; this is lessened under Options E and F.

A range of assumptions have been made to financially model and compare the options

Assumption	Local Activities	Regional Activities
Levels of Service	<ul style="list-style-type: none"> Will continue to be delivered as per the existing Service Levels of each of the three Wairarapa District Councils 	<ul style="list-style-type: none"> Will be delivered as per existing Service Levels for GWRC
Operating Approach	<ul style="list-style-type: none"> Continue to be delivered as per the existing operating approaches of each of the three Wairarapa District Councils 	<ul style="list-style-type: none"> Continue to be delivered as per the existing operating approach of GWRC
Revenue	<ul style="list-style-type: none"> Existing rating system, fees and charges for each council 	<ul style="list-style-type: none"> Based on financial policies and the 2015/16 budgets as set out in the GWRC LTP and activity allocation for the Wairarapa
Staffing levels	<p>Management (tiers one and two)</p> <ul style="list-style-type: none"> Existing tier one and two management costs have been removed and the tier one and two management positions and salaries for the new option incorporated into the model 	<p>Management (tiers one and two)</p> <ul style="list-style-type: none"> Assumes that tier one and two managers would remain with the GWRC for an WUC
	<p>All other staff</p> <ul style="list-style-type: none"> Reviewed to determine if revision is required for each option 	<p>All other staff</p> <ul style="list-style-type: none"> Staffing levels determined based on GWRC apportionment of existing salary costs as budgeted in the GWRC LTP Reviewed to determine if additional staff are required for each option
Salary costs	<p>Management (tiers one and two)</p> <ul style="list-style-type: none"> Greenfield estimate, informed by Morrison Low expertise and industry benchmarks for similar roles 	<p>Management (tiers one and two)</p> <ul style="list-style-type: none"> Assumes an additional tier two manager for an WUC
	<p>All other staff</p> <ul style="list-style-type: none"> Based on existing salaries as budgeted for in the Wairarapa District Councils' LTPs 	<p>All other staff</p> <ul style="list-style-type: none"> Based on GWRC apportionment of existing salary costs as budgeted for in the GWRC LTP
Overhead costs	<ul style="list-style-type: none"> Based on overhead costs as budgeted for in the Wairarapa District Councils' LTPs 	<ul style="list-style-type: none"> Based on an apportionment of GWRC department overheads (net of corporate overhead), as budgeted in the GWRC LTP
Other Operational Costs	<ul style="list-style-type: none"> Based on costs as budgeted in the Wairarapa District Councils' LTPs 	<ul style="list-style-type: none"> Based on apportionment of costs budgeted in the GWRC 2015/25 LTP where possible Otherwise, apportionment of GWRC LTP budgets where budgets are not available for Wairarapa
Transition costs	<ul style="list-style-type: none"> The most sensitive assumption is the cost of converting to a standardised IT platform and system. A cost of \$10M has been assumed¹ 	

Note: There are some other specific assumptions made for each Option in the model.

¹There is limited confidence in this assumption which would require more study. Refer to the full report for sensitivity around this assumption.

Over 10 years, there is a similar financial result for Options A-D, while Options E and F result in a significant shortfall

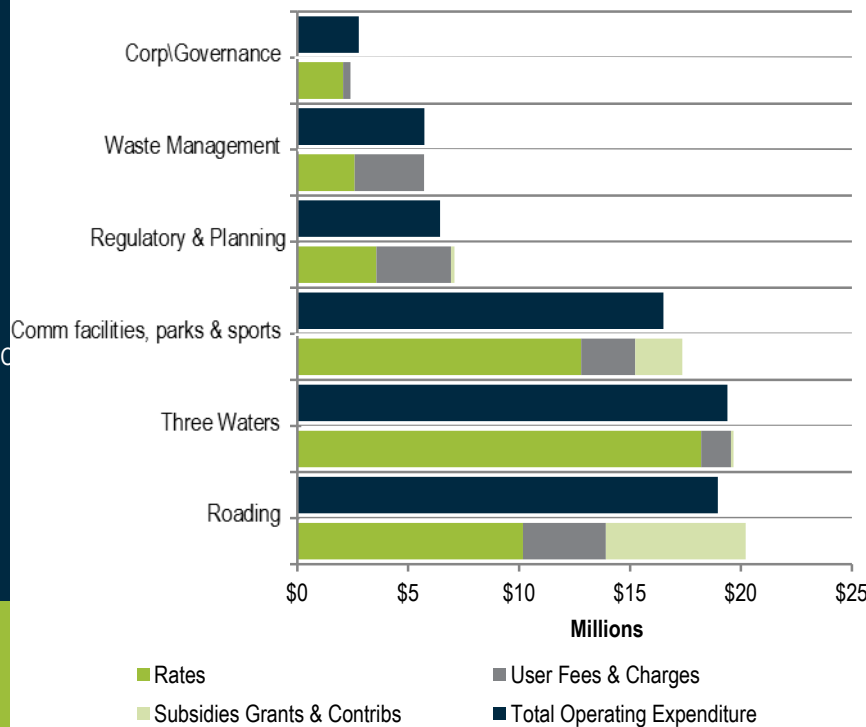
Net operating result \$000s*

Option		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Over 10 years
Option A	Revenue	73,412	72,761	74,952	77,497	79,014	81,785	84,414	86,883	89,295	91,530	94,581	
	Costs	70,628	70,589	72,993	74,027	75,535	78,066	78,961	80,564	83,241	84,510	87,327	
	Operating result	2,784	2,172	1,959	3,470	3,479	3,719	5,453	6,319	6,054	7,020	7,254	46,899
Option B	Revenue	73,412	72,761	74,952	77,497	79,014	81,785	84,414	86,883	89,295	91,530	94,579	
	Costs	70,628	70,589	72,993	74,027	75,535	78,066	78,961	80,564	83,241	84,510	87,461	
	Net Efficiencies = saving(cost)	0	(2,395)	(296)	1,341	(264)	(121)	24	171	318	468	619	
	Operating result (deficit)	2,784	(223)	1,663	4,811	3,215	3,598	5,477	6,490	6,372	7,488	7,738	46,628
Option C	Revenue	73,412	72,761	74,952	77,497	79,014	81,785	84,414	86,883	89,295	91,530	94,579	
	Costs	70,628	71,005	73,420	74,466	75,987	78,179	79,078	80,684	83,366	84,639	87,594	
	Net Efficiencies = saving(cost)	0	(2,395)	(296)	1,341	(264)	(121)	24	171	318	468	619	
	Operating result (deficit)	2,784	(639)	1,236	4,372	2,763	3,485	5,361	6,369	6,248	7,359	7,605	44,159
Option D	Revenue	73,412	72,761	74,952	77,497	79,014	81,785	84,414	86,883	89,295	91,530	94,579	
	Costs	70,628	70,790	73,199	74,238	75,752	78,289	79,191	80,801	83,486	84,764	87,723	
	Net Efficiencies = saving(cost)	0	(2,395)	(296)	1,341	(264)	(121)	24	171	318	468	619	
	Operating result (deficit)	2,784	(424)	1,457	4,599	2,998	3,375	5,247	6,252	6,127	7,234	7,475	44,340
Option E	Revenue	86,431	86,345	89,343	92,226	95,567	97,130	100,207	103,186	106,135	108,947	112,577	
	Costs	92,178	93,259	97,163	99,733	102,152	105,302	107,113	109,775	112,616	115,130	119,102	
	Net Efficiencies = saving(cost)	0	(3,103)	(951)	689	(276)	(132)	12	158	306	455	606	
	Operating result (deficit)	(5,747)	(10,017)	(8,771)	(6,818)	(6,861)	(8,305)	(6,894)	(6,430)	(6,175)	(5,729)	(5,920)	(71,919)
Option F	Revenue	91,669	94,603	101,168	104,995	106,730	110,600	114,120	117,552	120,876	123,558	127,675	
	Costs	99,073	103,078	110,685	114,543	117,911	121,643	124,020	127,319	130,393	132,772	137,332	
	Net Efficiencies = saving(cost)	0	(3,103)	(951)	689	(276)	(132)	12	158	306	455	606	
	Operating result (deficit)	(7,404)	(11,577)	(10,468)	(8,860)	(11,456)	(11,175)	(9,888)	(9,609)	(9,211)	(8,759)	(9,051)	(100,055)

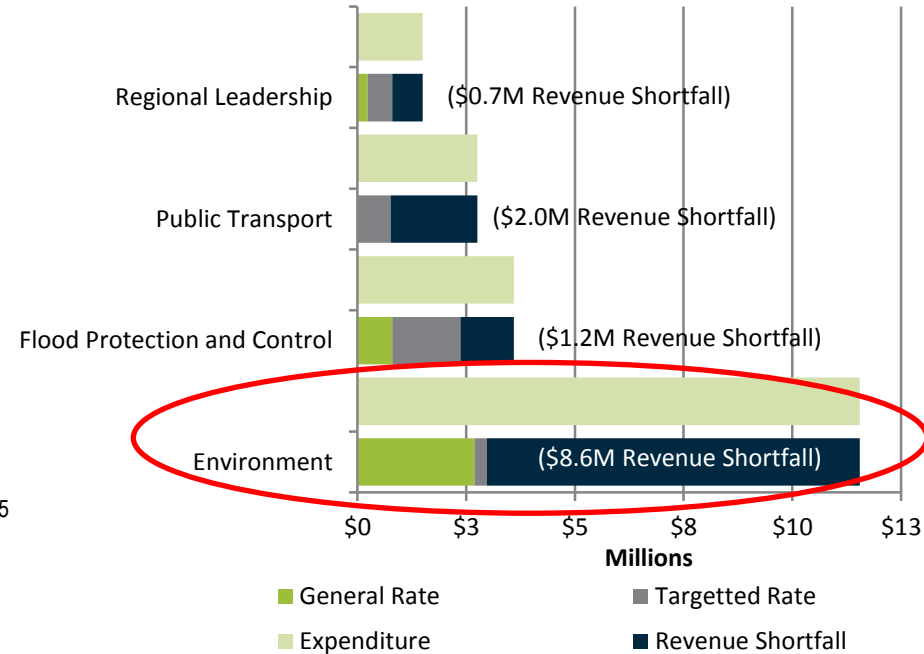
*Note that the financials are rounded off

The key 10 year feature is the annual operating loss under Options E and F. For 2015/16, the following shows where the key activity shortfalls are which would need to be covered by the Wairarapa community

Local Activities (Option B)



Regional Activities (Option F)



Summary Options A to D

Option	Representation	Governance	Strategic Benefits	Operating Result ¹	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
	Greater Wellington 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
	Greater Wellington Perspective	<ul style="list-style-type: none"> Status Quo 	<ul style="list-style-type: none"> Stronger mandate and governance from Wairarapa 	-	-	-
Option C	Wairarapa Perspective	<ul style="list-style-type: none"> Same as Option B 	<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
	Greater Wellington 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"> Duplication of RMA Plans for GWRC 	-	<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
	Greater Wellington 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

¹ Net operating result across Years 1-10

Summary Options E and F

Option	Representation	Governance	Strategic Benefits	Operating Result ¹	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 	-\$71.9M	<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
	Greater Wellington 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 	-\$100.1M	<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
	Greater Wellington 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

¹ Net operating result across Years 1-10

Conclusions

1. The assessment has been designed to provide robust information
2. Quantitative issues are important but so are qualitative issues (governance; scale)
3. There are a number of matters for the Wairarapa and Wellington communities to discuss that are qualitative and quantitative in nature; they are the relative benefits of :
 - A consolidated Wairarapa District Council (Options B, C & D), which brings improved capability, capacity, operational and governance opportunities 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)