



Local Government
Commission
Mana Kāwanatanga ā Rohe



Strengthening the Wellington region

Recommendations to councils

December 2017

Foreword

Metropolitan Wellington is made up of Wellington, Porirua, Lower Hutt, Upper Hutt and increasingly the Kāpiti Coast. This urban area functions as a single “city” with the daily lives of citizens spanning the numerous local authority boundaries. The extent of fragmentation within it is greater than in any other major urban area of New Zealand. As a result the challenges of achieving efficient and effective planning and delivery of local services across the “city” require more complex coordination among multiple decision-makers than elsewhere.

During the course of the reorganisation process, Wellington communities made it clear that they do not support large scale local authority reorganisation as a means of improving the decision-making over, and delivery of, their local government services.

Since 2015 the Commission and councils have undertaken work to explore other options for addressing local government issues in several key areas. Some progress has been achieved but major challenges remain.

The creation of Wellington Water during the course of the Commission’s reorganisation process has been a positive step towards delivering improved value to ratepayers. The evolution of the organisation’s role as advisor to its owner councils will continue to improve that value.

However significant challenges remain for land transport and land use and infrastructure planning across the metropolitan area as a whole. Unless they are addressed jointly by councils, the western Wellington region will fail to optimise these council services for its communities. Our work with councils and their own joint work provide a platform for action on these challenges.

The Commission’s formal reorganisation process for the Wellington region is at an end. We now ask the Mayors and councillors of the region to take the lead, to agree the status quo is not good enough and to decide a new approach is required to get the best outcomes for their citizens and for the whole Wellington region in a timely and efficient way.



Sir Wira Gardiner Chair Local Government Commission

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At a glance

- Urban Wellington is made up of highly interdependent districts
- One council's response or lack of response to a cross-boundary issue impacts on its neighbours' residents and the region's economy
- Cross-boundary issues include housing affordability, economic growth, infrastructure resilience, climate change adaptation, transport and land-use planning

Integrated planning

- While the Wellington region's councils do some joint planning, there is considerable scope to reduce the time and cost taken to reach decisions and to improve the quality of the outcomes reached
- Integrated planning for cross-boundary council issues would enable more comprehensive solutions, speed up joint action, save councils' money, and reduce the social costs and productivity losses due to delayed action
- There are significant barriers to Wellington's urban councils agreeing to integrate planning but examples elsewhere in New Zealand show these barriers can be overcome
- Success factors from elsewhere in New Zealand include leadership by mayors and councillors, an independent chair, council officers dedicated to the joint project, and a senior official to champion the work
- The government's urban development capacity requirements create additional pressure for Wellington's urban councils to set up efficient and comprehensive integrated planning

Land transport

- The region's transport network is under pressure and this will only increase in the future
- Fragmentation is impacting on productivity and council capability is constraining its effectiveness
- Ad hoc arrangements to address fragmentation and capability issues have limitations
- Taking a formalised, strategic approach to cross-boundary transport governance, planning and implementation will get better outcomes for the region

Water services

- Urban Wellington is better off with Wellington Water now in place in terms of the efficiency, effectiveness and resilience of its three waters services
- However, the greatest potential gains from Wellington Water are still in the future
- Owner councils' continued commitment is needed to realise these benefits

Overall

- Given the region's experience and gains from Wellington Water, councils are well placed to address jointly the region's planning and land transport issues

Recommendations

1. The Local Government Commission recommends that Wellington City, Porirua City, Upper Hutt City, Hutt City and Kāpiti Coast District and Greater Wellington Regional Council:
 - 1.1. Note that integrating planning for urban Wellington issues that cross council boundaries would enable more comprehensive solutions, speed up joint action, save councils' money, and reduce the social costs and productivity losses due to delayed action
 - 1.2. Note that fragmentation is impacting on the productivity of the urban Wellington transport network
 - 1.3. Note that an effective, timely response to these issues will require a new approach from mayors and councillors
 - 1.4. Build on your experience with Wellington Water, to set up
 - a robust, productive joint council governance arrangement to make decisions and oversee action to address the urban area's integrated planning and transport issues and
 - a dedicated team of officials to support this joint governance group
 - 1.5. Note that the development of new arrangements for urban Wellington should not be at the expense of appropriate whole-of-region decision-making including the Wairarapa and other rural parts of the region.
2. The Commission recommends Wellington City, Porirua, Upper Hutt, Hutt City and Greater Wellington Regional Council continue to actively support the development of Wellington Water and specifically support:
 - 2.1. Maintenance of the trusted advisor basis of the relationship between Wellington Water and the councils
 - 2.2. Implementation of the one budget concept
 - 2.3. Wellington Water's development of optimised 10-year Service Plans and 30-year Infrastructure Plans
 - 2.4. Wellington Water to develop a more direct relationship with customers
 - 2.5. Wellington Water to have the scope to respond to emergencies in an agile manner.
3. The Commission recommends that South Wairarapa, Carterton, Masterton and Kāpiti Coast District Councils consider whether joining Wellington Water could improve the efficiency and effectiveness of their three-waters services to residents and ratepayers.
4. The Commission requests the Wellington region's councils provide a written response to these recommendations by 30 April 2018.
5. The Commission recommends that the Minister of Local Government notes these recommendations to councils and the timeline for their response.

Context

Applications from councils for amalgamation

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

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

In December 2014, after undertaking a series of investigations and public consultation, the Commission publicly notified a draft proposal for a single region-wide unitary council, and invited public submissions. The public was generally opposed to the draft proposal.

Community rejects large scale amalgamation

In June 2015, in response to the consultation process, the Commission withdrew that proposal, but decided to continue the reorganisation process with the aim of identifying a new preferred option which would be more likely to achieve widespread community support. While the community had not supported a ‘super-council’ for the Wellington region, many expressed support for smaller scale change.

Reflecting on the experience of the earlier process, the Commission decided that a different, more collaborative approach to working with the region’s councils and their communities would be undertaken.

Councils and Commission explored council services with cross-boundary implications

Four council service areas were identified in consultation with the councils as key to the region’s future prosperity:

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

With the support and assistance of councils and council staff, technical reports on these areas were completed. These reports were presented to councils for their consideration in 2016.

This paper draws heavily from these reports.

Western Wellington no longer part of formal reorganisation proposal

In March 2017 the Commission released a draft proposal for a combined Wairarapa District Council. The districts west of the Rimutaka Ranges were not affected by the draft proposal and are no longer subject to the formal reorganisation process under Schedule 3 of the Local Government Act.

Up until March, the Commission had left the door open to including other changes in a draft proposal. However there was not sufficient council or community appetite to consider other structural changes as part of a reorganisation at the time.

Recommendations for councils' response

The Commissioners decided to continue the remaining three council function work streams under the Commission's general investigatory powers, so that we could draw that work to a conclusion by the end of this year (sections 30 and 31 of the Local Government Act 2002).

The Commission and councils have expended time and resources on joint work over the last two years. To wrap up this substantial body of work, the Commission has brought it together into this up-to-date statement of what has been done, and what is yet to be tackled.

The following sections of this report detail the outstanding challenges in integrated planning, transport and water services, and the Commission's recommended actions for councils.

The recommendations are not binding but councils are required by legislation to formally respond to them.

Integrated planning

Urban Wellington is made up of highly interdependent cities and districts

Wellington is unique within New Zealand in having its metropolitan urban area administered by five territorial authorities and one regional council. It is a highly interdependent area, with 55,000 people crossing council boundaries to work each day.

The key challenges facing metropolitan Wellington do not neatly fit within individual councils' administrative boundaries. Population growth and housing affordability, economic growth, infrastructure resilience, climate change adaptation, transport planning and operations all require cross-boundary collaboration to get the best outcomes. One council's response or lack of response to these challenges impacts on its neighbours' residents and the region's economy.

Wellington's councils recognise this interdependence. In response, they integrate their work through officer led working groups, ad hoc collaborative agreements on specific issues, and formal joint council structures such as the Wellington Regional Emergency Management Office (WREMO), the Wellington Regional Economic Development Agency (WREDA) and Wellington Water.

Integrated planning across council boundaries would improve local government's effectiveness

Feedback from many of the region's key stakeholders is, however, that there is considerable scope to improve councils' joint planning work, in terms of the time and cost taken to reach decisions and quality of outcomes reached.¹ The feedback also indicates that the region would benefit from an overarching framework that provides improved integration across all sectors and a more effective vehicle to address key issues facing the region.

Integrated planning refers to a framework within which communities makes choices and implement action on issues collectively faced. The collaboration produces more effective overall results than when local authorities operate individually. 'Framework' refers to a fixed long-term structure established to deliver specified outcomes. Integrated planning could include spatial planning, but is a broader concept.

In its broadest application, integrated planning requires the participation of all stakeholders involved in making investment decisions relating to an area's housing, infrastructure, education and health, transport, economic growth, and social and cultural wellbeing. The role of local authorities is to establish, in concert with stakeholders, an effective framework within which such planning can occur. Effective integrated planning influences the internal planning processes of all key partners so that their respective plans and investments are directed towards a common vision.

¹ Boffa Miskell, NZIER, Hill Young Cooper 2017.

The critical value propositions for integrated planning are those of time and efficiency. While good progress can be made through existing collaborative processes, such progress can take considerable time in terms of interfacing with various council divisions, governance groups and decision-making processes. This complexity can add not only to the cost, but also to the length of time required to make decisions on issues of common concern across local authorities and other relevant agencies in the region.

The economic arguments for a regionally integrated planning framework for local infrastructure and cross-boundary council activities are that the resulting activity and investment will be more efficient because councils are able to:

- leverage economies of scale and scope that are not available to them individually
- present a more credible and complete proposal to external stakeholders, particularly central government
- avoid costs of delays to infrastructure upgrades – mainly loss of productivity

It will be more effective because councils are able to consider more comprehensive solutions to cross-boundary challenges and ensure these solutions are implemented in a timely way.

It is difficult to quantify the economic costs and benefits of futures with and without an integrated planning approach because infrastructure projects typically enable rather than directly produce changes in service levels and economic activity. A starting point for estimating the upper limit of the efficiency and effectiveness benefits from improved co-ordination would be:

- Economies of scale and scope – a low single digit percentage of the total expenditure by individual councils.
- Avoidance of delays in the commencement of projects requiring central government funding or a lower than expected share of central government funding for transport due to the region not putting a unified case to central government.
- Avoidance of productivity losses and social costs to the region from delay in infrastructure upgrades, which are likely to be a very small percentage of regional GDP and difficult to attribute solely to lack of co-ordination. (A recent study by NZIER of transport congestion estimated the total cost of congestion at 1 to 2 percent of Auckland GDP but the study also noted that a full cost-benefit analysis would be required to determine net gain from changes to the transport network to reduce congestion.)

There are significant barriers to councils agreeing to integrate planning

Councils' appetite for co-ordination will be limited by the short-term cost of cooperation. Cooperation has the potential to result in decisions on local issues being slower than they expected where the priorities of a group of councils differ from those of individual councils. This makes it challenging for integrated planning to get off the ground.

Case studies of integrated planning in other parts of New Zealand showed that as a prerequisite, all territorial authorities needed to have an understanding that there would be better outcomes and they would be in a better position to address the region's issues if they started planning together. This highlights a collective action problem for councils. The impacts of decisions and actions that flow across boundaries affect the metropolitan Wellington community, not just the residents of the districts concerned. However the affected residents from other districts are not represented at the decision-making table. It can be challenging to demonstrate in dollars and cents that each individual council will be better off as many of the benefits are qualitative and spread across the metropolitan area.

There are many other challenges to achieving integrated planning including getting council agreement on governance arrangements and on-going funding, and their commitment to implement the outcomes of any joint planning process.

Leadership by mayors and councillors overcame the barriers to successful joint governance in other regions

Integrated planning in other parts of New Zealand demonstrates it is possible to overcome these barriers. Greater Christchurch, Western Bay of Plenty and the Waikato have multi-council integrated planning arrangements in place. These arrangements deal with growth and other cross-boundary challenges, and have seen benefits to their areas.

The main driver for initiating these joint arrangements was managing growth. However, in each case the scope of the joint planning did not focus on a single issue. Rather it addressed sub-regional issues in a comprehensive manner. This broad scope approach recognises the interrelatedness of planning for population changes and tackling affordable housing provision, efficient infrastructure provision, transport congestion (meaning both public transport and roading), and economic growth.

The Waikato Plan development phase involved 15 local authorities as well as strategic partners from central government, iwi and business, arguably more complex governance than the Wellington region. One significant success for the region attributed to tight regional collaboration was securing more than \$1 billion of funding to finishing the Waikato Expressway. Similarly, SmartGrowth in the Western Bay of Plenty has enabled the area to present a strong united voice in discussions with central government for significant longer-term government funding.

The Greater Christchurch Urban Development Strategy (GCUDS) involves four councils, Te Rūnanga o Ngāi Tahu, NZTA and the Canterbury DHB. It was first developed before the Canterbury earthquakes. Having the GCUDS already in place before the earthquakes meant the region was better placed to accelerate future housing development for the recovery than it might otherwise have been.

In each case, the processes took significant time and investment from the partners. Several evolutions of the governance and project structure were also required either to find a path to make progress or to adapt to changes in the area's needs.

The key success factor for these arrangements was leadership from the region's mayors and councillors. Leadership has played a critical role in these successful collaborations, helping to drive and shape the process and its ongoing development, implementation and review.

In the Waikato and Christchurch examples, the appointment of an independent chair was another success factor. The GCUDS's independent chair's role was one of facilitation, leadership, and advocacy, with an emphasis on consensus decision-making and anchoring strategy implementation effectively through the partner councils.

To support elected representatives to take that leadership role, a third success factor in the Waikato has been a team of council officers dedicated to the project, and a senior official to champion the work within the partner councils. A small dedicated team can build trust and confidence in the joint project by providing the joint committee and partner councils with consistent information about optimising regional and local outcomes.

Officer-led collaboration has its limitations

The usual way councils collaborate across boundaries involves council officers regularly meeting and coordinating their efforts with their colleagues in equivalent roles. Council officers have the challenging task of trading-off the region's objectives with representing their own council's interests. Despite officers' best intentions, this can lead to a lowest common denominator outcome – one that all councils can agree to because it has limited impact on them.

The *Wellington Region Natural Hazard Management Strategy* has been four years in development and was adopted by affected councils in 2017. Its implementation through district plans is about to commence and “will largely be able to be undertaken within existing work programmes and budgets currently funded in the long term plans of the partner councils.”² The outcomes of the work include regionally consistent hazard provisions in district plans, regional LIM report templates and joined up public education and engagement programmes. This type of ‘good practice’ coordination, while valuable, is an illustration of the type of outcome to be expected from an officer-led process. More substantive outcomes would require a different structure.

The Waikato Local Authority Shared Service (WLASS) is an example of a dedicated entity that works across the region and addresses the problem of officers' conflicting drivers. It is also more transparent and accountable than an officer-led process. The WLASS was created in 2005 and is jointly owned by the 12 Waikato councils. It is a legal entity that can enter into contracts and agreements with external suppliers and reduce costs for member councils. Member councils provide an annual levy, depending on their size, and savings are similarly shared. Examples of the services shared under WLASS are the Waikato Building Consent Group and the Waikato Road Asset Technical Accord (RATA), which provides strategic asset management advice for roading for nine of the twelve member councils. Smaller services are also shared, such as energy management, procurement, historic aerial photos, and a property valuation data service.

² https://upperhuttcity.com/wp-content/uploads/2017/04/Policy_Committee_Agenda_030517_Item_A9.pdf
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Government's urban capacity policy strongly encourages joint council planning

The government's National Policy Statement on Urban Development Capacity (the NPS-UDC) requires councils to ensure there is sufficient housing and business land development capacity in the short, medium and long term. The NPS-UDC strongly encourages councils that share an urban area to work together to implement it, cooperating and agreeing on

- the preparation and content of a joint housing and business development capacity assessment and
- the provision and location of sufficient feasible development capacity.³

Metropolitan Wellington, as a medium-growth urban area, is working on a joint capacity assessment, due to be completed by December 2018. The capacity assessment will provide councils with quality information on which to make decisions about housing and business land capacity. The assessment will also quantify the level of interdependence between Wellington's cities/districts, and the level of efficiency that could be gained from a joint response, if supply is not meeting demand for some or all housing and business land types.

The NPS-UDC also requires the councils to work with the providers of non-council infrastructure to implement the policy. This includes providers of telecommunications, schools, healthcare, energy, and community infrastructure. It is difficult to see how Wellington's councils could coordinate with these providers separately. A joint council framework of some kind would be needed to avoid these infrastructure providers facing a heavy transaction cost burden.

Opportunity for councils to consider a more efficient and comprehensive integrated planning approach

There are clear benefits to integrating planning across council boundaries. The optimal solutions to the urban Wellington's transport, climate change adaptation, and housing affordability challenges, for example, are not within one council's mandate.

Other regions with equally fragmented governance have found ways to get past the significant barriers to respond jointly to some of these issues. Council officer led arrangements will not be sufficient to tackle these issues in a timely way. In other parts of New Zealand, progress has required elected representative leadership, an independent chair, a team of council officers dedicated to the project, and a senior official to champion the work.

The NPS-UDC strongly encourages councils to integrate their planning to ensure housing and business land supply meets demand. In responding to the NPS-UDC, Wellington's urban councils have an opportunity to put in place an efficient governance framework that captures the many other benefits from integrated planning and avoids placing a significant burden on stakeholders.

³ Ministry for the Environment and Ministry of Business, Innovation and Employment, 2016.

Land transport

The transport network is under pressure and this will only increase in the future

Transport planning and service delivery arrangements are more complex in Wellington than in other metropolitan centres because of the extent to which responsibility for the network is divided among the region's councils. People and freight frequently cross these jurisdictional boundaries as they move to and from work, to and from the port or airport, and in and out of the region. State Highways make up most of the high volume roads joining Wellington's districts and cities, and Greater Wellington is the planner and purchaser of public transport services across the entire region. However, decisions taken or not taken in one council's district can have flow on effects across the network in other councils' districts.

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

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

The resilience of the network as a whole is an issue for all councils. As Greater Wellington Regional Council put it in 2015 “regional infrastructure that is vulnerable to disruption by unplanned events is potentially resulting in an unacceptable cost of severance and restricted ability to recover over time.”⁴ Wellington has limited number of routes connecting districts and connecting the metropolitan area to the north. These are vulnerable not only to high-impact low-probability events such as large earthquakes but also low-impact high-probability events, such as landslips, storms floods, road traffic crashes, and, in future, impacts of sea level rise. These low-impact high-probability events can have effects that cascade across a significant part of the network affecting the region's lifelines, and travel by residents of multiple districts. NIWA projections of the impacts of climate change (more frequent extreme weather events, and sea level rise) increase the level of vulnerability.

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

There are two specific challenges in transport for the region's councils to address jointly:

- fragmented transport decisions and operations for the metropolitan councils

⁴ Greater Wellington, 2015.

- constraints on capability for strategic advice, planning and service delivery by councils⁵

Fragmentation impacting on productivity

The issue of fragmentation is not just that different decision-makers have control of different parts of the network, but also that nobody has responsibility for transport outcomes across the metropolitan area as a whole. The Regional Land Transport Committee, with members from each of the region's councils and NZTA, considers the region's network as a whole and is supported by a transport planning team based in the regional council. Its role is to prioritise and align individual council's roading projects for National Land Transport Fund funding. However, as each individual council is a roading authority, the regionally agreed priorities may not be implemented. Local roading decisions can also impact adversely on the public transport network efficiency and vice versa. This implementation issue covers a range of dimensions but includes poor alignment between:

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

The present arrangements tend to favour local priorities over regional ones where the two are in conflict.⁶ The fragmentation can mean investment in transport can be less than ideal, take a long time to decide on and implement, or be done inefficiently. Even small gains in efficiency can be important given the level of expenditure is in the hundreds of millions each year. Delays can have wide-ranging impacts on outcomes. Examples of issues include:

- negative impact on productivity
- new (sub-urban) developments not being suited to public transport access or blocking future by-passes
- delays in implementing enhanced public transport arrangements
- delays in the development of corridors providing arterial access across the region.

Capability constraining councils' effectiveness

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

The underlying cause of the capability constraint is the small scale of the transport units at some councils. This makes it hard to attract senior staff and expensive to employ technical

⁵ Martin Jenkins, Cranleigh, TDG 2016.

⁶ Martin Jenkins, Cranleigh, TDG 2016.

specialists, whose skills may not be needed all the time in a small council (i.e. diseconomies of scale). There are a number of potential consequences of this situation including:

- constraints in transport planning at the territorial authority level
- difficulty in meeting planning and funding compliance requirements, which tend to increase over time
- constraints on strategic advice to councils, e.g. relating to asset management
- risks to the efficient management of service delivery
- constraints on access to specialist technical services (although these can often be bought in)
- the region does not offer a transport organisation of sufficient scale to provide career opportunities and attract new talent.

A range of options open to councils

Responding to these challenges is not straightforward.

A comprehensive indicative business case report tested four possible responses:⁷

- “Wellington Transport” – an organisation owned by councils would take over all council responsibility for roading and public transport
- “Wellington Roads, Paths and Cycleways” – an organisation owned by councils to take over council responsibility for roading but not public transport
- pooled technical support – a single pool of skilled transport expertise to provide advice to all councils who contribute to the pool
- improving alignment of planning and coordination among councils and NZTA without changing council responsibilities or structures

The business case did not determine a preferred response. This was to allow each council to apply their own weighting to the benefits and risks in the report. Some responses require legislative change to implement. However, even without legislative change, there is a range of possible options and variations on options open to councils. Wellington Water could provide a model.

Ad hoc arrangements have limitations

Over the last two years, the ‘Let’s Get Welly Moving’ joint partnership between Wellington City Council, Greater Wellington Regional Council and the New Zealand Transport Agency has been an attempt to address this fragmentation for one corridor – the Ngauranga to Airport transport corridor. This part of the network is under significant pressure. As a result

⁷ Martin Jenkins, Cranleigh, TDG 2016.

of the Basin Board of Inquiry, all parties were forced to confront the need for a changed approach.

The partnership is supported by considerable resources from its three members and has generated a solid evidence base of community preferences and technical expertise. The evidence will help decision-makers decide on a preferred option to put through the Land Transport Management Act and Resource Management Act processes.

Implementation is likely to require commitment from all three parties to implement their part of the preferred option. This will be contentious; there may be no obvious community consensus on the solution or the communities' preferences may be unaffordable. Councils will need to make the judgment calls – as they do around the council table every meeting. Highly contentious issues are challenging enough for one council's councillors to agree on – let alone two councils and a Crown entity.

Such arrangements have the advantages of low set-up costs and short set-up times. However, the partnership has been criticised for not yet producing any tangible outcomes.⁸ It is not unreasonable for the community engagement process for a transport project such as this one to take one to two years to reach its conclusion. However, if decisions and action are repeatedly deferred, then the community should be critical of its leaders.

Further ad hoc arrangements could address other fragmentation issues in the future. However, the complexity and inertia of such arrangements would increase enormously if more than one territorial authority is involved and there is more than one arrangement underway at once.

The main flaw in an ad hoc approach is that it would remain very difficult to optimise the network as a whole when trouble spots are worked on separately. Further, the opportunities and risks to optimising the network as a whole will be missed unless there is strategic capability dedicated to advising councils on that purpose.

Taking a formalised strategic approach will improve Wellingtonians' transport network

The region could continue down the path of creating ad hoc joint arrangements to deal with fragmentation on an issue by issue basis. However, an effective, timely response to the region's transport fragmentation and capability issues requires a new approach from the region's mayors and councillors.

⁸ <https://www.wecc.org.nz/news-and-info/media-releases2/wecc/transport-plan-delays-must-be-worth-the-wait,-says-chamber>

There are several different models for councils to build on: the indicative business case models, the Wellington Water experience, and the integrated planning examples from elsewhere in New Zealand discussed earlier in this report. Regardless of the model adopted, success will require:

- leadership from the region's mayors and councillors to ensure joint decisions are made and implemented in a timely way
- strategic and expert advice that is trusted by the partner councils

Water services

Urban Wellington better off with Wellington Water model in place

There has been significant and positive change in the arrangements for the planning and delivery of water services in metropolitan Wellington over the past three years. Five of the six councils (encompassing the whole of an integrated drinking water network) are now working through the jointly-owned shared services organisation Wellington Water.

This has put in place a set of governance and management arrangements that better position Wellington to meet the challenges of providing efficient, effective and resilient water infrastructure into the future.

Wellington Water is jointly owned by the participating councils. It provides a single shared pool of asset management expertise, advice and operational capacity available to all the councils in relation to drinking water, wastewater and stormwater. While each council continues to own its own assets, and to provide funding for work on its own assets, Wellington Water effectively manages the whole network across boundaries. An independent board directs the company's operations, while political oversight is provided by the Wellington Water Committee on which councils are represented.

Wellington Water is still however a new and developing organisation. How successful it will ultimately prove to be will depend upon the continued commitment of the owners to the arrangement, and their active support of its continued development. Key aspects of the success of the model are:

- The separation of the day-to-day governance of the company's operations from higher level political direction setting by having an independent board of professional directors
- The 'trusted advisor' model which accepts the company as the expert advisor to all councils on water matters, rather than just a provider of services to the councils, and which eliminates duplication of resources between the company and nearly all councils
- The 'one budget' approach by which councils fund the company once for a whole year's work. This allows the company to use a single set of budget and financial systems, and allows the company to make its own resource adjustments between the company and the work programme to achieve best value
- The company's ability to develop a network-wide, service-oriented long term view of the area's water infrastructure rather than a district by district one.

Important progress has been made to mature the model

Wellington Water was formally established in September 2014. The Commission was keen to gain some assurance about its likely effectiveness. It also wanted to consider the situation of those councils not currently part of Wellington Water. To do this the Commission asked Mott MacDonald to undertake a scoping report to provide advice on whether there were grounds for a further detailed review of current three waters arrangements.

Mott MacDonald considered that Wellington Water, though in its infancy, was showing signs of providing a more efficient and effective service than previous approaches. The consultants saw the underlying model (with councils retaining asset ownership) as having limitations compared to the alternative model of an asset owning CCO such as Watercare in Auckland. Overall, however, they concluded that further major change would risk derailing the progress made to date, and that the current model needed stability and support to allow it to mature and develop.

The consultants made a number of recommendations to Wellington Water and its owners for positive steps to get best value from the newly established Wellington Water. Among these were:

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

They also recommended that attention be given to the potential advantages of greater cooperation between Wellington Water and the non-owning councils in the region, and suggested that in the longer term the owners might revisit the question of asset ownership.

These were all things within the power of the owning councils rather than requiring action by the Commission. A number of the recommendations were matters which Wellington Water had already identified and was seeking to advance.

In early 2017 a Wellington Water Forum was convened at which Wellington Water reported on progress with the development of the organisation and its business practices, and specifically addressing the recommendations from the Commission's consultants.

The Commission considers the progress being achieved by Wellington Water to date has been encouraging, and that provided it continues to enjoy the active buy-in and support of its owners has the potential to bring about significantly improved outcomes in terms of water services for the people of Wellington.

Greatest potential gains still in the future

In addition to the efficiencies and ongoing improvements in asset management that are starting to be achieved, Wellington Water is beginning to show advantages in a number of other areas such as:

- improved ability to respond to external factors such as emergencies and changing regulatory requirements
- a better basis for collaboration with central government in terms of achieving funding for resilience work
- the ability to contribute to issues beyond the region such as the Havelock North enquiry
- an improved relationship with GWRC as regulator by being able to better integrate service delivery and environmental objectives

Central government has been critical of how long it has taken for Wellington's urban councils to take action to mitigate the risks to its urban water supplies in the event of a major earthquake, despite "having been aware of the problem for decades".⁹ Having Wellington Water in place has meant that the Wellington urban councils are now better able to tackle resilience.

By Wellington Water's own assessment the greatest potential gains are still in the future as the organisation matures, and the improved planning, asset management and business processes it is developing are rolled out. Achieving these gains will require the councils to maintain their active commitment to the organisation and to a long-term strategic approach to water services across the metropolitan area.

Owner councils' continued commitment needed to realise benefits

The Commission recommends to the owning councils that they continue to actively support the development of Wellington Water and specifically support

- maintenance of the 'trusted advisor' basis of the relationship between Wellington Water and the councils
- implementation of the 'one budget' concept
- Wellington Water's development of optimised 10 year "Service Plans" and 30 years "Infrastructure Plans
- Wellington Water to develop a more direct relationship with customers
- Wellington Water to have the scope to respond to emergencies in an agile manner.

⁹ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-review-Cabinet-Paper_Redactions-applied/\\$file/Three-waters-review-Cabinet-Paper_Redactions-applied.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-review-Cabinet-Paper_Redactions-applied/$file/Three-waters-review-Cabinet-Paper_Redactions-applied.pdf) para 17.

Wellington Water now represents a centre of expertise in three waters management which can provide valuable support to other councils in the region. The Commission recommends that South Wairarapa, Carterton, Masterton and Kāpiti Coast District Councils consider whether joining Wellington Water could improve the efficiency and effectiveness of their three-waters services to residents and ratepayers.

While increasing the breadth of Wellington Water is valuable, we encourage Wellington Water to focus on its core work with and on behalf of its owning councils, particularly on resilience. Resilience is not just emergency management, but the ability to cope with and invest for future change. It is by deepening and strengthening the Wellington Water model that the biggest gains are to be had.

Conclusion

Looking across the work done on the three council responsibilities and the Wellington Water experience, there are two important themes for councils entering into voluntary joint arrangements:

- Mayors and councillors taking the lead
- The value of dedicated, trusted advice

Mayors and councillors taking the lead

Transport and integrated planning can only be addressed at a governance level with a decision to change how things are done in the Wellington region. The solutions to the region's challenges are not solely technical ones that can be delegated to council officers to resolve. If left to ad hoc arrangements as now, joint council processes will continue to be slow, inefficient and result in sub-optimal outcomes. This will be reflected across housing affordability, economic growth, infrastructure resilience, climate change adaptation, transport and land use planning. Leadership from Mayors and councillors was key to progress in other parts of New Zealand.

Taking the lead requires support at a governance level. For planning, an independent chair will be needed to facilitate consensus decision-making and anchor implementation effectively through the partner councils. Examples elsewhere in New Zealand and Wellington Water have shown the value of having an independent board working under clear direction from elected governors. This may be needed for transport operations to help clearly differentiate roles in a complex governance environment.

The value of dedicated, trusted advice

Strategic advice, from a group of council officer experts, dedicated to considering issues from a sub-regional rather than an individual council perspective, will help Mayors and councillors to optimise the regional and local benefits.

Having Wellington Water in place has meant that the Wellington urban councils are now better able to tackle resilience than they were in the past. Wellington Water has put considerable effort into becoming the 'trusted advisor' to its owner councils. It provides each of them with consistent strategic advice, understanding and consistently communicating both the region's and each councils' needs. Councils need to be receiving this consistent, strategic advice to get past collective action problems.

The urban development capacity information being developed by councils in response to the government's NPS-UDC will provide councils with consistent data on which to base their decisions. However, without consistent advice on the trade-offs for the region and each district in considering that data, the optimal outcome for urban Wellington is less likely.

A dedicated resource would also improve the transparency and accountability for ratepayers and residents – in terms of both the advice provided and the cost of providing that advice. Considerable council officer time can be sunk into joint arrangements, but the opportunity cost is not transparent and the outcomes from that investment unclear.

Glossary and Acronyms

Integrated planning	<p>Integrated planning refers to a framework within which communities makes choices and implement action on issues collectively faced. The collaboration produces more effective overall results than when local authorities operate individually. 'Framework' refers to a fixed long-term structure established to deliver specified outcomes.</p> <p>In its broadest application, integrated planning requires the participation of all stakeholders involved in making investment decisions relating to an area's housing, infrastructure, education and health, transport, economic growth, and social and cultural wellbeing. The role of local authorities is to establish, in concert with stakeholders, an effective framework within which such planning can occur. Effective integrated planning influences the internal planning processes of all key partners so that their respective plans and investments are directed towards a common vision.</p>
Metropolitan Wellington councils	Wellington City, Upper Hutt City, Hutt City, Porirua City, Kāpiti Coast District and Greater Wellington Regional Councils.
Spatial planning	A 20 - 30 year strategy that sets the strategic direction for a community to form the basis for the co-ordination of decision-making, infrastructure, services and investment. It is a means of aligning other council plans, as well as providing a visual illustration of the intended future location, form and mix of residential, rural and business areas, along with the critical transport and infrastructure required to service those areas and any relevant environmental constraints (for example, natural hazards). It is a sub-set of integrated planning.
The Commission	the Local Government Commission
Urban Wellington	The area including the cities of Wellington, Upper Hutt, Lower Hutt, and Porirua, and Kāpiti Coast District
DHB	District Health Board
GCUDS	Greater Christchurch Urban Development Strategy
GDP	Gross Domestic Product
GWRC	Greater Wellington Regional Council
NPS-UDC	National Policy Statement on Urban Development Capacity, promulgated under the Resource Management Act 1991
NZIER	New Zealand Institute of Economic Research
NZTA	New Zealand Transport Agency

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