
REPORT 4
(1215/52/IM)

REVIEW OF GOVERNANCE IN THE WELLINGTON REGION – CONSIDERATION OF REPORT FROM PRICewaterhouseCOOPERS AND WAY FORWARD

1. Purpose of Report

This report provides the Strategy and Policy Committee with a summary of PricewaterhouseCoopers' (PwC) report on the review of governance in the Wellington region released in October 2010, and an analysis of public feedback received on the report. It seeks agreement on the way forward prior to the Mayor discussing next steps with her Mayoral colleagues at the Mayoral Forum scheduled for Friday 4 March 2011.

2. Executive Summary

Terms of Reference and a work programme for a review of governance in the Wellington region (copies attached), approved by the councils in the Wellington region, were formally approved by Wellington City Council's Strategy and Policy Committee on Thursday 11 February 2010.

The purpose of the governance review is to look at the region's current governance arrangements and critically assess whether they are optimal for taking Wellington into the future. PricewaterhouseCoopers (PwC) was appointed by the councils in the Wellington region to undertake the research and analysis components of the work programme. Their work was intended to help the region and the public better understand the issues to help inform the governance debate.

PwC's report, completed in October 2010, was discussed at the Mayoral Forum on Wednesday 24 November 2010. The Mayoral Forum agreed to release the report and this information was included on the Wellington City Council web site on Friday 26 November 2010. Through the web, feedback and views were sought on the issues raised in the report. An analysis of the feedback received is provided later in the report.

Officers have reviewed PwC's report and are of the view that there is value in doing further work around the key opportunities identified in the report. Prior to the development of options, analysis of governance as it relates to the three waters, transport and economic development could yield positive results for

Wellington city and the region. In addition further work around shared services across some administrative functions may be considered sensible, and regional amenities could also be added as this project is currently well under way.

3. Recommendations

Officers recommend that the Committee:

1. *Receive the information.*
2. *Note that the Mayor is due to discuss the PriceWaterHouseCoopers report and next steps in the review of governance in the Wellington region at the Mayoral Forum scheduled for Friday 4 March 2011.*
3. *Agree that the Mayor recommends to the Mayoral Forum that further work be done before proceeding to phase three of the governance review (development of options), focussing on those areas that present the best opportunities for improvement:*
 - (a) *the three waters*
 - (b) *regional amenities*
 - (c) *transport*
 - (d) *economic development*
 - (e) *back office services.*

4. Background

Governance arrangements affect the capacity of an organisation to plan and make strategic investments on an integrated, often region-wide, basis, respond to key drivers and solve larger and longer-term challenges effectively.

Wellington City's key drivers include Auckland's increasing influence at a political and economic level; central government's discussions on the role of local government, and pressure on cost efficiencies as a means of keeping rate rises down; the need for increased economic growth; and increasingly diverse communities but with declining levels of participation in local government. Any changes to Wellington's current governance arrangements should aim to help Wellington City respond to each of these drivers and others identified as part of the review.

While the context for the review was the creation of the new Auckland Council, and the desire for Wellington to determine its own future before it was imposed from either central government or some other external pressure, it now appears clear that governance reform in the Wellington region is not a priority for central government. Officers therefore suggest focussing on the areas of governance that present the best opportunities for improvement: shared services and areas of common interest in the region where greater co-operation or more focussed efforts will produce better outcomes. The priority areas would need to be debated and agreed across the region, but we would suggest a

starting list of the three waters, regional amenities, transport, and economic development. PwC's report notes that Chief Executives' main areas of concern were economic development, transport and the three waters.

5. Discussion

5.1 PricewaterhouseCoopers Key Findings

PwC note that:

- if there is no legislative imperative, local government units will not give up power and control... and if Wellington as a region is to succeed, it will require a bolder approach and strong political leadership to drive the necessary change
- all the studies considered during the review point towards the necessity for change, and that the status quo is not a sustainable option in the longer term
- change of a structural nature will be more effective than a collaborative model if the region wishes to make any significant progress
- progress in a number of areas could be accelerated if the responsibilities for planning, funding and delivery of infrastructure and services was not separated between the councils
- spatial planning is an integral part of any solution/option and they recommend this approach be replicated as a positive initiative by the Wellington region. However, they envisage difficulties in implementation as it would require agreement and commitment from the Councils
- operating competitive land use activities within the same metropolitan areas is likely to run contra to 'agglomeration' arguments and lead to low productivity
- the opportunity presented by a stronger regional approach also potentially provides benefits beyond the ability to influence central government
- globalisation and the ease with which both people and investment can move rapidly around the world are challenges the region will need to address if it wants to both ensure growth and influence the way growth occurs
- there are a number of opportunities that the region could pursue, many of which could be implemented without structural change, but would require deep collaboration
- Councillors' and Chief Executives' major areas of concern were economic development, transport and the three waters
- External shareholders interviewed considered the status quo is untenable going forward
- External shareholders articulated a clear preference for a single unitary authority for the region, subject to addressing issues of local representation.

5.2 Analysis of Feedback Received on PwC's Report

To date feedback on PwC's report has been received from four individuals, including the former Chief Executive of the Wellington Regional Chamber of Commerce. The Wellington Employers' Chamber of Commerce have also advised that they will be providing feedback. One respondent expressed the view that the current regional governance arrangements have failed to evolve to meet the needs of a modern society. They consider that the appropriate structure for the Wellington region is to have a single city model, with a head office located centrally in Lower Hutt. In addition they suggest that a range of services be delivered electronically and that the current ward system of voting be abolished.

A second respondent believes that the current governance arrangements should be retained as a means of maintaining effective representation. They are of the view, however, that a wide range of services could be delivered as shared services between councils.

A third respondent stressed the need for the review to consider what he sees as the three top priorities for ratepayers:

1. A strategic plan for reducing rates
2. A strategic plan for reducing fees and charges
3. A strategic plan for reducing resource management fees.

The fourth respondent argues that rationalisation of local government in Wellington is essential to achieve efficiency gains, allow for better planning and to improve the opportunities for the region to compete with Auckland.

5.3 Comments on PwC's Analysis

Officers have had the opportunity to review PwC's report and offer the following advice. We believe the report could benefit from further analysis to assist councillors and the public better understand the governance issues for the future. In particular we see there being value in doing further work around the key opportunities identified in the report, specifically the three waters, transport and economic development. Further work around shared services across some administrative functions may be considered sensible, and regional amenities could also be added as this project is currently well under way.

In addition, identifying the specific needs of the region as a first step in helping to determine what the optimal governance arrangements are for successfully taking Wellington and the region into the future would be useful.

The emphasis in PwC's report is on describing current activities and issues in relation to governance. The report does not discuss the role of the community in the review process and in decision making in general and a consideration of these factors would be valuable.

5.4 Proposed Way Forward

The agreed work programme for the Regional Governance Project is in six parts spanning research; analysis; options; identification of preferred option; and a formal public engagement process before a final decision is made in late 2012. Officers recommend that the Strategy and Policy Committee agree areas of priority for shared services and possibly new governance arrangements based on those issues that have the potential to yield the greatest positive difference for the region prior to the development of options – either in terms of savings/efficiencies, more effective services and governance, or promoting sustainable economic growth and attracting new investment. Following agreement with councillors, officers recommend that the Mayor discuss this approach with her Mayoral colleagues at the Mayoral Forum scheduled for Friday 4 March 2011.

The PwC report highlights the areas of the three waters, transport and economic development. Regional amenities could also be added, as the project is well under way and a positive result would support the region to continue to be an attractive place to live and do business. Shared services across some administrative functions may also be considered sensible.

Shared services should not just be seen in a regional context – in some instances, it may make more sense to look at shared services arrangements with other metropolitan areas that have the scale and expertise to derive greater mutual benefit, for example leveraging off the scale and expertise developing in the Auckland triangle of Auckland, Hamilton and Tauranga.

This approach would mean that:

- the region's commitment to improving governance and services continues, consistent with the 2010 – 2013 Wellington Regional Triennial Agreement, which requires councils to work together on regional governance and regional amenities
- elements of PwC's report are acted on
- councils' efforts on behalf of ratepayers are focussed on efficiency gains and leveraging benefits important for the city – region's future.

5.5 Consultation and Engagement

A formal consultation and engagement process has been included as phase five in the governance review work programme between March and June 2012. In addition, feedback was sought on PwC's report and an analysis of the feedback received is discussed at paragraph 5.2.

5.6 Financial Considerations

Wellington City Council has contributed to the cost of PwC's report. Any further contributions to the review process, in addition to staff time, will need to be considered as part of the ongoing work on the governance review.

5.7 Climate Change Impacts and Considerations

There are no climate change impacts in the consideration of PwC's report.

5.8 Long-Term Council Community Plan Considerations

Wellington City Council has agreed to a work programme for the governance review which will be included in the Council's Long Term Plan.

6. Conclusion

PwC has reported back on the review of governance in the Wellington region. The Mayoral Forum has not endorsed the report findings and will be discussing next steps when they meet on Friday 4 March 2011.

In our view further work around the key opportunities identified in PwC's report, specifically the three waters, transport and economic development, and shared services and regional amenities would be beneficial, before proceeding to the development of options for governance in the Wellington region.

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Supporting Information

1) Strategic Fit / Strategic Outcome

The review of governance in the Wellington region work programme supports Wellington's vision to be *an affordable, internationally competitive city*, and aligns with work being undertaken as part of the Council's Wellington 2040 project.

2) LTCCP/Annual Plan reference and long term financial impact

Wellington City Council has agreed to a work programme for the governance review which will be included in the Council's Long Term Plan.

3) Treaty of Waitangi considerations

There are no Treaty of Waitangi considerations at this stage in the work programme however, contact with both mana whenua groups will need to be made to discuss the research in more detail once this has been finalised.

4) Decision-Making

This report asks the Committee to agree to further work being done before proceeding to phase three of the governance review - development of options for governance arrangements in the Wellington region.

5) Consultation

a) General Consultation

A formal public engagement process is included as phase five of the governance review work programme scheduled to begin in March 2012.

b) Consultation with Maori

Further contact and conversations with both Wellington Tenth Trust, Port Nicholson Block Settlement Trust and Te Runanga o Toa Rangatira will be undertaken as part of ongoing discussions with both groups and as part of the formal public engagement process.

6) Legal Implications

There are no legal implications with the consideration of the PwC report.

7) Consistency with existing policy

The paper is consistent with existing policy.